



Code Of Ethics

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Institute's *Code of Ethics* extends beyond the definition of internal auditing to include two essential components:

Principles (integrity, objectivity, confidentiality, and competency) that are relevant to the profession and practice of internal auditing.

Rules of Conduct that describe behavior norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The *Code of Ethics* together with The Institute's Professional Practices Framework and other relevant Institute pronouncements provide guidance to internal auditors serving others. "Internal auditors" refers to Institute members, recipients of or candidates for IIA professional certifications, and those who provide internal auditing services within the definition of internal auditing.

This applies to both individuals and entities that provide internal auditing services. For Institute members and recipients of or candidates for IIA professional certifications, breaches of the *Code of Ethics* will be evaluated and administered according to The Institute's Bylaws and Administrative Guidelines. The fact that a particular conduct is not mentioned in the *Rules of Conduct* does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.

For the comprehensive Code of Ethics, visit "Guidance" at www.theiia.org.



Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In addition to fulfilling the duties described in the definition of internal auditing, professional internal auditors have several other characteristics in common. These characteristics, inherent in professionalism at its best, define the level to which all internal audit practitioners should aspire, the degree of respect to which management and the board pay the internal audit function, and the extent of the value internal auditors can bring to their organization's ethical operations.

Much is written about ethics and ethical behavior these days. From a global perspective, there appear to be discrepancies from country to country on what is considered ethical. Discrepancies on what is accepted as ethical behavior can also be found within the same country, from organization to organization. But this liberal view has no place in the world of internal auditing. Internal auditors are tasked with standing for what is right, for adhering to the highest ethical code, and for never yielding to pressures to bend the rules and alter the path.

Charged with monitoring organizational ethics, professional internal auditors adhere to The Institute of Internal Auditors' (IIA's) *Code of Ethics*. They possess a high level of trust and integrity within the organization, the skills to be effective advocates of ethical conduct, and the competence and capacity to encourage the organization's personnel to comply with their ethical responsibilities.

A case in point is Worldcom's internal auditor, Cynthia Cooper. She was unwavering in her integrity, her commitment to ethics, and her dedication to diligently performing her responsibilities. She admirably carried forth her duties of collecting and analyzing data, and then through the appropriate chain of command, delivering the results to the audit committee. What Ms. Cooper exemplified was professionalism – not heroism – and internal audit practitioners everywhere would do well emulating the example she set.

On a greater scale, ethics are as much an organizational issue as a personal issue. This is how the term "tone at the top" originated. Management should set, promote, and perpetuate an ethical climate at the very top of the organization. Only candidates with integrity and high ethics should be considered for positions within the organization, and the corporate culture should tolerate nothing less than ethical practices and behavior.

The professional internal auditor's role includes monitoring whether the organization's policies and procedures support ethical operations and whether processes are in place to mitigate any threats and risks to the organization's integrity and ethical reputation. This ties in closely, of course, with the internal auditor's responsibility to analyze the organization's entire system of internal control and governance processes to ensure they are effective and strong. The bottom line is that an ethical environment – from the boardroom to the mailroom – is one of the smartest and strongest internal controls management could implement.