

THE CODE OF ETHICS

The internal audit profession is founded on the trust placed in its objective assurance about governance, risk management, and control. As such, The IIA's Code of Ethics, comprising Principles and Rules of Conduct, is necessary and appropriate. Its purpose is to promote an ethical culture in the profession of internal auditing. It extends beyond the definition of internal auditing to include principles that are relevant to the profession and practice of internal auditing and rules of conduct that describe behavior norms and provide practical applications to guide the ethical conduct of internal auditors.

Breaches of The IIA's Code of Ethics by members and certification candidates or holders are evaluated and administered according to The IIA's Bylaws and Administrative Directives. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, resulting in disciplinary action.

Professional internal auditors are expected to apply and uphold the principles of integrity, objectivity, confidentiality, and competency. Integrity establishes trust and thus provides the basis for reliance on internal auditors' judgment. They exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in

forming judgments. They respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. They apply the knowledge, skills, and experience needed in the performance of internal audit services.

For the complete Code of Ethics, refer to the Professional Guidance section of The IIA's Web site at www.theiia.org.



Mandatory Guidance

Developed following the appropriate due process, including public exposure. Conformance with the principles set forth in mandatory guidance is essential for the professional practice of internal auditing.

Strongly Recommended Guidance

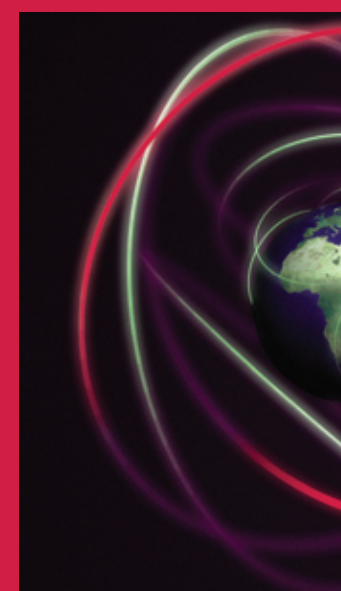
Describes practices for the effective implementation of The IIA's Code of Ethics, the Definition of Internal Auditing, and the International Standards for the Professional Practice of Internal Auditing (Standards). The guidance is endorsed by The IIA, and conformance is strongly recommended.

08/2016/BSF

IPPF OVERVIEW

DEFINITION	Statement of internal auditing's fundamental purpose, nature, and scope: <i>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.</i>
CODE OF ETHICS	<ul style="list-style-type: none"> Principles and expectations governing behavior of individuals and organizations in the conduct of internal auditing. Minimum requirements for conduct and behavioral expectations, rather than specific activities.
INTERNATIONAL STANDARDS	<ul style="list-style-type: none"> Basic requirements for the professional practice of internal auditing and for evaluating effectiveness of performance. Internationally applicable at both individual and organization levels. Principle-focused guidance for performing and promoting internal auditing: <ul style="list-style-type: none"> Attribute standards. Performance standards. Implementation standards. Interpretations that clarify terms or concepts within the statements.

POSITION PAPERS	Help a wide range of interested parties — including those not in the internal audit profession — to: <ul style="list-style-type: none"> Understand significant governance, risk, and control issues. Delineate internal audit-related roles and responsibilities.
PRACTICE ADVISORIES	<ul style="list-style-type: none"> Address approach, methodology, and considerations, but not detailed processes and procedures. Provide concise and timely assistance to internal auditors in conforming to the Code of Ethics and Standards and promoting good practices. Relate to international-, country-, or industry-specific issues; specific types of engagements; and legal or regulatory issues.
PRACTICE GUIDES	Provide information on how to conduct internal audit activities, including detailed: <ul style="list-style-type: none"> Processes and procedures. Tools and techniques. Programs. Step-by-step approaches. Examples of deliverables.



Online Resources

All of the International Standards for the Professional Practice of Internal Auditing, the other mandatory guidance, and an ever-growing repository of strongly recommended guidance are available online.

For more information, visit the Professional Guidance section of The IIA's Web site or e-mail guidance@theiia.org. To purchase hard copies of the entire IPPF, visit The IIA Research Foundation's online Bookstore or e-mail custserv@theiia.org.

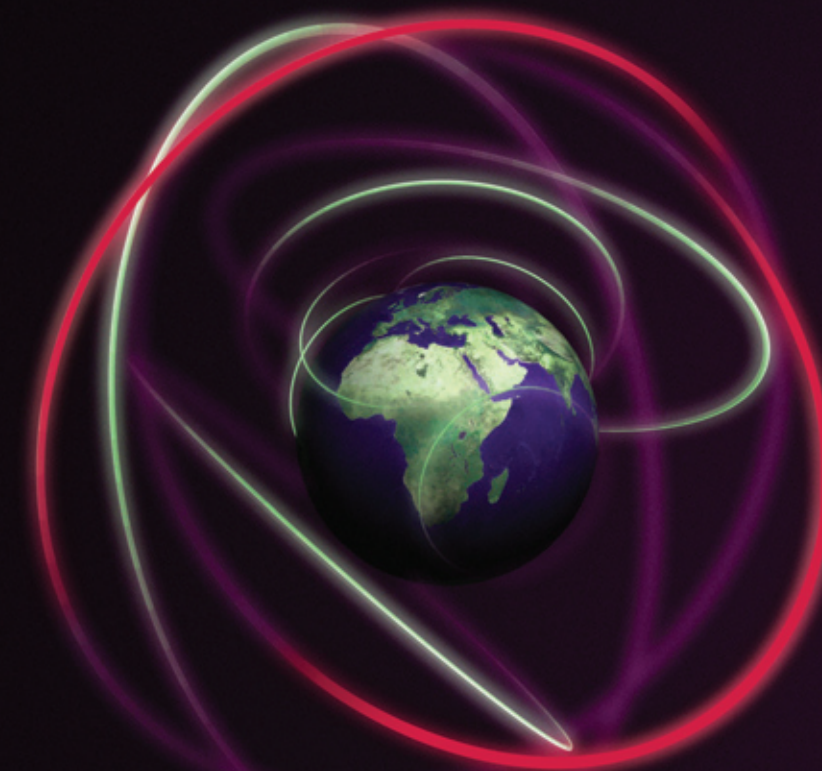
www.theiia.org

GLOSSARY

Add Value Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.	Compliance Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.	External Service Provider A person or firm outside of the organization that has special knowledge, skill, and experience in a particular discipline.	Must The Standards use the word "must" to specify an unconditional requirement.
Adequate Control Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.	Conflict of Interest Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.	Fraud Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.	Objectivity An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to subordinate their judgment on audit matters to others.
Assurance Services An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.	Consulting Services Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.	Governance The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.	Residual Risk The risk remaining after management takes action to reduce the impact and likelihood of an adverse event.
Board A board is an organization's governing body, such as a board of directors, supervisory board, head of an agency or legislative body, board of governors or trustees of a nonprofit organization, or any other designated body of the organization, including the audit committee to whom the chief audit executive may functionally report.	Control Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.	Impairment Impairment to organizational independence and individual objectivity may include personal conflicts of interest, scope limitations, restrictions on access to records, personnel, and properties; and resource limitations (funding).	Risk The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.
Charter The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.	Control Environment The attitude and actions of the board and management regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements: <ul style="list-style-type: none"> Integrity and ethical values Management's philosophy and operating style Organizational structure Assignment of authority and responsibility Human resource policies and practices Competence of personnel 	Information Technology (IT) Controls Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.	Risk Appetite The level of risk that an organization is willing to accept.
Chief Audit Executive (CAE) A chief audit executive is a senior position within the organization responsible for internal audit activities. Normally, this would be the internal audit director. In the case where internal audit activities are obtained from external service providers, the chief audit executive is the person responsible for overseeing the service contract and the overall quality assurance of these activities, reporting to senior management and the board regarding internal audit activities, and follow-up of engagement results. The term also includes titles such as general auditor, head of internal audit, chief internal auditor, and inspector general.	Control Processes The policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.	Information Technology (IT) Governance Consists of the leadership, organizational structures, and processes that ensure that the enterprise's information technology sustains and supports the organization's strategies and objectives.	Risk Management A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.
Code of Ethics The Code of Ethics of The Institute of Internal Auditors (IIA) comprises Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behavior expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.	Engagement A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.	Internal Audit Activity A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.	Should The Standards use the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.
Engagement Objectives Broad statements developed by internal auditors that define intended engagement accomplishments.	Engagement Work Program A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.	Information Technology (IT) Governance Consists of the leadership, organizational structures, and processes that ensure that the enterprise's information technology sustains and supports the organization's strategies and objectives.	Significance The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.
Engagement Objectives Broad statements developed by internal auditors that define intended engagement accomplishments.	Engagement Work Program A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.	International Professional Practices Framework (IPPF) The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative Guidance comprises two categories — (1) mandatory and (2) endorsed and strongly recommended.	Standard A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.
Engagement Objectives Broad statements developed by internal auditors that define intended engagement accomplishments.	Engagement Work Program A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.	International Professional Practices Framework (IPPF) The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative Guidance comprises two categories — (1) mandatory and (2) endorsed and strongly recommended.	Technology-based Audit Techniques Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques (CAATs).

IPPF

International Professional Practices Framework



The Institute of Internal Auditors

AUTHORITATIVE GUIDANCE

AUTHORITATIVE GUIDANCE FOR PROFESSIONAL INTERNAL AUDITING

A trustworthy, global guidance-setting body, The Institute of Internal Auditors (IIA) provides for internal audit professionals all around the world authoritative guidance organized in the International Professional Practices Framework (IPPF) as mandatory and strongly recommended guidance.



To ensure clarity about the IPPF and elevate the importance of conforming to the *International Standards for the Professional Practice of Internal Auditing (Standards)*, this document depicts the comprehensive guidance hierarchy for the internal audit profession, specifically providing an overview of the mandatory components of the framework. The document has been developed primarily for internal auditors — IIA members, candidates for or holders of IIA professional certifications, such as the Certified Internal Auditor® (CIA®); and other individuals and entities — who provide internal audit work as defined by the definition of internal auditing. However, it should prove useful and informative to oversight entities, executive management, and other stakeholders of professional internal auditing and effective organizational governance.

THE INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

ATTRIBUTE STANDARDS	
1000	Purpose, Authority, and Responsibility
1000.A1	Purpose, authority, and responsibility for assurance
1000.C1	Purpose, authority, and responsibility for consulting
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter
1100	Independence & Objectivity
1110	Organizational Independence
1110.A1	Interference
1111	Direct Interaction with the Board
1120	Individual Objectivity
1130	Impairment to Independence or Objectivity
1130.A1	Impairment due to former responsibilities
1130.A2	Audit of functions for which CAE is responsible
1130.C1	Scope of impairment for consulting
1130.C2	Disclosure of impairment when consulting

LEGEND	
STANDARD*	
ASSURANCE IMPLEMENTATION STANDARD	
CONSULTING IMPLEMENTATION STANDARD	

*Black and red in this chart are used to identify each series and its related Standards.

1200	Proficiency and Due Professional Care
1210	Proficiency
1210.A1	CAE acquiring necessary competencies for assurance engagements
1210.A2	Identification of fraud indicators
1210.A3	Information technology risk controls and tools
1210.C1	CAE acquiring necessary competencies for consulting engagements
1220	Due Professional Care
1220.A1	Scoping for assurance engagements
1220.A2	Use of technology-based audit techniques
1220.A3	Risk identification
1220.C1	Scoping for consulting engagements
1230	Continuing Professional Development
1300	Quality Assurance and Improvement Program
1310	Requirement for the Quality Assurance and Improvement Program
1311	Internal Assessment
1312	External Assessment
1320	Reporting on the Quality Assurance and Improvement Program
1321	Use of "Conforms to (or in conformance with) the International Standards for the Professional Practice of Internal Auditing."
1322	Disclosure of Nonconformance

PERFORMANCE STANDARDS	
2000	Managing the Internal Audit Activity
2010	Planning
2010.A1	Annual risk assessment
2010.C1	Acceptance of consulting engagements
2020	Communication and Approval
2030	Resource Management
2040	Policies and Procedures
2050	Coordination
2060	Reporting to Senior Management and the Board
2100	Nature of Work
2110	Governance
2110.A1	Evaluation of ethics programs
2110.A2	Assessing information technology governance
2110.C1	Consistency with organization's values and goals when consulting
2120	Risk Management
2120.A1	Evaluating organization's risk exposure
2120.A2	Evaluating fraud risks
2120.C1	Reviewing risk during consulting
2120.C2	Risk knowledge gained during consulting
2120.C3	Limitation of involvement in risk management
2130	Control
2130.A1	Evaluating adequacy and effectiveness of controls
2130.A2	Assessing achievement of goals and objectives
2130.A3	Assessing consistency of results with goals and objectives
2130.C1	Reviewing controls when consulting
2130.C2	Knowledge of controls gained from consulting engagements

2200	Engagement Planning
2201	Planning Considerations
2201.A1	Planning engagements with external parties
2201.C1	Agreement with clients on engagement scope and objectives
2210	Engagement Objectives
2210.A1	Preliminary assessment of risks
2210.A2	Probability of significant errors and other exposures
2210.A3	Setting criteria to evaluate controls
2210.C1	Focusing consulting engagements on governance, risk management, and control
2220	Engagement Scope
2220.A1	Scope of assurance engagement
2220.A2	Consulting opportunities during assurance engagement
2220.C1	Scope of consulting engagement
2230	Engagement Resource Allocation
2240	Engagement Work Program
2240.A1	Procedure for managing information
2240.C1	Work program for consulting engagements
2300	Performing the Engagement
2310	Identifying Information
2320	Analysis and Evaluation
2330	Documenting Information
2330.A1	Controlling access to engagement records
2330.A2	Retention requirements
2330.C1	Information retention and release policies for consulting engagements
2340	Engagement Supervision

2400	Communicating Results
2410	Criteria for Communicating
2410.A1	Final communication of engagement results
2410.A2	Acknowledgement of satisfactory performance
2410.A3	Releasing results to parties outside the organization
2410.C1	Communicating results of consulting engagements
2420	Quality of Communications
2421	Errors and Omissions
2430	Use of "Conforms to (or in conformance with) the International Standards for the Professional Practice of Internal Auditing."
2431	Engagement Disclosure of Nonconformance
2440	Disseminating Results
2440.A1	CAE responsibility for communication of results
2440.A2	Assessment of conditions for releasing results outside the organization
2440.C1	CAE responsibility for communication of results for consulting engagements
2440.C2	Communication of significant issues identified when consulting
2500	Monitoring Progress
2500.A1	Establishing a follow-up process
2500.C1	Monitoring disposition of results for consulting engagements
2600	Resolution of Senior Management's Acceptance of Risks

