



International Professional
Practices Framework

Implementation Guide

Code of Ethics: Competency

IIA Code of Ethics Principle 4: Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Rules of Conduct

Internal auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

Getting Started

The *International Standards for the Professional Practice of Internal Auditing* require conformance with the Code of Ethics, comprising four principles. Each principle is accompanied by rules of conduct that internal auditors must implement to properly demonstrate the principle. This implementation guide is intended to demonstrate how to achieve conformance with the principle of competency.

The IPPF provides mandatory and recommended guidance to further support the implementation of the Code of Ethics. The importance of the competency principle is evidenced by its inclusion not only in the Code of Ethics but also in the Core Principles for the Professional Practice of Internal Auditing and throughout the *Standards*.

The Code of Ethics applies to both individuals and entities that perform internal audit services. This statement is particularly pertinent to the competency principle and its rules of conduct. For example, Rule 4.2 states that internal audit services must be performed in accordance with the *Standards*. Several standards apply specifically to individual internal auditors. Other standards apply to the internal audit activity as a whole or describe the responsibilities of the chief audit executive (CAE). Individual internal auditors are responsible for their own conformance with the competency principle, rules of conduct, and relevant standards and for obtaining the knowledge, skills, and experience needed to perform their responsibilities and to continually improve their proficiency and quality of service. However, the CAE is responsible for ensuring the competency of the internal audit activity as a whole.

Considerations for Implementation

Chief Audit Executive

The CAE responsibilities relevant to internal audit competency are detailed in Standard 1210 – Proficiency, Standard 1210.A1, Standard 2030 – Resource Management, and Standard 2050 – Coordination and Reliance. To conform with the requirements described therein, the CAE should develop a staffing strategy that includes tools and processes to regularly assess the competencies of individual internal auditors, the internal audit activity as a whole, and any assurance and consulting service providers upon which the internal audit activity relies.

The CAE should inventory the skills and experience of individual auditors, align them with the competencies needed to fulfill the internal audit plan, and identify any gaps in coverage. The CAE may address deficiencies by providing training and mentorship, rotating internal audit staff, bringing in guest auditors, and/or hiring external service providers.

To support individual internal auditors in their fulfillment of Rule 4.3 — continual improvement of their proficiency and the effectiveness and quality of their services — the CAE should develop policies and procedures that include regularly reviewing individual performance (e.g., annually or semiannually), which may involve benchmarking and/or reviewing key performance indicators. The CAE also should encourage educational and training opportunities when possible (e.g., attendance at professional conferences and seminars and the pursuit of relevant professional certifications).

To promote the continual improvement of the internal audit activity as a whole, the CAE should implement a quality assurance and improvement program, which is covered by the 1300 series of standards. Additionally, the CAE may use The IIA’s Competency Framework to benchmark the maturity of the internal audit activity and work toward its progress over time. Together, these elements may work synergistically to support the internal audit activity in applying and upholding The IIA’s Code of Ethics and the *Standards*.

Individual Internal Auditors

Implementing Rule 4.1 requires internal auditors to engage only in those services for which they have the necessary knowledge, skills, and experience. Standard 1210 – Proficiency and its accompanying implementation guide explain these qualities and how internal auditors can build and maintain them. Standard 1210.A2 qualifies internal audit proficiency as it relates to fraud, and Standard 1210.A3 calls out internal audit proficiency related to key IT risks and controls and available technology-based audit techniques.

To gain insight into their level of competency, proficiency, and effectiveness and to find areas for potential growth, internal auditors should regularly assess themselves. The IIA’s Competency Framework may be a useful benchmarking tool for this purpose. In addition, internal auditors should seek constructive feedback from peers, supervisors, and the CAE. Feedback may be given throughout engagements, during supervisory reviews of workpapers, and/or after closing engagements and may involve a combination of informal communication and formal processes established by the CAE. The overall work performance of individual internal auditors may be reviewed at regular intervals, such as annually or semiannually.

Internal auditors assigned to plan individual engagements must determine the competencies needed to achieve the engagement objectives (Standard 2230 – Engagement Resource Allocation). In engagement workpapers, internal auditors conducting an engagement may document their rationale for the resource allocation. If appropriate and sufficient resources are not available, internal auditors should consult with the CAE and document the results of the discussion. It may be necessary to seek additional resources outside the internal audit activity. Implementation Guide 1210 – Proficiency provides more recommendations.

Internal auditors may build their competencies by pursuing educational and mentorship opportunities and supervised work experiences that enable them to expand their skills. Properly supervised internal audit engagements play a large role in facilitating the development of internal auditors because most internal audit activities have limited resources.

For instance, an internal auditor may have a thorough understanding of risks, risk assessments, controls, and internal audit methodologies but may lack subject matter expertise in specialty areas or processes to be assessed. In such a case, the internal auditor may work with an appropriate subject matter expert to better understand the area or process and build relevant business acumen.

In other circumstances, special personnel hired for their deep subject matter expertise in certain areas or processes may lack proficient internal audit skills. In the latter scenario, an experienced internal auditor (e.g., engagement supervisor) should work closely with the special personnel to ensure the engagement is performed with sufficient internal audit competency. Both approaches will help increase

business and organizational knowledge among internal auditors and contribute to broadening the business acumen and strategic insights of the internal audit activity.

Rule 4.3 requires internal auditors to continually improve their proficiency and the effectiveness and quality of their services. This requirement is reiterated in Standard 1230 – Continuing Professional Development, with options for fulfilling this requirement described in the associated implementation guide. Individual internal auditors bear the responsibility for taking the necessary actions to obtain any continuing professional education and development (CPE/CPD) hours they may need. To track their progress, internal auditors may create and maintain plans for their professional development.

Professionals should be aware of the current requirements for maintaining the active status of any credentials they may hold, because failing to fulfill such requirements may jeopardize permission to use the credentials until the deficiency is corrected. Most certifications and qualifications, like those of The IIA, require the completion of ethics training and continuing professional education/development.

Considerations for Demonstrating Conformance

Chief Audit Executive

The CAE may demonstrate conformance with the competency principle through a documented assessment of the competencies of the internal auditors and other assurance and consulting service providers upon which the internal audit activity relies. Conformance may also be evidenced through a documented internal audit plan, an inventory of the competencies needed to fulfill the plan, and a related gap analysis. The CAE may demonstrate a culture supportive of competency and the continual improvement of proficiency, effectiveness, and quality through evidence that:

- Engagements have been properly resourced and supervised.
- Feedback has been solicited from internal audit stakeholders and sufficiently considered.
- Performance reviews of internal auditors have been conducted regularly.
- Opportunities for training, mentoring, and professional education have been provided.
- A quality assurance and improvement program is active.
- Internal audit services are performed in conformance with the IPPF's Mandatory Guidance.

Individual Internal Auditors

The knowledge, skills, and experience of individual internal auditors may be evidenced, in part, through credentialed qualifications, such as university degrees and certifications, and relevant work history as detailed on the internal auditor's resume, which the CAE and/or the organization's human resources department should have on file. Additionally, internal auditors may maintain documentation of a skills

self-assessment, a plan for professional development, and the completion of continuing professional education/development courses or trainings.

Internal auditors also may provide evidence of experiences undertaken — such as specific work assignments (i.e., on-the-job training) or volunteering in professional organizations — to expand their competencies. Pursuing and completing professional education, whether new certifications or continuing professional education, further evidences an internal auditor’s commitment to continually improving their proficiency and the effectiveness and quality of their services.

Applicability and Enforcement of the Code of Ethics

This Code of Ethics applies to both entities and individuals that perform internal audit services.

For IIA members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The IIA’s Bylaws, the Process for Disposition of Code of Ethics Violation, and the Process for Disposition of Certification Violation. 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.



About The IIA

The Institute of Internal Auditors (The IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 190,000 members from 170 countries and territories. The association's global headquarters is in Lake Mary, Fla., USA. For more information, visit www.globaliia.org.

About Implementation Guidance

Implementation Guidance, as part of The IIA's International Professional Practices Framework® (IPPF®), provides Recommended Guidance (nonmandatory) for the internal audit profession. It is designed to assist both internal auditors and internal audit activities to enhance their ability to achieve conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Implementation Guides describe considerations that may be applied and actions that may be taken to implement The IIA's Mandatory Guidance. Implementation Guides do not detail programs, processes, procedures, or tools.

For other authoritative guidance materials provided by The IIA, please visit our website at <https://globaliia.org/standards-guidance>.

About The IIA's Code of Ethics

The IIA's Code of Ethics comprises two essential components:

- Four principles relevant to the profession and practice of internal auditing.
- Rules of conduct for each principle that describe behavioral norms expected of internal auditors.

The purpose of The IIA's Code of Ethics is to promote an ethical culture in the profession of internal auditing.

The complete Code of Ethics may be found at <https://globaliia.org/standards-guidance/mandatory-guidance/Pages/Code-of-Ethics.aspx>.

Disclaimer

The IIA publishes this document for informational and educational purposes. This guidance material is not intended to provide definitive answers to specific individual circumstances. The IIA recommends seeking independent expert advice related to specific situations. The IIA accepts no responsibility for anyone placing sole reliance on this guidance.

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February 2019