January 14, 2016

Ms Kamila Żyndul, Secretariat of the ISSAI 30 Revision Team

Via email: ISSAI30.Review@nik.gov.pl

RE: Exposure Draft ISSAI 30 Code of Ethics

Dear Ms Żyndul:

On behalf of the more than 180,000 global members of The Institute of Internal Auditors (IIA), I am pleased to provide our general observations and specific comments on INTOSAI’s ISSAI 30 exposure draft document. Our observations and comments were developed by a team of leaders in the internal audit profession, representing The IIA’s global reach and public sector experience. Overall, in our view, the revisions would achieve INTOSAI’s overall objective to make ISSAI 30 more useful and relevant. Our general observations are presented below; comments and recommendations on specific paragraphs are presented in Attachment A.

The revisions would make it easier for practitioners to equally apply both ISSAI 30 and The IIA Code of Ethics in the performance of their duties

The IIA’s Memorandum of Understanding (MoU) with The Professional Standards Committee (PSC) of The International Organization of Supreme Audit Institutions (INTOSAI) recognizes the importance for SAIs to rely on the work of internal audit. To this end, the proposed revisions would better align the INTOSAI Code of Ethics and The IIA Code of Ethics. For example, revisions such as replacing the term “professional secrecy” with “confidentiality” would make terminology between the two codes more consistent.

Expanded applicability

Similar to The IIA’s Code of Ethics, the ISSAI 30 exposure draft would expand applicability from individual auditors in the public sector to also include the SAIs for which those auditors work. This expanded applicability could serve to harmonize the ethical principles that guide the behavior of public sector internal auditors with the ethical principles that underpin the organizational culture of the SAIs for which they work.

Make a distinction between independence and objectivity

As articulated in our October 7, 2015, response to exposure drafts ISSAI 3000, 3100 and 3200, we believe there is a fundamental difference between “independence” and “objectivity.”
The IIA’s *International Standards for the Professional Practice of Internal Auditing (Standards)* defines independence as: “The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.” Therefore, the ability to be independent is generally a function of the reporting relationship(s). The *Standards* defines objectivity as: “An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.”

We suggest that the ability to be impartial/objective is the result of being able to take an unbiased approach to work. An internal auditor may be independent, while not being impartial/objective. Conversely, an internal auditor may be impartial/objective, while not having an independent reporting relationship.

**Address enforcement**

A general recommendation for strengthening the document is to articulate the anticipated enforcement process that would be applied to deviations from the Code of Ethics.

Please do not hesitate to contact Francis Nicholson, the IIA’s Managing Director of Global Advocacy, if you have any questions about this response and/or would like to schedule a time for us to meet either in person or via conference call. Mr Nicholson can be reached at francis.nicholson@theiia.org or +1-407-937-1236.

Best regards,

Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA  
President and Chief Executive Officer
**Attachment A**  
**Comments on Exposure Draft ISSAI 30**

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Comment</th>
</tr>
</thead>
</table>
| 1         | Current text: Supreme Audit Institutions (SAIs) are held to high expectations and must earn the trust of stakeholders (auditees, citizens, legislative bodies and others). Therefore, they need to act as model organisations and inspire confidence and credibility. As ethical behaviour is a key component in establishing the needed trust and reputation, a code of ethics is a key prerequisite for the functioning of a SAI.

Comment: The process of establishing trust and reputation is an ongoing one requiring sustained efforts, so we suggest that this is emphasized by adding the word “sustaining.”

Suggested revision: Supreme Audit Institutions (SAIs) are held to high expectations and must earn the trust of stakeholders (auditees, citizens, legislative bodies and others). Therefore, they need to act as model organisations and inspire confidence and credibility. As ethical behaviour is a key component in establishing and sustaining the needed trust and reputation, a code of ethics is a key prerequisite for the functioning of a SAI. |
| 8         | Comment: Public interest is mentioned here and elsewhere in the text, but the concept is not defined.

Recommendation: Explain what is meant by the term public interest. For example: “In the public interest” refers to satisfying the legitimate interests of stakeholders who rely upon the objectivity and integrity of assurance services provided in the areas of governance, risk, and control. |
| 8         | Current text: The Code is based on five values that underpin ethical behaviour. These values, along with a summarised explanation of each value, follow:
- Integrity – to act honestly, reliably, in good faith and in the public interest;
- Independence and objectivity – to act in an impartial and unbiased manner;
- Competence – to maintain knowledge and skills appropriate for the role, and to act consistently with applicable standards;
- Professional behavior – to comply with applicable laws, regulations and conventions, and to avoid any activities that may discredit the SAI; and
- Confidentiality – to appropriately protect information. |
To avoid confusion, differentiate between independence and objectivity. The IIA considers independence as a function of the reporting relationship(s) and objectivity as a function of approach and mental attitude.

As explained in the text, integrity is to act (emphasis added) honestly, reliably, in good faith and in the public interest. Similarly, to behave means to act in a certain way. Due to these similarities, consider incorporating professional behaviour under integrity.

Suggested revision:
The Code is based on five values that underpin ethical behaviour. These values, along with a summarised explanation of each value, follow:

- **Integrity** – to act honestly, reliably, in good faith and in the public interest; to comply with applicable laws, regulations and conventions; and to avoid any activities that may discredit the SAI;
- **Independence** – to be free from conditions that threaten the ability to carry out audit responsibilities in an unbiased manner, and objectivity – to act in an impartial and unbiased manner;
- **Objectivity** – to maintain an unbiased mental attitude, and to perform engagements without compromising quality or subordinating judgment on audit matters to others;
- **Competence** – to maintain knowledge and skills appropriate for the role, and to act consistently with applicable standards;
- **Professional behaviour** – to comply with applicable laws, regulations and conventions, and to avoid any activities that may discredit the SAI; and
- **Confidentiality** – to protect information appropriately.

Risks (often also referred to as “threats” or “vulnerabilities”) of non-compliance with the above values can arise in a number of different ways. These include, but are not limited to, risks arising from:

- personal interests
- inappropriate bias from previous judgements made by the SAI or SAI staff;
- advocating the interests of auditees or other parties;
- long or close relationships; and
- external pressure from auditees or other parties.

These risks can be either real or perceived.

Comment:
The IIA defines risk as: “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.” The risk under discussion in this paragraph is the risk of non-compliance with the fundamental values expressed in the code of ethics. The bullet points listed are not risks in and of themselves, but are risk factors that are used to evaluate the
risk of non-compliance with the fundamental values expressed in the code of conduct. For example, inappropriate bias from previous judgments made by the SAI or SAI staff is a risk factor that may increase the risk of non-compliance with the value of objectivity.

Recommendation:
Revise the text to differentiate between risks and risk factors, and expand the list to include additional risk factors that could impact the likelihood of non-compliance with the code’s fundamental values.

Suggested revision:
The likelihood and impact of risks (often also referred to as “threats” or “vulnerabilities”) of non-compliance with the above values can arise in a number of different ways. These include, but are not limited to, risks arising from:

- personal interests;
- inappropriate bias from previous judgements made by the SAI or SAI staff;
- advocating the interests of auditees or other parties;
- long or close relationships; and
- external pressure from auditees or other parties;
- giving or accepting gifts;
- assuming management responsibility for operating activities, including risk management;
- conducting assurance and consulting engagements without due professional care;
- failure to consider implications of, or controls relating to, organizational fraud with appropriate testing and follow-up; and
- unauthorized use of personal or organizational information.

These risks can either be real or perceived.

<table>
<thead>
<tr>
<th>11</th>
<th>Comment: Paragraph 11 states that the SAI's individual code of ethics should be made public, but there is no requirement on how to communicate the SAI's code. Transparency and accountability are mentioned in paragraphs 17 and 70, but they are not included as fundamental values. Recommendation: ISSAI 30 should require or encourage each SAI to publish an annual transparency statement to confirm commitment to or compliance with ISSAI 30 (or alternatively a commitment to the fundamental values). In addition, consider including transparency and accountability as fundamental values (paragraph 8), or providing a link to ISSAI 21, Principles of transparency and accountability.</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Current text: Requirements (a) The SAI shall adopt a code of ethics consistent with this standard and shall make it public. (b) The SAI shall highlight the importance of ethics and promote an ethical culture in the organisation.</td>
</tr>
</tbody>
</table>
(c) The SAI's leadership shall set the tone at the top by its actions and example, acting consistently with the ethical values.
(d) The SAI shall require all staff to adhere to the code of ethics and shall provide guidance and support to influence the understanding of the code. The SAI shall require that any party it contracts to carry out work on its behalf commit to the SAI's ethical requirements.
(e) The SAI shall implement a control system to identify and analyse ethical risks, to mitigate them, to support ethical behaviour, and to address any breach of ethical values.
(f) The SAI shall identify potential conflicts between its ethical requirements and the standards of professional bodies that the SAI's staff may be a member of, and establish procedures to address these conflicts.

Comment:
Several additional requirements could strengthen the code.

Suggested revision:
Requirements
(a) The SAI shall adopt a code of ethics consistent with this standard and shall make it public.
(b) The SAI shall highlight the importance of ethics and promote an ethical culture in the organisation.
(c) The SAI's leadership shall set the tone at the top by its actions and example, acting consistently with the ethical values.
(d) The SAI shall require all staff to adhere to the code of ethics and shall provide guidance and support to influence the understanding of the code. The SAI shall require that any party it contracts to carry out work on its behalf commit to the SAI's ethical requirements.
(e) The SAI shall implement a control system to identify and analyse ethical risks, to mitigate them, to support ethical behaviour, and to address any breach of ethical values.
(f) The SAI shall identify potential conflicts between its ethical requirements and the standards of professional bodies that the SAI's staff may be a member of, and establish procedures to address these conflicts.
(g) The SAI shall adopt a policy prohibiting retaliation against those who report suspected wrongdoing.
(h) The SAI shall conduct timely, professional and thorough investigations of any potential violations of the code of ethics that come to its attention, commensurate with the severity of the alleged violation. The SAI shall consistently apply appropriate corrective and disciplinary actions upon completion of the investigation.
(i) The SAI shall designate a person or persons responsible for ethics investigations, and make provisions to ensure independence and objectivity for all investigations.
(j) The SAI shall perform oversight and review of all ethics cases on a regular basis (at least quarterly) to review pending matters and confirm that all cases were investigated as appropriate and corrective actions were taken.
(k) The SAI shall promote transparency and encourage communication throughout the organization, illustrating the organization's commitment to ethical values and willingness to take action when behaviors are not aligned with the fundamental values of the code of ethics.
(l) The SAI shall consider establishing an ethics officer staff position and/or ethics and compliance advisory committee (composed of members at various levels and functions in the organization).
| 12 | Current text:  
To promote and safeguard ethics in every aspect of the organization and its activities, a SAI implements an ethics control system that include appropriate specific strategies, policies and procedures to guide, manage and control ethical behaviour.  
Comment:  
Consider adding the words “education” and “compliance” to more comprehensively note this point.  
Suggested revision:  
To promote and safeguard ethics in every aspect of the organization and its activities, the SAI implements an ethics control system ethics education, compliance and control program (or organizational behaviour program) that includes appropriate specific strategies, policies and procedures to guide, manage and control ethical behaviour. |
|---|---|
| 15 | Current text:  
Each SAI sets standards in accordance with its culture, and legal and social systems. The level of detail is determined by context and organisational culture. Elements to be considered are: statements about the values that guide conduct, descriptions of the associated expected behaviours, specific examples of ethical dilemmas and sensitive situations, ethical conflict resolution, whistle-blowing procedures, and provisions for dealing with misconduct.  
Comment:  
We recognize that a SAI's standards will, of necessity, reflect its culture, and legal and social systems. However, the code of ethics could be strengthened by setting expectations for a minimum set of elements to be included.  
Recommended revision:  
Each SAI sets standards in accordance with its culture, and legal and social systems. The level of detail is determined by context and organisational culture. Minimum elements to be considered are: statements about the values that guide conduct; descriptions of the associated expected behaviours; specific examples of ethical dilemmas and sensitive situations; and ethical conflict resolution, whistle-blowing procedures, and provisions for dealing with misconduct. |
| 17 | Current text:  
Building an ethical culture in an organisation starts with its leadership. Leaders do this by:  
- setting ethics as an explicit priority;  
- reinforcing this priority by clear, consistent and regular messages;  
- leading by example;  
- maintaining high standards of professionalism, accountability and transparency in decision making;  
- encouraging an open and mutual learning environment, where difficult questions can be raised and discussed; and  
- recognising good ethical behaviour, while addressing misconduct. |
<table>
<thead>
<tr>
<th>18</th>
<th>Current text:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear communication is necessary to help staff understand the code of ethics. This can include educating staff on promoting the SAI’s values and addressing ethical dilemmas, offering workshops and training, and leadership engagements, etc.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>21</th>
<th>Current text:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitoring controls are integral to ethics to help the SAI mitigate risks. The SAI may apply the following monitoring controls:</td>
<td></td>
</tr>
<tr>
<td>• maintaining registers to track interests, gifts and hospitality;</td>
<td></td>
</tr>
<tr>
<td>• self-assessment, internal and external reviews that can be used regularly, as monitoring tools, as a way to identify and analyse vulnerabilities and recommend measures for improving ethics management, and/or as a routine to ensure accountability. Evaluations will have to consider that many ethical requirements refer to soft controls, which require the use of specific appropriate assessment methods. Tools available for these assessments include IntoSAINT,1 peer review guidelines, surveys, interviews and feedback questionnaires;</td>
<td></td>
</tr>
<tr>
<td>• policies on ethical misconduct and whistle-blowing – these include procedures for reporting cases of misconduct, for investigation and for sanctioning.</td>
<td></td>
</tr>
</tbody>
</table>

Comment:
The code could be strengthened by addressing consistent enforcement by leadership.

Suggested revision:
Building an ethical culture in an organisation starts with its leadership. Leaders do this by:

- setting ethics as an explicit priority;
- reinforcing this priority by clear, consistent and regular messages;
- leading by example;
- maintaining high standards of professionalism, accountability and transparency in decision making;
- encouraging an open and mutual learning environment, where difficult questions can be raised and discussed; and
- recognising good ethical behaviour, while addressing misconduct; and
- ensuring that ethics and compliance systems, policies and procedures are applied consistently and fairly.

Comment:
Increasing awareness of the code of ethics is also very important.

Suggested revision:
Clear communication is necessary to help increase staff’s awareness and understanding of the code of ethics. This can include educating staff on promoting the SAI’s values and addressing ethical dilemmas, offering workshops and training, and leadership engagements, etc.
Policies are a type of internal control, but are not considered a “monitoring” control.

Monitoring Internal controls are integral to ethics to help the SAI mitigate risks. The SAI may apply the following monitoring internal controls:

- maintaining registers to track interests, gifts and hospitality;
- conducting self-assessments, internal and external reviews that can be used regularly, as monitoring tools, as a way to identify and analyse vulnerabilities and recommend measures for improving ethics management, and/or as a routine to ensure accountability. Evaluations will have to consider that many ethical requirements refer to soft controls, which require the use of specific appropriate assessment methods. Tools available for these assessments include IntoSAINT, peer review guidelines, surveys, interviews and feedback questionnaires;
- establishing policies on ethical misconduct and whistle-blowing – these include procedures for reporting cases of misconduct, for investigation and for sanctioning.

Comment:
See paragraph eight. If our recommendation to incorporate professional responsibility with integrity is adopted, final content from paragraphs 59-66 to be reorganized to correspond to paragraphs 23-33 as appropriate.

In order to sustain public confidence, the conduct of SAIs and their staff is expected to be above reproach, engaging in no improper activity whatsoever.

As articulated in our October 7, 2015 response to exposure drafts ISSAI 3000, 3100 and 3200 we believe there is a fundamental difference between independence and objectivity.

- The IIA’s Standards define independence as: “The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.” Therefore, the ability to be independent is generally a function of the reporting relationship(s). The IIA’s Standards define objectivity as: “An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.”
We suggest that the ability to be impartial/objective is the result of being able to take an unbiased approach to work. An internal auditor can be independent, while not being impartial/objective. Conversely, an internal auditor can be impartial/objective, while not having an independent reporting relationship.

**Recommendation:**
Revise paragraphs 34-48 to distinguish between the concepts of independence and objectivity.

<table>
<thead>
<tr>
<th>34</th>
<th>Current Text:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Requirements at the level of SAI</td>
</tr>
<tr>
<td></td>
<td>(a) The SAI shall be independent as regards its status, mandate, reporting, and management autonomy. The SAI shall have full discretion in the discharge of its functions. This independence shall be prescribed by an appropriate and effective constitutional, legal and/or regulatory framework. The SAI shall adopt policies for its independent and objective functioning.</td>
</tr>
<tr>
<td></td>
<td>(b) The SAI shall establish a framework for applying controls to identify and mitigate significant threats to independence as well as provide guidance and direction for staff in this respect.</td>
</tr>
<tr>
<td></td>
<td>(c) The SAI shall adopt policies for the periodic rotation of audit staff, particularly at senior levels, and appropriate safeguards where rotation is not feasible.</td>
</tr>
<tr>
<td></td>
<td>(d) The SAI shall not provide advice or other non-audit services to an auditee, where such services include management responsibilities.</td>
</tr>
</tbody>
</table>

**Comment:**
While staff rotation is often an effective strategy for bringing new talent to the internal audit activity, some sensible safeguards are needed to ensure that this does not imperil internal audit effectiveness. In addition, it could be useful to include examples of management responsibilities that may threaten the independence of internal audit.

**Suggested Revision:**

|      | a) The SAI shall be independent as regards its status, mandate, reporting, and management autonomy. The SAI shall have full discretion in the discharge of its functions. This independence shall be prescribed by an appropriate and effective constitutional, legal and/or regulatory framework. The SAI shall adopt policies for its independent and objective functioning. |
|      | b) The SAI shall adopt policies for periodic rotation of audit staff, particularly at senior levels, and appropriate safeguards where rotation is not feasible. **The SAI shall establish routine monitoring procedures to ensure that safeguards are effective.** |
|      | c) The SAI shall adopt policies for the periodic rotation of audit staff, particularly at senior levels, and appropriate safeguards where rotation is not feasible. |
|      | d) The SAI shall not provide advice or other non-audit services to an auditee, where such services include management responsibilities **such as responsibility for the design, development, or implementation of control activities or ownership of risks.** |

<table>
<thead>
<tr>
<th>35</th>
<th>Current Text:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a) The SAI staff shall be free of impairments to independence and objectivity that result from political bias, participation in management, self-review, financial or other personal interest, or relationships with, or undue influence from, others. For this purpose SAI staff shall:</td>
</tr>
</tbody>
</table>
Comment:
In addition to actual conflicts of interest, it is equally important to be aware of potential conflicts that may arise and of perceived conflicts that can be equally damaging.

Suggested Revision:
a) The SAI staff shall be free of impairments to independence and objectivity that result from political bias, participation in management, self-review, financial or other actual, potential or perceived conflicts of interest, personal interest, or relationships with, or undue influence from, others. For this purpose SAI staff shall:

<table>
<thead>
<tr>
<th>40</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Text:</strong></td>
</tr>
<tr>
<td>In accordance with its mandate, a SAI may be unable to refuse to engage in or continue with an audit. If no controls are effective to eliminate or reduce a threat to independence or objectivity to an acceptable level, SAI leadership may consider disclosing the threat to independence in the audit report.</td>
</tr>
</tbody>
</table>

Comment:
Threats to independence always have the potential for weakening the veracity of findings and conclusions from an audit engagement, and so the decision to disclose such threats needs to be automatic rather than a matter of choice.

Suggested Revision:
In accordance with its mandate, a SAI may be unable to refuse to engage in or continue with an audit. If no controls are effective to eliminate or reduce a threat to independence or objectivity to an acceptable level, SAI leadership may consider disclosing the threat to independence in the audit report.

<table>
<thead>
<tr>
<th>50</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current text:</strong></td>
</tr>
</tbody>
</table>
| Requirements at the level of SAI staff  
(a) SAI staff shall perform their job in accordance with applicable standards.  
(b) SAI staff shall act in accordance with the requirements of the assignment, carefully, thoroughly and on a timely basis.  
(c) SAI staff shall maintain and develop their knowledge and skills to keep up with the developments in their professional environment in order to perform their job optimally. |

Comment:
It is a matter of professional integrity that individuals should only undertake roles for which they are competent. Therefore, we suggest that this be call out as a requirement.

Suggested revision:
Requirements at the level of SAI staff  
(a) SAI staff shall perform their job in accordance with applicable standards.  
(b) SAI staff shall act in accordance with the requirements of the assignment, carefully, thoroughly and on a timely basis.
(c) SAI staff shall maintain and develop their knowledge and skills to keep up with the developments in their professional environment in order to perform their job optimally.

d) SAI staff shall engage only in those services for which they have the prerequisite knowledge, skills and experience.

| 76 | Current text:  
Examples of controls/safeguards that may be applied to the individual level:  
- within the SAI, using professional judgment to respect the confidentiality of information, in particular, keep the confidentiality of information in mind when discussing work-related issues with other employees;  
- in case of doubt whether suspected breaches of laws or regulations should be disclosed to appropriate authorities (or parties), consider obtaining legal advice available within the SAI to determine the appropriate course of action in the circumstances;  
- leaving all records in the custody of the auditee unless there are specific legal provisions not to do so;  
- in private life, maintaining confidentiality within the family, social or other environments, including social media;  
- securing the carriers of electronic information, such as laptops and portable data storage devices; and  
- maintaining the confidentiality of passwords.  

Comment:  
Leaving records in the custody of the auditee may be impractical under some circumstances (e.g., electronic files).  

Suggested Revision:  
Examples of controls/safeguards that may be applied to the individual level:  
- within the SAI, using professional judgment to respect the confidentiality of information, in particular, keep the confidentiality of information in mind when discussing work-related issues with other employees;  
- in case of doubt whether suspected breaches of laws or regulations should be disclosed to appropriate authorities (or parties), consider obtaining legal advice available within the SAI to determine the appropriate course of action in the circumstances;  
- **where practical**, leaving all records in the custody of the auditee unless there are specific legal provisions not to do so;  
- in private life, maintaining confidentiality within the family, social or other environments, including social media;  
- securing the carriers of electronic information, such as laptops and portable data storage devices; and  
- maintaining the confidentiality of passwords. |