



## EUROPEAN CONFEDERATION OF INSTITUTES OF INTERNAL AUDITING (IVZW)

Claude Cargou  
PRESIDENT

Phil Tarling  
VICE PRESIDENT

---

**Head Office:** c/o IIA Belgium – Koningstraat 109-111, bus 5 - B-1000 Brussels (Belgium)  
**Phone:** +32 2 217 33 20 **Fax:** +32 2 217 33 20 **Email:** office@eciia.org

Dear Mrs. Blomme

The ECIIA (the European Confederation of Institutes of internal Auditing) the ECIIA would like to thank FEE for offering the opportunity to comment on your Discussion Paper on

### *“Integrity in Professional Ethics”*

The ECIIA is a confederation of national associations of internal auditing located in 35 countries, including all of the EU, representing over 35000 internal audit professionals. As such, the ECIIA is the regional representative of the global Institute of Internal Auditing (the IIA), a professional organisation of more than 170000 members in some 165 countries. Throughout the world, the IIA is recognized as the internal audit profession's leader in certification, education, research, and technical guidance. The latter is organised in the IIA's International Professional Practices Framework (IPPF). Together with the “*Definition of Internal Auditing*” and the “*International Standards for the Professional Practice of Internal Auditing*”, the IIA's “*Code of Ethics*” is one of the mandatory elements of the IPPF. The link to this principles based code is:

[http://www.ii.org.uk/en/Knowledge\\_Centre/global\\_professional\\_guidance/code-of-ethics/index.cfm](http://www.ii.org.uk/en/Knowledge_Centre/global_professional_guidance/code-of-ethics/index.cfm)

### **General Comments:**

'Integrity in Professional Ethics is a thoughtful and well written paper and we agree with a great deal of the content, in particular the recognition of a principles based approach to the adoption of a code of ethics.

The paper sets out clearly what integrity is, why it is important and how to behave with integrity. However, it fails to provide a compelling case for integrity to be the core principle within a code of ethics.

In our view the principles are interrelated; they support one another and have equal value. For example, we do not believe that a professional accountant or internal auditor with the highest standards of integrity would retain public trust and credibility without an equal level of competency. The same might be said of confidentiality and objectivity. Furthermore, we fear that this elevation of integrity may send out a message that competency, objectivity and confidentiality have been devalued in some way.

We support all initiatives that explain and promote ethical behaviour, particularly during a recession when the likelihood of the threats increases but we would suggest that creating a hierarchy of ethical principles with integrity as the core principle is an unnecessary complication and would lessen the strength and impact of the fundamental principles as whole.

## Specific Comments:

### **Q1: What does integrity mean to you?**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

### **Q2: Is integrity the core principle in professional behaviour? If yes why?**

No. All of the principles are complementary. There is significant overlap and it would be difficult to describe one without somehow referring to the others.

### **Q3: What are the threats to ethical behaviour?**

- Self interest/conflict of interest
- Pressure to compete and promote the interests of the organisation
- Retaining stakeholder confidence and investment
- Accepting unethical behaviour to achieve results

### **Q4: How do these threats change as the economic climate changes?**

The threats remain the same but the likelihood of them occurring is greatly increased.

### **Q5: How is integrity instilled in your audit firm or your organisation? Does it always work? How could be improved?**

The Institute of Internal Auditors (IIA) promotes to its members and to all internal auditors the Code of Ethics that is part of an International Professional Practices Framework (IPPF). 'Integrity' is one of the principles in the code, which also contains 'rules of conduct' that define how to behave with integrity. Members of the Institute are encouraged to review and comment on the IPPF on a regular basis.

### **Q6: Do readers agree that integrity is actually the core principle and should be highlighted as such, compared with the other fundamental principles referred to in paragraph 2.3? If not, why not?**

No. as per the answer to question 2

.

### **Q7: Do the other fundamental principles derive from integrity or are they complementary to it? Please explain your rationale?**

No. They are complementary. The principles support one another with each one being equally important. There is a danger that the paper devalues competency, objectivity and confidentiality

### **Q8: From the perspective of professional ethical behaviour, does the quality of the person's character matter if their actions are consistent with expected**

**standards? Does this have consequences for the disciplinary process?**

We agree with paragraph 4.5, which describes professional integrity as a subset of personal integrity.

It also follows that in normal circumstances a person's character will influence their actions. Although situations may arise where a person's actions are 'out of character' which raises questions about their motivation.

However, if people act with integrity in accordance with expected standards we should not make judgements about a person's character. It is the nature of the actions that will have a consequence for the disciplinary process.

**Q9: Do readers believe that the perceived integrity of the profession as a whole impacts upon the integrity of individuals within it? Again, does this have consequences for the disciplinary process?**

It is inevitable that the prevailing public perception of a profession's integrity will affect the profession's individual members. However, it is difficult to express a general opinion on whether this will impact upon an individual's integrity - we are all different.

The code of ethics and the disciplinary process of a profession should be subject to regular review to ensure both remain relevant and current. On the other hand the impact of the disciplinary process may be the need to be harsher on individual cases in order to regain or gain the public's confidence.

**Q10: Would it be helpful for codes of ethics of accountancy bodies to include further discussion on integrity? If so, what are the key points that should be included?**

If the code does not already include an explanation of what it means to behave with integrity it would be useful to include a discussion. Paragraph 5.2 provides a good starting point

**Q11: Should there be greater clarity of the extent to which personal integrity would affect professional integrity, to enhance harmonisation? What sort of personal behaviour should merit professional disciplinary action?**

Yes. It would be helpful but this is an emotive and subjective issue and it would be challenging to specify the full extent of behaviour that will bring the profession into disrepute.

**Q12: Do you agree with the behavioural characteristics discussed in paragraph 5.2? If not, please explain what should be changed.**

Yes. This is a comprehensive list. We also agree that professional accountants should not only behave with integrity but be seen to do so, as per 5.3.

Paragraph 5.4 emphasises the importance of objectivity, which supports our position that the fundamental ethical principles are complementary.

**Q13: Are there further behavioural characteristics that should be expected of someone behaving with integrity in a professional context, other than those listed in paragraph 5.2? If so, what?**

No.

**Q14: Do readers agree with the indicators discussed in 6.7? Are there others, and if so what?**

Yes. We would add 'Leadership - the leaders of the organisation uphold the ethical values of the organisation, leading by example.'

**Q15: Who should be responsible for ensuring that ethical behaviour is embedded in organisations?**

Everyone, otherwise it won't be embedded. However, the senior executives must show commitment and provide leadership. There is also a need for clear responsibility for ethical behaviour so there is accountability within the organisation.

**Q16: Is it reasonable to expect professional accountants to promote an ethics-based culture in their organisations? If so, should there be greater guidance and what are the key points that it should include?**

Yes. By

- Promoting discussion over what ethical standards the organisation wants to attain.
- Promoting open debate about how to apply those standards on an ongoing basis. Ethical behaviour is not simple: it is about making decisions every day and the best way to promote it is to discuss it openly and in a spirit of learning, not criticism.

But also by

- Establishing and communicating a code of conduct
- Individual yearly reporting on compliance with code of conduct
- Reporting of conflict of interest situations, as applicable
- Internal audits on compliance with code of conduct and reported conflict of interest situations

Once again, the ECIIA would like to thank FEE for offering the opportunity to participate in this consultation process.

Kind regards,

**Claude Cargou**

*President ECIIA*