COMPLIANCE WITH IIA STANDARDS OF ETHICS AND PROFESSIONALISM - EVIDENCE FROM ALGERIAN BANKS

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Received:03/11/2025 Accepted: 16/11/2025 Published: 01/12/2025

Abstract:
Ethics and professionalism serve as the cornerstone for fostering trust and positive reputation. For internal auditors, these principles are vital, as they constitute the base of confidence and reliance on internal auditors' work. This study examines whether the internal auditors of Algerian banks adhere to standards of ethics and professionalism required by the IIA. It highlights the importance of ethical conduct and professionalism in internal audit function. A total of 44 questionnaires were collected and analysed using the SPSS V23 software, the results revealed a high compliance with each of the five principles indicating a strong adherence with ethics and professionalism by internal auditors in the Algerian banks.
Keywords: internal audit, IIA standards, ethics and professionalism, banks
JEL Classification Codes : M42, M48, M14, G21

1. INTRODUCTION

Over time, internal audit has evolved to become a crucial pillar of any organisation, playing an important role as a strategic advisory function that provides independent and objective assurance regarding the efficiency of internal processes enhances resilience, thereby ensuring the achievement of its goals.

However, the recent instances of collapses and bank failures have underscored the importance of internal audit's strict adherence to ethics and

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professionalism as deficiencies in maintaining these principles can significantly diminishes the internal auditors' ability to identify and prevent any sort of misconduct or violation, thereby compromising the organization's sustainability**.**

1.1. Problem of the study

Based on the above, the research problem is formulated as following "Do internal auditors in Algerian banks adhere to the IIA standards of ethics and professionalism?"

1.2. Hypothesises

To address the research question two hypothesises were developed;

- The first hypothesis:

H1: internal auditors in Algerian banks adhere to the standards of ethics and professionalism

H0: internal auditors in Algerian banks do not adhere to the standards of ethics and professionalism

- The second hypothesis

H2: there is a significant difference related to the occupation title regarding the application of ethics and professionalism standards at $\alpha = 0,05$

H0: there is no significant difference related to the occupation title regarding the application of ethics and professionalism standards at $\alpha = 0,05$

1.3. Objectives of the Study

The objective of this research is to examine the degree of compliance with internal audit standards of ethics and professionalism in the Algerian banks

In order to accomplish this objective, the study sought to address the following specific objectives:

* To identify the various principles of ethics and professionalism according to the latest standards update

* To assess whether internal auditors in the bank case of study adhere to these principles.

2. THEORETICAL FRAMEWORK

In 2024, the IIA published the new global internal audit standards (GIAS) to serve as guide to internal audit's professional practices, as well as a base for assessing and enhancing the quality of the internal audit function (GIAS, p 7). With 15 principles divided into five domains, of primary interest to this study are the principles of second domain: ethics and professionalism

2.1 Importance of Ethics and professionalism in internal audit

Ethics is defined as "the set of moral principles or values that defines right and wrong for a person or group"(Williams, 2017, p67) while professionalism generally refers to " a desirable sought-after trait in employees and managers" leading to exhibiting greater integrity, minimizing bias, and making more ethical decisions(Sah, 2022, p03).

Compliance with ethics and professionalism is crucial for all organisations. According to Ghasemzadeh & Esmaeili, professional ethics have both organizational and meta-organizational effects; organizational success largely depends on professional ethics, in fact, adherence of managers and employees to professional ethics can likely reduce conflicts and increase their ability to achieve organisational goals(Djaddang & Lysandra, 2022, p405).

Additionally, implementing ethical codes reduces conflicts, fosters appropriate conduct and promotes moral culture across throughout the organization; this alignment strengthens the coherence between **individual** and organizational values, supporting the company's long-term growth and competency development(Chaib, 2021, p 517-518).

As for internal audit, Ethics serve as the cornerstone of trust and credibility, not just as guidelines but as core principles influencing perceptions, relationships, and decisions-making internally within the organization and externally. Internal auditors' adherence to these principles is an obligation as it establishes the framework for professional and ethical conduct. This framework is the foundation of every internal auditor's work not only in revealing financial manipulations, mitigating fraud risks and supporting organizational objectives, but also in building and maintaining

ethical culture within the internal audit function, and thereby providing the basis for reliance on their work and fostering public trust(the IIA)

2.2 Ethics and professionalism: THE SECOND DOMAINE OF IIA standards

The second domain of the latest standards of internal audit published in 2024 came as a replacement of the code of ethics in the global international standards of 2017.

According to the Global Internal Audit Standards, The Principles of Ethics and Professionalism define the expected behaviours for internal auditors. Adhering to these principles and standards fosters trust in the internal audit profession, cultivates an ethical culture within the internal audit function, and underpins confidence in their work and judgment. While internal auditors are individually responsible for ensuring their own compliance, the chief audit executive (CAE) are accountable for upholding the ethics and professionalism of the internal audit function through their role in supporting and promoting adherence to these standards by providing training opportunities and guidance.

The Global Internal Audit Standards of 2024 outlined five components (integrity, objectivity, competency, due professional care and confidentiality) of ethics and professionalism domain which must be uphold collectively by internal auditors to ensure that their work remains trustworthy and aligned with professional standards

2.2.1 Integrity

Forming the bedrock of ethics, Integrity is the behaviour of adherence to moral and ethical. It requires honesty and fairness in all aspects of internal auditor's professional dealings as well as avoiding any conflicts of interest and personal incentives that could potentially undermine their impartiality, compromise their professional judgment and menace the credibility and sincerity their conducted work (Mehta, 2024, p96).

According to the Global IIA Standards (2024, p. 16), integrity is regarded as the foundational principle underpinning the other four principles of ethics and professionalism domain. Febriyani emphasizes that integrity serves as the fundamental basis of quality, establishing public trust

and functioning as a benchmark for reliance on internal auditor's judgement in the decision making process (Rahman & Kuntadi, 2024, p114). Additionally, Internal auditor's integrity plays an essential role in improving the organisation's efficiency and effectiveness through constructive criticism as well as being a key guideline for upholding moral values, preventing fraud, avoiding exploitation, detecting forgery, and any other unethical behaviours and violations (Dyhati et al., 2022, p201)**.**

2.2.2 Objectivity

The concept of objectivity has been explained by Carmichael et al (1996) as a state of mind and a quality that lends value to a member's services. It is a distinguishing feature of the profession. The principle of objectivity imposes an obligation to be impaired, intellectually honest and free of conflict of interest(Obeid, 2007, p30).

As for internal audit, Objectivity can be defined as "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."(Stewart & Subramaniam, 2010, p 332).

Objectivity refers to internal auditor's strict impartiality, intellectual honesty and freedom from any conflicts of interest. Auditors must not allow themselves to be influenced by sort of internal or external pressure(Kagermann et al., 2008, p66).

The IIA standards mandates that the internal auditors maintain objectivity throughout theirs missions, as it's crucial for **making** professional judgments, fulfilling responsibilities, and achieving the purpose of Internal Auditing without compromise.

However, it is essential for internal auditors to be independently positioned to neutralise the pressures caused by senior management's power to "hire and fire auditors at will" (Haron et al., 2004) and support its ability to maintain its professional objectivity**.**

2.2.3 Competency

Boyatzis (Boyatzis, 2008, p06) defined competency as a "capability or ability, it is a set of related but different sets of behaviour organized around

an underlying concept". Thus, competency is not an isolated skill but a group of different behaviours, when combined, allows a person to perform a particular task or job.

As professionals responsible for delivering high-quality reports about the effectiveness of internal processes and the reliability of organizational financial statements, auditors competencies range from in-depth knowledge (accounting, tax regulations, audit standards...) To analytical skills (risk identification and assessment, process analysis, reporting and communication, quantitative skills…).

According to the IIA global standards, internal auditors must possess the necessary initial competency of formal education and experience, and develop it continually through training programs, conferences, and self-study…

2.2.4 Due Professional Care

Due professional care means careful and thorough professional skills. Due professional care is a careful and thorough attitude by thinking critically and evaluating audit evidence, being careful in duties, not being careless in carrying out examinations and having persistence in carrying out duties and responsibilities (Astuty et al., 2022, p03).

Haron et al (Haron et al., 2004, p 1150) considered that Due Professional Care refers to whether internal auditing is properly planned, supervised, reviewed and documented, It is recommended that adequate audit manuals, work programs and working papers should be available**.**

Due professional care requires internal auditor's diligence, judgment, and professional scepticism throughout the process of planning and performing internal audit missions.

Due professional care requires(*Global Internal Audit Standards*, 2024):

- Conformance with the Global Internal Audit Standards.

According to the standards 4.1, internal auditors must adhere to the Global Internal Audit Standards when planning and performing their missions while following well-established and documented methodologies. Additionally, any sort of noncompliance should be communicated and explained.

- Consideration of the nature, context, and specific requirements of each mission: Internal auditing mission should be aligned with the organization's strategy and objectives. Internal auditors must evaluate the adequacy of processes (governance, risk management, and control) and review all potential vulnerabilities (risk, error, fraud…) that could compromise effectiveness of these processes. It is noteworthy that the use of right techniques, tools, and emerging technologies can significantly enhances precision and efficiency of internal auditing activities.
- Application of professional skepticism to critically analyse and judge the information. Professional skepticism mandates that internal auditors adopt an attitude of curiosity and critical thinking when assessing the reliability and quality of all information and statements used and gathered through their activities. They must, as well, be open and above board when dealing with any discrepancies or inconsistencies**.**

2.2.5 Confidentiality

Internal auditor's confidentiality refers to the commitment to respect the value and ownership of information, ensuring its secrecy and protection from inappropriate disclosure(*Global Internal Audit Standards*, 2024, p32).

In the course of their work, Internal auditors are granted unrestricted access to the data, records, and other information necessary to accomplish their mission, This includes information in both physical and digital form as well as data obtained from oral communication and formal or informal meeting, a significant portion of these information is usually confidential, sensitive and its improper divulgation could harm the organisation, thus internal auditors are mandated to deal with such information diligently and protect its secrecy from any unauthorised access or disclosure both internally and externally except for legal or professional obligation(*Global Internal Audit Standards*, 2024, p34).

According to The fifth principle of ethics and professionalism domain, maintaining confidentiality requires not only the appropriate utilisation of the information gathered by the internal auditor but also its protection(*Global Internal Audit Standards*, 2024, p35). Therefore, they should establish and ensure the implementation of strict and adequate

policies, mechanisms and protocols to safeguard data's confidentiality, including secure storage of audit documents and records and meticulous communication practices. They should also consider training on data privacy and protection to enforce this commitment (Mehta, 2024, p98).

3. EMPIRICAL STUDY

3.1 Research Methodology

This research used a descriptive research design. Descriptive research is employed to measure a variable or set of variables and describing them as they exist in reality. It does not study the relationships between the variables but with the description of the variables. The measurement and description of the variables may be carried out qualitatively or quantitatively(Gravetter & Wallnau, 2017, p10). This research sought to find out whether the internal audit standards of ethics and professionalism are being applied in the Algerian banks.

A survey research design was employed, utilizing a standardized questionnaire to collect primary data from commercial banks in Algeria in 2025. The target population consisted of internal auditors, controllers, risk managers and analysts as well as other employees in the central direction of banks …. A total of 70 questionnaires were distributed, with 44 completed and returned, yielding a 62.8% response rate. Data collection was performed using a Likert scale with five response options for each question. The analysis has been conducted using SPSS 23 software, and involved various statistical techniques contributing to the hypothesises' assessment.

3.2 Descriptive and inferential statistics

- **Cronbach's Alpha coefficient**

Cronbach's Alpha test is a measure of internal consistency and reliability of a set of items of a questionnaire. The internal consistency coefficient, which measures the reliability between statistically valid responses, should be at least 70% (Serkan & Bougie, 2016).

The findings -Table 1-showed a high reliability coefficient ranging from 0.76 to 0.92, proving the validity of the survey.

The overall Alpha Cronbach of 0.93 indicates an excellent internal

consistency and reliability among test items. This means that the items are highly correlated and consistently measuring the same underlying construct

Table 1. alpha cronbach test

	Alpha Cronbach	ELEMENTS
Integrity	0.882	3
Objectivity	0.928	3
Competency	0.895	4
Due professional care	0.777	5
Confidentiality	0.766	3
Ethics and Professionalism	0.932	18

Source: Prepared by the researcher based on the results SPSS v 23

- **Pearson correlation coefficient**

The Pearson correlation coefficients - table 2- between each of the five dimensions (integrity, objectivity, competency, due professional care and confidentiality) and ethics and professionalism ranged from 0.758 to 0.858, which indicates the existence of a strong positive relationship. Hence, underscoring their significant contributions to the composite variable, these findings support the validity of the dimensional structure, implying that each dimension reliably reflects aspects of the overall construct and collectively contribute to its measurement. The strong correlations affirm that the sub-dimensions are well-aligned with the overarching variable, reinforcing the multidimensional nature of the construct under investigation**.**

Table 02: Pearson correlation coefficient

	R	sig
Integrity	0.831	000
Objectivity	0.827	000
Competency	0.858	000
Due professional care	0.758	000
Confidentiality	0.778	000

Source: Prepared by the researcher based on the results SPSS v 23

- **Demographic characteristics**

The demographic characteristics of the respondents are detailed in Table -1, which illustrate the sample's attribute including gender, age, diploma, field of study, occupation, years of experience and the bank's sector (private or public)

Table 03: the sample's descriptive characteristics

		frequency	Percentage %
Gender	male	35	79.5
	female	9	20.5
	total	44	100
Age	30 years old or less	11	25
	30 to 40 years old	25	56.8
	40 to 50 years old	7	15.9
	Over 50 years old	1	2.3
	total	44	100
Diploma	Licence	7	15.9
	Master	24	54.5
	Doctorate	7	15.9
	other	6	13.6
	total	44	100
Field of study	Finance and accounting/ bank	24	54.5
	Audit and accounting	6	13.6
	Audit and control	5	11.4
	other	9	20.5
	total	44	100
Occupation	Internal Audit	12	27.3
	Control/ inspection	8	18.2
	Risk management/analyse	17	38.6
	Other	7	15.9

	total	44	100
Experience	Below 1 years	10	22.7
	1 years–5 years	14	31.8
	5 years–10 years	12	27.3
	Over 10 years	8	18.2
	total	44	100
Bank	Public	22	50
	private	22	50
	total	44	100

Source: Prepared by the researcher based on the results SPSS v 23

- **Descriptive analysis**

Table 04: descriptive analysis of variables

	MEAN	Significance	Percentage	Standard DEVIATION	ORDER
Integrity	4.19	High	75%	0.78	2
Objectivity	4.11	High	70.45%	0.9	3
Competency	3.85	High	65.9%	0.75	5
Due Professional care	3.96	High	77.27%	0.6	4
Confidentiali-ty	4.34	Very high	93.18%	0.54	1
Ethics and	4.06	High	75%	0.57	/

professionalism	

Source: Prepared by the researcher based on the results SPSS v 23

The mean scores for every dimension are rated relatively high, reflecting strong presence of each dimension within the sample, closely aligning with the overall mean and suggesting their prominent roles in the construct. Notably, confidentiality exhibited the highest mean scores (4.34) with a standard deviation of 0.54, while Competency received the lowest score (3.8) with a standard deviation of 0.75, indicating comparatively lesser emphasis, though it still maintained a high rating on the scale. The proximity of these means to the ethics and professionalism mean demonstrates that each dimension significantly contributes to the overall construct, with confidentiality, integrity and objectivity being slightly more influential.

The mean score of 4.06 for "Ethics and Professionalism," with a standard deviation of 0.57, indicates a high level of adherence to ethics and professionalism with 75% of the respondents agreeing and strongly agreeing to this statement.

4. RESULTS AND HYPOTHESISES TESTING

First Hypothesis

H1: internal auditors of Algerian banks adhere to the standards of ethics and professionalism

H0: internal auditors of Algerian banks adhere to the standards of ethics and professionalism

In consistence with prior studies, one-sample t-test analysis was conducted with t-test value of 3.5 and 95% confidence interval to assess whether to accept or reject the first hypothesis. Although 3.0 is the mathematical median of a five-point Likert scale, this study used a test value of 3.5 to distinguish positives responses from neutral ones that are generally represented by the median 3(Chyung et al., 2017; Zumrawi &

Macfadyen, 2023)

Table 05: one sample t-test results

	Test value = 3,5			
	T test	df	p-value	
H0 internal auditors of Algerian banks do not adhere to the standards of ethics and professionalism	6,52	43	000	Rejected
H1 internal auditors of Algerian banks adhere to the standards of ethics and professionalism	4,52	43	000	Accepted

Source: Prepared by the researcher based on the results SPSS v 23

Table 5 shows the results of the one-sample t-test, indicating the rejection of the null hypothesis based on the test statistics. At the 95% confidence level, a p-value less than or equal to 0.05 indicates the rejection of the null hypothesis, leading to the conclusion that internal auditors in Algerian banks do actually comply with standard of ethics and professionalism which aligns with the results of the mean that shows a high application of these standards.

Second hypothesis

H0: there is no significant difference related to the occupation regarding the application of ethics and professionalism standards at $\alpha = 0, 05$

H2: there is a significant difference related to the occupation regarding the application of ethics and professionalism standards at $\alpha = 0, 05$.

To assess the second hypothesis, independent samples t-test was used to compare the responses of internal auditors to those of other employees.

However, it is essential to conduct a normality test, as normal distribution is a crucial condition of independent samples t-test.

The table 6 shows that the p-value for both Kolmogorov-Smirnova and Shapiro-Wilk tests are greater than 0.05 which indicates that the responses are indeed normally distributed**.**

Table 06: normal distribution test

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistics	df	p-value	Statistics	df	p-value
Internal auditors	0,151	12	0,200	0,931	12	0,389
Other employees	0,135	32	0,144	0,957	32	0,233

Source: Prepared by the researcher based on the results SPSS v 23

According to the results presented in Table 7, the p-value is greater than α (0.21 > 0.05), which indicates that there is no statistically significant difference between the means of the internal auditors and other employees responses. Thus we accept the null hypothesis H0 and reject the second hypothesis H2.In other words, based on this analysis, all the employees (including internal auditors) agree on the fact that internal auditors adhere to the principles of ethics and professionalism in the studies banks.

Table 07: independent samples t-test

	N	mean	s.deviation	T value	p-value
Internal auditors	12	4,24	0,48	1.27	0.21
Other employees	32	3,99	0,59		

Source: Prepared by the researcher based on the results SPSS v **23**

5. CONCLUSION

The findings of this study show a high compliance among internal auditors of Algerian banks with the second domain of the IIA global standards published in January 2024, which indicates not only the importance these professionals place on ethics but also the efforts made by banks to maintain an environment that promotes these principles.

The consensus of different employees suggests the existence of a robust culture of ethics and professionalism within the bank, and the perception of internal auditors as credible, trustworthy, and committed to maintaining high-quality work.

Nonetheless, there is always room for improvement, as some

principles are more consistently applied than others. It would be beneficial to focus on addressing these gaps, particularly in areas such as competencies which had the lowest rating, through on-going training and development.

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