Anti-Corruption

Topical Requirement



The Institute of
Internal Auditors

Anti-Corruption Topical Requirement

The IIA's International Professional Practices Framework® comprises Global Internal Audit Standards™, Topical Requirements, and Global Guidance. Topical Requirements are mandatory and must be used in conjunction with the Standards, which provide the authoritative basis for the required practices.

Topical Requirements provide clear expectations for internal auditors by setting a minimum baseline for auditing specified risk areas. The organization's risk profile may require internal auditors to consider additional aspects of the topic, including local regulations.

Conformance with Topical Requirements will increase the consistency with which internal audit services are performed and improve the quality and reliability of internal audit services and results. Ultimately, Topical Requirements elevate the internal audit profession.

Internal auditors must apply Topical Requirements in conformance with the Global Internal Audit Standards. Conformance with Topical Requirements is mandatory for assurance services and recommended for advisory services.

The Topical Requirement is applicable when the topic is one of the following:

- The subject of an engagement in the internal audit plan.
- Identified while performing an engagement.
- The subject of a requested engagement that was not on the original internal audit plan.

Not all individual requirements may apply to every engagement, and some may be fulfilled through other approaches. If a requirement is excluded or superseded by other regulatory or contractual requirements or addressed through implementation of procedures in conformance with the Global Internal Audit Standards, the rationale must be documented and retained. Conformance will be evaluated during quality assessments.

For more information, see the Anti-Corruption Topical Requirement User Guide.

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Anti-Corruption

Corruption is broadly understood as the abuse of entrusted power for private or organizational gain and occurs in both the public and private sectors. Corrupt behaviors undermine integrity, transparency, and fairness in decision-making. Anti-corruption activities are designed to prevent, detect, or mitigate corrupt or fraudulent conduct.

Corruption is a specific type of fraud, and the Anti-Corruption Topical Requirement covers these unethical and illegal behaviors rather than the broader topic of fraud. The financial costs of corruption alone are estimated to have a significant impact on the global economy, highlighting the critical need for anti-corruption programs and robust controls. Corruption not only weakens trust in organizations, corporations, government, and elected officials but may also irreparably harm the communities where it occurs.

Every organization is at risk of corruption, regardless of its size, industry, or jurisdiction. The ultimate impact of corruption is largely driven by the external environment in which the organization operates, how the organization designs its internal processes and controls to operate in that environment, and the ethical culture within the organization.

External factors in an organization's operating environment that elevate corruption risks include:

- Weak regulatory or operational restraints in financial services organizations and specific professional industries (such as legal, accounting, construction, and real estate).
- Government turmoil or weak enforcement of laws and/or regulations.
- Persistent and systemic corruption normalized in governance practices.
- Geopolitical instability.
- Market volatility.
- Key resources controlled by only a few.
- Fierce competition for emerging markets.
- Significant interaction between the public and private sectors, such as in the use of natural resources.
- Limited transparency.
- High-risk third-party relationships.

The external corruption landscape can be navigated by establishing appropriate and adequate governance, risk management, and controls to mitigate corruption risks. This is where internal audit functions in both the public and private sectors play a critical role, helping organizations prevent, detect, and mitigate corruption.

While the role of internal audit functions in combating corruption is widely discussed and encouraged in many regions, it is not always mandated. Internal auditing is uniquely positioned to evaluate the organization's tone at the top; assess controls over third parties and other business processes prone to corruption; identify indicators and anomalies; and provide

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assurance that controls are appropriately designed and implemented to meet the organization's objectives.

It is important that the internal audit function has appropriate authority to perform assurance and advisory work on anti-corruption topics in alignment with jurisdictional regulations, its mandate, and charter. It is also important to understand that corruption is a technical topic; therefore, the internal audit function must ensure it collectively possesses the competencies to perform its work in this area or obtain the necessary competencies. If the internal audit function or any internal auditors have roles in the anti-corruption program or in elements such as whistleblowing protocols, the affected auditors must consider their objectivity and, if necessary, disclose to the appropriate parties their roles and any objectivity impairments to ensure the scope of any assurance engagement is not affected.

Top Corruption Risks

While the number and types of corruption schemes vary, international standards, industry guidance, and regulatory bodies generally focus on corruption risks in these areas:

- **Bribery and kickbacks,** such as offering an undue advantage to a public official or other party to influence them to act or receiving something of value after using official duties to benefit one or more third parties.
- **Donations,** such as payments disguised as political contributions to a particular candidate or an asset or in-kind donation to a charity as a vehicle for corruption, such as to conceal bribes.
- **Conflicts of interest,** such as a circumstance that creates a risk of personal interests influencing professional judgment or actions.
- **Facilitation payments,** such as public officials requesting or demanding small unofficial bribes be paid to speed up routine or administrative actions.
- **Accounting deficiencies,** such as weak financial controls allowing corrupt transactions to go undetected, including manipulation of financial data to conceal corrupt activities.
- **Gifts and entertainment,** such as giving and receiving gifts or other forms of entertainment outside the acceptable threshold for the organization to influence or reward improper acts.
- **Hiring of related parties,** such as hiring an individual as a favor to a third party in exchange for an improper benefit.
- **Sponsored travel,** such as covering travel expenses and amenities for public officials when engaging in official duties.
- **Sponsorships,** such as disguising the recipients of pledged funds or assets to conceal the payment of an improper benefit to the organization.

Although these are common corruption risk areas, auditors should also be aware of evolving corruption techniques. For example, artificial intelligence is increasingly being used to generate realistic messages and impersonate individuals, creating a false sense of urgency that can lead to hasty decision-making and the sharing of confidential information.

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Conformance

This Topical Requirement covers an internal auditor's role in providing assurance services for an organization's anti-corruption program and activities, including its governance, risk management, and control processes. This Topical Requirement does not cover the performance of investigations into corruption activities.

To adequately assess management's anti-corruption efforts within an organization, internal auditors need to understand the risk implications for their organization and recognize indicators of corruption that may require further investigation. Conformance with this Topical Requirement does not provide absolute assurance that an internal audit function will detect all acts of corruption within an organization.

Restrictions in public sector internal audit engagements due to legislation, government structure, or political environments are recognized as potential barriers to addressing certain aspects of this work. Internal auditors in the public sector must document such scope limitations as part of their risk assessment process and apply professional judgment to clearly define and communicate the tailored scope of their review.

Internal auditors, such as some within the public sector, may have investigative authority and/or be required by law to refer suspected corruption to prosecutors, an inspector general, or another audit authority. If indicators of corruption are uncovered during an assurance or advisory engagement, this duty applies even though the engagement itself is not an official investigation.

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Evaluating and Assessing Anti-Corruption Governance, Risk Management, and Control Processes

This Topical Requirement provides a consistent, comprehensive approach to assessing the design and implementation of anti-corruption governance, risk management, and control processes. The requirements represent a minimum baseline for the assessment.

Governance

Requirements

Internal auditors must assess the following aspects of the organization's governance of protections against corruption:

A. The board and senior management are committed to fighting corruption within the organization through an anti-corruption program established by senior management, recognized and overseen by the board, that features proactive, adaptive elements. These elements address evolving risks, aligned with relevant regulations, organizational values, and risk management strategies. Senior management promotes integrity through a clear "tone at the top," rewarding ethical conduct and enforcing international and jurisdictional laws, as well as government or organizational policies, against corruption. If a formal anti-corruption program is absent, core compliance components such as training, reporting, discipline, and monitoring are in place to transparently manage risks from corrupt interactions.

B. Policies are documented and established to define and assess anti-corruption activities. They cover ethics, whistleblowing, and other programs for detecting and addressing inappropriate activities, reporting, and discipline. Policies define prohibited conduct, such as conflict of interest arising from improper gifts, hospitality, or employment, as well as establish procedures for working with third parties. Policies align with applicable regulatory and legal requirements and are periodically reviewed and updated as needed.

C. The organization's anti-corruption management roles and responsibilities are defined. They detail leadership, ownership, and oversight responsibilities for managing the program, including how and when to raise concerns, investigate, and hold staff accountable for inappropriate activities. Policies and procedures address how concerns are communicated and investigated, identify who should be informed, and outline methods for confidential communication when necessary. Those responsible for the effectiveness of anti-corruption efforts have sufficient specialized skills and training related to anti-corruption, seniority, authority, support, resources, autonomy, and access to the board, senior management, and legal counsel.

D. Protocols for communicating with relevant stakeholders and for decision-making are defined, transparent, and aligned with international and jurisdictional laws. Protocols include periodically reporting on the status of performance, risks, compliance, and allegations (specifically breaches of laws and/or regulations). In addition to the board

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and senior management, relevant stakeholders may include operations, risk management, compliance, legal, human resources, external investigators and assurance providers, law enforcement, information security, procurement, the public, elected officials, and others.

Risk Management

Requirements

Internal auditors must assess the following aspects of the organization's management of corruption risk:

A. Processes for continuously identifying, assessing, reviewing, and managing key corruption risks are standardized and comprehensive. Procedures include defined roles and responsibilities and sufficiently address key corruption risks relevant to the organization. The risk assessment takes into consideration jurisdiction and any regulatory changes, the use of third parties, the types of goods and services the organization produces and exchanges, and public-facing interactions.

B. Risk responses are adequate and accurate based on the ranking and prioritization of risks. Responses are approved, implemented, reviewed, monitored, evaluated, and adjusted as needed.

C. Processes are in place to manage and, if necessary, escalate corruption issues that arise, ensuring accountability.

Control Processes

Requirements

Internal auditors must assess the following aspects of the control processes related to the organization's anti-corruption efforts:

A. An organizational anti-corruption program and/or compliance elements are adequately resourced, maintained, and together prevent, detect, and correct actions that could lead to corruption.

B. Anti-corruption policies and procedures are comprehensive, adequately tailored to the organization's risks, and updated in alignment with the current risk assessment. These policies and procedures are clear, communicated, and accessible to all employees and relevant parties, and, along with ethical standards and organizational values, are integrated into the organization's day-to-day operations. Specific policies and procedures exist to address the significant risks (see Top Corruption Risks, page 3).

C. Training and awareness programs are implemented, maintained, and required for all employees to build awareness of anti-corruption policies, procedures, and processes. The level and specificity of training are commensurate with the level of corruption risk associated with the position and duties.

D. Whistleblower programs or other complementary reporting mechanisms are in place to deter and detect corruption attempts. Whistleblower channels are appropriately

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established and secured, as are protections for whistleblowers. Whistleblower procedures are aligned with international and jurisdictional laws and/or regulations.

E. Due diligence protocols and control activities are established and monitored over third-party relationships. Third parties include vendors, suppliers, contractors, subcontractors, outsourced service providers, other agencies, consultants, and others acting on the organization's behalf.

F. The organization has implemented sufficient controls to more easily identify and help prevent corruption. Controls include enforcing segregation of duties; establishing appropriate approval levels for transactions or activities; reviewing and maintaining required documentation; and setting aside specific general accounts for the recording of certain transaction types (such as gifts, donations, and sponsorships). Specifically for financial processes, internal controls are in place to help ensure that the organization's financial records and supporting documentation are fairly and accurately represented and that transactions are properly recorded.

G. Ongoing monitoring and regular testing of operational processes susceptible to corruption and controls are conducted, and that anti-corruption program elements are working as intended, including verifying the reliability of information.

H. Incident response, reporting, and remediation protocols are established, including enforcement standards, investigation protocols, severity-based escalation processes, post-incident reviews, and root cause analysis. Organizations review lessons learned from enforcement actions and initiate disciplinary and corrective actions. Enforcement activities are applied consistently, comply with legal requirements, and ensure fair and equitable treatment across the organization.

I. Practices exist to help prevent future occurrences and support an environment of continuous improvement, such as analysis of enforcement activities for lessons learned.

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About The Institute of Internal Auditors

The Institute of Internal Auditors (IIA) is an international professional association that serves more than 265,000 global members and has awarded more than 220,000 Certified Internal Auditor® (CIA®) certifications worldwide. Established in 1941, The IIA is recognized throughout the world as the internal audit profession's leader in standards, certifications, education, research, and technical guidance. For more information, visit theiia.org.

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