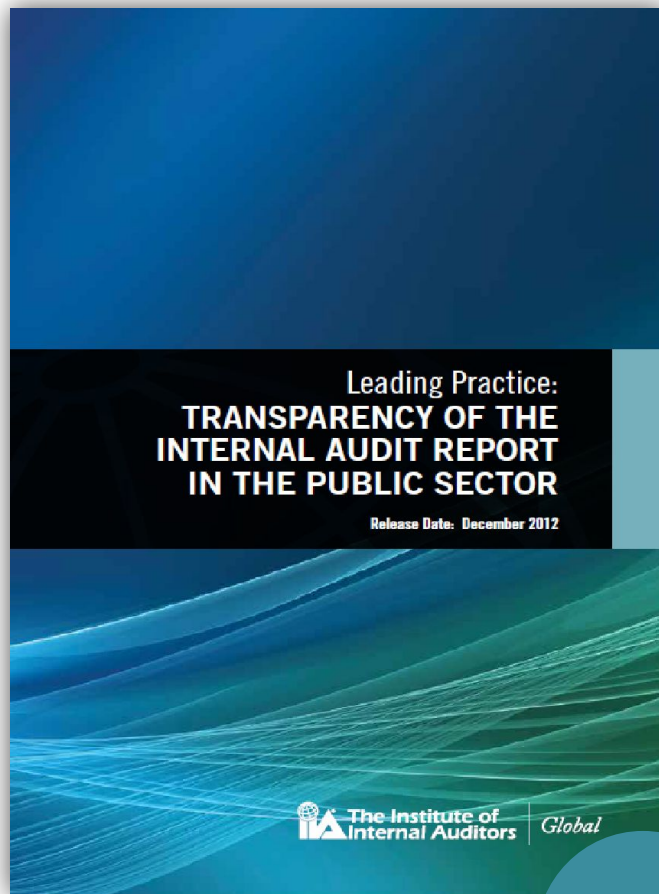


Internal Audit Report Publication In Public Sector

Ara Chalabyan, MBA, FCCA, CIA, CRMA, CRISC
CAE, Central Bank of Armenia
President, IIA-Armenia

January 2, 2020

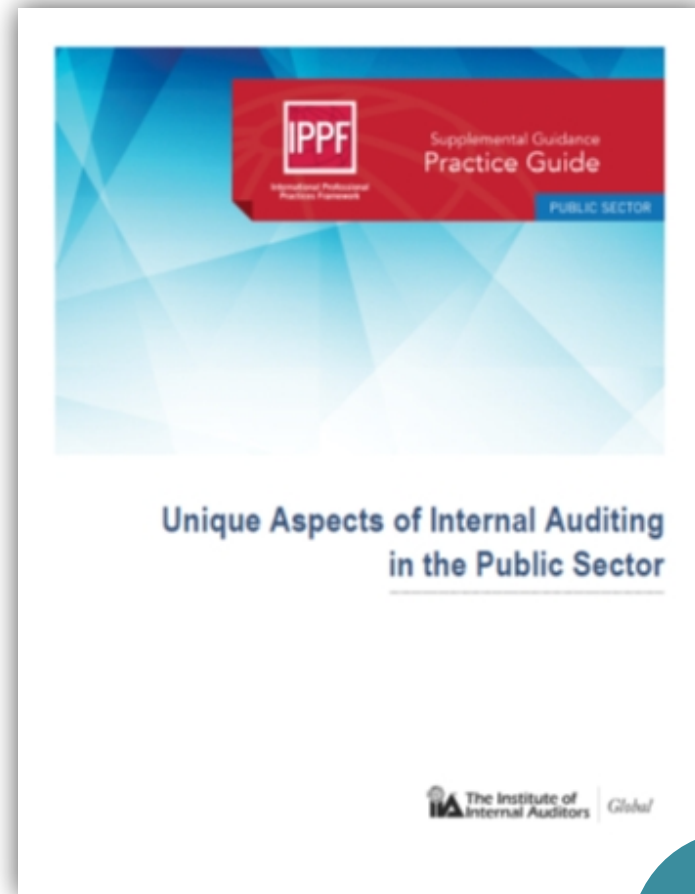


Leading Practice:
**TRANSPARENCY OF THE
INTERNAL AUDIT REPORT
IN THE PUBLIC SECTOR**

Release Date: December 2012

 The Institute of
Internal Auditors | *Global*

2012



Unique Aspects of Internal Auditing
in the Public Sector

 The Institute of
Internal Auditors | *Global*

2019

Defining Transparency



Transparency is the **openness** through **availability** and **accessibility**

making documents available
to responsible **managers**

Differing levels of openness

full disclosure
through **Internet**



Transparency Trade-Off

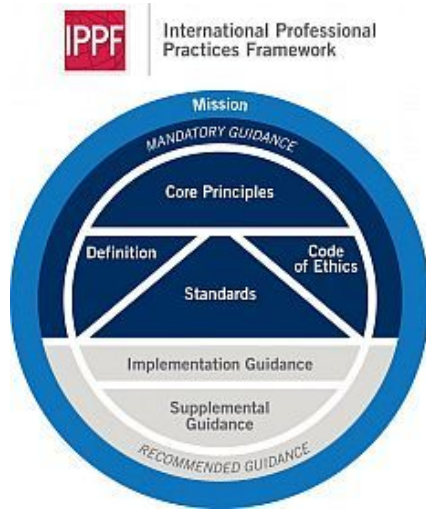
Many public sector entities are **required by law** to make public documents available upon request and/or publish meetings notices including specific agenda items.

Transparency of public sector actions and information plays a significant role in **public oversight**

Public's interest is sometimes served by **protecting information from disclosure**

- national security
- criminal investigations
- proprietary information of a private company

Auditing Standards



INTOSAI



Standard 2440: Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

2440.A1 – The CAE is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2 – If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organization the CAE must:

- **Assess the potential risk** to the organization;
- Consult with senior management and/or legal counsel as appropriate; and
- Control dissemination by **restricting the use of the results**.

ISSAI 20: Principles of transparency and accountability

Principle 7 states, “SAIs **report publicly on the results** of their audits and on their conclusions regarding overall governmental activities”

Principle 8 states, “SAIs communicate **timely** and **widely** on their activities and audit results through the **media, websites and by other means**”.

Confidentiality

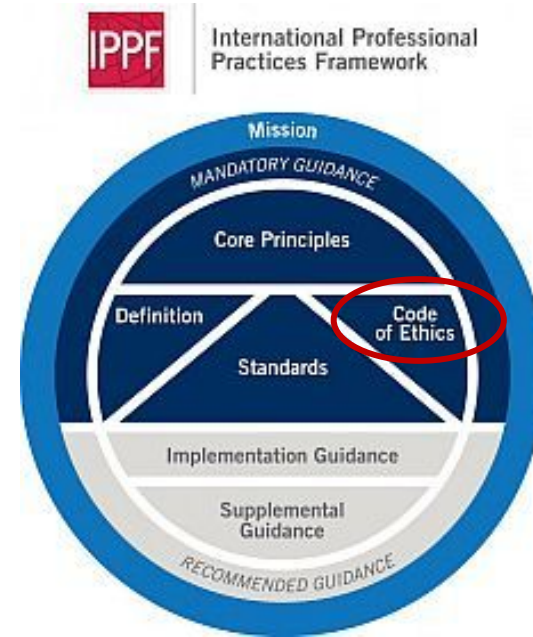
One of the 4 principles in IIA's Code of Ethics - **confidentiality** requires that:

“internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.”



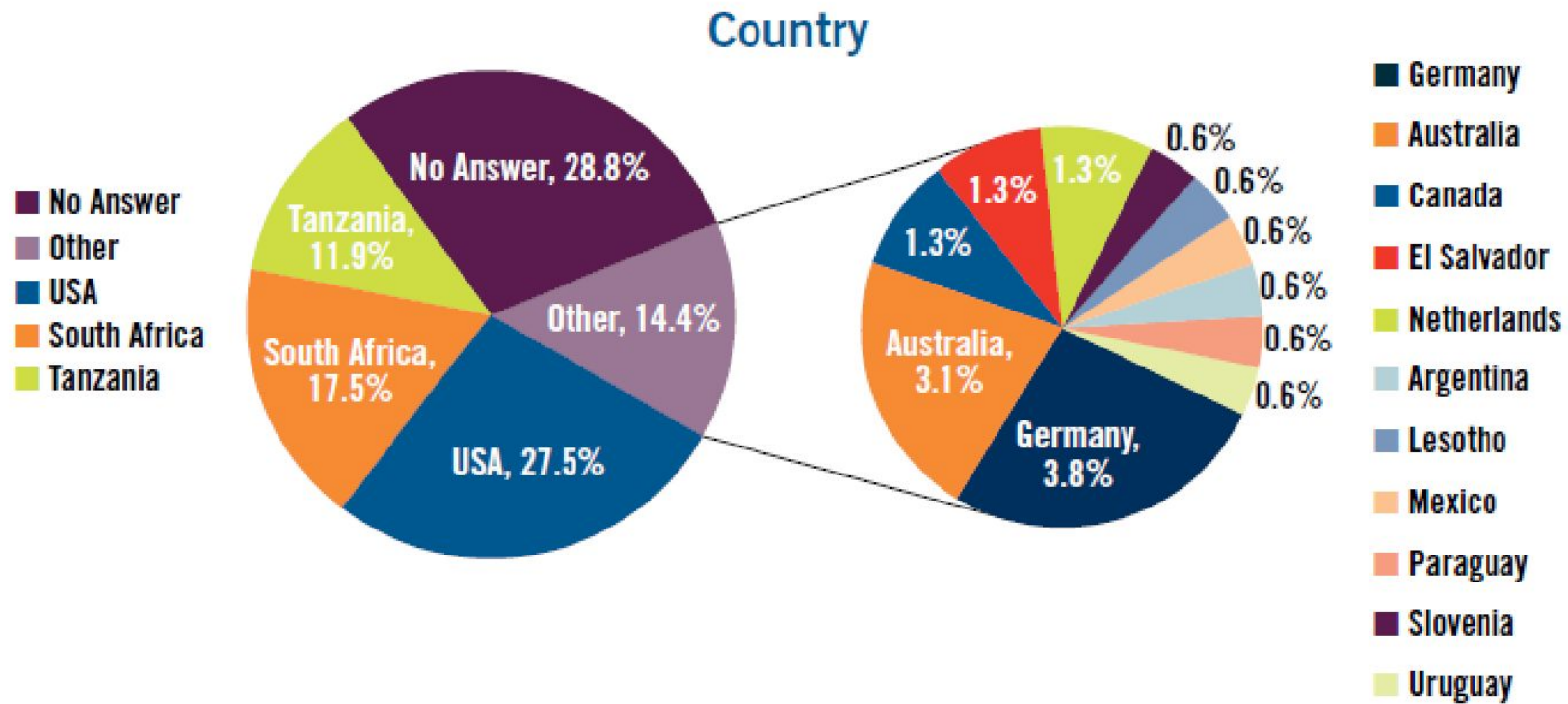
Similarly, **GAGAS** acknowledges that:

“internal audit organizations **do not have a duty to report** outside the audited entity **unless required** by law, regulation, or policy.”

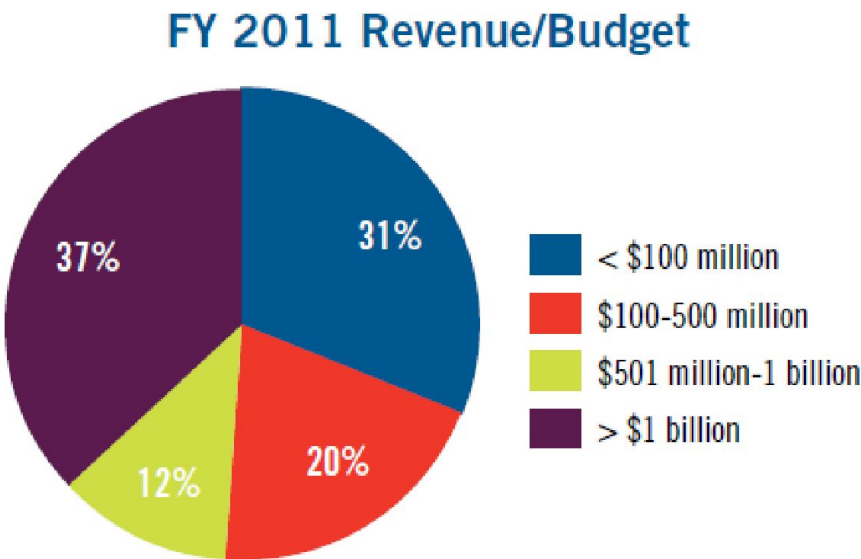
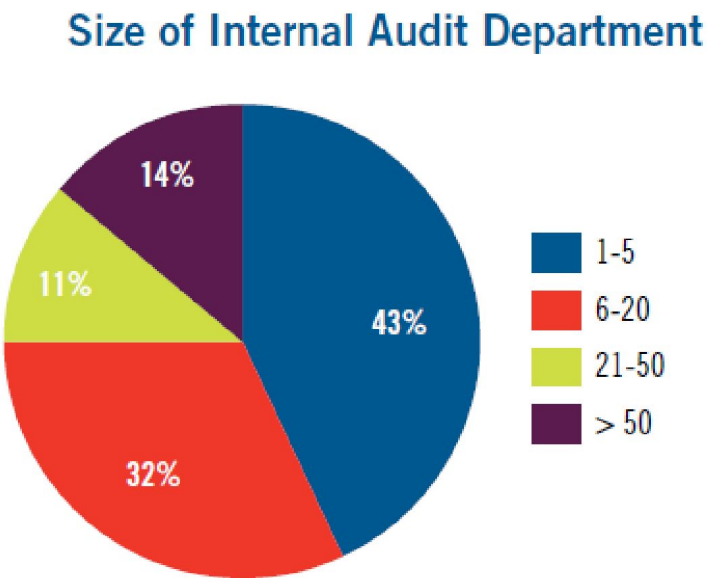
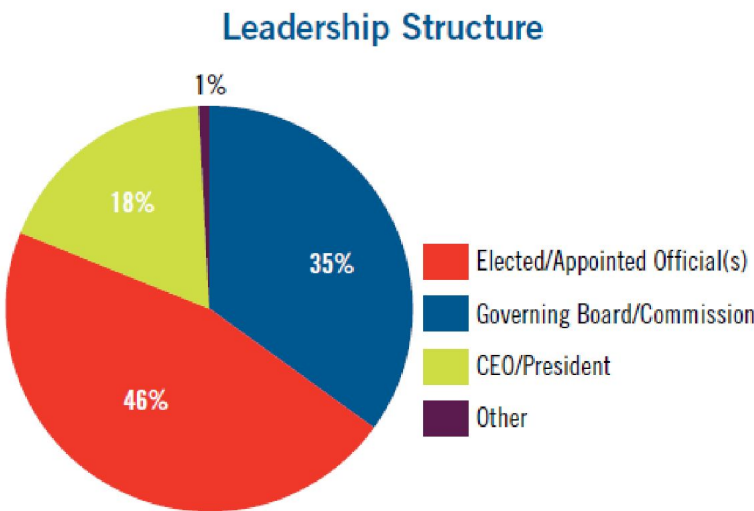
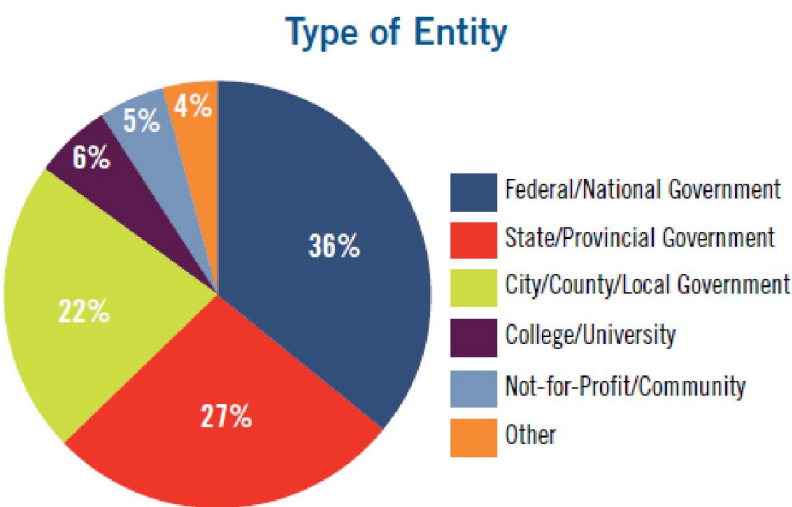


IIA Global Conducted Survey in 2012

The IIA Public Sector Committee received **160 responses** to the survey from **14 countries** on five continents.

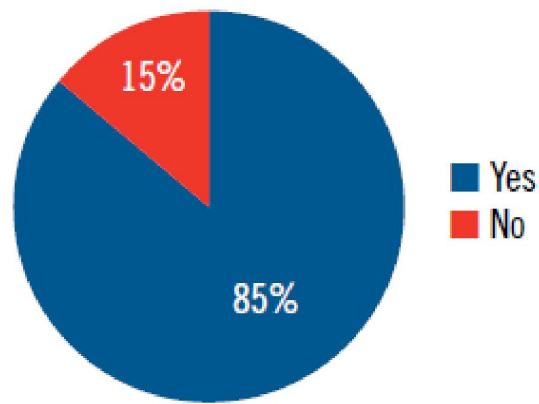


Details of Respondents

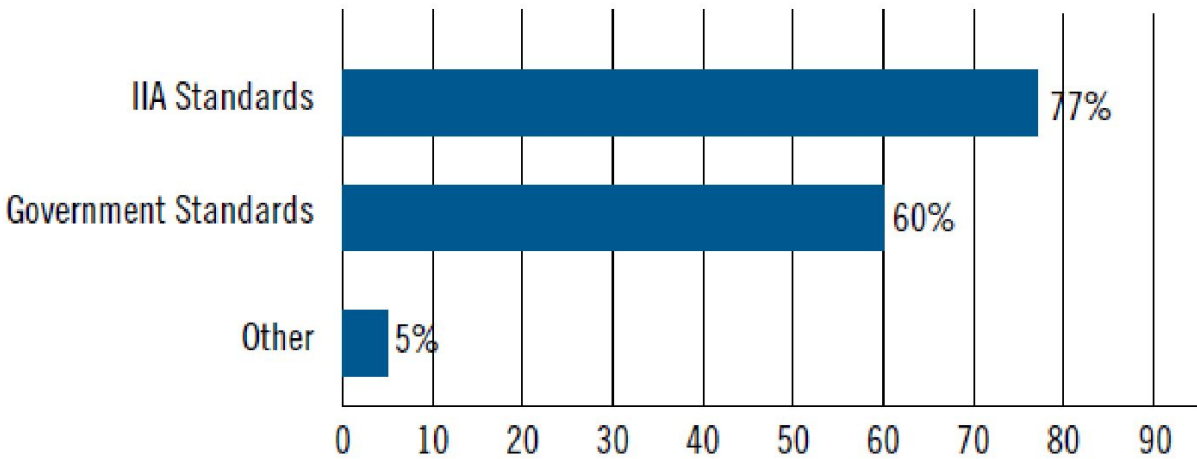


Survey Results

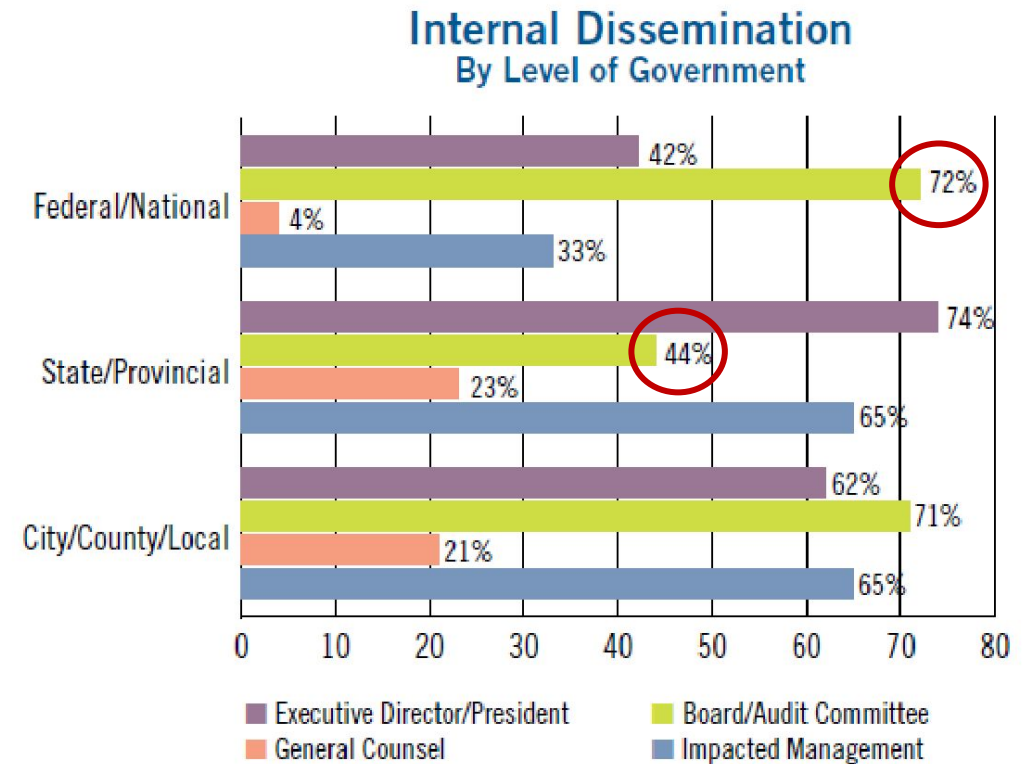
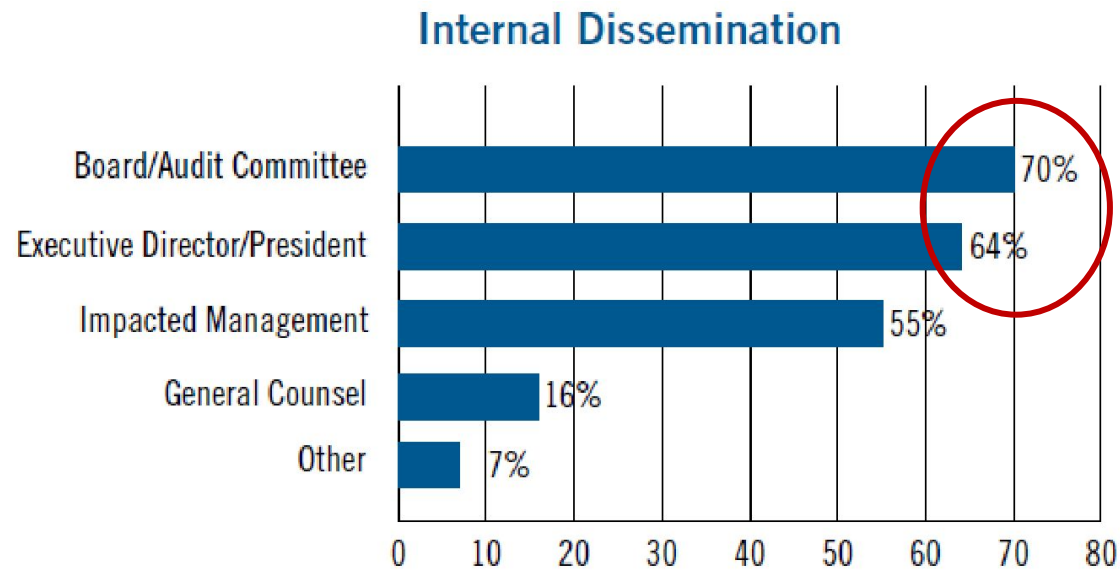
Mission/Objective to be Transparent



Standards Followed

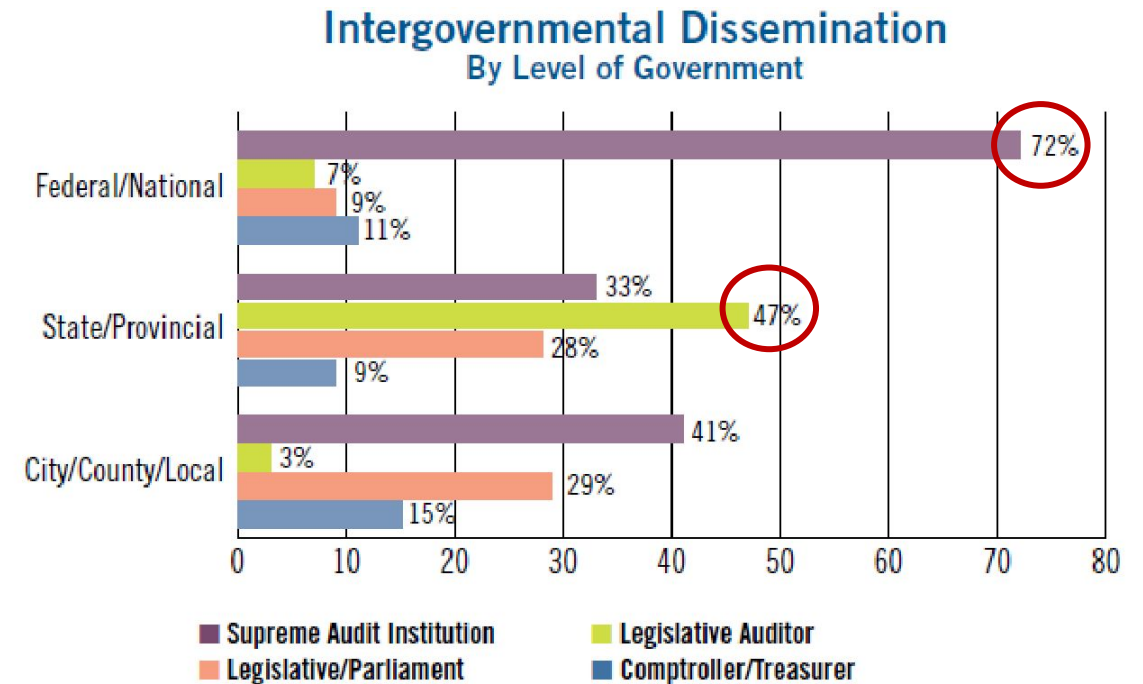
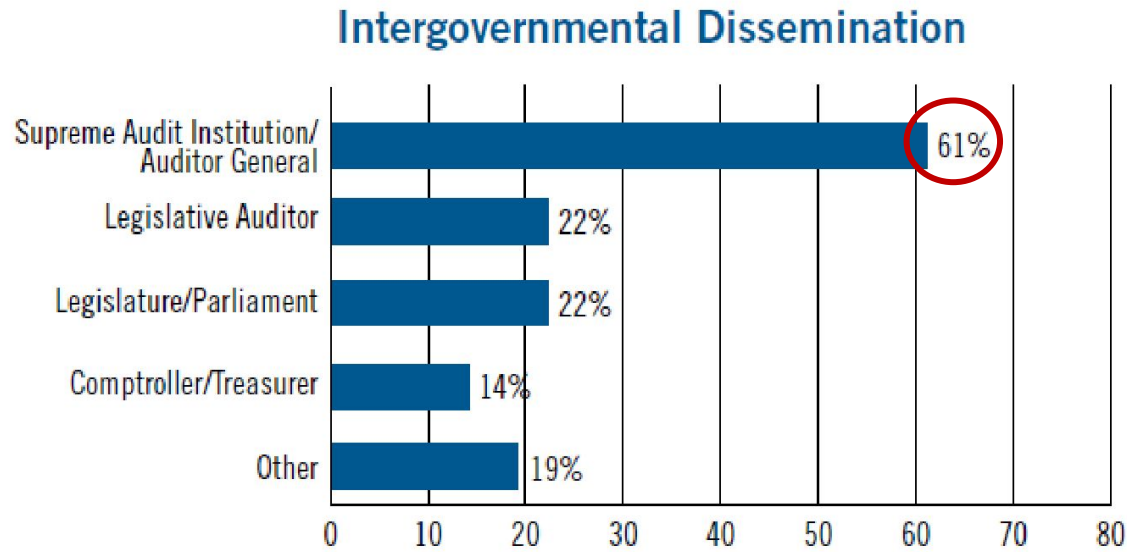


Internal Dissemination of Internal Audit Reports



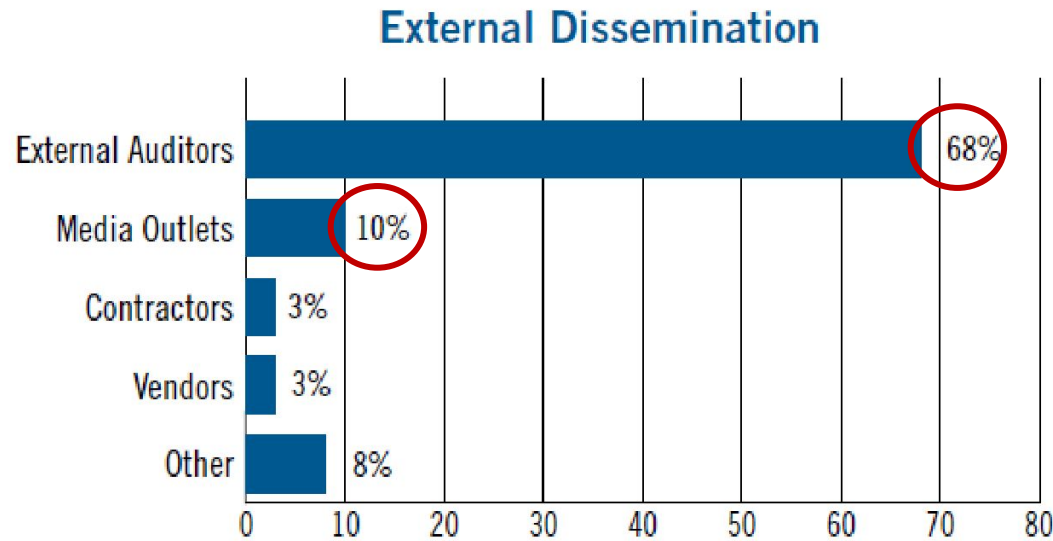
- **Federal/national** governments are **less likely** to disseminate the report internally **except** to the **Board** or **AC**.
- **State/provincial** governments are **less likely** to disseminate to the **Board** or **AC**.
- Small organizations are **twice as likely** to **NOT disseminate** the report internally **except** to the **Board** or **AC**.

Intergovernmental Dissemination of Internal Audit Reports



- **Federal/national** governments are significantly more likely to disseminate the internal audit report to the **SAI** and less likely to disseminate to legislature or parliament.
- Half of the **state/provincial** governments disseminate their reports to their **legislative auditor**, while the other levels of government rarely disseminate internal audit reports to a legislative auditor.

External Dissemination of Internal Audit Reports



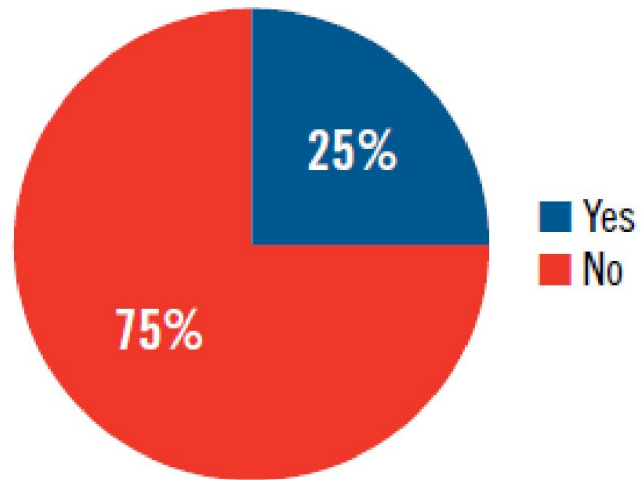
- Entities **following government standards** and **local governments** are **more likely** to disseminate their reports to **media outlets**.
- **State/provincial** governments are **less likely** to disseminate reports to **external auditors**.
- As the **size** of the IA department increases, entities are more likely to disseminate reports **to external auditors**.

All respondents who disseminate the internal audit report to **external parties** also disseminate the report to the **board or audit committee, management, or legal counsel**.

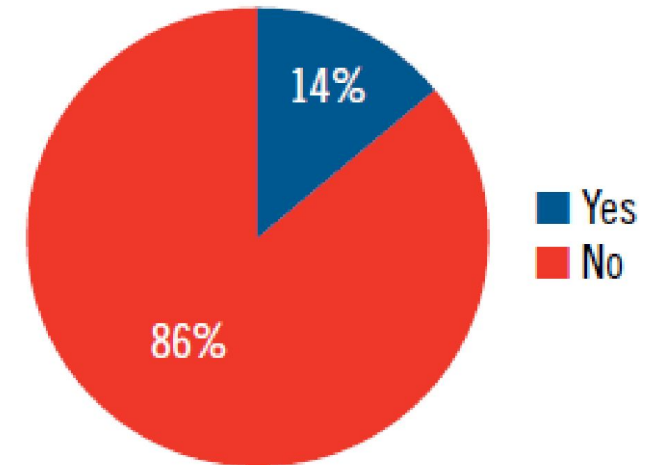
This may indicate full compliance with Standard 2440.A2.

Publication of Internal Audit Reports

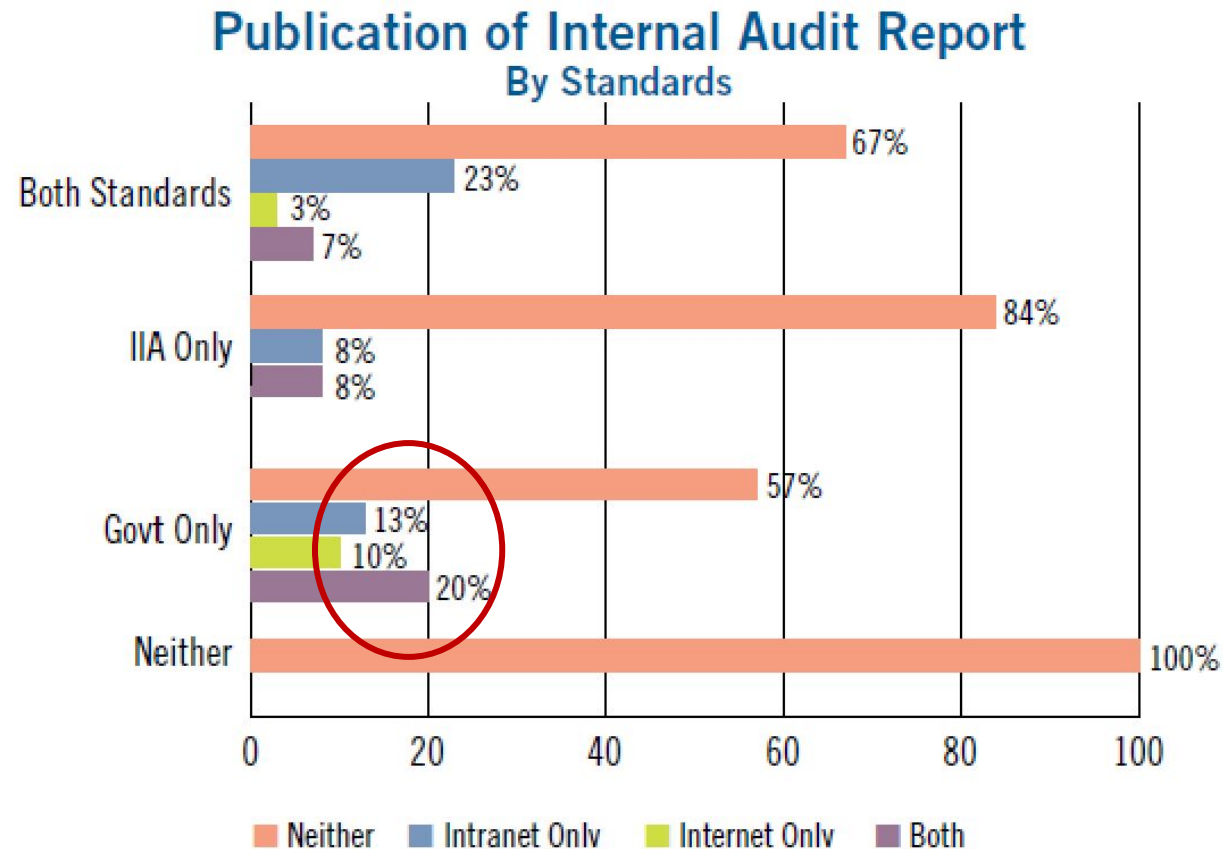
Published on Organization's Intranet?



Published on the Internet?



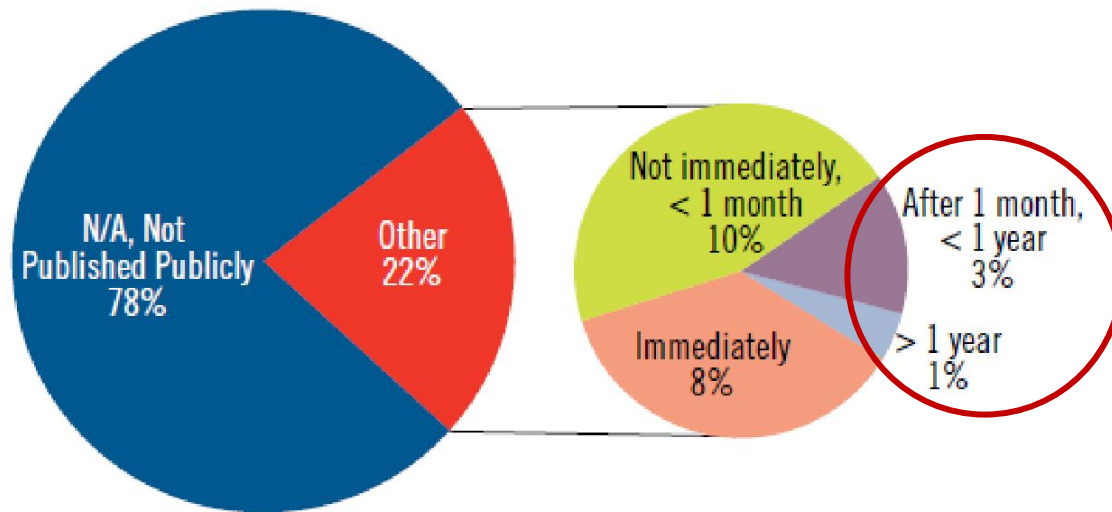
Publication of Internal Audit Reports



Public entities that followed **government standards** are more likely to publish the internal audit report than entities that follow *IIA's Standards*.

Publication of Internal Audit Reports


When Are Reports Published to the Public After Internal Dissemination?



Although 18 percent publish the report within one month, the remaining **4 percent** feel it is appropriate to release the reports to the public **after some time has passed**.

Possible reasons for delayed publications include the **resolution of issues** and information that becomes **less current and less sensitive**.

Conclusion

- 
- Most of the entities disseminate the IA report to an AC or senior management.
 - Few entities are externally transparent, but most disseminate to EA.
 - Higher levels of government are less likely to publish IA reports.
 - Entities following IIA's Standards are less likely to publish the IA report.
 - Entities that are subject to public information laws are more transparent.

Thank You

<https://ia.am/ia-armenia-publications/>