

# **Publication of internal audit reports as a result of the freedom of information law - Implications on the profession**

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queries

# This may happen..

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# Order of presentation

- \* Background
- \* Justifications to publish Internal Audit (IA) reports
- \* Negative implications on the profession as a result of publication of IA reports
- \* IPPF aspects
- \* Summary and conclusions

# Background

- \* The Freedom of Information Law was enacted on 1998
- \* Every Israeli citizen or resident has the right to obtain information from a Public Authority (PA) in accordance with the provisions of this law
- \* PA is required to appoint a supervisor for making information available to the public
- \* Supreme court precedent ruling from 2005 rejected PA's request not to provide internal audit report requested in accordance to the law
  - \* Allowed to keep part of the information confidential
- \* Municipality Auditors publish their reports based on other legislation
- \* Increased trend of requesting Internal Audit outputs (reports, protocols, IA plan remediation activities etc.)
- \* Internal Auditors asked for Israel IIA's view on the implications on the profession
- \* IIA Israel has published a position paper
  - \* Does not include legal examination of the issue

# Justifications to publish IA reports

- \* To promote freedom of expression
- \* Right of the public to know
- \* Transparency & public oversight
- \* Public trust of government institutions
- \* PA as a trustee – holding the information for the public
- \* Deterrence tool that may encourage organizations to remediate deficiencies
  - \* Audit report will be treated more seriously...
- \* Will strengthen the Internal Audit function
- \* Right actions of the organization, the supervisor and the Internal Auditor may contribute to achieve Internal Audit Mission

# Negative implications on the profession

- \* Primary responsibility of the Internal Auditor is to the organization he serves
- \* Has to be loyal to his org. including keeping the audit work confidential – That's why our job title is **INTERNAL** Auditor
- \* The relationship between internal audit and management could be negatively impacted
  - \* Auditees cooperation with the internal audit function will be damaged
  - \* They may hesitate/refuse to provide info. or might limit the info. provided significantly
- \* May expose PA weaknesses, expansion strategies, trade secrets, and other internal considerations that could place the organization's success in jeopardy
  - \* Competitive disadvantage vs. competitors/others that are not subject to this law

# Negative implications cont.

- \* Slow down the audit process - more cumbersome
  - \* Extend auditees right to review audit materials, argue, involve legal counsels etc.
  - \* Internal Audit reports may become irrelevant
- \* May influence management and Internal auditors regarding:
  - \* Audit subjects selection
  - \* Findings that will be included/excluded
  - \* Wording of the findings
- \* Divert Internal Audit focus from adding value and improvement to publication aspects
- \* Consume organization resources to handle the information requests and to screen out the information that can be publish. Typically requires legal counsel
- \* Weakens the internal audit function and hurts its effectiveness

# IPPF aspects

- \* Internal Auditors may not be able to adhere to the mandatory elements of the International Professional Practices Framework - IPPF,

In particular to the following:

- \* Mission of Internal Audit - To **enhance and protect** organizational value by providing risk-based and objective assurance, advice, and insight
- \* The following Internal Audit Core Principles –
  - \* Be objective and **free from undue influence**
  - \* **Communicates effectively**
- \* Standard 2440 - Disseminating Results - The chief audit executive must communicate results to the **appropriate parties.**



# Summary and conclusions

- \* The Freedom of Information law and court interpretation about its implementation didn't find, in the opinion of IIA Israel, the right balance between the public's right to know and the need to keep strong and effective Internal Audit function
- \* The publication may disrupts PA activity, aid its competitors, weaken the internal audit function, reduce auditees cooperation, slow down the audit process, influence the audit work, divert Internal Audit focus and therefore hurts Internal Audit effectiveness and its ability to accomplish its mission.
- \* There is a need to examine a change in the law or to moderate its wide interpretation:
  - \* Publish general and limited details about Internal audit work
  - \* Limit the info. request to specific subjects rather than extensive "fishing"
  - \* Let the PA decide whether to publish the audit report and to what extent