

Analysis of Responses: CIPFA TICK 2014

1 Do internal controls support the department’s objectives?

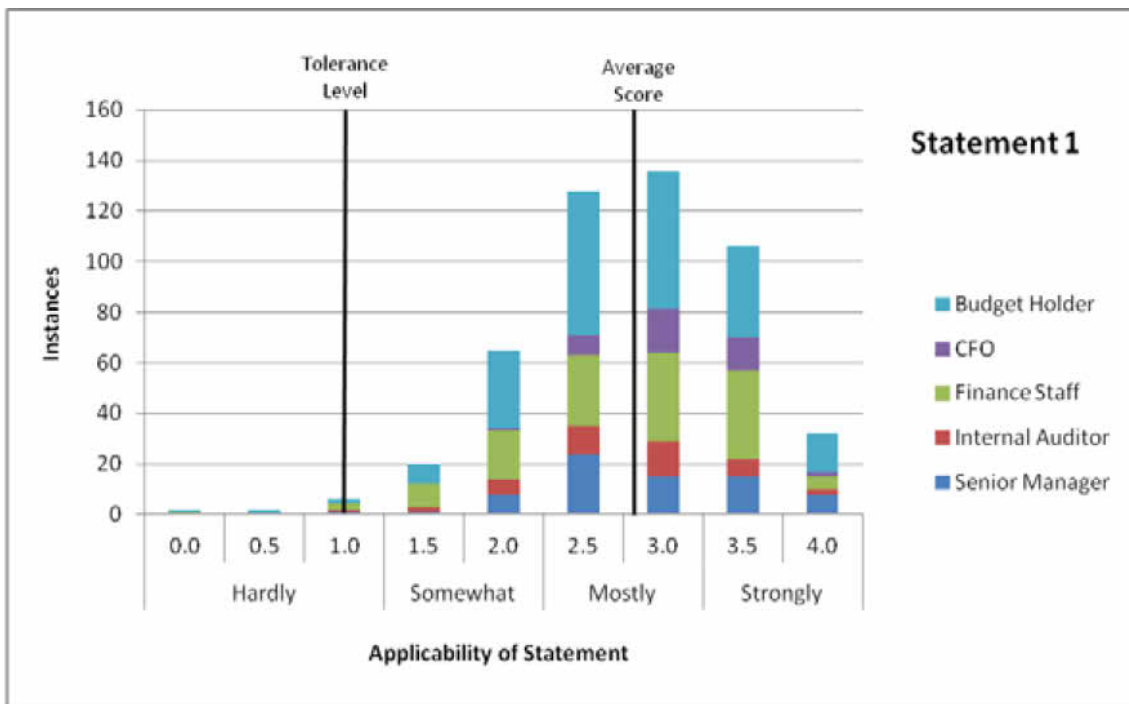
Internal control should be used to support departments in achieving their objectives by managing its risks, while complying with rules, regulations, and organisational policies.

Sustainable success depends on how well a department can integrate risk management and internal control into a wider governance system as an integral part of its overall activities and decision-making processes. A strong, integrated governance system is an integral part of managing a disciplined and controlled department. Effective integration can result in an enterprise-wide governance, risk management, and internal control system that:

- supports management in moving an organisation forward in a cohesive, integrated, and aligned manner to improve performance, while operating effectively, efficiently, ethically, and legally within established limits for risk-taking, and
- integrates and aligns activities and processes related to objective setting, planning, policies and procedures, culture, competence, implementation, performance measurement, monitoring, continuous improvement, and reporting.

Conversely, an excessive and exclusive focus on financial internal controls can distract management from ensuring that its operations or strategy are functioning as intended. Analyses of major failures frequently identify insufficiently controlled risks at the operational level that caused significant problems before any accountability documents could even be prepared.

The survey reports that internal controls “mostly” support departmental objectives, with an average score of 2.8, well above the Treasury minimum tolerance level.



Some respondents provided positive comments, or comments noting recent developments in this area.

The organisation has a very clear risk management policy, framework and plan. Pro-active risk management is inconsistently applied.

The departmental planning process is currently in the process of being updated -- I expect the new process will show high strategic alignment.

Operational risk methodologies well embedded. Organisational risk now well established at executive level and the procurement of a standardised on-line tool in July 2014 will enable all districts and workgroups to consistently apply the framework

A risk policy is in place and reviewed every 2 years, a risk management framework is in place, and risk management guidance and a toolkit is present. The Ministry has a set of strategic risks owned by the leadership team, and a set of high level business risks owned by the Directors. Most teams within the Ministry have their own operational risk register. However, the Risk Manager is working on having a central risk register to capture all current risks and integrating (and linking) operational risks with business risks and the strategic risks. Strategic risk is also shared with all staff so that they understand that their actions have a direct impact on the Ministry's key risks.

However, a greater number of comments on this section provided by respondents indicated a fair amount of uncertainty about the use of internal control in supporting departmental objectives.

A risk framework has been developed but is incomplete ministry wide and not well communicated. Risks and reporting are not (obviously) available across the ministry.

I am not familiar with the department's risk management process. I know there is material but I'm not across the detail enough to provide comment in this area.

I am unaware of internal audits processes regarding risk management.

I would suggest that it is implicit rather than explicit

I'm not aware of any risk management activity outside particular projects.

There are multiple frameworks but not approved by management for use. Risk registers are not required and risks are not linked to strategy or objectives.

We don't have a really coherent framework with the elements of strategy/objectives/priorities/resourcing/monitoring/internal controls/risk management all lining up. It's rather disjointed. One critical control is missing; there is managers can exceed their budget with impunity.

We have a departmental risk register and we are developing business unit risk registers. What is not clear is whether we have clear regular monitoring of the risks.

The few respondents that were able to directly comment on the level of support that internal controls provide in meeting the departmental objectives suggested there was some overshooting and that there were too many burdensome controls.

Controls are designed to eliminate all risk - and trade offs in transaction time/operational cost are not that front of mind. Rule setters are rarely operators too. My doubts are not the lack of controls but rather the volume of them.

Staff see internal controls in a number of areas as burdensome, and it is questionable whether they are focused on areas of significant risk. Controls could be just as effective and help support the efficient administration of the Ministry if they were rationalised.

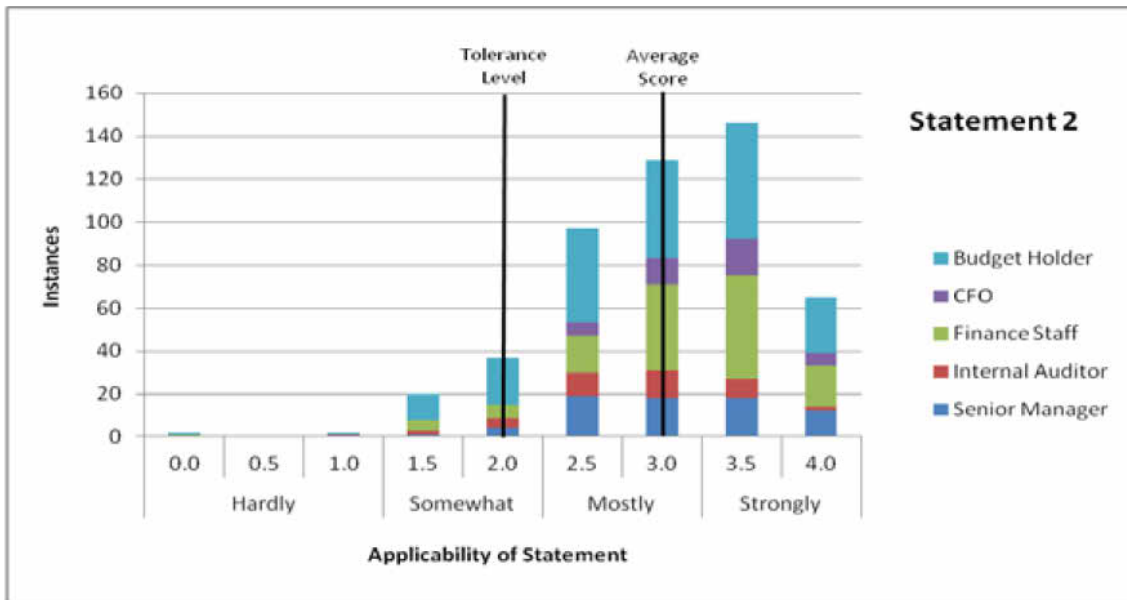
2 Do internal controls reflect roles and responsibilities?

Departments should determine the various roles and responsibilities with respect to internal control, including the management at all levels, employees, and internal and external assurance providers, as well as coordinating participants. Responsibilities for internal control are usually distributed among numerous groups:

- Senior Management assuming overall responsibility for the department's internal control strategy, policies, and system, and act accordingly. This group should define the risk management strategy, approve the criteria for internal control, and ensure that management has effectively undertaken its internal control responsibilities (ie, the oversight function).
- Finance staff, design, implement, maintain, monitor, evaluate, and report on the organisation's internal control system in accordance with risk strategy and policies on internal control as approved by the governing body.
- Budget holders are usually held accountable for proper understanding and execution of risk management and internal control within their span of authority.
- Internal auditors play an important role in monitoring and evaluating the effectiveness of the internal control system and conveying—independent of management—reassurance to the governing body. However, they should not assume responsibility for managing specific risks or for the effectiveness of controls.

In some departments, separate risk management functions exist. This function should enable broad risk management and internal control awareness across the organisation, rather than be an enforcer of compliance. Risk management staff can strengthen the risk management and control competence of governing bodies, management, and employees, but should not take over risk management and internal control responsibilities from line managers.

The survey reports that internal controls internal controls “mostly” reflect roles and responsibilities, with an average score of 3.0, above the Treasury minimum tolerance level. See chart below.



The general view was that this is not a major issue in departments.

We have clear delegation policies that are readily available, actively used, and provide a consistent basis for decision-making. our finance staff have clear roles and responsibilities.

A significant number of comments noted recent reviews or changes in delegations to best match responsibility with accountability.

Changes are currently being implemented that would further enhance this.

Currently Finance undertaking some restructuring.

Delegated authorities are under review and are being updated.

Delegations have recently been completely reviewed. Finance staff are relatively new but highly focused.

HR, Legal and Finance have been working on a revised set of delegations for the organisation, these are currently being finalised with SLT and will be disseminated within the organisation very shortly, i.e. this week or next.

NZDF is currently implemented a new Finance Structure

Restructure of finance has allowed a refresh of the roles and responsibilities, recruitment now filling against the new roles.

Though I would add delegated authorities are undergoing a substantial change and thus many staff are still learning.

Concerns tended to focus on clarity of responsibilities between finance and operational roles, and the communication between these groups.

Communications with managers about financial controls and who to contact could be more systematic.

It is not clear to managers who are responsible for what in the Finance group, but this is mitigated because each Branch has a dedicated client manager, whose job it is to liaise with the appropriate Finance resource.

Responsibilities/action plans for top level risks are defined. However, this is patchy at business unit level. Roles and responsibilities of Corporate Services finance staff as opposed to staff situated within other business units need better clarification. While the roles and responsibilities of finance staff are fairly clearly defined I doubt very much whether many of the organisation's managers have much of a clue about who to contact and when. In some of my personal experience when I have tried to contact people who I believe should be responsible for certain things their willingness to help has been variable.

While delegated authorities are clear understanding of what this means within a role and following the delegations will be less clear or well applied.

One respondent identified an issue with people in 'acting' positions, and one other highlighted that difficulties can arise where there are conflicts.

Delegated authorities and responsibilities are not always clear with 'Acting' positions. We have had a number of people in Acting positions recently - for example currently 3 lines of direct reports

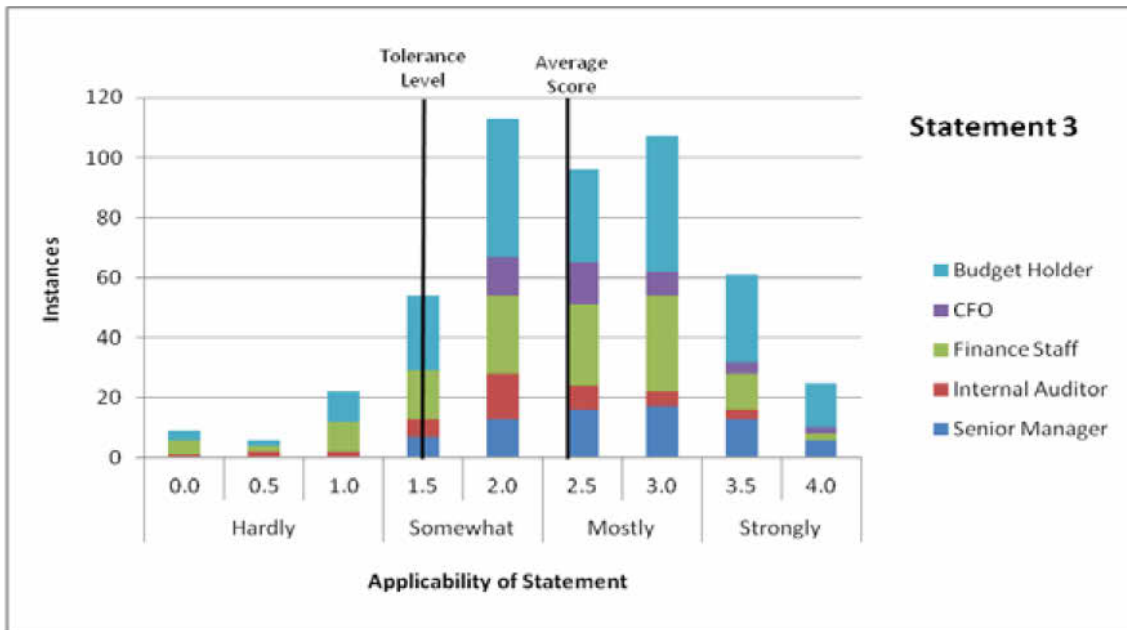
In some cases the Financial delegations may permit or require a manager to do or not do something which contradicts the instruction contained in a separate policy on the same matter.

3 The achievement of internal control objectives is linked to individuals' performance objectives

Departments should link achievement of the organisation's internal control objectives to individual performance objectives. Each person within the organisation should be held accountable for the achievement of assigned internal control objectives.

It is important that the department ensures that those who are responsible for each risk are maintaining those risks within established limits for risk taking, as they may be inclined to choose their own risk limits over those of the department. Because achieving the department's objectives and maintaining effective controls are linked, this should be recognised in the department's process of performance assessment.

The survey reports that achievement of internal control objectives is "mostly" linked to individuals' performance objectives, with an average score of 2.4, above the Treasury minimum tolerance level. See chart below.



Some respondents were able to comment positively on the performance culture of the organisation.

Accountabilities and delegations have all been refreshed - this is giving much greater emphasis to general management capability

All Managers including Project & Programme Managers are responsible, individually and collectively for delivering performance objectives

I am not at a 'Manager Level' grade to know if Managers are being held accountable or how they are being appraised. What I do know is that at my level, the required competencies are factors in recruitment and performance appraisals.

Managers are accountable for their budget with Directors seeking full and detailed explanations for variations to forecast (Monthly). Managers are provided with key financials training that extends beyond transactional requirements to the ethical use of budgets and their link to the Output Plan.

We have seen senior managers receiving warning letters from the CE as part of their chains of accountability for breach of delegation by a manager under their control. The manager did not receive pay increment as a result. Managers have also been put through a series of in-house training on financial management and contract management.

However, a disturbing number noted that financial management performance was not appraised, or not seen to be appraised. Some of these comments suggested problems more generally with performance appraisal.

Performance objectives for 2013 - 14 have not been set for at least some of the senior leadership team, with no performance discussions taking place. Furthermore, 2012/13 appraisals have not been completed for all SLT. There seems to be little drive for value for money within the department.

Performance objectives or Deliverables are set by Managers and may or may not include financial performance targets.

Not seen any linkage between financial performance and appraisal. I am looking at mine now, and there's no explicit link.

Each staff member has a performance development conversation in place which is regularly reviewed with their manager. If they are responsible for budgets, this would be part of the conversation. However, we do not have annual appraisals, so it is difficult to determine if all cost centre managers are held equally accountable for financial decisions.

Financial management competencies are not explicitly measured in individuals' performance appraisal, but any decision which does not represent value for money would be identified.

Historically my perception is that the organisation has not been particularly good at holding people accountable for performance and financial outcomes which is why I score this low.

Obviously I am not party to individual performance appraisal agreements but I do know financial management competencies do not form one of the core requirements for the Ministry appraisal system.

It feels like lip-service is paid to financial accountability, but effort is being put into improving financial accountability.

Some managers do have financial accountabilities in their performance agreements this year but it does not appear to be widespread or mandated.

Value-for-money is not a general top-of-mind consideration.

I don't know whether or how some senior managers are held to account for value-for-money decisions.

Value for money does not form part of staff appraisals. Budget management tends to be a minor component of staff performance.

Value-for-money is not a criteria of performance, particularly under the Better Public Service program of work.

Other respondents identified challenges in making improvements in this area.

FTE management systems are opaque with the result that managers don't know what their bottom line is. For policy managers, staff are the biggest cost, so not knowing what we are accountable for makes it hard to make resource allocation trade offs.

I have some reservations as to whether value for money can be considered thoroughly given work burdens. The general controls and policies work well as a reference point but often pressures of work and directives from Ministers mean that value for money is not the primary consideration.

Financial accountability has been hampered to date because the finance system has not been good enough (at responding to line managers requests) and for tracking expenditure to enable managers to be held accountable, but this should improve

There was also fairly widespread frustration expressed at the lack of consequences or the inappropriate consequences that occurred when performance or competency was not up to expectations.

Managers need a lot of cajoling and support to undertake basic budgeting and forecasting tasks. There is a general expectation that Finance should hand-hold Managers - this is fine for an induction period but there are many Managers who fail to develop their own financial capability. There is little accountability for poorly considered budgeting and/or failing to meet deadlines. Value-for-money decisions seem to be lack appropriate consideration/analysis of benefit return.

General performance management of poorly performing staff could be much stronger.

Financial management skills are variable throughout the organisation and managers would experience limited consequences for failing to manage money well

Managers are accountable, but the consequences for non performance on outcomes and VfM is less clear to me.

Senior managers exceed their budgets and at the same time implement changes that are intended to achieve only an intangible benefit but a tangible cost. Areas with significant budget shortfalls that have been known for some time have no concrete plans for how the problem will be addressed apart from seeking additional funds. Across the board cuts and reallocations are used to manage these and other problems, and when managers do not manage to live within the, sometimes quite unachievable, cuts, costs are re-spread to charge outputs such as those with memorandum accounts, that can sustain additional cost.

There are opportunities to strengthen the implementation of our performance management system (in particular, the use of meaningful consequences re performance and financial management.

There is little or no accountability for value for money, except that put in place by Regional Financial Analysts. There seems to be little accountability for performance and financial decisions taken by managerial staff. Often budget is transferred to cover errors or to justify a financial decision.

4 There is sufficient competency in fulfilling internal control responsibilities

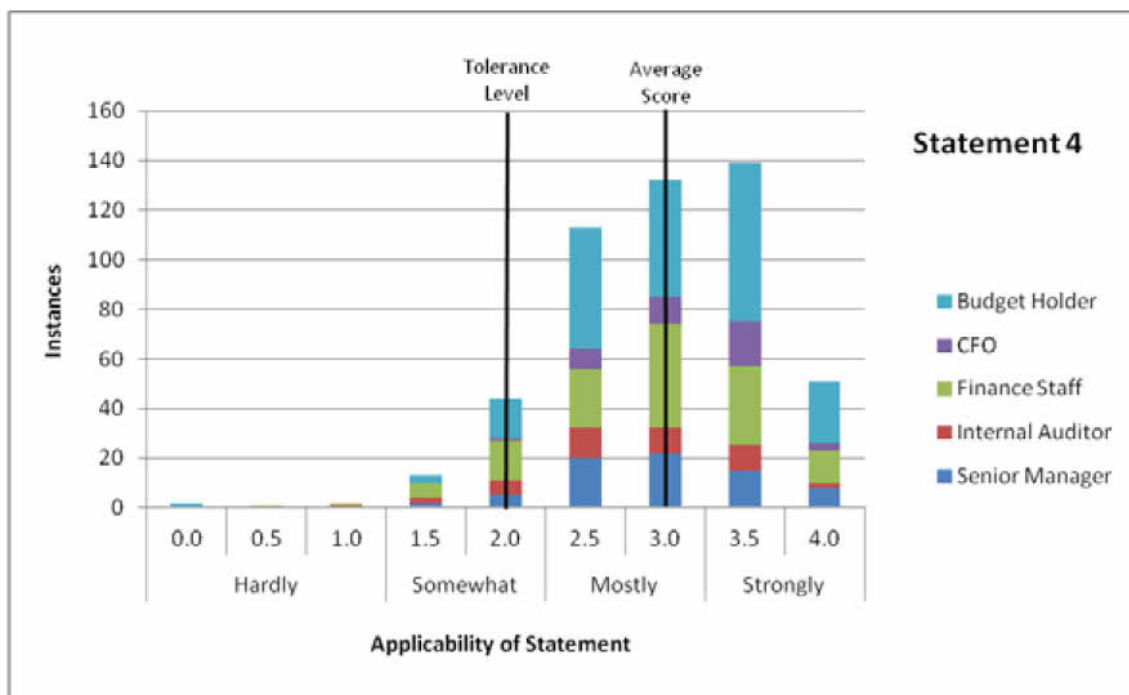
Department staff should be sufficiently competent to fulfil the internal control responsibilities associated with their roles.

Competence in this respect means:

- having sufficient understanding of how changes in the department's objectives, external and internal environment, strategy, activities, processes, and systems affect its exposure to risk
- knowing how risks can be treated with appropriate controls, in line with the department's risk management strategy and policies on internal control
- knowing the principles of the segregation of duties to ensure that incompatible duties are properly segregated, so that no individual has total control over a transaction

- being able to implement and apply controls, monitor their effectiveness, and deal with any insufficiently covered risks, as well as with possible control weaknesses or failures
- having sufficient capabilities available to evaluate and improve individual controls, and
- being able to execute or review the evaluation and improvement of the organisation’s internal control system.

The survey reports that there is “mostly” sufficient competency in fulfilling internal control responsibilities support departmental objectives, with an average score of 3.0, well above the Treasury minimum tolerance level. See chart below.



There was some reluctance to comment on financial management competencies outside respondents' direct experience.

I can't speak for the other business units' business managers.

I'm not privy to the qualifications of those holding senior finance positions but I assume this to be the case.

While I have some delegated financial authorities I am not across the detailed requirements for those involved in finance positions.

A number of positive comments were received about staff working in finance.

Competence is high in senior finance positions, less so in management accountant positions.

Most senior finance positions are filled by suitably competent, experienced accountants but not all.

As a budget manager I was taken through my financial delegation and my budget. I have not received specific training since arriving, and not have I been asked if I have had it (although I have). While I do not know if the Finance team have specific skills, they seem on par with teams from other organisations I have worked for, can answer questions I have and explain what is required and why. The CFO is clearly qualified, experienced and competent. Senior managers clearly place substance over form with obvious respect for the intent behind the controls.

I have confidence in finance and administration staff, their competency. Competencies are specified in job descriptions and clearer under the new structure. Executive Leadership team are all aware of codes of conduct and office policies; compliance is high and well roll-modelled.

Managers receive specific budget training and 1-to-1 time with their Finance Account Manager. I can't comment on the skills of the people hired within Finance but would suggest that they are appropriate and competent. Code of Conduct is a core requirement of the assessed on-boarding process.

Our finance staff are very capable. Managers and staff also understand what is appropriate conduct, and there are checks and balances to support this.

We have suitably qualified people in finance roles. Recent internal control survey highlighted some areas where more can be done to make staff more fully aware of all relevant codes of conduct. But to my best knowledge compliance is high nevertheless

Within the finance function there is a reasonable level of competence, although there is a focus on bringing this to a new level under the new structure.

Greater concern however was expressed about the development of financial management competencies of budget holders and managers.

Competency outside of the Finance team is lower.

All cost centre Managers have clearly outlined financial delegations, but there could be more on information available on financial management practice.

Although budget Managers are required to have specified financial management competencies, many hold positions which are far removed from a finance focus. They require monitoring and assistance to manage their budget allocation effectively.

Financial standards and competency well managed in Business Performance Group where this function sits but less well organised (competencies etc) out in Operations where invoicing and planning occur

It is my perception that there are a significant number of people in this organisation that cannot be trusted to manage budgets and spending. In many instances this is not their fault - they haven't been trained and have little interest in managing their budgets.

Managers tend to rely on the financial competency of the finance function in executing their financial responsibilities. There is a gap around ensuring budget holders have the appropriate financial management competency commensurate with their role.

Many Managers appointed within the Ministry are subject-matter-experts with good people skills. There is a fairly large gap in terms of Managers possessing experience and skill in other aspects of the Management toolkit e.g. resource planning, risk management, financial management.

Non finance managers who are responsible for budgets have not been provided with sufficient training for financial literacy.

Some managers do not have financial management background, and they rely on Corp finance lots.

Some in fact still cling to the view that budget holders do not require financial management competencies.

Other than BAs and I assume staff in the finance team, no financial management skills would be required by managers or staff

Budget managers come from a wide variety of backgrounds and may be hired due to their expertise in a particular subject. They are not required to have financial management competencies and some have limited understanding of budgeting and financial management. The organisation has had mixed feedback on the capacity of the finance function in recent years but I believe the organisation has a genuine commitment to achieving excellence in this sphere.

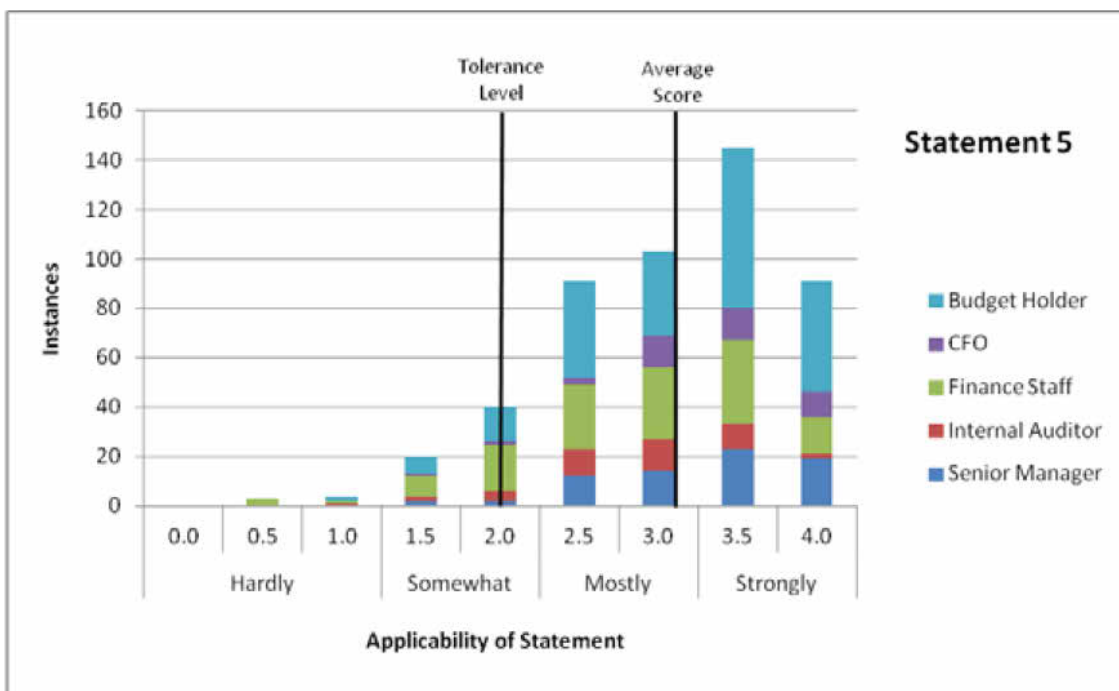
5 The "tone at the top" motivates staff to adhere to internal control policies

The chief executive, the senior management group and management generally should foster an organisational culture that motivates members of the department to act in line with risk management strategy and policies on internal control set to achieve the department's objectives. The tone and action at the top are critical in this respect.

The "tone at the top," the culture, and the ethical framework of the department are essential to an effective internal control system. The chief executive and the senior management group alike need to lead by example with respect to good governance, risk management, and internal control. For example, if senior management appears unconcerned with risk management and internal control, then employees down the line will be more inclined to feel that appropriate management of risk through effective controls is not a priority.

While a code of conduct can support and enable the desired types of employee behaviour, the principles in such codes need to be continuously reinforced principles in word and deed, with training programs, model behaviour, and by taking actions in response to violations.

The survey reports that the "tone at the top" "mostly" motivates staff to adhere to internal control policies support departmental objectives, with an average score of 3.1, above the Treasury minimum tolerance level. See chart below.



A number of respondents reflected positively on the effort that Chief Executives and Senior Management Teams put in to set the right tone at the top.

If we are being asked here about senior management team in Wellington then they do definitely set the tone, and lead by example on finance matters.

Integrity is a core belief and value and the organisation has an Integrity programme that spans Fraud and Corruption and other aspects of a trusted and respected law enforcement and border management organisation.

The CE sets very good examples for all his management team to follow. Sensitive expenditure audits carried out every 6 months have never identified any issue with his expenditures as they are minimal. Also see previous comments on sanctions placed on his senior managers and managers.

There is a robust financial management process within the Department, with visibility by senior management across the organisation.

There is a strong emphasis on financial responsibility, led by the CFO

There is always room for improvement, but generally leadership team members lead by example, take personal responsibility, are conscientious and finance-conscious, made deliberate decisions considering relevant factors such as risk, and apply principles and processes.

Very clear demonstration from CE and ELT.

Even urgent/pet projects must follow the finance rules & processes.

Good finance acumen across SLT. Slower than ideal to resolve finance process / system issues.

Governance around financial management is strong. The establishment of the Expenditure Review phase two project, signalled the criticality of financial management to the whole Department.

However respondents also provided reminders that every action taken by senior managers contributes to the tone that is set, and that inconsistencies between managers, and between practices are keenly observed. Also, setting the tone at the top requires high visibility and effort in communication.

Can state unreservedly that the DC for my area meets all the above - but little visibility of the whole senior management team.

Senior leaders are slowly accepting individual and collective responsibility around the management of financial matters (including quarterly conversations that weigh up progress against; performance targets, risk and forecast outturn). There are still examples of disconnects between the intent and practice ('walking the talk').

Resourcing is a major impediment to giving more than just lip service to proper internal control. People are struggling to get through their BAU or fire fighting and proper process can be sacrificed in order to get the job done. People are struggling with not enough hours in the day. That applies to Senior Management and all other levels of the organisation. (in my humble opinion)

Senior (Tier 2) managers do not communicate risk and finance imperatives well.

Senior managers exhibit variable application of appropriate spending and have widely variable views around what is and is not appropriate. In terms of financial management the same would be true.

Some senior managers do not understand finance, then they do not care much as long as not overspend the budget.

Sometimes decisions are made which indicate the financial implications have not been fully considered

6 Internal controls respond to risks

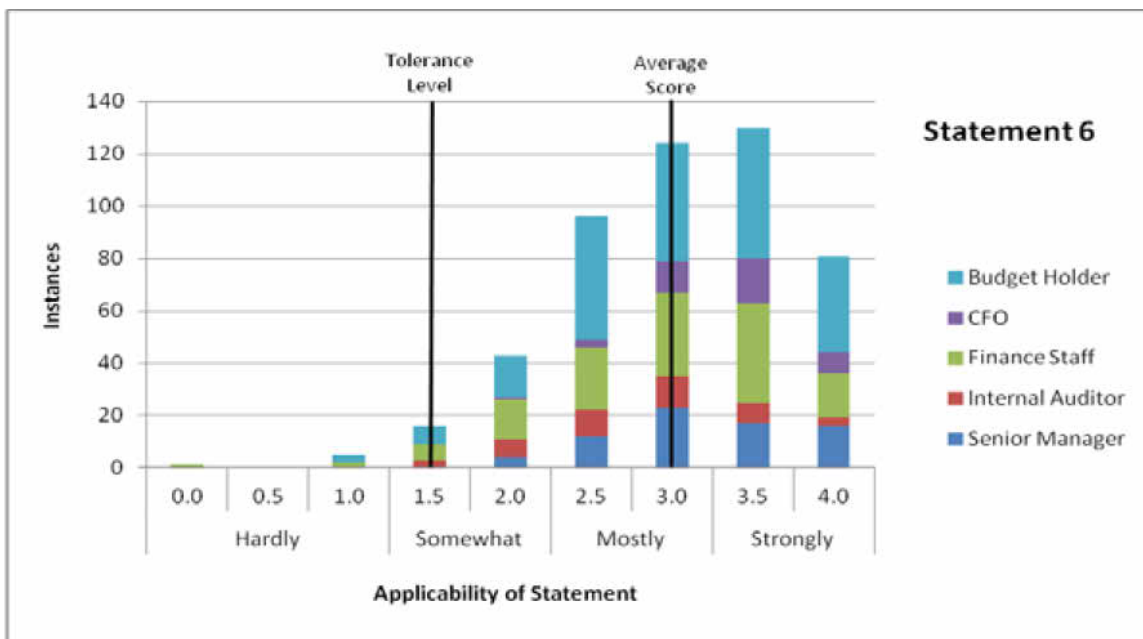
Controls should always be designed, implemented, and applied as a response to specific risks and their causes and consequences.

Controls are a means to an end—the effective management of risks, enabling the department to achieve its objectives. Before designing, implementing, applying, or assessing a control, the first question should be what risk or combination of risks the control is supposed to modify.

Departments should mandate that all strategic and operational decision making is supported by risk management and the subsequent implementation of appropriate controls. All important deviations from the intended outcome need to be assessed.

Departments should be aware that various risks can create an aggregated effect of uncertainty on the achievement of their objectives. Therefore, risks should be assessed and controls designed taking common causes and synergies into account, including escalation and domino consequences.

The survey reports that internal controls “mostly” respond to risks, with an average score of 3.0, well above the Treasury minimum tolerance level. See chart below.



A number of respondents identified recent changes to keep internal control processes updated and relevant, or otherwise provided assurance that they appropriately respond to risks.

Internal audit will recommend improvements where controls or procedures have been identified as requiring improvements. Audit recommendations are regularly followed up by internal audit and reported to the Audit and Risk Committee every quarter.

Regular reviews in terms of policy relate to those in the last 24 months. ... Standing finance and administration meeting agenda items ensure regular review of procedures and registers. Finance and Administration manager clearly responsible for ensuring reviews

happen and are followed through. And, being small, strategic risks are commonly and quickly escalated to executive leadership team consideration. Clear procedures in place around fraud etc.

The Internal controls framework has been recently refreshed.

The Department has the Professional Standards Unit which investigates all manner of integrity and misconduct matters including fraud and corruption.

Very developed response approach to fraud investigations, developing the detection and prevention strategies

Currently a review is being carried out on internal controls over Balance Sheet items

Others were less certain, pointing to a lack of internal communication to provide assurance.

Control testing results are not well disseminated; I have completed this project but not seen the results.

Policies on the intranet do not state the date of their last update so I cannot form a view on whether they are updated when necessary.

Personally, I am not sure how 'up-to-date' these procedures are currently.

No internal clarity about what would constitute a high risk to the organisation.

Sometimes not sure if internal control procedures are updated regularly.

In particular, some doubts were expressed about escalation procedures, when internal control breakdowns are identified.

Risk escalation is an area of weakness within the Ministry.

Self-review of internal control procedures is not a strength in the organisation. Reliance is placed on detection through the Internal Audit function.

The escalation process is unclear with multiple channels and managers unsure of the lines of communication / authority.

The response to this question depends upon what we mean by internal controls. If we are talking about internal financial controls then I think that there are review procedures in place but if we are talking more widely then I think there are some gaps in process.

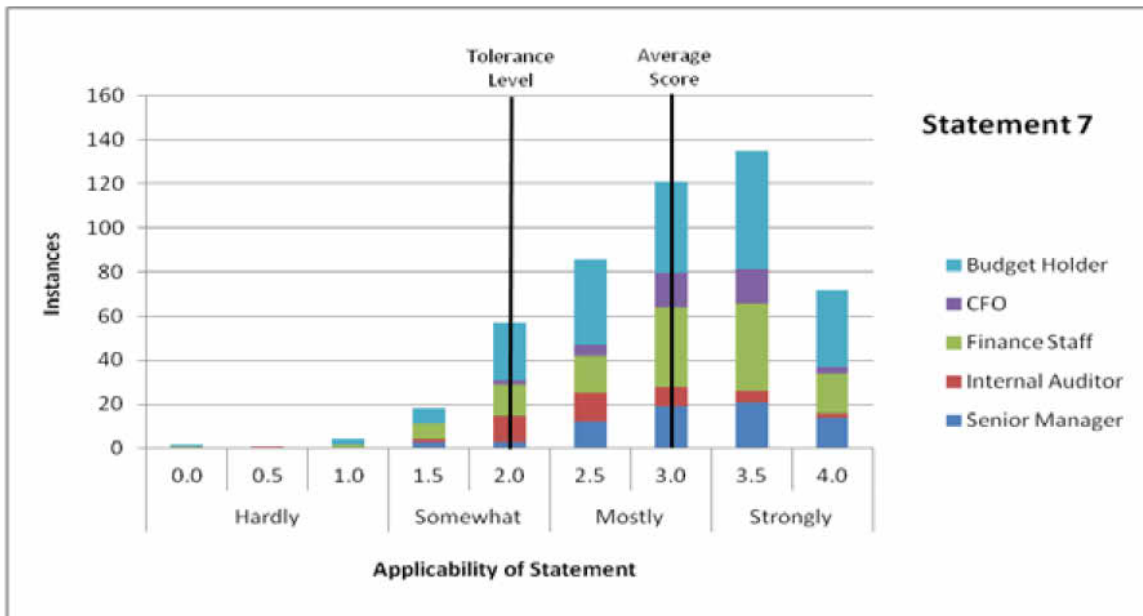
Risk escalation, consequent to earlier system observations, is on a judgment basis and without a formal process to support the giving of attention to the question.

7 Regular communication regarding the internal control system takes place

Internal controls can only work effectively when they, together with the risks they are supposed to modify, are clearly understood by those involved. Therefore, controls should be documented and communicated.

This is only the beginning; risk management and internal control should also be embedded into the way people work. Therefore, management should ensure, through active communication and discussion, that what is written in a policy document is understood widely across the organisation and applied in practice by employees.

The survey reports that regular communication regarding the internal control system “mostly” takes place, with an average score of 3.0, above the Treasury minimum tolerance level. See chart below.



A fair amount of confidence was expressed in current procedures.

As part of our internal controls we have detailed financial procedures that are available to all staff. The financial procedures also include procedures to follow in the case of fraud.

The financial procedures are reviewed annually by external auditors, and have recently been updated following an office restructure.

Awareness of how to raise an issue exists.

For the area of the Ministry I am involved with, there are procedures in place supported with the use of peer review and sign off at appropriate levels within the organisation

Good monitoring of following process.

In.Control provides reporting and therefore visibility to management about where any deficiencies in policy and procedure awareness occurs.

There is a significant Fraud and Corruption control framework in place since 2013 which includes a detailed prevention work programme. This includes promulgation of fraud awareness and education.

The finance team is well run and staff are aware of policies. They have also been very proactive in making changes to policies to ensure that they are fit for purpose. There is a good emphasis on code of conduct and aligning behaviours to that.

The reservations that were expressed mainly focussed on the need for constant refreshment and education to maintain current levels.

Although extensive training has been provided, further education is required ... It is on our radar to educate the business further.

Inevitably constant reminders refreshers required for effectiveness for all staff

Message is inconsistent and infrequent. While staff know how to report misconduct, action taken to address is not visible or clear. Counter fraud training took place many years ago but has since stopped. A refresher is important.

New staff, new roles, new team set up, new Ministries etc. Can't be certain that everyone knows or aware of the actions from their roles and how that impact on others.

Unsure that communication and understanding is consistently applied across the organisation. We need some kind of reminder programme to keep us up to date, intranet notices are not sufficient

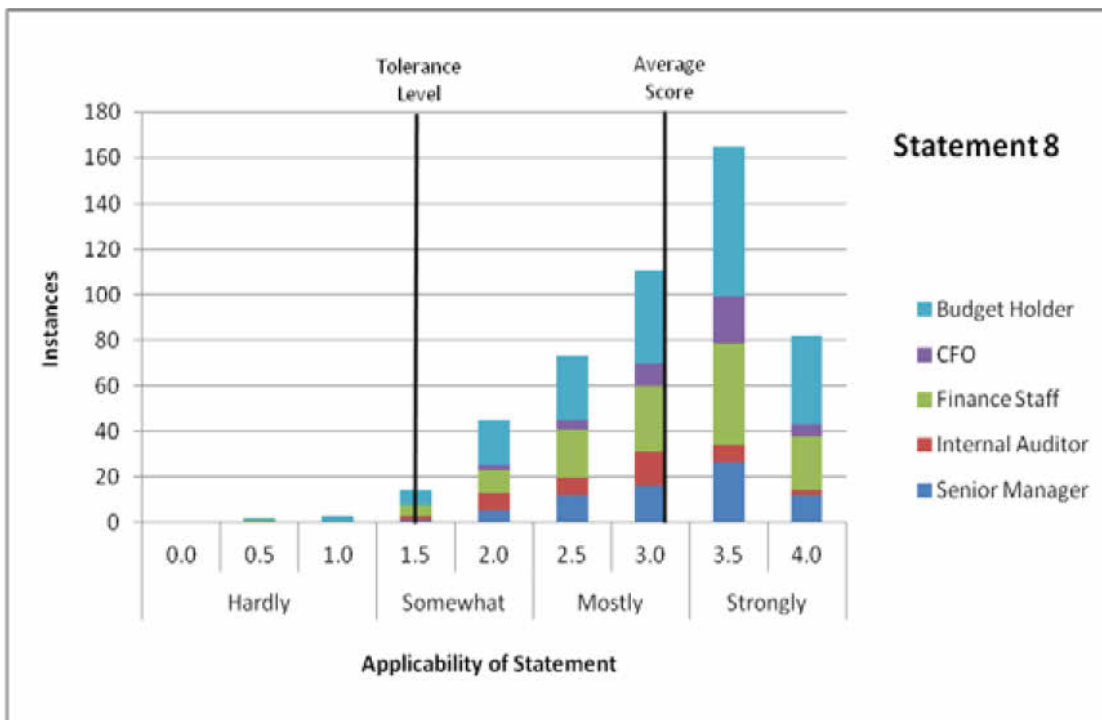
8 The department regularly monitors and evaluates controls

Individual internal controls that have previously been proven to be effective can weaken over time, fail, or become redundant. Required controls could also be non-existent. Even after remediation of deficient controls, the residual risk can still be outside the organisation's limits for risk taking, which might necessitate the implementation of additional or different controls. For example, hacking of corporate and government computer systems has become much more sophisticated, and, therefore, what was good internal control practice only a year or two ago may be inadequate today.

Therefore the design and implementation of controls should be subjected to regular assessment. The regularity of such evaluations depends on factors such as: volatility of the environment, the importance of the control, the nature of the control (eg, routine or non-routine controls), the stability of the control, the history of failures of the control, the existence of compensating controls, and cost-benefit considerations.

Monitoring should include the investigation of events and other incidents to determine how controls have performed and how they could be improved.

The survey reports that internal controls are regularly monitored and evaluated controls "mostly", with an average score of 3.1, well above the Treasury minimum tolerance level. See chart below.



Most comments from respondents pointed to instances of good practice in monitoring and evaluating controls.

The Department is currently rolling out a revised risk management framework that provides a holistic view of organizational risks including escalation process to senior management. This will strengthen the assurance approach for systems of internal control and management of risks including ensuring internal audit is focusing on the right areas of the business.

Audit results are shared, and practice updates circulated, where it is deemed necessary. Both Finance and Legal are visible and active in monitoring the establishment of contracts and the explanation of expenditure processes and constraints.

I believe these are adequately monitored given the size of the organisation and nature of spending.

Appropriate for entity of our size and responsibility

In.Control is the new framework which monitors awareness and compliance with internal control procedures. In.Control also provides a legislative compliance process. Financial policies are included in the In.Control process however new financial policies could be communicated to staff in a more consistent and regular manner.

Policies & procedures in place to ensure compliance with internal controls

The department has a strong regulatory and compliance regime.

The Ministry has a robust internal audit function. The CIA reports regularly to the Leadership Team (including on risks and Risk Management). An independent Risk and Assurance Board meets quarterly and advises the CE.

The Ministry runs a 6 monthly legislative compliance assertion programme that requires operational managers to acknowledge compliance and report non-compliance with legislation, regulations and selected Ministry policies. Directors get to review all their managers' assertions before completing their own, and Deputy-Secretaries get to review their Directors' returns before completing their own. The Chief Executive is required to sign the overall certification for the Ministry. This gets reviewed by the external auditors.

There is regular monitoring against relevant legislation through a web based survey. Internal Controls are monitored six monthly through a web based survey.

There were however a few grumbles about the resources available for this work, and the attention paid to it.

The department has complex revenue streams - Crown and several third-party streams and new staff, even senior Finance staff, don't always appreciate the complexities until problems have arisen. For example, cross-subsidising between different third party outputs, or between crown and third party.

Internal audit resourcing has been significantly impacted and assurance activities have fallen. Senior management team does not review internal audit reports on a regular basis and when they do, actions are not visible to the rest of the department.

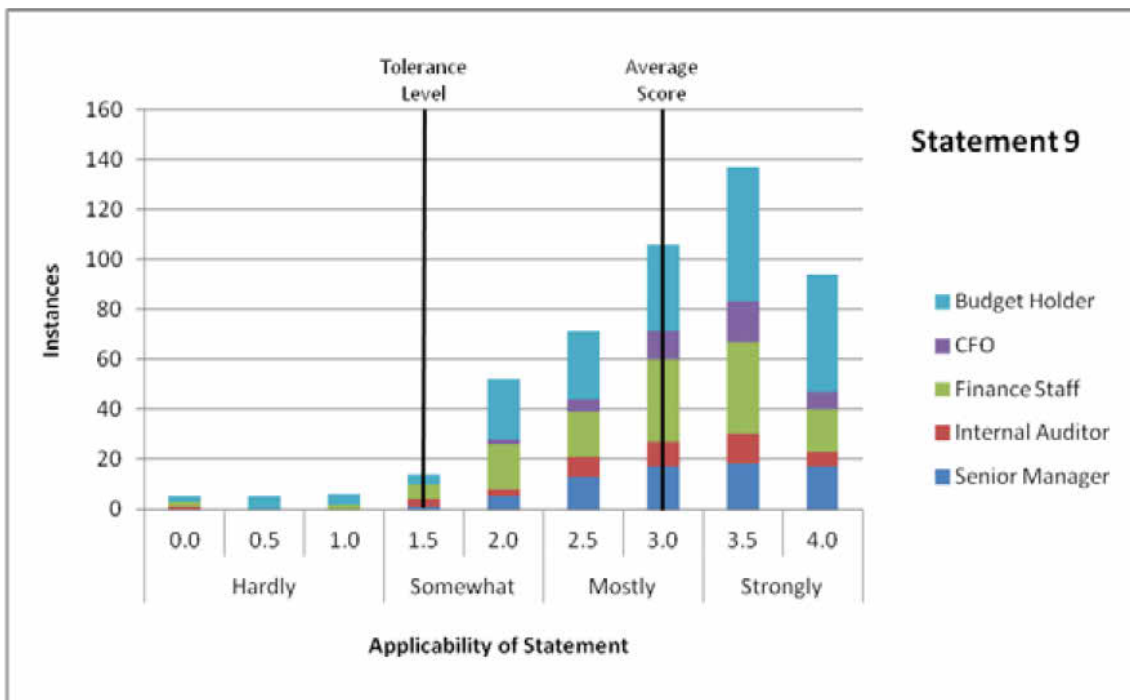
There are several areas where several different policies apply, e.g. gifts, and where the policies are not in alignment. This is confusing for managers and makes it difficult to hold people to account.

Again- in previous entities much of this fell to the internal audit for assurance. At this entity, it falls to the Finance team - and so is not systematically monitored.

9 The department is accountable and transparent

Good practice dictates that departments should transparently report on the structure and performance of their governance, risk management, and internal control system in their various reports to internal and external stakeholders, such as through their periodic accountability reports. In NZ these requirements are placed in statute, and there are separate scrutiny processes to ensure these statutory requirements are complied with.

The survey reports that departments are “mostly” accountable and transparent with an average score of 3.0, well above the Treasury minimum tolerance level. See chart below.



The prompts for considering this statement included questions on the effectiveness of audit committees, and on openness to and resolution of public complaints.

Smaller departments tend not to have an audit committee. Audit Committees are generally well regarded but appear to have a relatively low profile in departments.

We do have an Audit Committee, personally I don't know if it is an 'effective' one.

Audit Committee is run by and includes the CE - it should perhaps be more arms-length than that though it is made up of externals.

Department has a Finance Committee which encompasses risk and assurance.

Our Audit Committee is made up of and Chaired by independent people from outside the organisation. Its charter covers traditional audit activity as well risk identification and management.

I am not aware that we have an Audit Committee.

A number of departments noted a lack of public interface as a reason for limited interaction with the public. Where policies exist they appear not to be well publicised.

There is a fully approved complaints management policy, but the owner of the policy has overlooked publicising it for staff and public viewing. Nor does the internet provide members of the public instructions to make complaints against the Ministry or its staff.

As our department is a Policy Ministry, we have little public interface.

The internet does have information for the public to raise concerns, including a fraud hotline. I cannot comment about the organisations audit committee as I do not have much to do with it.

This is perhaps on our website?

To be honest I wasn't sure so just had a look on our website and I can't see anything obvious there so I guess that is a No. It does have contact details but nothing specific about complaints.

Lots of publicity on how people who receive health services can complain. But less on how the public can register concerns or complaints about the Ministry itself.

There is information out there about how the public can register concerns or complaints but it probably could be more prominent. Since schools are autonomous self-governing entities (and most 'complaints' are about schools)the public need to direct complaints or enquiries to schools' governing bodies in the first instance, but this is not well-understood by the public as far as I can tell.

The department is accountable and transparent through a range of policies and practices but is not public facing and so publicising complaints processes is not relevant.