Analysis of Responses: ICAT[1] 2020

## 1   Do internal controls support the department's objectives?

Internal control should be used to support departments in achieving their objectives by managing 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 of governance, risk management, and internal control system:

- 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.

The survey reports that internal controls "mostly" support departmental objectives, with an average score of 3.1, well above the Treasury minimum tolerance level.

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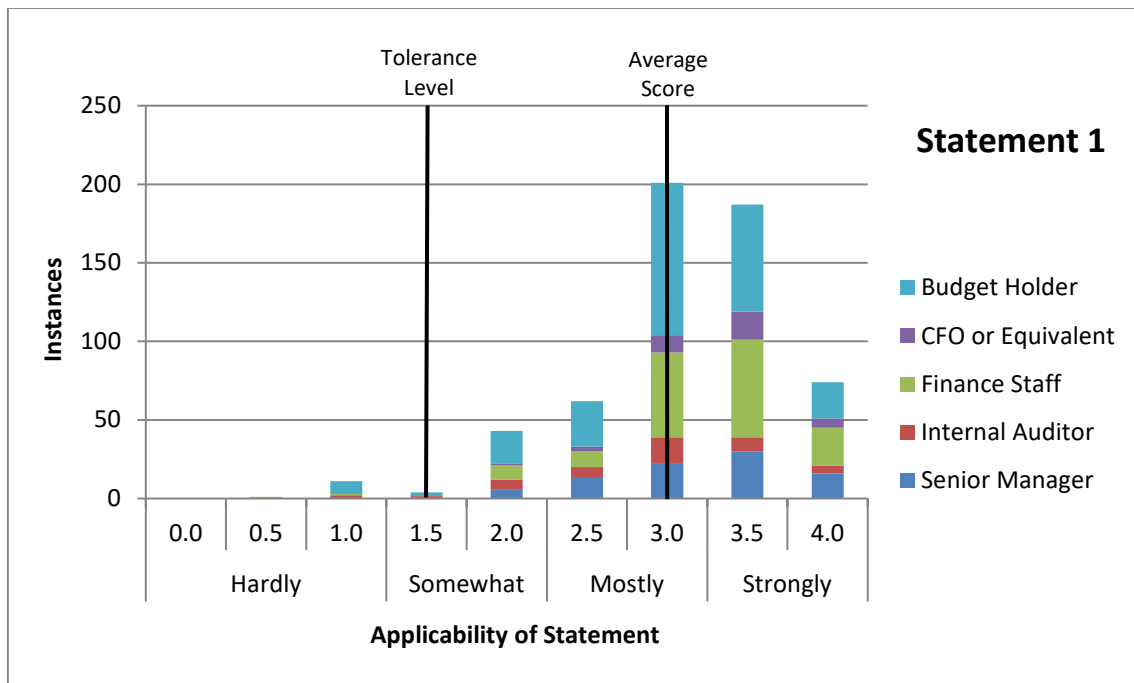
[1]   Internal Control Assessment Tool

Some respondents connected internal control to compliance rather than performance...

– *Compliance is often compromised for the sake of simplicity for making it easier for users, compromising oversight for compliance.*

– *Financial controls are not well linked to organisational planning processes. Besides, the planning processes are predominantly done at too low a level and in isolation of any major change initiatives. We have too many weak strategies, so priorities are often either vague or too numerous to be useful.*

While others were more positive about the connection with departmental objectives.

– *The controls I have visibility of support the Ministry's objectives.*

– *The internal control structure and process developed for our programme is sound and supports the organisation's objectives.*

– *Overall, I consider that the internal control environment effectively helps to support the Ministry's core objectives and priorities.*

– *Still a work-in-progress, but it is encouraging to see the new management confirming his expectations of greater focus on hygiene issues and stewardship responsibilities, and to have an emphasis on the management control environment (incorporating internal controls) feature more clearly in executive statements of intent/plans.*

– *The Department has implemented a very mature risk management and internal control system.*

But with a recognition that making this connection was a long game.

– *Possibly need a refresh in link of new organisational objectives and strategy*

– *Definitely yes in the health, safety, financial, and security areas. Not entirely certain though in respect of broader strategic policy.*

– *This is maturing - particularly the linkages between risk and strategy.*

– *We have made a lot of progress in risk identification and management but still need to work on this.*

– *This is captured in our risk management software, which has been in place for a number of years. We are midway through a process to replace this with a new risk tool.*

There was a view that some controls were too burdensome or restrictive

– *Resources are allocated centrally to non-funded areas driving up overheads and costs against appropriations.*

– *Resources are allocated primarily according to what is affordable rather than what is required and are focused on the back office function rather than front line operations.*

– *Not always very flexible in our allocation of resources. Because it can be difficult to obtain new resource there is a tendency to hold onto resource and reprioritise within teams not organisationally. Cost effectively? I just took 19 clicks or button pushes to authorise one invoice - this after my admin has checked and processed it, and finance have yet to process it.*

A number of participants noted that their risk management policies and practices were being updated…

– *Yes. At strategic level, it is robust, still developing the discipline in relation to emerging projects.*

– *Updated governance structures are improving the internal controls.*

– *Internal controls largely support the ministry's objectives. Continual improvements occur to improve the control framework. Some controls rely on trust that the people do the right thing. More verification and links to individual performance (consequences) would strengthen the control framework.*

– *Our approach to risk could be more consolidated and strategic. This will be addressed in our Strategy Refresh this year.*

But there was a common call for more information on risk appetites

– *We do have a methodology, but no defined and agreed risk appetite statement*

– *Risk management policy in place, risk management appetites not defined.*

– *The risk appetites could be better defined.*

– *There is a risk management strategy, policy, and methodology. However, risk appetite could be better articulated. This is one of the additional tools we are considering to improve our risk maturity.*

– *We don't have a formal risk appetite statement.*

– *Risk appetite is now quite aged. There are strategic risks, but not a risk strategy.*

While others complained that the integration of objectives, risk management and internal controls lacked clarity or visibility

– *Not that I have seen.*

– *Policy out of date - need to decide if we need a policy or just a set of guidelines.*

– *If there is, I have never seen it. Risk appetite is not addressed - it would be good to acknowledge in risk*

While others, perhaps better informed, noted gaps that need work

– *Our approach tends to drive down into very team based low level risks - can make it hard as a business group/LT to lift up and focus on key risks.*

– *Risks are recording in our enterprise risk management tool; However, I am unsure when the branch risk registers were last updated/reviewed.*

– *Could do more to make issue reporting more accessible to staff. There is an email address, but this does not appear on the front intranet page for example.*

– *Project risks are linked to the organisational objective of delivery of capability to budget, schedule and quality. Organisational risk will be updated after a review is finalised.*

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 3.3, above the Treasury minimum tolerance level. See chart below.

Statement 2
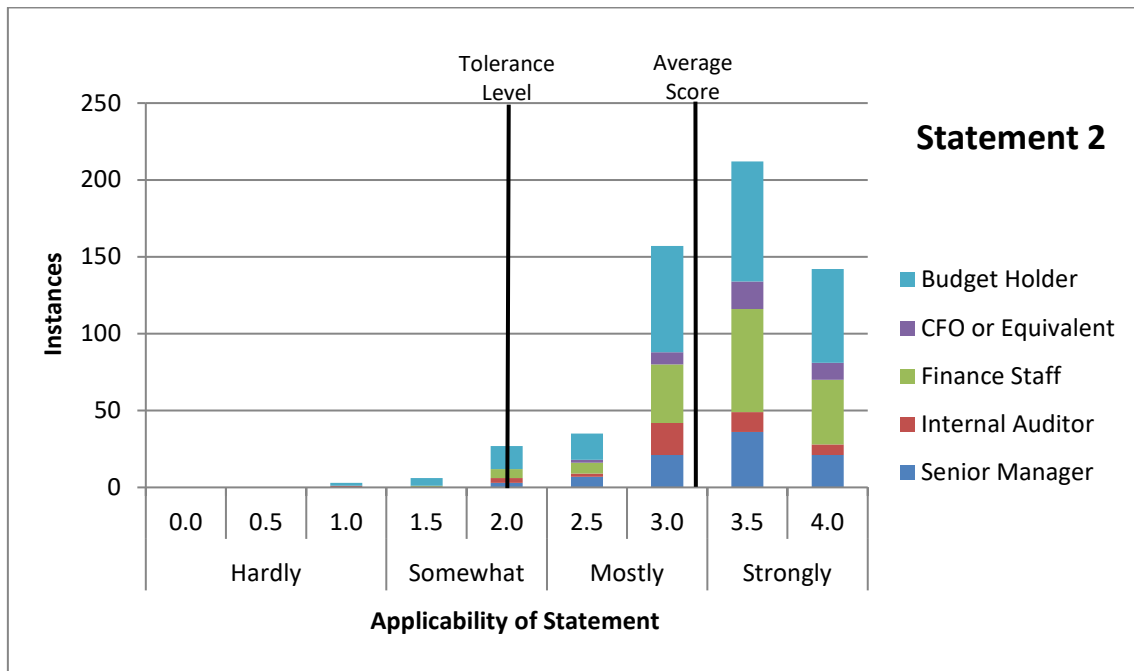
Government departments were able to provide strong assertions over clarity of roles and responsibilities…

- *Strong governance structure for oversight and clear role descriptions supported by operational procedures at delivery level support this objective*

- *Role and responsibility are clear on appointment and with budget manager training.*

- *The Department has clear responsibilities and defined services through its appropriations.*

- *I am very well looked after by a financial business partner who provide myself and my command advice and support. I also meet with the CFO on a fortnightly basis to discuss strategic issues/challenges.*

- *We have clear internal controls include financial representations (attestation) for all delegation holders, linked to a clear letter issued by the CE at the beginning of the year stating your financial responsibilities and strategic management principles.*

While some noted that there was room for improvement.

- *Some functions within groups are duplicated with the roles in our finance team leading to confusion and inconsistency.*

- *Communication channels are not always working in a timely fashion.*

- *There continues to be turnover in the finance team which has resulted in some loss of organisational knowledge*

- *In parts of the organisation (both structural and functional), yes, but resourcing remains a challenge.*

- *We are seeking to improve this with greater independent assurance through the Internal Assurance team.*

- *Some cross-cutting issues can fall between teams.*

Good processes were highlighted...

- *There is a separate internal assurance function at third line of defence. Business groups also have risk and assurance functions. There is a Financial Statement attestation process. However, this does not provide positive assurance.*

- *Financial and human resources delegations' frameworks and policies ensure that expenditure is correctly committed by staff in specific roles at different levels of the organisation.*

- *The Finance Team has a number of robust internal controls in place.*

with clarity in expectations…

- *All risks have a risk owner.*

- *Group managers and deputy secretaries are responsible and have periodic meetings with direct reports to discuss and manage risk.*

and good relationships between Finance and Operating divisions…

- *well supported by finance team, attends regular meetings and proactively sets times to meet and actively review financial picture.*

- *I have regular engagement with the finance team and understand the different roles. I'm not sure if this is consistent across other Ministry managers.*

- *Business group are assigned to their own management accountant.*

- *In parts of the organisation (both structural and functional), yes, but resourcing remains a challenge.*

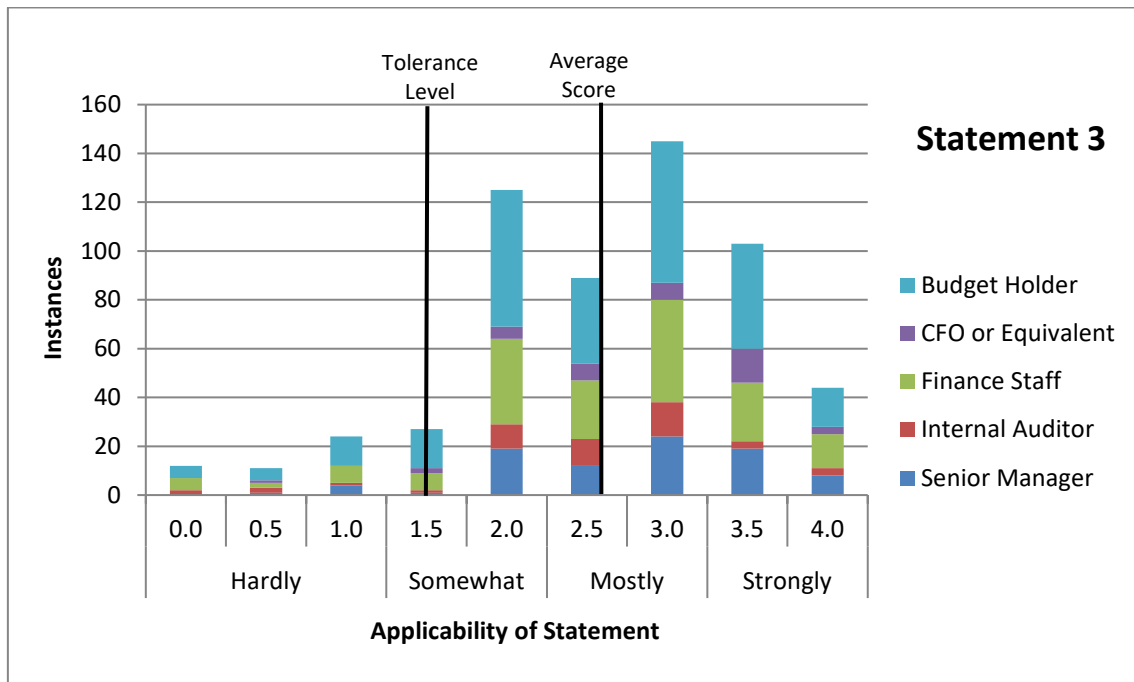with the major concern raised being resourcing.

- *In parts of the organisation (both structural and functional), yes, but resourcing remains a challenge.*

- *The quality of actions plans could be improved and not all are fully resourced / funded.*

- *Action plans are developed but are often not fully resourced*

- *Resourcing has not been sufficient/aligned to deliver on the ambitious work programme of government.*

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 is 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 2.6, above the Treasury minimum tolerance level. See chart below.

Statement 3

Chart axes: Instances (y-axis, 0 to 160) vs Applicability of Statement (x-axis, 0.0 to 4.0). Categories: Hardly (0.0–1.0), Somewhat (1.5–2.0), Mostly (2.5–3.0), Strongly (3.5–4.0). Vertical lines mark Tolerance Level (~1.5) and Average Score (~2.5). Legend: Budget Holder, CFO or Equivalent, Finance Staff, Internal Auditor, Senior Manager.

While some respondents thought that their departments did well on this element…

- *I am required to report monthly on spending to my Manager.*

- *The Chief Financial Officer requested as part of the 30 June 2019 year end that objectives for 30 June 2020 are specifically linked to financial management competencies.*

- *Sufficient assurance and audit activities are in place to ensure managers are held accountable for value-for-money activities. During projects and contractors, additional assurance such as acquisition review boards and procurement advisory boards also ensure value-for-money to the Department.*

- *At the start of the 2019 financial year there has been an increased focus on financial management competencies by introducing a formal financial pledge / leadership commitment to reaffirm the importance of financial stewardship of our budget holders.*

- *I have performance measures for budget and fiscal management.*

Others felt there was room for improvement

- *Managers are accountable for their budget but there is no formal performance appraisal process within the Ministry.*

- *It has improved over the past couple of years, but more discipline is needed.*

- *This area could be improved.*

- *It is not clear to me that this happens and there does not appear to be differentiation between impacts that should have been anticipated vs those beyond an individual's control. The former not being addressed enough.*

- *There are examples where managers have made decisions without understanding the full financial implications of those decisions.*

- *Under spend appears to be more of an issue than overspend.*

- *Patchy - still seems to be a hang-onto-it-in-case mentality.*

Generally financial management was not a strong focus in performance appraisal, and this was often thought to be appropriate

– *Performance objectives for people leaders sets out objectives that can be used for positions that manage budgets. It is difficult to ascertain whether these are used as discretion for their use rests with the manager.*

– *Performance appraisals are conversation-based, so the line manager must specifically speak to or raise financial management competencies (rather than this being a standard-form item).*

– *The linkage is indirect ie, I'm sure that if there was poor management of budget it would be picked up and reflected in overall all project / programme delivery performance.*

– *Financial management competencies are covered but I would not say that they are determinant of performance ratings unless I make a big mistake.*

– *I don't have an annual performance appraisal, but regular chats with my manager do include financial issues, including budget concerns and realities.*

– *The Department no longer performs performance appraisals and assumes 'everyone is here to do a good job'. Job descriptions across the business are in the process of being broadened to capability based roles with no focus on specific outcomes.*

– *Performance goals do not explicitly link to financial management, but managers are still very clear on their responsibilities.*

– *Although not specific, performance around accountability and decision making competencies sometimes relate to financial management performance.*

– *Feedback and appraisal are variable.*

– *There is a lot of focus from Governance Committees, DCEs, GMs, to Budget holders on budget management, although this may not always be formally reported in performance plans.*

And while there was uncertainty expressed about consequences from the appraisal process

– *Not from what I see - there is never a consequence.*

– *My supervisor introduces it into performance conversations from time to time, but I am not aware of any formal 'hooks' for this in the performance feedback process.*

– *There is not really the sense that good general management skills (finance, Human Resources, Health and Safety) are discussed or rewarded in the Departments performance process.*

Again, others felt that this was appropriate, with appraisal an opportunity for coaching rather than sanctions

– *We do not have a set methodology for performance appraisal we focus on coaching for success.*

– *Not hardwired as if operating a profit centre in private sector but captured as part of wider performance parameters.*

– *The role of performance appraisal is changing in the Department and other organisations-it is now seen as more related to identifying development needs and looking at improvement for individuals as opposed to an appraisal. It is expected that this would be addressed as an on-going business discussion with people who have budget control.*

– *The importance of internal controls is well understood. Performance objectives are not set in the way envisaged by this question.*

– *Formal performance appraisal does not exist as in the past, but it is a more informal system now.*

– *Generic appraisal process in place but isn't compulsory and doesn't clearly specify financial management competencies/performance so this would be dependent on managers making this a specific accountability.*

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, above the Treasury minimum tolerance level. See chart below.
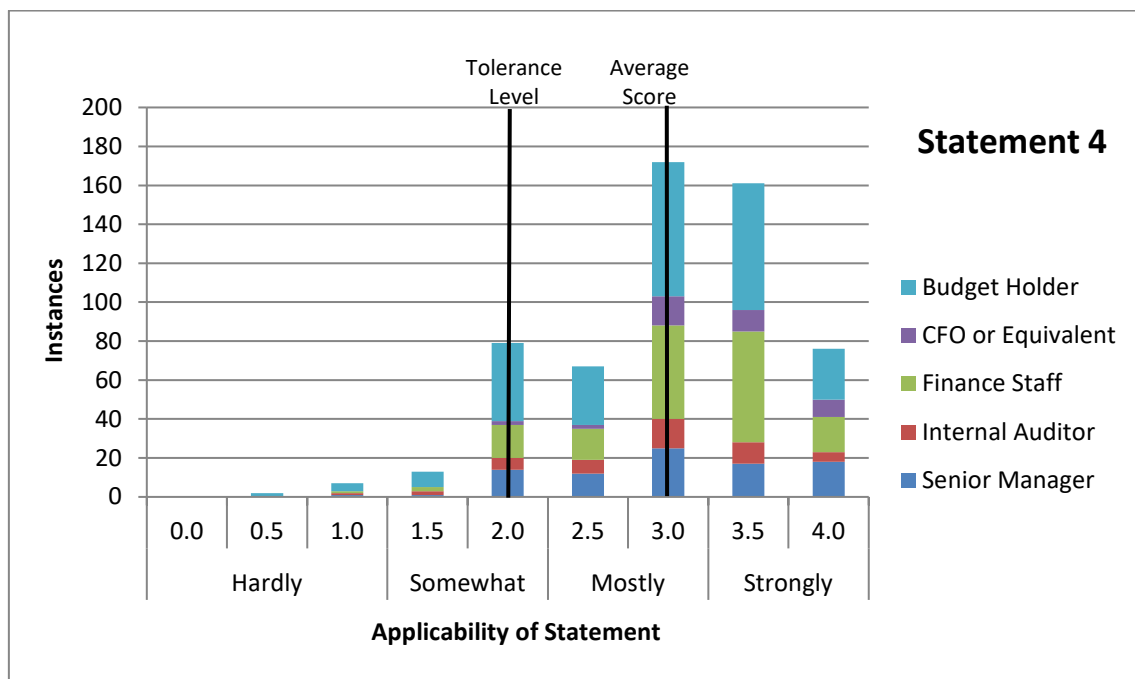
Respondents reported favourably on the levels of financial competence in departments…

- *This has been particularly strengthened through the appointment of a new, permanent CFO and senior manager in our finance team.*

- *Financial business partners are allocated to portfolios to provide expert advice.*

and a number reported positively on training and professional development …

- *Internal training is provided to financial and purchasing delegation holders.*

- *There is internal training on a continuous basis. This is both formal and ad hoc.*

- *Online modules launched this year to upskill financial decision makers.*

- *Good training is provided, expert advice is on hand, senior management have a good level of expertise.*

- *Refresher training has been discussed.*

although some thought more effort is needed here.

- *There would be merit in considering more robust and targeted financial management training for senior people, particularly those on their first assignment.*

- *Most senior managers are clinical/medical personnel*

- *Commercial maturity is below par*

- *Budget training for managers is lacking. The actual finance staff undertaking the processing work have the necessary competencies.*

- *Training is required.*

- *I am not sure, is the honest answer, but I suspect not. even if the competencies are there, I would not be confident in how rigorously they are insisted on at appointment; or prioritised for skill acquisition if the competencies need to be built up.*

- *No training provided to new managers on financial systems. I have raised this for the past three years and have seen no action taken.*

Some highlighted under-resourcing as a problem…

- *Small organisation and financial resource only 0.8*

- *I suspect not. I suspect the Finance is severely under-resourced.*

- *Management of the finances and the alignment of resources to priorities is lacking at the organisational level.*

- *There is competency in the finance area, but the decentralised financial management model, and limited central resource, means there is insufficient capacity and support from the central management accounting function to budget managers.*

while others were concerned about turnover

- *The finance team has seen significant staff changes in the past 18 months which has meant understanding of some parts of the function could be better.*

- *Turnover in the finance team has meant the function needs to rebuild somewhat.*

- *Have experienced turnover that has resulted in vacancies.*

Recent improvements in financial competencies were noted.

- *Increased focus on governance has driven increased focus on financial performance especially in projects.*

- *Recent comments have been favourable about the direction the finance function is headed*

But current challenges and trends suggest more improvement is still needed.

- *It has decreased as we have become more focussed as leaders of people and partnerships. In 2020, there has been more conversation from the Executive about corporate hygiene. This appears to have been driven by budget blowouts related to a significant drop in attrition alongside a programmed increase in recruitment, rather than being driven by a concern for good practice.*

- *We are still skilling managers to keep up with the growing requirement along with a number of new tools to support self-service and a strong accountability for people and financials. It is a journey and we are not there yet.*

- *Demand for competency has increased, but not matched by the provision of support/training opportunities.*

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 3.3, above the Treasury minimum tolerance level. See chart below.
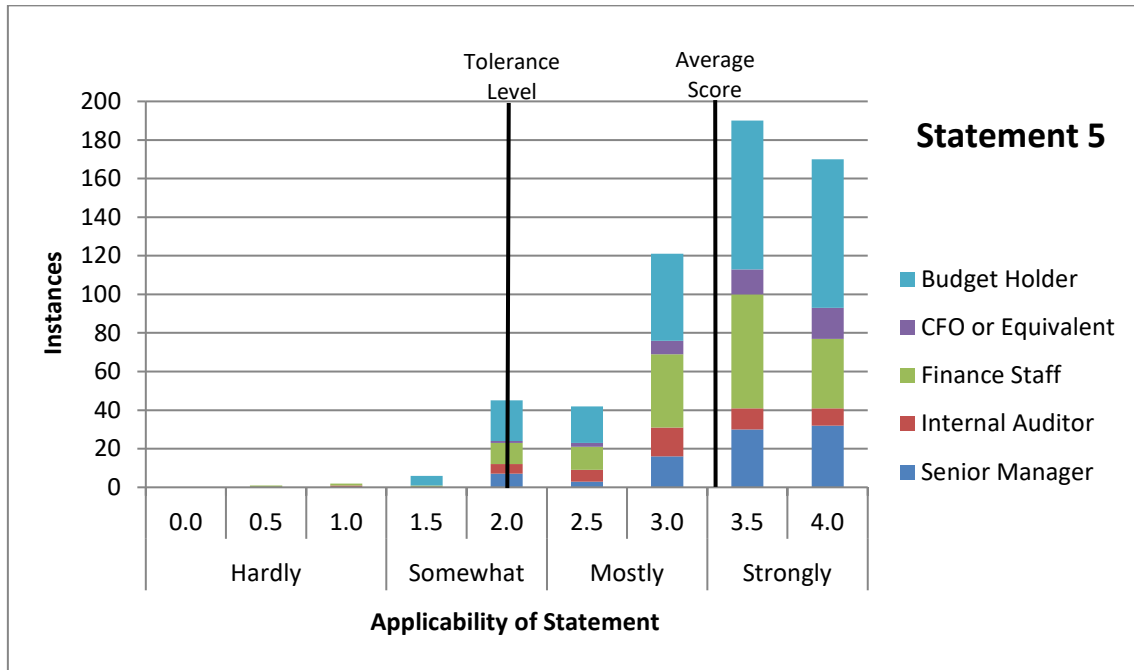
A significant number of positive comments were made about the tone at the top

- *I believe a good example is set.*

- *Our executive leadership team are particularly focused on role modelling.*

- *Yes, they do, and they are great at leading by example and creating safe spaces.*

- *Last year there was one area that had an overspend, but this is not going to be tolerated from now on.*

- *consistent messaging about our responsibilities (including financial) to the people we work with.*

- *Our Chief Executive refers to finance matters (systems and processes) in her messages to the organisation. This is well received by people in finance roles.*

- *We have a strong management team that lead by example.*

- *Great examples of leadership provided eg, COVID-19.*

- *Absolutely, from the Chief Executive down.*

- *Yes, I have seen it in action at the Executive and Governance meetings.*

- *The Chief Financial Officer and Finance Directors are the key advocates for setting the tone that finance matters.*

- *Reflected in personal interactions but also through regular Executive Leadership Team scrutiny.*

And a few observed improvements in train

- *Has improved in recent years. Is at its highest level in my organisation in 30 years' experience.*

- *We have to get better at doing this - we have improved greatly over the past 2 years*

- *Assisted by a very proactive CFO.*

- *I think this has improved however there is always room for improvement and development.*

Some however noted variances and inconsistencies or what they felt were inappropriate priorities

- *Sometimes it seems more about them than the organisation.*

- *There appears to be a degree of setting standards (eg, class of travel) for 'the whole organisation' and then senior staff using different rules.*

- *Very senior management have imposed significant travel budget restrictions on front line operational staff yet are planning en masse regional visits to engage with external stakeholders.*

- *Yes, as far as I'm aware - apart from things like travel class.*

- *I think it's mixed and we can be more disciplined.*

- *In truth, it's not all that consistent. In fact, it's been a bit dispiriting to see how often senior colleagues don't appreciate some of the absolute 101 basics of the relevant budget management rules.*

- *CFO should be on the senior leadership team.*

- *I think it's mixed and we can be more disciplined.*

- *This can be overdone so we lose sight of outcomes though or revert to bureaucracy.*

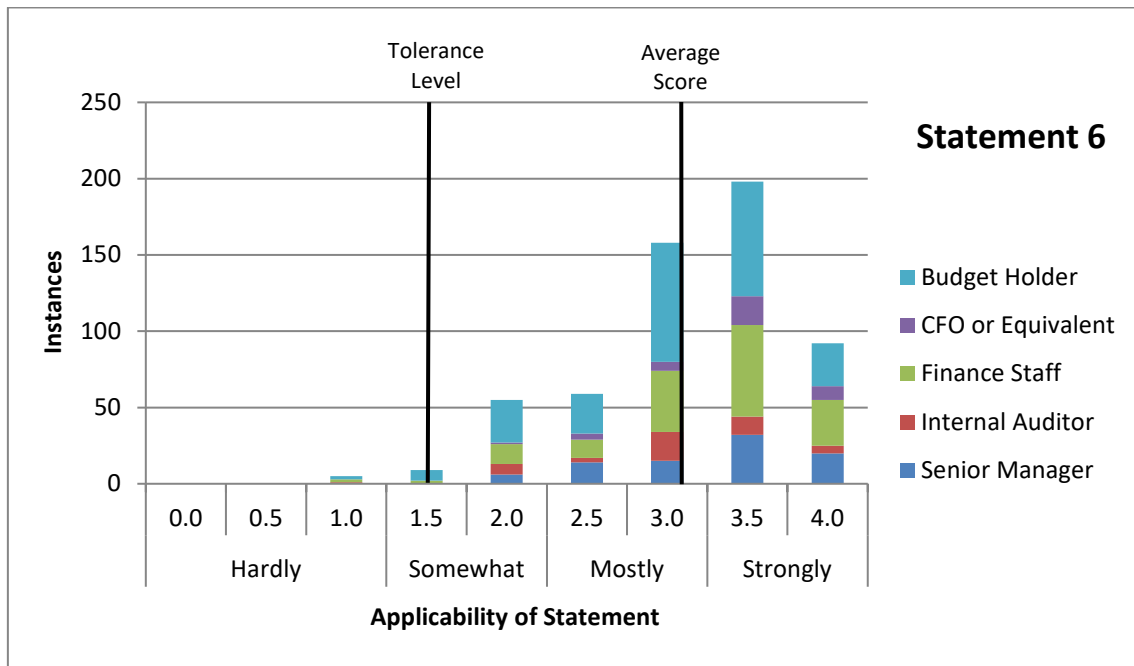# 6   Internal controls respond to risks

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 3.1, above the Treasury minimum tolerance level. See chart below.

Respondents asserted that regular reviews of internal controls and processes were undertaken

- *We are beginning our first review cycle.*

- *Financial Delegation policy gets updated every few years*

- *These are reviewed regularly and amended as necessary to meet potential risks*

- *We are soon to complete an internal audit review*

- *Internal control procedures are regularly reviewed. It will be timely to review some as a part of introducing a new financial system.*

Some pointing to the role that internal audit plays.

- *Selected internal control procedures reviewed through annual internal audit programme.*

- *We have embarked on audits at sites and functions to test compliance with control expectations, this is a rolling plan for themes to emerge that can be applied at enterprise level.*

- *From my perspective, this is partially addressed through the Annual Internal Audit Plan, which is developed using a risk-based approach. I am aware the corporate policies have been in the process of updates (if not complete yet). External Auditor also provides a layer of review and assurance over internal controls.*

- *We have a very capable internal audit team and dedicated business resources, which have made this another area of strength for the Ministry.*

A number highlighted improvements that were being made or challenges that need to be addressed.

- *It's clearer in some areas than others and this was an issue identified in an independent review for us to address as an organisation.*

- *The "tweaks" to finance figures continues once a decision has been agreed by senior governance, which I find unusual.*

- *More could be done. There are some good tools and regular management reports which are run, but sometimes they have limited cut-through, and I don't think we make as much of modern data analytics tools as we could.*

- *Our financial training and reference materials aren't great and need some work*

- *This was a focus area of our last audit review and was strengthened as a result.*

A reassuring number were able to confirm good escalation processes and action taken when breakdowns occurred

- *lines of authority could be clearer: some risks yes clear escalation path.*
- *Yes, within my business unit there is a clear escalation path and our tier 2 manager will escalate to the senior management as required.*
- *The size of or organisation means everyone is close to the Leadership Team - escalating risks is easy and done when required.*
- *The Risk Management Framework specifically addresses risk escalation and settings are also built into risk review cycle requirements. Escalated risks that meet the threshold for ELT reporting are picked up in the ELT Enterprise Risk Report.*
- *Yes - automatic escalation for high rated risks depending on rating of risk according to risk matrix.*
- *There is a general expectation that everyone will escalate risks that they can't manage within their delegations*

But a few thought that controls were too burdensome.

- *Sometimes a little bureaucratic.*
- *We have measures in place however a number of these are not automated.*

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 3.1, above the Treasury minimum tolerance level. See chart below.

Statement 7
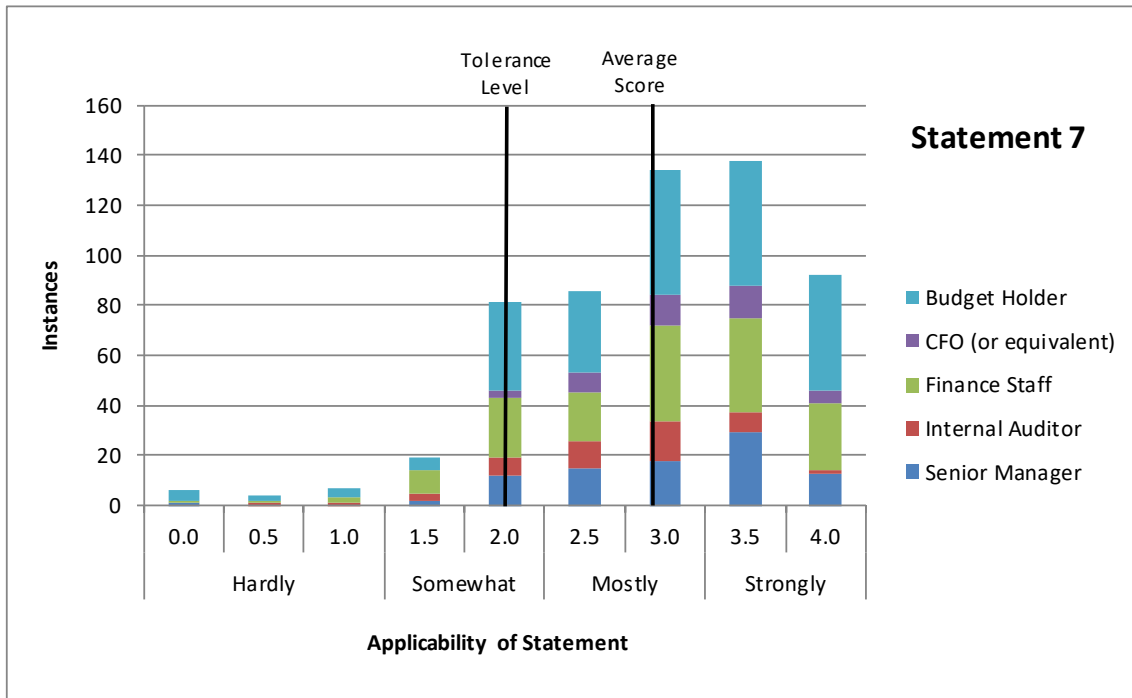
Communication procedures were generally considered to be good

- *There is regular communication regarding internal control system and updates.*

- *I lead conversations with my team on a regular basis.*

- *Within the Financial Accounting team, there is always communication on this topic.*

- *Good information on the intranet for actions to take.*

- *There is policy, training, and an escalation path available.*

And a number of recent improvements or improvements under way were noted

- *Currently under review.*

- *A fraud risk assessment is due to be carried out this year.*

Although some wondered about communication outside their immediate area.

- *Yes by Finance - unsure of how this is communicated elsewhere.*

- *In my workgroup, yes.*

- *I'm not aware of overt communication with this as the sole focus, it is part of wider public sector responsibility key messaging.*

- *Compliance monitoring is inconsistent across business groups.*

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.
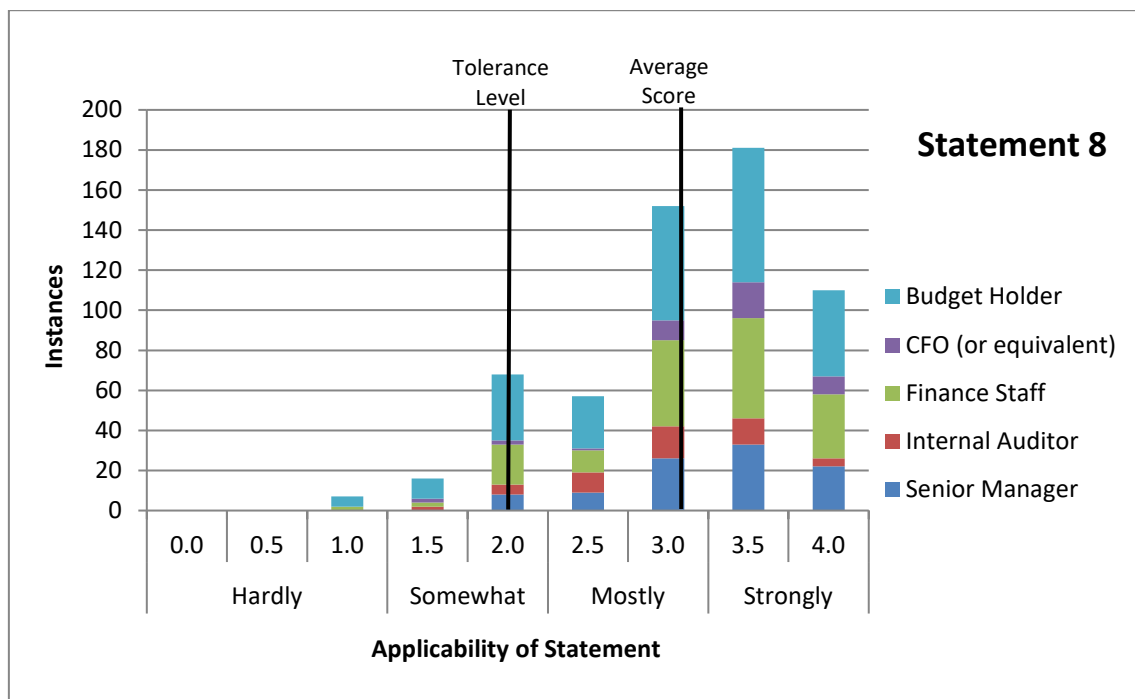
A number of respondents positively commented on processes to monitor and evaluate controls

- *There is a regular review process of the controls.*

- *There are regular reporting requirements, internal control reports and audit visits in place to ensure this.*

- *From Internal Audit perspective, this is covered within the risk-based annual Internal Audit Plan which includes reviews of key high risk areas, and with engagement and consultation with the wider business.*

- *The Finance team are experienced in Government accounting, understand the requirements of the Public Finance Act, and refer to Treasury instructions for all financial exercises. The Chief Executive has a strong background in Public Service finance and promotes assurance and signoff processes.*

And reported on action being taken when breaches occur

- *Breaches are escalated and discussed with SLT and the responsible manager.*

- *I have first-hand experience of this.*

- *Action is taken based on audit findings and if things are escalated.*

- *Internal controls breaches when identified are investigated and appropriate action taken. Integrity Panels are convened to investigate and decide appropriate corrective actions where necessary.*

- *Action is taken based on audit findings and if things are escalated.*

Annual legislative compliance checks have become the norm

- *The Department has an annual legislative compliance survey.*

- *Comply with Surveys annually target legal compliance and assign corrective actions where required.*

- *Internal Audit undertake a legislative compliance review annually.*

- *Quarterly compliance reporting and annual attestations occur regularly.*

Although some respondents thought more could be done in this area.

- *While monitoring may be on place, acting to maximise compliance is ineffective and inconsistent.*

- *I believe so but not my area.*

- *I believe this area has been pretty slack. This has been introduced recently but it's been late (Accounts Payable)*

- *Policies contain methodology but work underway to ensure this is occurring to the required standard.*

- *Some areas of strength; some areas of opportunity.*

- *This is done manually due to our relatively outdated finance systems.*

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 3.4, well above the Treasury minimum tolerance level. See chart below.
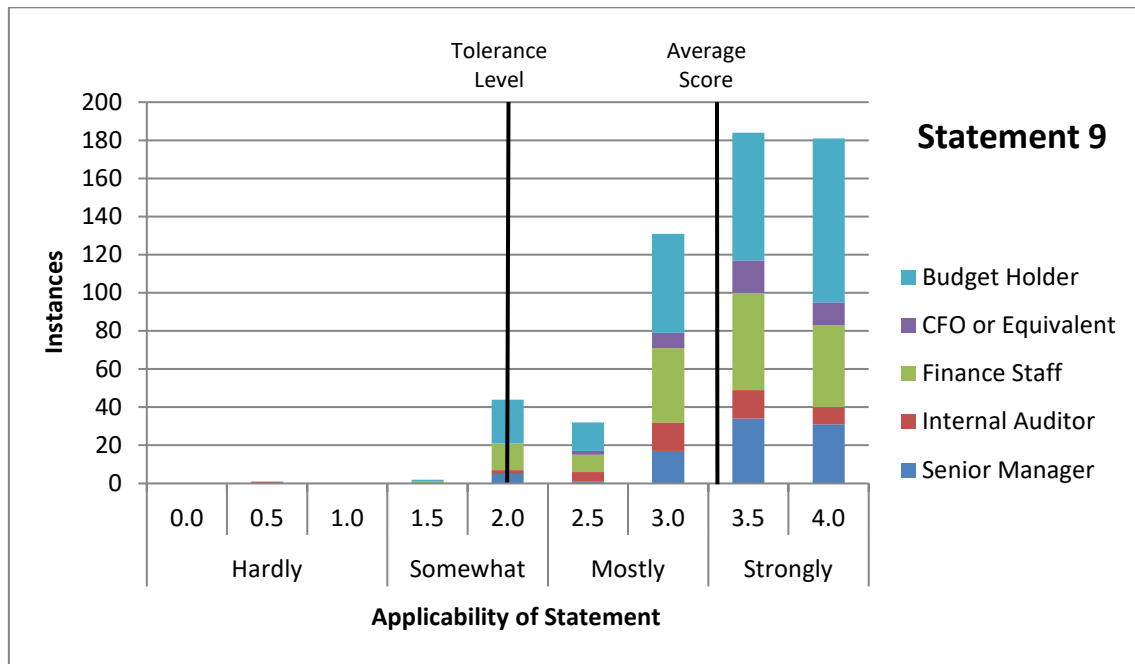
The prompts for considering this statement included questions on the effectiveness of audit committees, and on openness to and resolution of public complaints, and whether the organisation consistently meet its obligations under the Official Information Act 1982.

A number of respondents noted that their organisations were open and transparent

– *We have a transparent and public feedback and complaints system.*

– *Yes, we have an external risk and assurance committee.*

– *For the OIA requests my team and I receive, yes, we consistently meet its obligations, with thorough documentation and review processes to ensure a quality response is delivered within the required timeframe.*

– *The Department is very good from an accountability and transparency perspective.*

Although, some felt that improvements should be made

– *Late responses due to overly bureaucratic sign off procedures still plague us...*

– *We do the best we can, considering the volume of OIA requests we get.*

– *We have some work to do to improve controls but overall, we work hard on this*

Smaller departments uniformly reported that they do not have an audit committee, while larger departments uniformly reported that they did. However, some comments suggest the stability and sustainability of these Boards is an issue.

- *Audit NZ told us we do not require one (we are very small)*

- *I believe it was disestablished*

- *It is in formation*

- *The Audit Committee has just had its first meeting so too early to tell if it is effective.*

- *The Risk and Assurance Committee meet on a regular basis. We also have an External Advisory Board who provide independent support and challenge to ELT.*

- *We have an Audit Committee - I'm not close enough to it to know if it is 'effective'.*

Respondents also reflected some assurance from Audit Office reports with issues being of a minor nature

- *Only minor issues were identified*

- *Some issues relating to procurement were identified. An issue relating to ensuring a clear line of sight between internal reporting at business group level and external reporting against appropriations was highlighted and resolved.*

- *Mostly, a few low risk findings noted some specific processes that could be improved.*

- *The department has a number of recommendations that need to be addressed to increase our audit rating and are continuing to work on this.*

Finally, respondents noted improvements that were underway in meeting OIA requests

- *100% compliance for 2 years in a row now.*

- *The organisation takes these obligations very seriously and is participating in many proactive releases.*

- *Timeframes and internal management of requests has been an issue but is improving.*

- *I think we handle OIAs very well, albeit there's always the odd one, which ends up in a complaint.*

- *The reporting I have seen shows that we mostly meet this. However, sometimes we are not able to do so within statutory timeframes.*

- *We do the best we can, considering the volume of OIA requests we get.*