

Analysis of Responses: ICAT¹ 2021

1 Do internal controls support the department’s objectives?

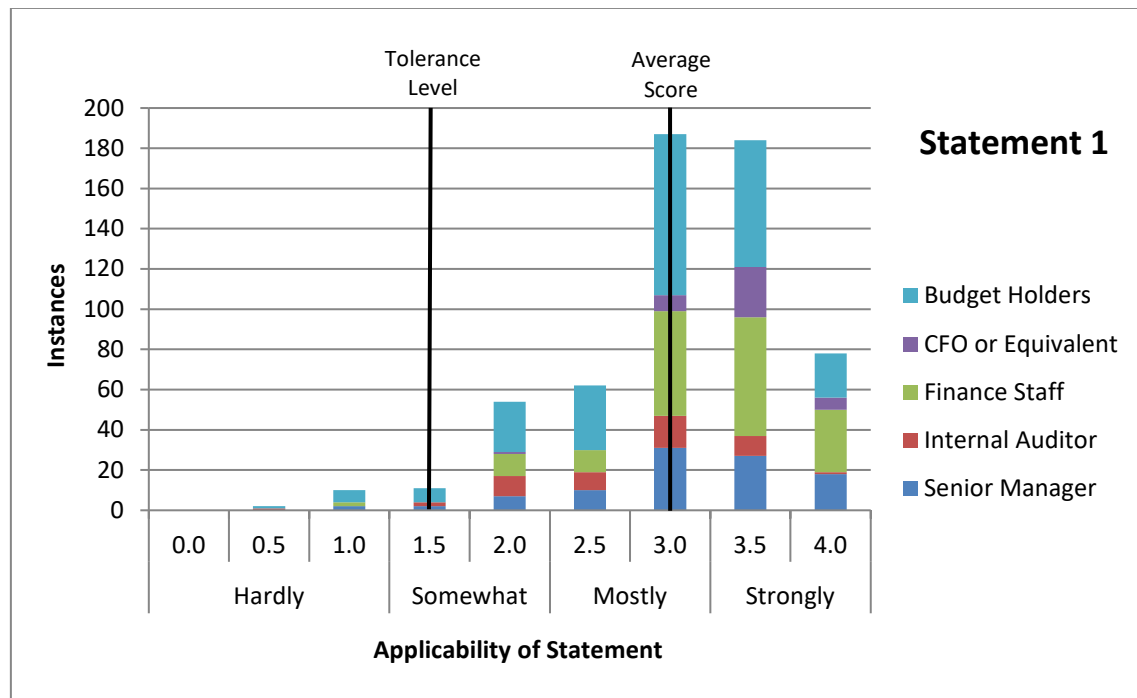
Internal control should be used to support departments in achieving their objectives by managing risks, while complying with rules, regulations, and organisational policies.

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.



¹ Internal Control Assessment Tool

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

- *The Risk Management Policy and Framework were refreshed in September 2020. A Risk Management and Compliance Strategy has recently been developed and in the process of being socialised.*
- *No clear connection, as above, more regulatory/compliance based and therefore not connected to our organisational objectives (which are quite clear and based on our values, and focus areas)*
- *I think we do however it becomes challenging as a huge amount (ie, most) of our resource are to deliver compliance with legislation which may or may not align with the organisations aims, objectives, priorities*
- *I don't see a connection between the two, or a focus on continuous improvement that is connected to objectives rather than compliance.*

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

- *There is clear alignment between allocation of resources and the business/compliance goals and obligations of the Department.*
- *They do but compliance differs across the business.*
- *The proposed approach links risks to the Ministry's objectives.*
- *A new enterprise prioritisation group has been established to provide oversight of key organisational objectives and priorities. The programme has detailed planning and resource allocation to deliver its objectives.*
- *The business plan (objectives) are reviewed and risks are identified in relation to meeting these objectives.*
- *Clear planning cycles - linked to budgets and outcomes.*

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

- *Starting to move in that direction but not there at this point. Much of the funding is project based and tagged to a specific set of deliverables whereas the work of the Department is typically ongoing and the lack of secure ongoing funding places a constraint on strategic planning and a long term approach to managing conservation outcomes.*
- *The organisation has a mix of tactical and strategic aims, objectives, and priorities. Where there is available lead in time to plan strategically the organisation does.*

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

- *The strategy is up to date but could be improved through more real time tools.*
- *I find this challenging to answer to be honest. A lot of time and effort goes in to identifying risks (from strategic to project to smaller BAU). It is hard to say with this effort is worth the 'return' of mitigated risks when most (thankfully) don't occur.*
- *Funding constraints hinder this at times.*
- *Cost of controls may exceed cost of risks.*

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

- *Strategic refresh currently underway.*
- *Will be more clearly linked when the new strategy is agreed.*
- *There is a risk management strategy/framework, methodologies for assessing risk are well-established, the risk management policy and risk appetites are under review.*
- *The risk management policy and framework are currently being reviewed and updated.*

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

- *Risk appetite statements are due to be refreshed*
- *We are asked to green/amber/red light projects that are at risk of not being delivered according to our work plan every quarter. I'm unaware of knowing risk appetites - though think the appetite for risk is low - We also identify risks, and rate them based on likelihood vs consequence.*
- *Whilst there are clear procedures in place for the use of risk registers the overarching strategy is less visible and there is no clear process for determining risk appetites.*
- *Not sure the risk appetites have been reviewed recently - but I may not have visibility of it.*
- *Still grappling with the concept risk appetite and application particularly across the system.*

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

- *I have not seen much on this in recent times.*
- *I have only been in role for a short time but am not aware of any risk management strategies or policy.*
- *If there is, I have never seen it.*

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

- *It is my view that there is always room for improvement.*
- *At the strategic level but not always at the operational levels*
- *An uplift in practices for organisational risk management is required.*
- *There has been a lack of investment in corporate technology, so the weakness is in the manual and lack of connection across dated technology.*

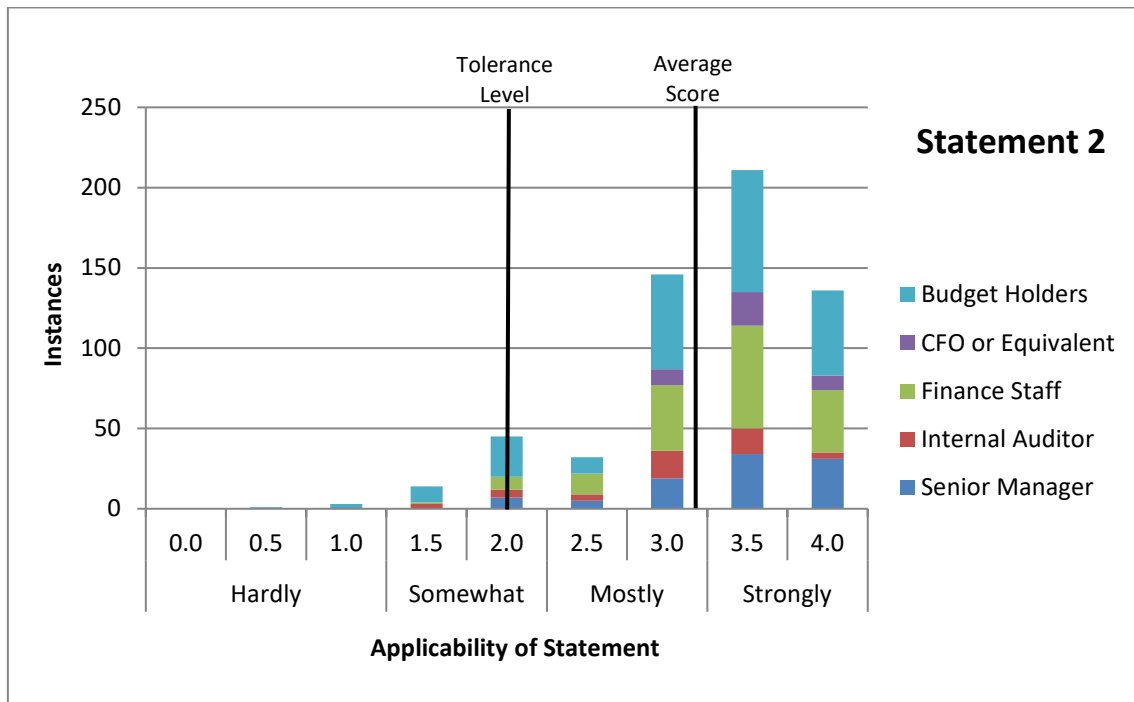
2 Do internal controls reflect roles and responsibilities?

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.



Government departments were able to provide strong assertions over clarity of roles and responsibilities...

- *All permanent positions are covered by a role description outlining responsibilities.*
- *Clear roles and responsibilities are evident and work well across the organisation.*
- *Delegations and job descriptions clear.*
- *Each position has its own position description. The Governance team and wider leadership team work collaboratively to ensure responsibilities are clear and well understood.*
- *Some of our roles and responsibilities are determined by control agencies and legislation.*

While some noted that there was room for improvement.

- *change in roles / responsibilities is not well shared - often one email is considered sufficient which doesn't always get to the right audience or is consumed / lost by general email traffic*
- *Department has a hybrid central/regional structure which leads to some role ambiguity. The cost structure of the Department may need to adapt to the current realities. The back office appears to be too large compared to the front-line staff.*
- *While roles and responsibilities are generally determined by the ministry, there are inconsistencies between organisational areas resulting in confusion and failure to complete some tasks on time.*
- *Work is underway to improve induction and manager development.*
- *We would need to properly resource work if we wanted to have clear and appropriate roles and responsibilities.*
- *There's an opportunity for greater communications and awareness among managers*

Good processes were highlighted...

- *I cannot comment on finance (I am not finance) but I am clear who to talk to and who is responsible for my budget oversight.*
- *There is a controls dashboard in place with provides assurance on the internal controls of the Department.*
- *We have added to this by providing training modules to managers recently.*

and good relationships between Finance and Operating divisions...

- *Finance are a very engaged and professional business partner. I rely heavily on them and they constantly deliver a good and timely service.*
- *All budget managers know their financial analyst and meet with them regularly to discuss forecasts and budgets etc.*
- *Clear lines of support with finance partners are documented, from day to day support through to executive support*

with the major concern raised being resourcing.

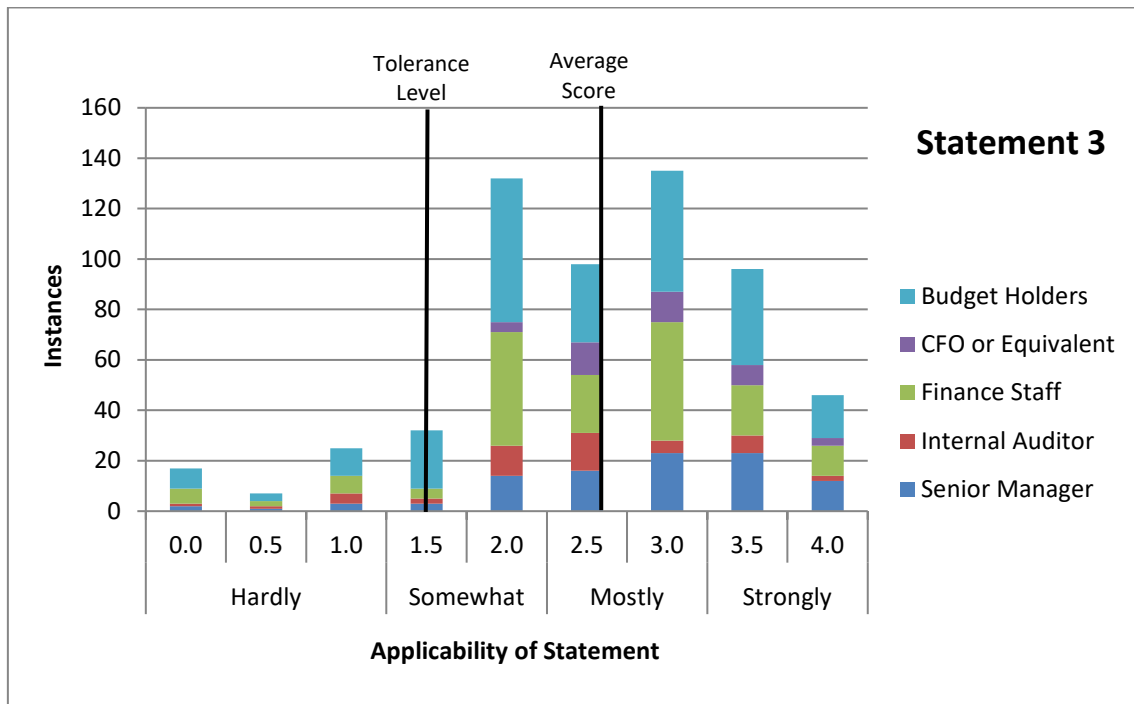
- *I have observed instances of responsibilities being allocated with little consideration of the resource implications or likelihood of the action plan being effective.*
- *All investments have properly identified stage plans that have named resources and responsible individuals to mitigate and manage risks. Some management arrangements struggle to be adequately resourced.*
- *Action plans are not properly resourced, often action plans require more than the resources assigned to complete.*
- *Almost none of our projects are properly resourced, and we tend to mitigate our risks by hoping that our staff will go above and beyond their roles to manage difficulties.*

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.



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

- *Accountability in this space absolute*
- *The Department has Personnel Performance Appraisal tools that hold individuals accountable for internal controls such as budget accountabilities.*
- *Completion of internal controls as actively managed as part of performance review.*
- *Absolutely, most scrutinised / audited Public Sector organisation I've worked in.*
- *Numerous examples of investment decisions being fully analysed and evidenced.*
- *Managers have spending decisions reviewed by Directors and Deputy Secretaries within the delegation framework. Procurement advisors support the managers and advise on value for money aspects.*
- *Illustrated by the checks and balance system, review, and peer review.*

Others felt there was room for improvement

- *I think the organisation is weak in this regard.*
- *Inconsistent application of letters of expectation and performance review outcomes. Sound information available but patchy application and not consequence if this is not in place. Improvements are planned going forward.*
- *Decision making ability has been removed from some lower layers, while they are still responsible for the costs. This creates an artificial environment linking performance management to internal control*
- *I don't really believe that this is true in our organisation.*
- *Some key failings in internal controls have been ongoing for many years. Some remedial actions are being taken now but some areas eg, payroll are still a concern.*
- *Most areas of the organisation ensure internal control objectives are linked. Improvements are required in a few business units where people's financial acuity is not strong.*
- *Except for the perspective of financial management, there is no explicit link.*

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

- *Inconsistent application of letters of expectation and performance review outcomes. Sound information available but patchy application and not consequence if this is not in place. Improvements are planned going forward*
- *Consequence management could be clearer.*
- *Apart from my monthly report I receive no feedback or encouragement about my fiscal position*
- *As above I don't think this is a directly assessed competency/requirement in our performance review document.*

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 and 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

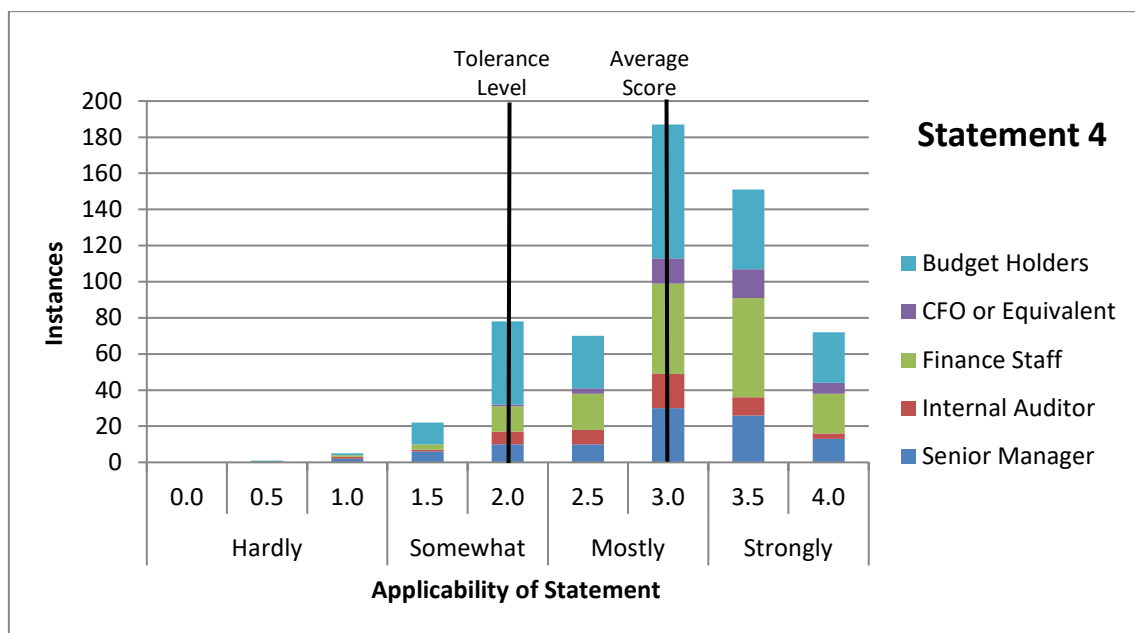
Department staff should be sufficiently competent to fulfil the internal control responsibilities associated with their roles.

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...

- *I think so the individuals I have engaged on support for my budget have sufficient financial management competence.*
- *Most areas maintain high standards of financial competency.*
- *Competency of individuals who hold financial management responsibilities is high, however there is a lack of Financial Business Partners.*

and a number reported positively on training and professional development ...

- *Specialist finance team is fully capable. General management cohort is still in training as we have been going through a growth period and have a lot of new staff.*
- *Lots of improvement over the last year - both in Finance and across the department via training, recruitment, system, and process improvement.*
- *in addition, all budget and delegation holders are taken through specific budget manager training before they are allowed access to financial systems*
- *There are a variety of financial training courses available to assist and increase competency.*
- *Yes, and the increasingly managers are seeking training and better understanding as expectations change.*

although some thought more effort is needed here.

- *Manager training/education would be an area of improvement.*
- *I think we could improve our competencies and training of managers who become responsible for budgets.*
- *Senior leaders continually ask for financial management training to be made available for cost centre managers and budget holders alike.*
- *Further, updated training and better systems (eg, better than an outdated version of SAPBI) would be useful*
- *Further work can be done to refresh or lift the competency of our budget managers and some finance staff. This can be done through refresher training and cross-skilling as we embed our new financial management information system.*
- *I think the Department has not been great at promoting the value of an increased appropriation. Staff are underpaid and this risks undermining the reputation of the Department. The Department's funding needs review to determine the best way to achieve aims and objectives.*
- *Is varied throughout the organisation - some very good financial management competencies some need more work.*

Some highlighted under-resourcing as a problem...

- *The Risk & Assurance team have been strengthened and modernised in terms of their approach/programme. Like most parts of the department, they are resource constrained and impacted by retention and recruitment challenges from time to time.*
- *Insufficiently resourced core finance function.*
- *We have an amazing finance business partner who supports us well but there is only one of them and they cover many areas - this is under resourced.*
- *Reducing budget increases demand to allocate the limited resource.*

while others were concerned about turnover

- *It is difficult to assess given high rates of turnover, but my impression is that many Finance colleagues are unclear on their role and immensely frustrated by the Ministry's systems.*
- *Recent audits commented about turnover in the Finance team; however, resourcing has improved, and this was reflected in positive comments from Audit NZ, our external auditor.*

Recent improvements in financial competencies were noted.

- *There are strong internal controls around financial processes and delegations that are clear. Emphasis is being put on building competency around broader financial budget management, more particularly challenging optimism bias in forecasting to ensure funds can be utilised effectively.*
- *Additional finance capacity is being acquired to meet the needs of a growing organisation size.*
- *New finance system recently implemented that we are all growing our capability in.*

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

- *An organisational financial management course would be a good opportunity to improve non-financial management competence and performance.*
- *Competency of individuals who hold financial management responsibilities is high, however there is a lack of Financial Business Partners.*
- *Some areas of the business are highly competent in fulfilling responsibilities, but lack of clear guidance and training has left some other areas behind.*

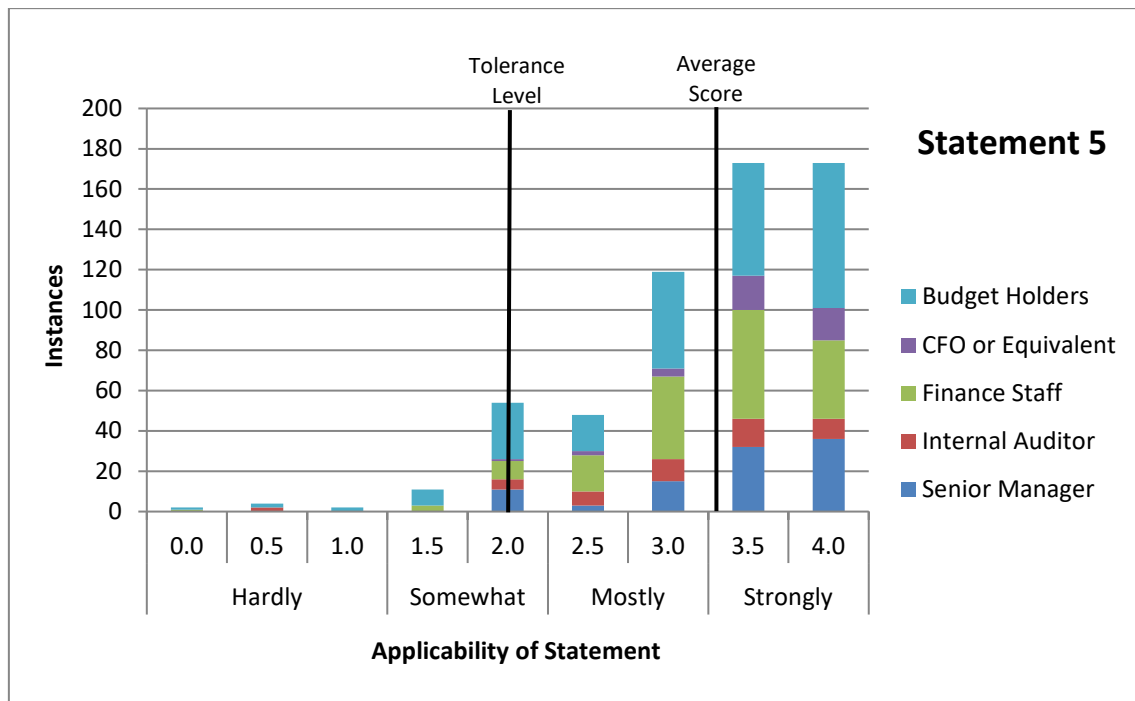
5 The "tone at the top" motivates staff to adhere to internal control policies

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



A significant number of positive comments were made about the tone at the top

- *As our Budget is tight, leaders are demonstrating the importance to do this well and right*
- *This is a standard item at the Governance team level. This has been acknowledged in previous customer surveys asking if they believe the department offers value for money in delivering the services we produce.*
- *Yes. Senior leaders challenge managers during budget builds*

- *The leadership team has shown increased leadership in this regard, especially around forecasting and achievability of future activities.*
- *We have a strong management team that lead by example.*
- *Several online 'Teams' sessions were led by the Executive team for staff and managers to discuss the impacts of Covid-19 on the organisation. This included the impact on our revenue and the need to be prudent, monitor spending and take an 'all of organisation' approach when committing to expenditure. Strategic Financial Management principles were developed to support planning and budgeting during the 2021 internal planning process.*
- *Established in the Ministry's values.*
- *There is good senior management engagement in reactive responses to financial management*
- *We adhere to policies and procedures and ensure steps are taken properly. We make reference to these policies and procedures when explaining decisions to staff. Corners don't get cut, at least not from what I can see and am exposed to.*
- *All senior managers comply with the financial management rules and if they are unsure, they ask their management accountant.*
- *Led out by the Chief Executive who supports transparency and accountability.*
- *A lot of emphasis on financial management and accountability from the Chief Executive and Executive Leadership Team over the last year.*
- *Definitely a strong focus on financial stewardship - that finance matters.*

And a few observed improvements in train

- *Increasingly a focus.*
- *Forecasting is terrible and groups often underspend while other groups are short of money/resources and struggle to deliver often placing staff under significant workload pressures. Future change is planning to address this.*
- *Recent example is an emphasis on investments not only identifying the Capital cost, but also identifying the operating uplift, depreciation, and capital charge cost, within a whole of life costing construct, as well as planning for contingency such as exchange rates.*
- *Senior management are reducing their travel activities and closely managing personnel and recruitment activities.*

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

- *Leaders often push back on processes that would maintain controls and set up their own systems within their own groups. Planned organisational change is positioned to address this. Changes at the leadership team level have now been communicated.*
- *At times I have witnessed conduct that doesn't do this.*
- *Generally, yes with the odd exception*
- *Some difficulty in compliance with organisational policies*
- *There are some that would still apply the "seek forgiveness after" approach to financial decisions.*
- *Code of Conduct yes - however I think we have senior staff dipping into operational/technical head spaces rather than strategic at times.*
- *We have been told that we need to spend money on our clients but overall, this isn't a regular discussion.*

- *Understanding of financial management rules is very limited and is often not seen as binding.*
- *Risk and Assurance have observed instances where interpretation of financial expenditure rules/guidelines is variable. We have also observed where appropriate levels of monitoring and spend analysis is absent or not effective.*

6 Internal controls respond to risks

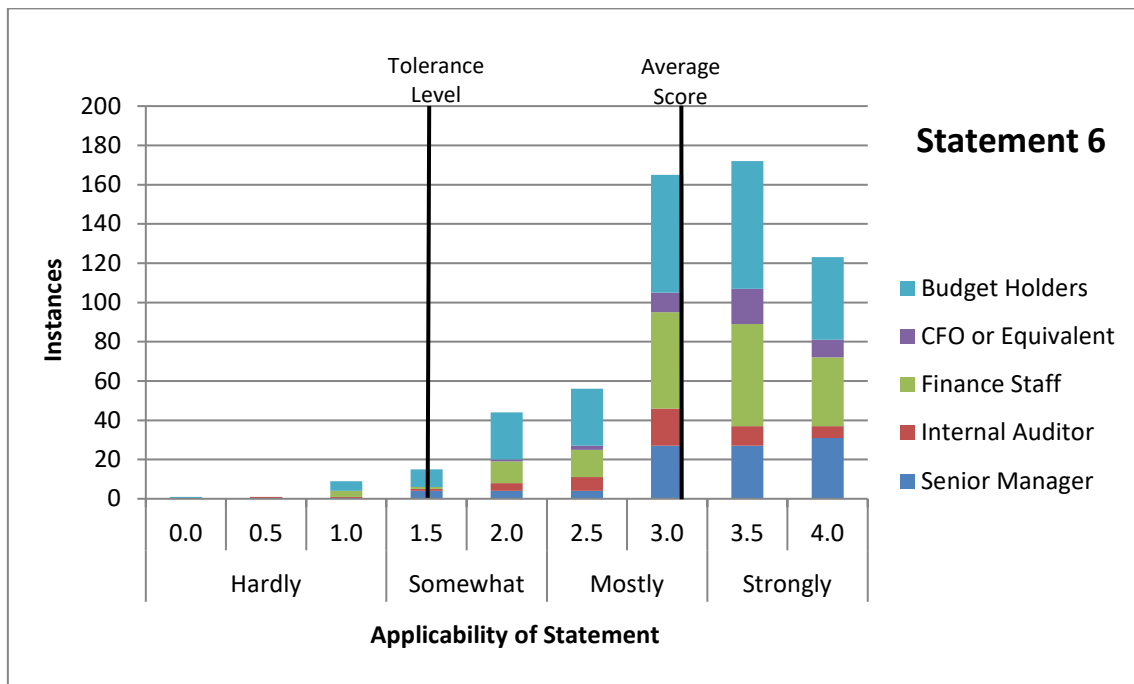
Controls should always be designed, implemented, and applied as a response to specific risks and their causes and consequences.

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



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

- *Operations and planning system changes, a review of the Capability Plan and other changes have been implemented.*
- *We have an opportunity to review controls as part of an enterprise risk management refresh. My team is refreshing our risks/controls with a view to providing better reporting/visibility.*
- *And are revisited if they are found not to.*
- *Yes, and other changes have been implemented.*
- *We undertook an internal review of all Covid-19 related spend.*
- *Largely existing contracting and payment controls, but review of set up and state of controls undertaken.*

Some pointing to the role that internal audit plays.

- *PPE audits and recording, health & safety protocol is reviewed and tested*
- *A very active and professional internal audit and risk function, legal and procurement.*
- *Five internal audits provided for; policies need to be reviewed.*
- *Audit findings require management response, follow up of implementation of recommendations*
- *The Internal audit plan covers some of these controls.*

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

- *Some old behaviours still present.*
- *Not very good in this space. Some areas are not reviewed on a regular basis or feedback sought.*
- *Examples are greater scrutiny and higher approval levels for travel, recruitment and contractor/consultant spend during the early stages of the Covid-19.*
- *Arrangements are informal, not formal.*
- *Internal audit recommendations to address internal control gaps are generally not addressed promptly.*

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

- *I am not aware of a formal process but consider the governance framework and general escalation of matters would enable this.*
- *Because we only have one layer of management to get to the senior management, it is always possible just to have a conversation, I'm just not aware of the "formal arrangement"*
- *Everything is escalated to senior management beyond what is needed*
- *Yes, through the sub committees that have been set up*
- *Yes, any sign will be escalated and investigated.*
- *Whistle blowing options if do not feel comfortable about raising some risks with managers*
- *Yes, senior management are advised directly when there is an issue.*

However, a few thought that controls were too burdensome.

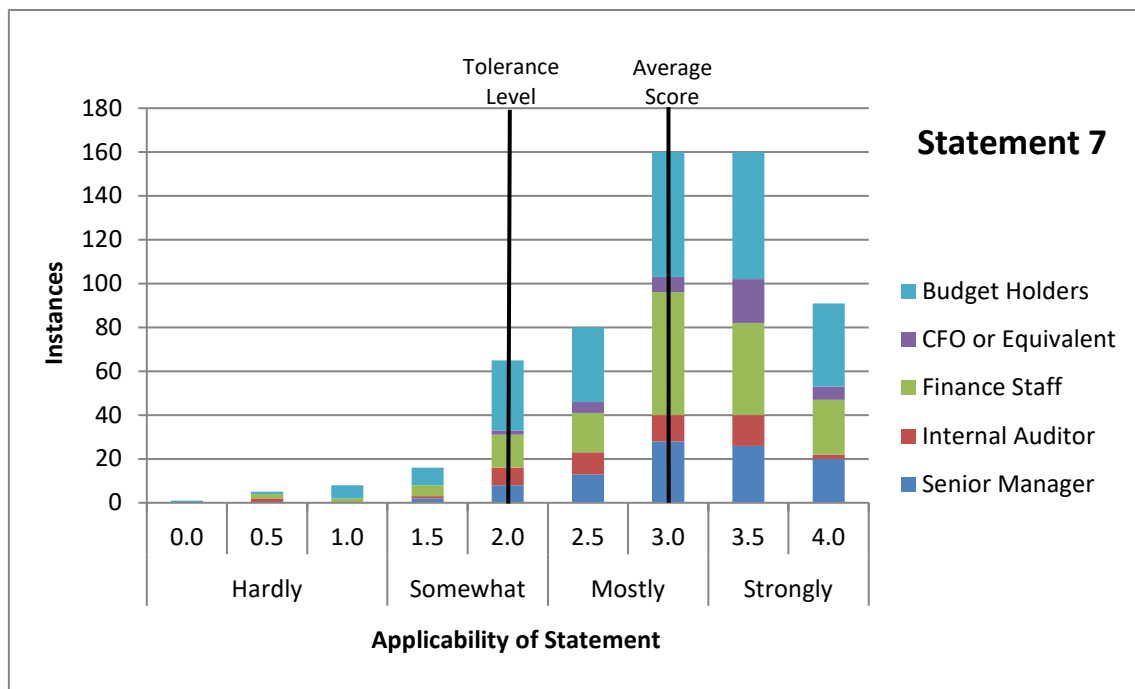
- *Rules are complex and constantly changing. More emphasis on supporting managers would assist.*
- *In my experience, sometimes the breakdowns take too long to be notified (or become apparent).*

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.



Communication procedures were generally considered to be good

- *Finance run regular workshops.*
- *Clear year end instructions are issued across the department.*
- *Internal newsletters staff meetings and communication from the finance staff are the main channels.*
- *Yes, as part of the Finance Team responsibilities.*

- *Awareness of requirements in financial processes etc. is high. Guidance on what to do if you suspect misconduct/fraud/corruption is available on the intranet but not necessarily obvious for people to find.*
- *Use of financial business partners creates a path for regular internal control comms.*

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

- *Three-yearly fraud risk assessment currently under way.*
- *Informally, formal review scheduled for 2021-22.*
- *There is currently an independent fraud risk assessment activity underway.*
- *Currently being reviewed. Plans in place to assess fraud risks.*

Although some wondered about communication outside their immediate area.

- *As per previous answers, there is not a common understanding across the Ministry of the set of processes, roles and activities that make up 'internal controls' or 'organisational control environment'.*
- *I don't observe regular communication regarding the internal control system.*
- *Communication tends to be reactive rather than proactive.*
- *I don't think there is regular communication per se, but internal control processes are inherent in the Ministry's systems.*

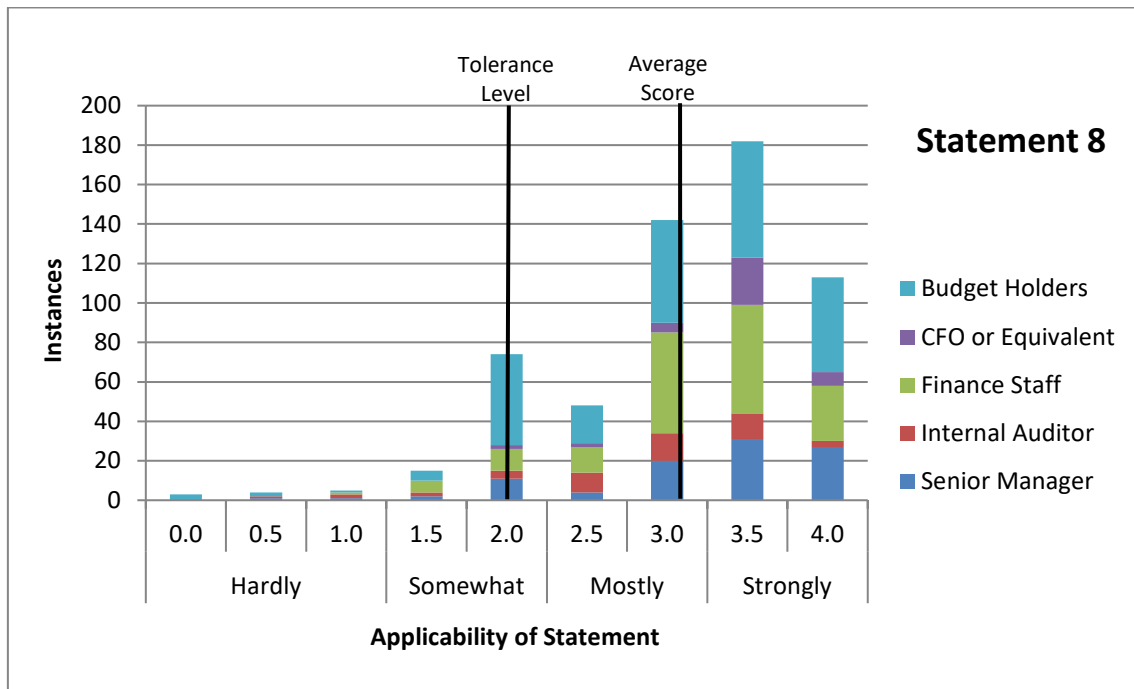
8 The department regularly monitors and evaluates controls

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

- *We have robust sign off processes, and procurement approach is monitored/reported to Senior Leadership Team.*
- *My team regularly monitors controls for its area.*
- *There is more visibility of the expected compliance with organisational policies.*
- *Yes, and our Risk and Assurance Board expect regular updates.*
- *Current practices are being updated to meet known risks and issues*

And reported on action being taken when breaches occur

- *The executive team are aware of any internal control breaches.*
- *Yes, the internal control breaches will be escalated to the appropriate manager.*
- *It seems to me that not all directorates are equal. Corporate services takes corrective actions re any breaches.*
- *Yes, and evidenced.*
- *For the cases I am aware of, the answer is yes.*
- *On occasion the advice has been a bit late.*

Annual legislative compliance checks have become the norm

- *We have processes in place re PFA etc. There is also training to assist those new to the organisation.*
- *All responsible managers must confirm this, along with any exceptions or possible issues, by physical signature every quarter*
- *Done by finance teams and legislative compliance monitoring*
- *Legislative compliance programme*
- *Annual legislative compliance surveys*
- *Between the finance team and the risk and assurance team.*

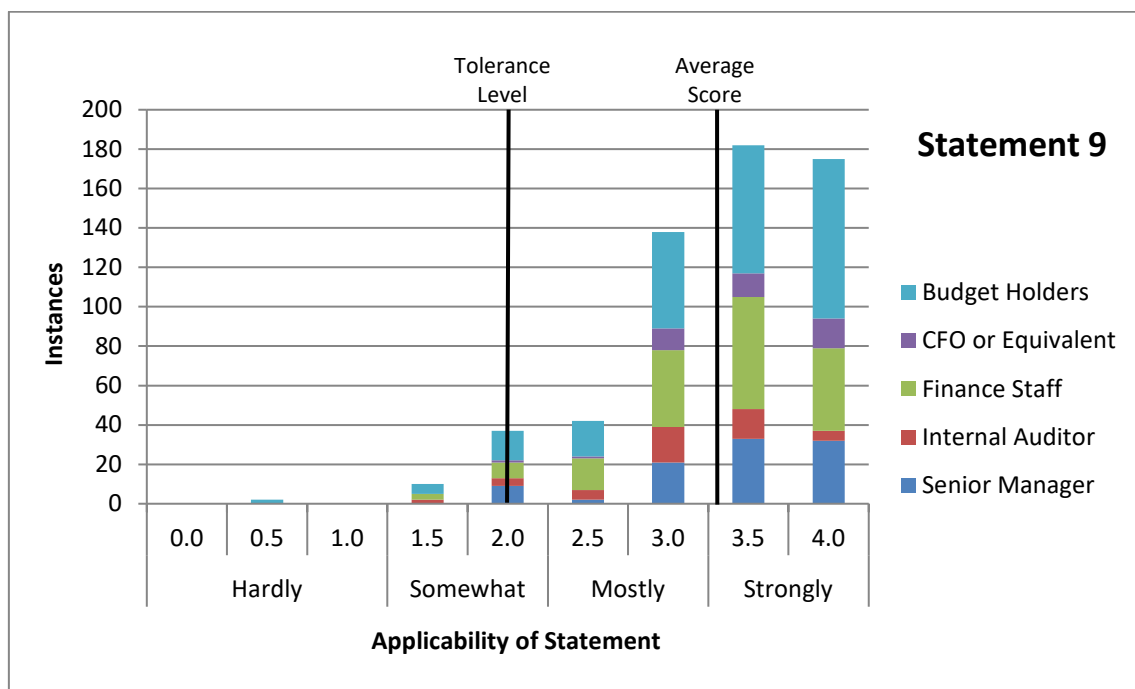
Although some respondents thought more could be done in this area.

- *My team regularly monitors controls for its area. We are looking to refresh them.*
- *Internal audit function is not very active in this space.*
- *Unsure if all controls are regularly monitored and evaluated or just the key ones.*
- *Average as not all directorates are equal/equally disciplined.*
- *This is variable across the organisation.*
- *Monitoring and evaluation is an area we need to strengthen.*

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 3.3, 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

- *The Ministry works very hard in this space*
- *I believe the activities of the department to be open and visible, through its annual plan and annual report.*
- *From my role I see it being accountable and transparent.*

- *This is part of the finance team responsibilities that have been doing an excellent work ensuring transparency.*
- *In many respects, we are 'best in class' around some of our transparency initiatives (eg, proactively reporting on professional conduct trends).*

Although, some felt that improvements should be made

- *An operational review has identified a number of areas where the Department can improve.*
- *Reporting of non-financial data should be improved. This has also been noted by the Auditors in the past.*
- *The internal audit team's planned internal audit programme would strengthen accountability and transparency.*

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 Committee is planned but not yet in place.*
- *No audit committee due to the size*
- *We have an Audit and Risk Committee (ARC) comprising four external members, which meets quarterly and provides independent advice and governance services.*
- *Has an audit committee but don't consider it to be effective otherwise some longstanding shortcomings would have been addressed at an earlier point.*
- *There is no internal audit committee.*
- *New Risk and Assurance Committee has been in place for just over a year.*

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

- *Only minor issues were identified*
- *Free of any critical issues.*
- *A comment was made which has since been addressed.*
- *I understand the most recent (interim) internal audit result in May 2021 was free of material issues but that there is one historical issue that is being worked through.*
- *No significant issues or weaknesses identified.*

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

- *I'm sure we have some OIA responses go out late, but otherwise we meet our obligations.*
- *Absolutely, the organisation places this as a priority.*
- *In relation to OIAs for my team, yes.*
- *big review has seen this improve and processes enhanced to meet compliance*
- *Detailed OIA processes in place to ensure obligations are met.*
- *I believe there have been gaps due to huge OIA volumes. Any breaches are not a result of a lack of effort to intent to comply - but is a result of the huge pressure the department is under (due to Covid, reviews etc)*