

28 May 2021

The Office of the Auditor-General

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**Feedback on the Draft Annual Plan 2021/22**

Tēnā koe John

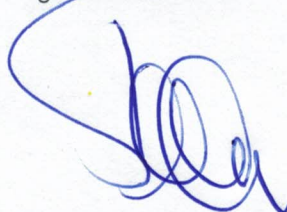
The Institute of Internal Auditors New Zealand (IIANZ) and its members, particularly those working in the public sector, have a strong and shared interest in the work of your Office. In many ways, internal auditors are focused on some of the same things as you are within their respective agencies. Our collective purpose is to safeguard trust and confidence in the integrity of our organisations; and promote improvements where they are needed. Our feedback to your draft annual plan, as detailed below, reinforces our common purpose. We hope you find it useful

Focus areas	Comments/ Feedback
<p><b>Effects of Covid-19</b></p>	<ul style="list-style-type: none"> <li>• We support your progressive plan to examine the central response to Covid-19, carry out case studies on business continuity, review vaccine roll-out and consider the post-Covid-19 environment.</li> <li>• Covid-19 had a significant and potentially enduring effect on how the public service carries out its work. These changes may have altered the operational risk profile of agencies. As such, it may be instructive for your Office to assess the impact of changes in areas such as productivity, information security, wellbeing and staff engagement in the new ways of working.</li> <li>• There has been significant expenditure and investment put into "shovel-ready" initiatives. Your Office is intending to assess the effectiveness of decision-making, systems and processes. It would be useful to also consider the long term impacts and benefits that can be realised when the recovery funding is exhausted.</li> <li>• Other jurisdictions have experienced Covid-19 resurgence, which have been more significant than the initial outbreak. It would be prudent to examine New Zealand's readiness for another outbreak or new pandemic. You may wish to assess whether current arrangements for MIQ, border controls and Alert Levels are fit-for-purpose.</li> </ul>
<p><b>Ethics and integrity</b></p>	<ul style="list-style-type: none"> <li>• We support your intention to examine how well central government is performing on specific integrity issues, with a specific focus on senior leadership. We acknowledge that tone-at-the-top is vital and would like to see your Office raise insights on how senior leaders positively role model and cultivate a strong culture of integrity (i.e. non-deficit approach).</li> <li>• The current government has a focus on wellbeing and inclusion. However, we know that Covid-19 and other pressures placed on the public service can potentially result in unintended poor behaviour. The Public Service Commission's model standards on Speaking Up, for example, is intended to provide guidance and process for staff to voice concerns. Your Office may wish to consider assessing how well these standards are working in practice.</li> <li>• We know that there is a different world view from Māori when it relates to ethics and integrity. For example, relationships are paramount for Māori, but may be viewed as a conflict of interest in a Pakeha world. In addition to your focus on what accountability means for Māori, we believe your work could also look at understanding Māori perspectives on ethics, trust and integrity.</li> </ul>

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	<ul style="list-style-type: none"> <li>Whilst it is helpful to understand how integrity agencies are working together to provide system leadership, it will be interesting to examine how individual agencies are resourced for their own in-house integrity and assurance functions</li> </ul>
<b>Suggestions for inclusion</b>	<ul style="list-style-type: none"> <li>We agree with that cybersecurity threats remain critical to the public sector, but it is not clear from your draft annual plan how this is addressed within your work program. If this is part of your appointed auditors' brief, it may be helpful to note that.</li> <li>Return on investment entails risk taking. To maximise the public benefit of expenditure, a certain level of risk must be taken. It would be useful for your Office to assess whether agencies consider risk taking, and whether the risk settings (i.e. appetite and tolerance) of public sector agencies drives their investment decisions and performance expectations in a risk-intelligent manner.</li> </ul>
<b>Infrastructure investments</b>	<ul style="list-style-type: none"> <li>We noted that there is work to assess the effectiveness of in investment management system in supporting significant infrastructure investments. We think it may be beneficial for your work to also focus on agencies' stewardship and management of existing assets and infrastructure (i.e. how do agencies protect, maintain and enhance the value of public assets?)</li> </ul>
<b>Good practice</b>	<ul style="list-style-type: none"> <li>Good practice guidance that are relevant, accessible and simple to understand will benefit everyone, including members of our profession. We outline some thoughts on two of the three topics you are updating.</li> <li>Audit and risk committees – the Institute has access to global research literature that could inform your development of guidance. Our members also have practical experiences in the public sector context about what has worked well. Our advocacy committee will continue to support and contribute to this important topic as it is developed.</li> <li>Managing funding arrangements – procurement and contract management are topics of perennial interest for most internal auditors. We recognise there is a distinct difference between compliance in form and in substance. Guidance on proportionate probity, assurance, and accountability across the full spectrum of funding arrangements would be extremely useful. Again, the Institute would like to support and contribute to this good practice guidance.</li> </ul>

I would like to acknowledge and thank you for your ongoing support for the Internal Auditing profession. We look forward to ongoing engagement with your Office through our advocacy work. Please get in touch with me, or any member<sup>1</sup> of our advocacy committee if you'd like us to elaborate on our feedback.

Ngā mihi nui



Steve Downes  
Chief Executive

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<sup>1</sup> Willie Loh  
Jeff Galt  
James Jong