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Strengthening Governance and Integrity: Key Insights for Internal Auditors

In reviewing Transparency International New Zealand's (TINZ) October 2024 newsletter and its recent recommendations for advancing public sector integrity, several important governance themes come to light. These insights align with internal audit's essential role in fostering accountability, transparency, and ethical culture across public institutions. Below, we explore these recommendations and how internal audit can contribute to embedding integrity into public sector operations

1. Building a Culture of Integrity: Accountability and Action

TINZ emphasises the need to move from reactive anti-corruption measures to a proactive approach, highlighting the gap between policy and practice. This underscores the importance of visible leadership and measurable outcomes, key governance principles that are foundational to internal audit. Auditors play a pivotal role by assessing the implementation and effectiveness of integrity policies, such as ethics training and code of conduct enforcement. Audits can reveal gaps between “integrity on paper” and “integrity in action,” ensuring these governance principles are realised in day-to-day operations.

2. Aligning Resources with Delivery Models

With the Public Service Commission (PSC) identifying increasing tension between resources and service delivery (e.g., IT and third-party services), there is a need to adapt governance structures to maintain integrity across all service forms. Internal audit functions can help by evaluating the governance of third-party vendors, contractors, and IT systems, ensuring alignment with public service values and standards. Areas such as procurement, third-party risk management, and compliance with service-level agreements are critical focus points to uphold transparency and accountability.

3. Centralised Monitoring and Reporting for Integrity

TINZ's recommendation for a centralised integrity breach reporting system aims to improve public trust and ensure consistent oversight. Internal auditors can support this by evaluating the design and effectiveness of the reporting system, ensuring it captures all relevant breaches and assessing the corrective actions taken. Regular audits of this system reinforce that reported breaches lead to timely and effective resolutions.

4. Implementing Proactive Risk Management and Early Warning Systems

A proactive approach to anti-corruption, including early warning systems, aligns with best practices in risk management. Given the evolving risks of foreign interference and emerging technologies like AI, internal audit's role becomes vital in assessing these systems. Audits can

evaluate the agility and effectiveness of these early warning mechanisms, ensuring they can detect and mitigate risks before they escalate.

5. Fostering Transparency and Public Accountability

Transparency, particularly in procurement, beneficial ownership, and compliance with the Official Information Act, is essential for strong governance. Internal audit can focus on assessing procurement transparency and adherence to established rules, ensuring public procurement processes remain fair, transparent, and free from corruption or misconduct.

6. Strengthening Public Sector Leadership and Cross-Sector Training

TINZ also highlights the need for cross-sector training to instil integrity across all public agencies. Internal auditors can assess the comprehensiveness of training programs, ensuring they are regularly updated, attended by all relevant personnel, and lead to measurable behavioural changes. This approach helps align leadership actions with integrity principles, fostering a culture of integrity from the top down.

7. Enhancing Open Government Partnerships and Civil Society Engagement

New Zealand's engagement with the Open Government Partnership (OGP) has been a key focus for TINZ, especially regarding transparency and public accountability. Internal audit can assess the government's commitment to civil society engagement and OGP goals, highlighting areas for improvement and ensuring that OGP commitments are met within the expected timelines.

By addressing these key areas, internal audit can play a strategic role in enhancing public sector integrity, strengthening the alignment between governance policies and operational practices, and contributing to a more transparent and accountable public service. These steps are crucial for maintaining public trust and ensuring the public sector remains a model of integrity in a complex and evolving governance landscape.

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