

# GETTING BACK TO #1

**INTERNAL AUDIT: A key pillar in building trust and confidence**



The Institute of  
Internal Auditors  
New Zealand

Leadership • Insight • Knowledge

# Key Pillars building trust & confidence

Lines of defence - key assurance mechanisms include:

- Internal Audit, external audit
- Governance, risk management
- Management and monitoring controls

# Getting back to #1

Transparency International – CPI -drop from #1 equal with Denmark to #2, due to our public sector fraud issues

The role that our profession can play is pivotal in driving remediation and change and getting NZ back to #1.

Be transparent, disclose

“Truth is not self-evident so we must make it so” Edelman

# Who we are & what we do .....

## Who we are:

- Belong to one Global organisation – provides access to, technical specialist expertise research, tools, data and information
- 106 Institutes worldwide; 190,000 members
- One set of International Standards (IPPF) recently revised
- Have our own Rules and By Laws – established 1986 NZ
- Board of Directors (7 elected directors with ability to co-opt 3)
- Member led – over 600 NZ members; and growing at approx. 5% per year
- Have a National Office and CEO

## Our role includes:

- Advocating and promoting the practice of internal auditing: Progress through Sharing
- Working to ensure Internal audit professionals are widely recognised, respected, trusted and valued as the leading providers of assurance and advice on risk management, internal control and governance for the benefit of organisations and their stakeholders.

## Additionally:

- We provide member training and qualifications;
- Partner with like minded organisations, such as Transparency International; Institute of Directors, Audit NZ and the OAG.
- Undertake lobbying, with government, regulators and other professional bodies, e.g our recent submission on State Sector Reforms
- We undertake guest lectures and assist in tertiary study programmes, and are working to have IA specific material included in DBA / MBA programmes at several universities.



# Recent experience

Recent examples suggest we must sharpen our governance and control environment

- **2018** New Zealand Transport Authority Fraud
- **2018** Waikato District Health Board CEO Fraud
- **2016** Milford Asset Management Market manipulation
- **2016** Victoria University Fraud
- **2015** Immigration New Zealand Bribery & corruption
- **2014** Dunedin City Council Fraud
- **2013** Auckland Transport, ADHB Frauds

# An example.... looking at the issues

## Waikato DHB

The perceived strength of the system and how IA is pivotal in providing assurance in the system. The report into the CEO's fraud highlighted 2 main issues:

1. Internal mechanisms – too much reliance on internal policies & procedures; weakness on compliance; no reporting to ARC and inadequate CEO disclosure
2. External accountabilities – too much reliance on external audit (AuditNZ)

# Control Environment considerations

- Understand- accountability and roles
- Use your independent assurance mechanisms
- Build control and compliance into work structures, processes, and understanding about how people fit and work together
- Use (hire or co-opt in) people who have the right experience, skills and capacity
- Be accountable and transparent about performance, achievements, and challenges
- Report and follow-up
- Manage your risks and adapt as circumstances change.

## Waikato DHB

<http://www.ssc.govt.nz/waikato-dhb-investigation-findings>

<http://www.ssc.govt.nz/sites/all/files/waikato-dhb-inquiry-19March2018.pdf>

Truth is not self-evident so we must make it so

<https://www.edelman.com/post/truth-is-not-self-evident>