MINISTRY OF SOCIAL DEVELOPMENT
TE MANATŪ WHAKAHIATO ORA

Review of risk, assurance and internal fraud functions

Proposal for Consultation – 26 August 2020

Contents

Introduction

The Organisational Assurance and Communication (OAC) group was established in October 2019 with a focus on organisational assurance in relation to legislative, governmental and other obligations. This aligns with our role to increase trust and confidence in the Ministry through strong communications and media engagement to support ministers. The OAC group has an 'on the business' focus, while working alongside the business elevating the visibility and focus of key assurance activities.

The risk, assurance and internal fraud functions sit in the Risk and Assurance group within OAC. This group has a key role in ensuring and promoting workplace integrity in the Ministry (MSD).

In this document, when we refer to risk and assurance, this includes the internal fraud area.

The integrity needs of MSD have continued to change with the implementation of new strategies - Te Pae Tawhiti, Pacific Prosperity, and Te Pae Tata and the move towards more agile ways of working.

Alongside this, we have needed to align the resourcing of Risk and Assurance with the Ministry's needs given the number of positions left unfilled and the number of people 'acting' in key roles since the separation of Oranga Tamariki from MSD in 2017. It is also important that we clearly maintain alignment of MSD's approach to integrity with the State Services – Standards of Integrity and Conduct.

My focus is on ensuring that we have an integrated, modern, proactive and connected Risk and Assurance group that provides assurance, advice and support to the Chief Executive, Risk and Audit Committee, and the Senior Leadership Team about the integrity, effectiveness and efficiency of the systems, processes, and controls that MSD relies on to deliver services to all New Zealanders. This area should set the standards, policy and framework around workplace integrity and work to ensure integrity is embedded into all the work we do.

In February this year, I asked Allen + Clarke to work closely with Risk and Assurance staff to consider how the three areas (risk, assurance and internal fraud) could work cohesively together, optimising their collective impact for MSD. They met with staff individually and collectively over a number of months to understand their views in relation to creating value for stakeholders, challenges, the operating model and the vision for the future.

Other MSD stakeholders were also interviewed, including the staff providing risk services within the Service Delivery business group.

From this collective input, as well as the 2018 KPMG report which analysed options for a future state operating model, I am now proposing three key changes:

- Renaming the group to *Workplace Integrity* and consolidating the group into the following areas: Risk advice, Assurance services, Internal Integrity and Integrity services.
- Formalising the fully outsourced assurance model.
- Establishing a new specialist role in the new structure that is focused on organisational integrity.

I look forward to your view on what is proposed.

Kind Regards

Nadine Kilmister

Background

Following the separation of MSD and Oranga Tamariki, the Risk and Assurance group has undergone significant changes, including their scope, nature of responsibilities, resourcing and personnel.

In 2018 KPMG were commissioned to analyse options for a future state operating model. This report emphasised the need for the future risk and assurance function to be:

- trusted – to be a key source of risk insight for the Ministry
- relevant – having the ability to influence within the Ministry and be involved in strategic conversations
- adaptable – having an agile approach to assurance.

Of the 15 recommendations in this report, the majority have been implemented or ongoing, including the establishment of a Chief Risk Officer role which now sits with the DCE, Organisational Assurance and Communication. The outstanding actions relate to the MSD-wide assurance framework and implementation.

The MSD Leadership Team (LT) has recognises the importance of integrity within MSD. Integrity is now reflected in one of our four value statements: *Tika me te Pono – we do the right thing, with integrity.* Doing what is right by New Zealanders in a way that is fair, just, genuine and sincere. Leading by example through honesty and trustworthiness and being accountable for our actions and performing our roles in a manner that demonstrates a spirit of service for whanau, families and communities. There is no higher purpose than the service to others.

In February 2020, Allen + Clarke were engaged to work with the Risk and Assurance group and key stakeholders to gather their views on an optimised operating model for this area. This document is the outcome of that engagement and the KPMG report.

Purpose

The purpose of this document is to advise you of the proposed structural change within the Risk and Assurance group to meet the changing needs of MSD.

This document enables you to provide feedback on the proposed structure as part of a consultation process.

Current structure

The organisational structure in MyHR does not reflect the day to day working of the Risk and Assurance group. A temporary arrangement was put in place resulting in an informal structure established, this was due to a number of vacancies and temporary work arrangements that needed to be put in place for the group to function effectively.

If you have questions about the current operating structure, please feel free to raise this during the consultation period.

The organisation chart below outlines the current operating structure.
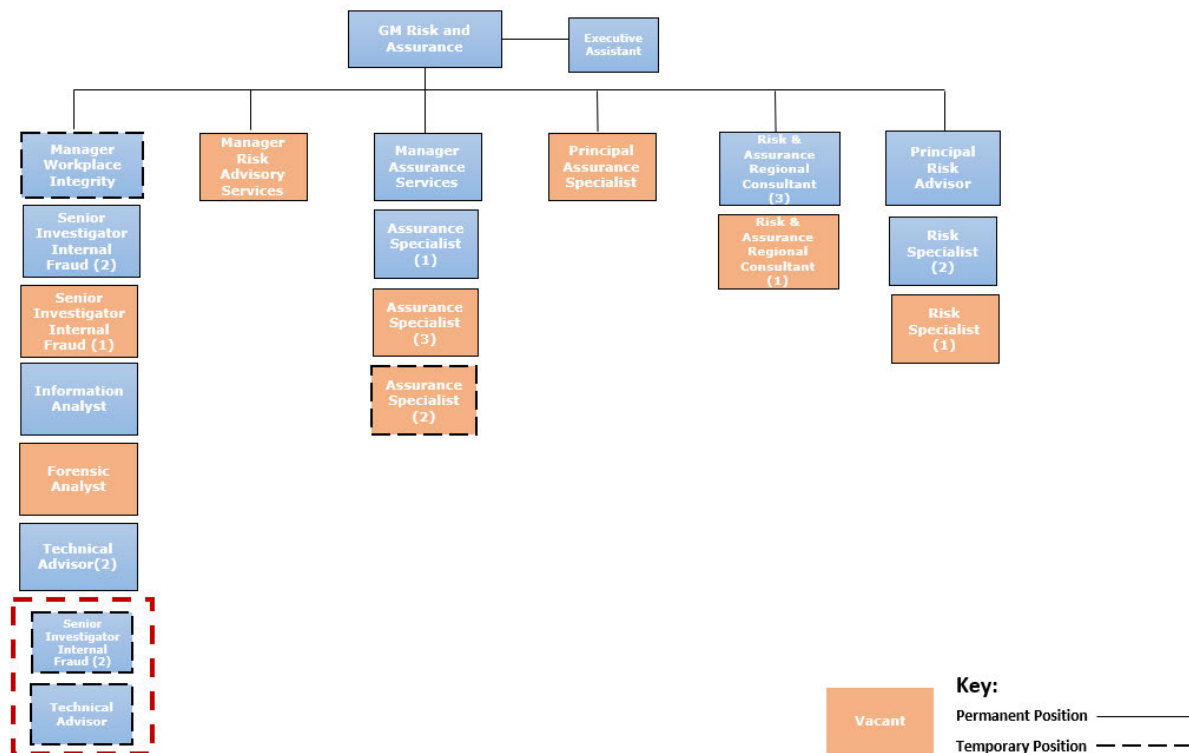
These temporary roles are focussed on wage subsidy

Imperative for change

The review completed by Allen + Clarke of the current structure and systems undertaken by Risk and Assurance highlighted the need for change to the operating model. The workshop sessions with staff identified that the current model was not fit for purpose and unable to support the outcomes for MSD. The review identified that the current operating model has a range of limitations making it an ineffective model.

The current model:

- needs to have integrity by design incorporated into the work of the team
- needs a stronger prevention focus
- lacks a common definition of integrity in MSD
- does not have a means of monitoring, reporting and/or measuring integrity across MSD
- is underpinned by an organisational structure and resourcing model that is not aligned to MSD's significant integrity needs and can't easily scale to meet the needs of the future needs of MSD
- does not have a unified purpose across the group.

For the operating model to be fit for purpose, modern, scalable and integrated, I propose that some changes may need to be made.

What is changing – summary of the proposed changes

It is important to me that Risk and Assurance has stability and a common purpose. A new operating model is needed to achieve this and will help ensure the structure is better aligned with MSD needs.

I have reviewed the current structure and systems in light of the above limitations identified through the review completed by Allen + Clarke and the 2018 KPMG report.

The following details outline the proposals for each of the key functional areas.

A New Workplace Integrity Group

The effective operation of the Risk and Assurance group is critical to ensuring MSD is achieving its objectives and manages risks effectively. The group currently operates within silos, from the rest of MSD without a common purpose. To improve the risk, assurance and internal integrity services to MSD, it is critical that these functions are structured in a way that enables closer working and greater operational integration. Four areas have been identified, and a change in name for the group to Workplace Integrity is proposed, to better describe the function.

Risk Advisory Services

This area will be responsible for the development and maintenance of the MSD-wide risk management framework on behalf of LT. This area is responsible for working with LT and the risk managers in relation to MSD wide risks and supporting any other areas in MSD that have dedicated risk functions, both with the framework and key tools. The team will provide advice, education and support.

The MSD's internal accountability model for managing risks is outlined in the 'Lines of Defence' model. This provides the overarching framework for assurance across MSD. The following diagram illustrates this model, and how it is applied to Risk and Assurance:
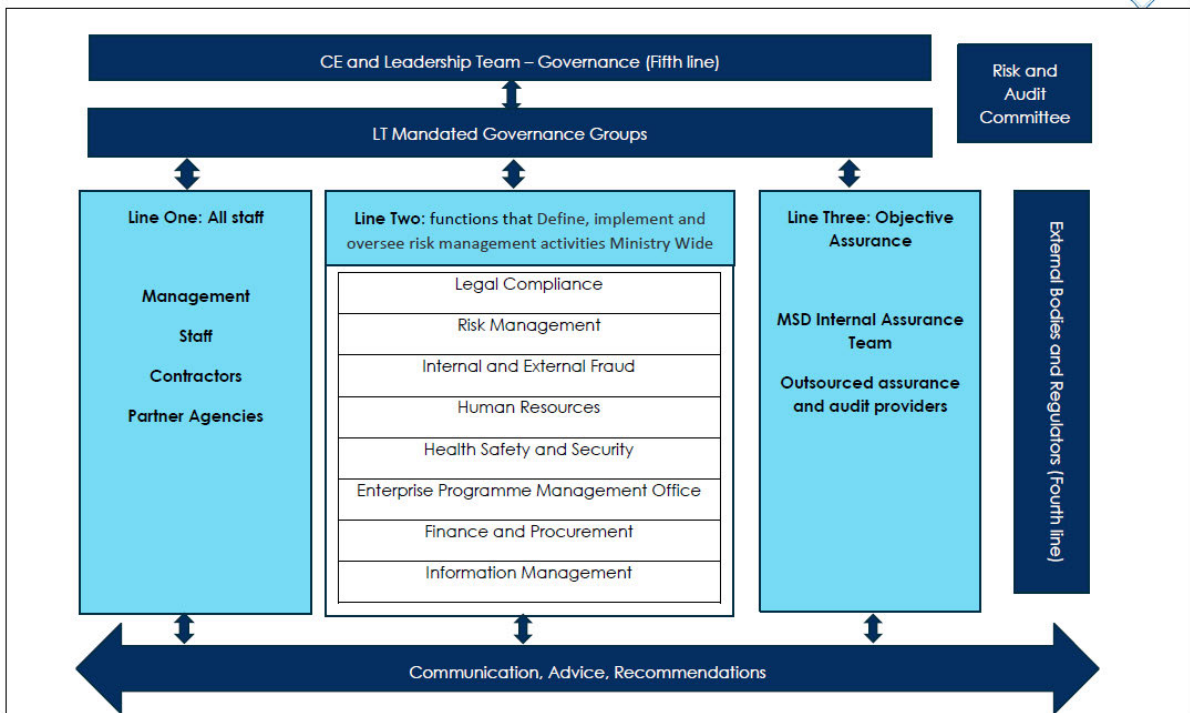
This area will have strong visibility of the risks that we have within the Ministry. The intention is that this area will work closely with the General Manager and a

Senior Assurance Advisor to ensure that appropriate assurance and advisory work is taking place.

It is proposed that;
- the Principal Risk Advisor title is changed to Team Manager Risk Services
- the Manager Risk Advisory Services role is disestablished
- the Risk Specialist reporting line changes to report into the Team Manager Risk Services

Assurance Services

I propose that this area will facilitate the assurance planning process working closely with the General Manager who is responsible for the assurance plan. The process is a consultative exercise intended to enable a systemic yet agile approach to the planning of assurance activities across MSD. This area will be responsible for procuring the specialist assurance expertise required to deliver each assurance activity. In addition, this area will report assurance findings, monitor and follow up the implementation of report recommendations. This area will be responsible for supporting and liaising with Audit NZ and undertaking/overseeing the sensitive expenditure review. This area will enable independent and objective assurance activities to be conducted across MSD that support the improvement of the control environment.

Formalising assurance to a fully outsourced model

For Assurance Services to function effectively and to avoid assurance work being replicated across the group there needs to a greater emphasis on ensuring a joint and planned approach to the assurance function across the Ministry. The General Manager is best placed to identify what assurance services are required for MSD, as they are connected to the entire view of risk and integrity across the group. For the Assurance Services to be aligned to MSD's objectives the accountability for all assurance work needs to sit with the General Manager.

As the Ministry grows, the demand on the assurance work will increase as will the appetite for the work to be completed independently. I propose that MSD fully outsources assurance work and moves away from the work being completed "in house" which satisfies MSD's growing desire for assurance reports to be viewed as being objective. There are a range of other agencies across the public sector who have either fully or mainly outsourced assurance including Oranga Tamariki. Some of the significant benefits of having assurance work outsourced to a provider are:

- MSD is able to engage proficient and qualified staff with core competencies and subject matter expertise to complete work
- the service provider bears the investment costs for training, tools, technology and the intellectual capital required

- expertise covering multiple disciplines is available to MSD as the provider has access to a wider knowledge base

Since the separation of Oranga Tamariki from the Ministry, the assurance area has had multiple vacant positions. Recruiting specialist assurance resources in a highly competitive environment has been and continues to be extremely challenging. As a result, the majority of assurance activities have been outsourced over the past year.

Due the proposed outsourcing of the assurance function, it is also proposed that:

- the Manager Assurance Services, Principal Assurance Specialist and the Assurance Specialist positions are disestablished; and
- a Senior Advisor Assurance position would be established to oversee and coordinate the outsourcing of the assurance work to external providers alongside the General Manager.

Internal Integrity

It is important that as a Workplace Integrity group, Internal integrity is a key component that is embedded into all the work we do across this Ministry.

This is the area that will incorporate the current internal fraud unit. It is proposed that this area be responsible for proactively educating staff and supporting the Ministry to reduce the potential for, and instances of internal fraud and inappropriate access.

The area will provide advice on the adequacy of controls and vulnerabilities to fraud risk. The team will promote the Ministry's culture of integrity.

The area identifies and investigates internal integrity, using data and information analysis and investigation techniques. To better reflect how this area functions and what this group does on a day to day basis, we are proposing to change the name of the group to Internal Integrity, and some role titles within the area.

It is proposed that:
- Internal Fraud will be renamed to Internal Integrity
- the Manager Workplace Integrity will be renamed to Manager Internal Integrity
- the Senior Investigator Internal Fraud will be renamed to Senior Investigator Internal Integrity
- an Advisor Internal Integrity role would be established to support the Internal Integrity team with analysis, advice and support

Integrity Services

This is a new area, recognising the growing importance of workplace integrity within the public services sector as well as reflecting the broader needs and expectations of the Ministry.

The area would be responsible for the promotion of Public Services of Integrity and Conduct as well as the Ministry's culture of integrity. The area owns and maintains the Ministry's Policies Framework and supports the review and development of the Annual Report. The area will be responsible for establishing and administering an integrity reporting framework that provides a helicopter view of integrity levels and status across the Ministry.

The current Regional Integrity Specialists, while still maintaining an 'on the business' focus, will work alongside the business to ensure that advice and support is available for regional leaders.

It is proposed that:

- a dedicated and specialist internal integrity services area is established within the Workplace Integrity area to support the Ministry with modernising its approach to workplace integrity
- the Risk and Assurance Regional Consultant title is changed to Regional Integrity Specialist, to align to the new group focus
- A Principal Advisor Organisational Integrity position would be established to support the integrity services area to ensure that organisational integrity is integrated appropriately and consistently.

Proposed new roles

There are three new positions that are proposed:

Proposed New Role	Purpose
Senior Advisor Assurance	The purpose of the Senior Advisor Assurance role is to provide support to the General Manager Workplace Integrity to deliver the assurance work programme and to ensure that it is integrated into the work of the workplace integrity group. This position will review and monitor progress on implementation of assurance reporting, findings and recommendations.

	An additional key focus of the role will be to assist the General Manager to gain the commitment and support of internal stakeholders for the assurance plan at all levels across MSD.
Principal Advisor, Organisational Integrity	The Principal Advisor Organisational Integrity supports the General Manager Workplace Integrity to ensure that organisational integrity is integrated appropriately and consistently into all aspects of the MSD's strategic, operational and project activity. This position will be responsible for ensuring MSD has an effective organisational integrity management framework that aligns with Te Kawa Mataaho (Public Service Commission) standards of integrity. Key to the success of this position will be leading the continuous improvement of organisational integrity policies and practices to support MSD in the delivery of its objectives. An additional key focus of the role will be to establish and maintain strong and influential relationships with senior management across MSD. The Principal Advisor will provide sound and independent advice and reporting, as required, to the Chief Executive and LT on MSD's integrity management issues, practices and culture.
Advisor, Internal Integrity	The Advisor, Internal Integrity provides quality analysis, advice and support for the Internal Integrity and contributes to the reporting of the Internal Integrity team. This role will also be responsible for the management of the internal fraud risk assessment. In addition, the role will support the Manager, Internal Integrity to develop and implement proactive education programme to reduce the potential for fraud or inappropriate access.

Proposed structure

Please refer to Appendix 1 for the proposed organisation chart for the Workplace Integrity group.

Proposed changes by role

The table below identifies the changes arising out of the proposed model with as much accuracy as is possible at this time. This includes identifying roles likely to be affected and roles likely to be established, disestablished or changed during the change process if this model were adopted. This is not a final position and has been prepared for the purpose of consultation.

Current Position Title	Current Reporting Line	Proposed Impact/s	Proposed New Position Title	Proposed New Reporting Line
General Manager Risk and Assurance	DCE Organisational Assurance and Communication	Change in title	General Manager Workplace Integrity	No change
Executive Assistant	General Manager Risk and Assurance	Change in manager's position title	No change	General Manager Workplace Integrity
Manager Assurance Services	General Manager Risk and Assurance	Position disestablished	N/A	N/A
Manager Risk Advisory Services	General Manager Risk and Assurance	Position disestablished	N/A	N/A
Manager Workplace Integrity	General Manager Risk and Assurance	Change in position title Change in manager's position title	Manager Internal Integrity	General Manager Workplace Integrity

Current Position Title	Current Reporting Line	Proposed Impact/s	Proposed New Position Title	Proposed New Reporting Line
Principal Risk Advisor	General Manager Risk and Assurance	Will receive direct reports and HR delegations Change in position title Change in manager's position title	Team Manager Risk Services	General Manager Workplace Integrity
Principal Assurance Specialist	General Manager Risk and Assurance	Position disestablished	N/A	N/A
Risk and Assurance Regional Consultant	General Manager Risk and Assurance	Change in position title Change in manager's position title	Regional Integrity Specialist	General Manager Workplace Integrity
Risk Specialist	General Manager Risk and Assurance	Change in reporting line	No change	Team Manager Risk Services
Senior Investigator Internal Integrity	Manager Workplace Integrity	Change in manager's position title	No change	Manager Internal Integrity
Forensic Analyst	Manager Workplace Integrity	Position disestablished	N/A	N/A

Current Position Title	Current Reporting Line	Proposed Impact/s	Proposed New Position Title	Proposed New Reporting Line
Information Analyst	Manager Workplace Integrity	Change in manager's position title	No change	Manager Internal Integrity
Technical Advisor	Manager Workplace Integrity	Change in manager's position title	No change	Manager Internal Integrity
Assurance Specialist	Manager Assurance Services	Position disestablished	N/A	N/A

What happens next?

It is important to remember this is a proposal only and we want to make sure we hear your views to help us in deciding on the best outcome. Here are some key points about the consultation process:

1. Consultation on this proposal begins on 26 August 2020 and will end at 10 September 2020 at 12:00pm

2. Please submit feedback and questions by email to
   s9(2)(a)

3. We will continue to respond to questions/feedback throughout the consultation period.

4. The consultation process requires your submissions to be made formally in writing via email.

5. If you disagree with any aspect of the proposed structure, including the position titles, it is helpful to suggest an alternative proposal.

6. Importantly, we will consider all submissions made and provide you with the final decisions that result from the consultation.

7. Once final decisions about the structure are made, we will let you know about the next steps in the process and how we plan to move forward.

Proposed timeline

The indicative timings for the consultation and any resulting changes are:

What	When
Proposal presented for consultation	26 August 2020
Consultation period concludes	10 September 2020 at 12:00pm
Consultation feedback considered, decision document prepared	10 to 28 September 2020
Final decision document released, new structure announced to wider Ministry and outcomes advised to impacted staff members	28 September 2020
If the proposal is implemented, recruitment processes commences	29 September 2020
Effective date of new structure	October 2020 onwards

Employee support

Any change creates uncertainty however this change is designed to be proactive to respond to the needs of New Zealanders and mitigate the impact of COVID-19.

During this consultation and any change process that may follow, if for any reason you would like someone to talk to (about the change or any other pressure you may be facing) we encourage you to contact the free counselling service provided by the Ministry of Social Development through our Employee Assistance Programme (Benestar).

You can use BeneHub to find a counsellor in your area and book an appointment. You can call Benestar on 0800 360 364 or find further details online by searching for Employee Assistance Programme on Doogle.

Your feedback is important

This is a proposal and no final decisions will be made about the structure or roles until the process is complete and all feedback has been considered. Remember, changes can be made as a result of what we hear and learn during consultation. It's important to hear about the parts you feel could be improved, including your thoughts and ideas on how you think things could be done differently — we are also interested in specific feedback. It would also be good to hear if you agree with what is being proposed and why.

Feedback on this proposal can be sent up until consultation closes **on 10 September 2020 at 12:00pm**. All feedback must be sent to the following email address: s9(2)(a)

Feedback will be collated and reviewed by representatives from HR who will prepare a summary of the feedback, with key themes. Recommendations will be made for the DCE Organisational Assurance and Communication to consider. Feedback themes will be included in the final decision document however, individual people won't be identified.

Questions can be sent to the email address above, to your manager, the DCE Organisational Assurance and Communication or PSA delegate if you are a PSA member.

Appendix 1 –Proposed Workplace Integrity Organisation Structure
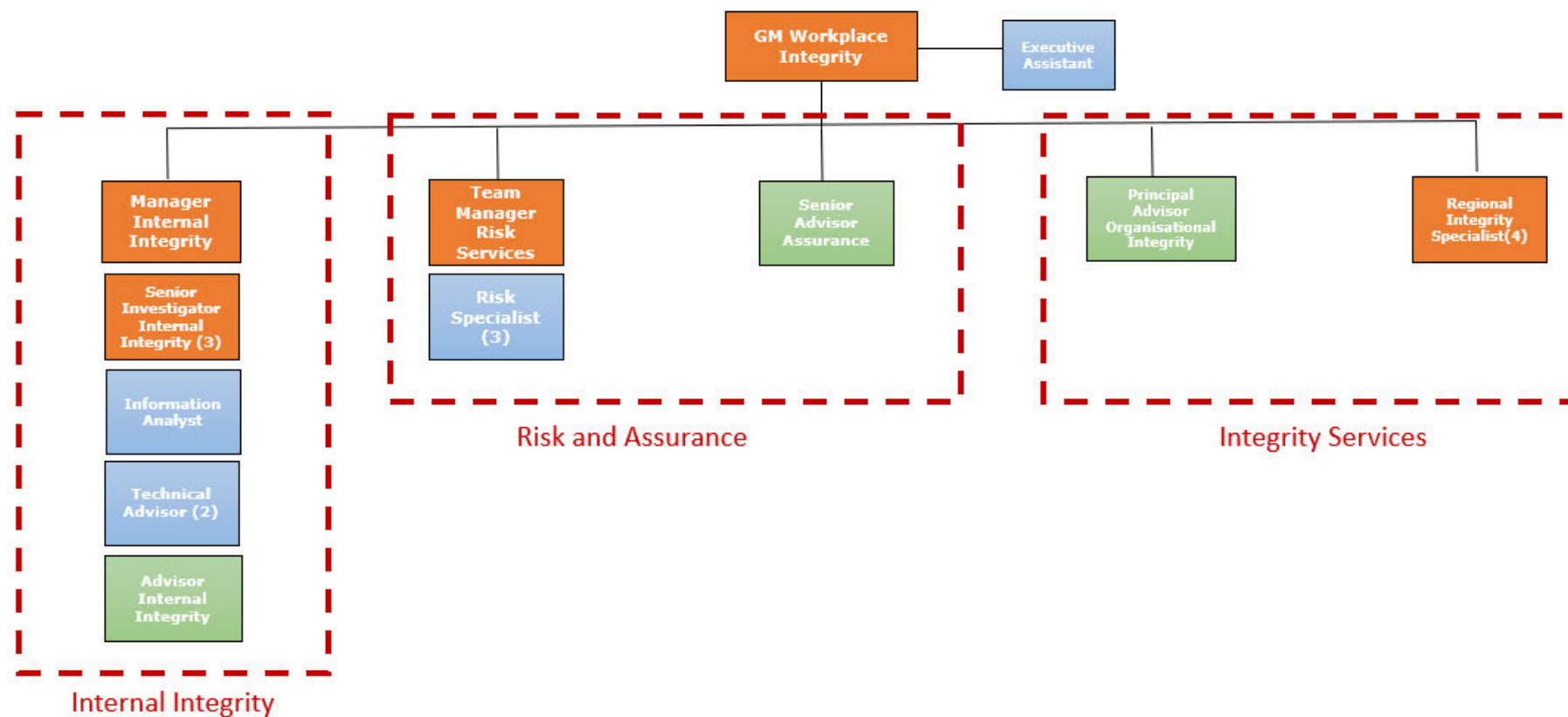
Note there are three temporary roles in the internal integrity structure, focussed on wage subsidy