

**The Treasury:
Capability to recognise and
respond to issues for Māori**

March 2006

*This is the report of a performance audit we carried out under
section 16 of the Public Audit Act 2001.*

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Foreword

The Treasury, and other public service departments, need to be able to respond effectively to the Government's social and economic goals for Māori.

This is particularly the case with the Treasury, which not only provides fiscal and economic advice on its own account, but provides a second opinion to the Government on other public service departments' initiatives affecting Māori.

I am pleased that the Treasury is well placed to respond to issues for Māori. This is largely due to the ongoing support of senior staff to ensure that the expert knowledge held by a few individuals is widely shared throughout the organisation by a range of means.

Other departments may find the methods that the Treasury has used to improve the capability of its staff a useful model for their own efforts to do the same.

I thank the Secretary to the Treasury and his staff for their willing participation in this audit.

I also thank the Chief Executive Officers of the Department of Labour, Ministries of Education, Health, Justice, Social Development, and Te Puni Kōkiri for their co-operation during this audit.

K B Brady
Controller and Auditor-General

8 March 2006

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Summary

Public service departments need to be able to respond effectively to the Government's social and economic goals for Māori, which are encompassed within its goals to improve social and economic outcomes for all New Zealanders. The Treasury (*Kaitohutohu Kaupapa Rawa*) has significant influence on Ministers' and Cabinet's consideration of public service departments' activities and plans to address issues for Māori, where these have fiscal and economic implications. The extent of the Treasury's advice on any matter varies considerably depending upon a number of factors.

We wanted to know how well the Treasury is able to recognise and respond to issues for Māori within the context of its role to improve living standards for New Zealanders. We audited the Treasury against our expectations of the processes that public service departments should follow to be effective for Māori. Those expectations are set out in our *Third Report for 1998*, in the Part entitled "Delivering Effective Outputs for Māori". We excluded the Crown Company Monitoring Advisory Unit, a stand-alone unit within the Treasury, from our audit.

Recognising issues for Māori

The Treasury does not have formal and ongoing relationships with Māori organisations, and recognises that it has limited expertise to build links directly with Māori. This is because the Treasury does not deliver operational services. It has appointed a senior public servant to advise the Secretary to the Treasury on engaging with Māori, and provide leadership to improve the Treasury's capability to recognise and respond to issues for Māori.

The Treasury has formal plans in place to achieve its strategic outcomes and relies on aggregated information in using resources and describing, forecasting or evaluating economic performance. The plans incorporate but do not specifically document issues for Māori – nor do we expect that they would. The organisation-wide Communications Plan, which supports the outcome plans, identifies Māori as key stakeholders.

The Treasury is now taking a more structured approach to engaging with Māori. This has made it receptive to, and better prepared to take advantage of, opportunities that arise to communicate with Māori, such as participation in Hui Taumata in 2005. We encourage the Treasury to continue with its openness to building links with Māori.

The Treasury's medium- to long-term plan and annual planning processes are appropriate for identifying significant issues for Māori, and to a large extent rely, appropriately, on public service departments to identify emerging issues for Māori. Te Puni Kōkiri is preparing a framework, focusing on fostering Māori success, to help public service departments prioritise and address issues for Māori. The Treasury expects that the framework, and the empirical data supporting it, will help the Treasury to focus on areas of greatest importance in achieving its outcomes.

Responding to issues for Māori

The Treasury approved a Māori Responsiveness Policy Statement and Plan in 2000, which has been implemented and subsequently revised. The current plan addresses policy objectives, and recruitment and retention issues are dealt with separately. A cross-Treasury team (the Māori Responsiveness Group) provides specialist support to the rest of the organisation and provides leadership on Māori issues. The Treasury has used knowledge management techniques to improve staff capability to respond to, and provide a co-ordinated and consistent approach to, issues for Māori.

The Treasury has introduced a course to help analysts understand and respond to issues for Māori and, using this training, hopes to create a standardised framework for analysing issues for Māori.

The Treasury works with public service departments to address issues for Māori, mainly through the provision of second-opinion fiscal and economic advice. The Treasury expects departments to be knowledgeable about issues for Māori within their Vote(s). Departments do not look to the Treasury for expert advice on Māori issues, although the Treasury may ask departments to confirm that they have taken appropriate expert advice and used empirical support in drafting advice. As needed, the Treasury may provide departments with background papers to help them draft advice.

Public service departments, as Vote leaders, expect to be informed about or directly involved in any direct contact that the Treasury has with Māori stakeholders.

Preparing staff to recognise and respond to issues for Māori

The Treasury manages its people strategically, and regularly seeks ways to improve its human resource management to deliver on its outcomes. Initiatives to improve the Treasury's responsiveness to Māori have continued to mature because of the

continued commitment and leadership of the Senior Management Group and chief executive officers since the late 1990s.

The Treasury has the essential systems, structures, and processes to be a flexible and capable organisation that responds to the needs of Māori staff. It has the usual range of human resources and equal employment opportunity policies and practices expected of a public service department.

Staff have access to a number of in-house resources to improve their knowledge and experience of Māori culture and perspectives, which means that Māori staff are less often relied upon to explain cultural issues to non-Māori staff. Additional resources are made available as needed.

As the Treasury uses various means to improve its capability to recognise and respond to issues for Māori, it does not have to rely on increasing its proportion of Māori staff. The recruitment of Māori staff is in line with projections for 2005.

The Treasury's written human resources policies and processes are free of unfair bias and support its commitment to building and maintaining an ethnically diverse workforce. However, an external review in 2004 found that there was unintended bias in the implementation and operation of the policies and procedures.

Recommendation 1

We recommend that the Treasury ensure that new employees, including managers, are provided with information about the activities and resources available within the Treasury to recognise and respond to issues for Māori.

Recommendation 2

We recommend that, when its standardised frameworks for analysing Māori policy issues are sufficiently reliable, the Treasury draw up a set of competencies to ensure that there is a common body of knowledge and skills among staff to respond to Treaty of Waitangi and Māori issues.

Part 1 – Introduction

- 1.1 In this Part, we set out:
- the background to this report;
 - the role and activities of the Treasury; and
 - how we carried out our audit.

Background

- 1.2 Public service departments need to be able to respond effectively to the Government’s goals for Māori, which are encompassed within its goals to improve social and economic outcomes for all New Zealanders.
- 1.3 In 1998, we published an article entitled “Delivering Effective Outputs for Māori” as part of our *Third Report for 1998*.¹ In January 2004, we published a report looking at how well placed the State Services Commission was to recognise and address issues for Māori. In this report, we examine the Treasury’s capability to recognise and respond to issues for Māori.
- 1.4 The Treasury (*Kaitohutohu Kaupapa Rawa*) has significant influence over Ministers’ and Cabinet’s consideration of public service departments’ activities, and over plans to address issues for Māori where these have fiscal and economic implications.
- 1.5 We wanted to know if the Treasury’s internal arrangements prepare staff, and provide them with ongoing support, to confidently recognise and respond to issues for Māori.

Role and activities of the Treasury

- 1.6 The Treasury’s vision is to be a world-class treasury working for higher living standards for New Zealanders. Living standards result from a complex mix of economic, social, and environmental factors – the Treasury, as the Government’s lead advisor on economic and financial policy, focuses mainly on the economic dimension.

¹ Copies of our *Third Report for 1998* (parliamentary paper B.29[98c]) can be obtained by contacting reports@oag.govt.nz.

- 1.7 The Treasury prioritises its 3- to 5-year and day-to-day activities according to how activities contribute to achieving the following 5 outcomes:
- improved overall economic performance;
 - a stable and sustainable macro-economic environment;
 - effective and efficient use of state resources and regulatory powers;
 - improved decision-making and performance management systems; and
 - efficient management of Crown assets and liabilities.
- 1.8 The Treasury frequently provides economic and financial advice directly to public service departments that consult it about departmental activities and plans. This advice is known as second-opinion advice because it is the Treasury's view on the advice given by departments. The Treasury assesses policy proposals before implementation and, after implementation, assesses the work done by departments to see whether proposals have delivered the outputs and/or outcomes intended. The assessments cover effectiveness, efficiency, output specification, output delivery, third-party charging, organisational form, investment, and financial reporting. Second-opinion advice is the core business of the Treasury's Vote² sections.
- 1.9 Public service departments usually incorporate the comments of the Treasury and other departments into reports that go to Ministers and Cabinet for information or decision. Should a department's report not satisfactorily address the Treasury's concerns, then the Treasury separately provides its own advice setting out the difference and recommending a course of action.
- 1.10 The extent of the Treasury's second-opinion advice on any matter varies considerably depending on a number of factors, including the fiscal and economic effect of the matter under consideration, probity concerns, the capability of the department, the Treasury's own capability including the time available to respond, Ministerial interest, and the priority of the matter relative to the Treasury's 5 outcomes.

Organisational structure

- 1.11 The Treasury is led by the Secretary to the Treasury. Reporting to him are 5 Deputy Secretaries, who make up the Senior Management Group. Each Deputy Secretary manages one of the Treasury's 5 branches – Asset and Liability Management, Budget and Macroeconomic, Regulatory and Tax Policy, Social Policy, and Corporate. The

² A Vote is the name given to a group of appropriations, which give permissive authority to incur (on the Crown's behalf) expenses or liabilities and to repay debt in the day-to-day administration of government. Each Vote is the responsibility of a Minister of the Crown (called the Vote Minister) and is administered by a department.

Executive Director of the Crown Company Monitoring and Advisory Unit also reports to the Secretary of the Treasury.

- 1.12 The branches are divided into units called sections. Within some of the branches are Vote teams, whose role includes providing second-opinion advice.

Approach to knowledge, risk, and capability management

- 1.13 To help it deliver its outcomes, the Treasury focuses on maintaining and enhancing the capability of its staff. The Treasury reviewed its strategic direction in 2004, identifying its 3- to 5-year management goals and strategies. It identified 4 themes that it believed summarised what it should focus on to give it the best chance of achieving its goals. The 4 themes were:

Taking the lead; Investing in our organisation; Managing for outcomes, and Engaging effectively – or T-I-M-E.

- 1.14 Some of the specific actions that emerged from these 4 themes include enhancing the capability of staff, harnessing collective capability, and enhancing the systems, structures, and processes required to become a more flexible and capable organisation.
- 1.15 T-I-M-E builds on progress made in implementing the Treasury's 1999-2004 Strategic Plan and continues with an integrated approach to knowledge, risk, and capability management. This integrated approach has been used to address issues for Māori.
- 1.16 Initial aims of the Treasury's knowledge management programme were to remedy poor document management practices and manage the risks associated with the high turnover of staff – at the same time, efforts were made to reduce the staff turnover rate.
- 1.17 Practical measures to change staff attitudes to recording and sharing information included keeping better records of internal meetings, interactions with departments, and lessons learned from projects. "State-of-play" notes document the status and tenor of the Treasury's advice on issues. The Treasury's current thinking is also contained in published documents such as Background Papers, Policy Perspectives, and Working Papers.
- 1.18 The creation of networks for staff who needed or wanted to know about particular issues are encouraged. The networks are designed to improve the overall quality and consistency of advice, increase the number of staff who are familiar with a given issue, and address the risk that staff movements will lead to loss of important knowledge.

How we carried out our audit

- 1.19 Our 1998 article set out the processes that public service departments should follow to be effective for Māori, in the areas of human resources, working environment, organisational structure, strategic planning, policy advice, and service delivery.
- 1.20 For this report, we audited the Treasury against all these areas except service delivery, as the Treasury does not deliver operational services. We excluded the Crown Company Monitoring and Advisory Unit from our audit.
- 1.21 We modified the expectations from the 1998 article to take account of the requirement for public service departments to manage for outcomes.
- 1.22 We examined the Treasury's:
- processes to become aware of relevant stakeholder issues;
 - processes to prepare policy and plans; and
 - relationships with public service departments.
- 1.23 We interviewed more than 30 of the Treasury's staff including analysts, deputy secretaries, principal advisors, team leaders, section managers, specialist corporate staff, and staff identifying as Māori, some of whom held business support positions. We interviewed staff with frequent involvement with issues for Māori, as well as little or no involvement with issues for Māori.
- 1.24 We interviewed Chief Executives, or their representatives, from the Department of Labour, the Ministries of Education, Health, Justice, and Social Development, and Te Puni Kōkiri.
- 1.25 We reviewed internal documents and published papers that were provided to us or that we obtained directly from the Treasury's intranet and electronic document management system. We visited the Treasury's whareniui.

Part 2 – Recognising issues for Māori

2.1 In this Part, we describe:

- the steps the Treasury has taken to build formal and ongoing relationships;
- how the Treasury's 3- to 5- year plans incorporate issues for Māori;
- how the Treasury's annual planning process incorporates issues for Māori; and
- how Te Puni Kōkiri's advice will help the Treasury to prioritise issues for Māori.

2.2 Figure 1 presents an overview of significant actions related to how the Treasury has been managing its responsiveness for Māori.

Figure 1 - Overview of significant actions in managing responsiveness for Māori

	Date	Action
	1991	Wharenui opened
	1995	Equal Employment Opportunities (EEO) Consultative Committee established
	1998-99	Mauri Initiatives prepared
The Strategic Plan 1999-2004 covers this period	1999-2004	EEO Management Plan prepared
	2000	Māori Responsiveness Policy and Plan approved Indicative forecasts set for increasing the proportion of Māori employees
	2001	Knowledge Management Programme launched
	2002	Māori Responsiveness Plan assessed Māori Responsiveness Group established
	2003	Workshop identified 4 broad stakeholder outcomes – led to annual communications plans Review undertaken of recruitment and retention of Māori in the Treasury
	The Strategic Direction 2004 covers this period	2004
2005		EEO Management Programme 2005-08 Review of capability to deliver on outcomes
2005		Outcome plans written

Building formal and ongoing relationships

- 2.3 The Treasury does not have formal and ongoing relationships with iwi or organisations expressed in memoranda of understanding or similar documents. This is not unexpected given that:
- the Treasury does not deliver operational services directly to the public;
 - a large part of the Treasury's advice is provided as second-opinion advice to public service departments; and
 - much of its first-opinion advice is at an aggregated level.
- 2.4 However, the Treasury is committed to improving its links with Māori. It recognises that it has limited organisational expertise to do so except in the context of engagement with Māori stakeholders in providing second-opinion advice to the Government (see paragraphs 3.15-3.20). The Treasury does have a few staff with particular expertise in Māori issues.
- 2.5 To build links directly with Māori over the medium- to long-term, the Treasury would need to foster purposeful, senior-level, long-term relationships that would benefit both parties. Establishing these relationships would make additional demands on senior staff time, involving the re-prioritisation of current commitments and changes in behaviours.
- 2.6 In 2004, the Secretary to the Treasury appointed a senior public servant, who is recognised as having credible links with Māori, to be a source of advice and guidance within the Treasury on matters relating to Māori. This person holds a position as a Director in the Social Policy Branch, with responsibilities for:
- advising the Secretary to the Treasury on engaging with Māori;
 - providing leadership to improve the Treasury's capability to anticipate and respond to issues for Māori; and
 - encouraging staff to think more strategically about issues for Māori.
- 2.7 The Director has a leadership role with the Māori Responsiveness Group (see paragraphs 3.5-3.14) and is able to operate freely throughout the organisation, helping staff recognise and respond to issues for Māori, and share this knowledge.
- 2.8 The Director's scope of responsibility and range of activities illustrate how the Treasury uses the talents and experience of its staff to bring about positive change.

Detailed 3- to 5-year plans

- 2.9 The Treasury's 5 outcomes (see paragraph 1.7) contribute to the Government's goal of promoting economic growth. The outcomes take a high level approach to economic performance and the use of resources – they incorporate, but do not specifically address, issues for ethnic groups. Nor would we expect them to do so.
- 2.10 Detailed 3- to 5-year plans, that include new and current work, have been written for each outcome. These plans are supported by other 3- to 5-year plans focusing on key corporate strategy areas, such as capability, knowledge management, and communications. It is this group of plans that highlight issues for Māori. Progress against these plans is regularly monitored by the Senior Management Group and plans are updated annually.
- 2.11 Since 2003, the Treasury has taken a more structured approach to engagement with stakeholders to help it set and refine its priorities, and give greater credibility to its advice. The Communications Plan (*Towards Improved Stakeholder Relationships*) is designed to help the Treasury anticipate and respond to significant issues affecting the achievement of its outcomes, including issues for Māori.
- 2.12 The 2004-05 Communications Plan identifies 4 broad stakeholder outcomes, one of which is strong links to a wide range of stakeholders within and outside Wellington. Māori are included as a key stakeholder. The plan requires each section within the Treasury's 5 branches to identify its own list of stakeholders, and to draw up communications plans where these stakeholders are critical to achievement of the section's priorities. The list of stakeholders in the Treasury Communications Plan prompts staff to consider those stakeholders when drawing up their own plans at branch and section level. More section-level communication plans are gradually being drawn up, and the quality of the plans is improving.
- 2.13 With a structured approach to stakeholder communications, the Treasury is prepared to take advantage of opportunities to communicate with new audiences. For example, the Steering Group for the Hui Taumata in 2005³ invited the Treasury to prepare a background paper setting out the context for Māori economic development, and as a consequence, the Secretary to the Treasury participated in a panel discussion during the hui.

³ Hui Taumata in 2005 involved 450 people for 3 days of "intensive discussion and debate on ways to accelerate Māori economic development and create pathways for the generations ahead" (see www.huitaumata.maori.nz). This hui updated goals set at Hui Taumata in 1984, when nearly 200 delegates, officials and 8 Ministers met at the invitation of the Minister of Māori Affairs to focus on Māori economic development.

Annual planning processes

- 2.14 The Treasury's annual planning processes identify significant issues for the coming year, some of which may have regard to or specifically respond to issues for Māori. Each year, sections present significant Vote issues to a panel of experienced staff from throughout the Treasury. The panel considers the issues with respect to the Treasury's 5 outcomes (see paragraph 1.7) and recommends priorities to senior managers. This process is called Strategic Vote Analysis.
- 2.15 The Treasury seeks to provide early advice on emerging issues. However, any failure by departments to recognise these in a timely way may leave the Treasury with little time to carry out the necessary research. It manages this risk by holding regular meetings with policy staff from public service departments to consider emerging issues, and communicating with stakeholders identified in communications plans.
- 2.16 The Treasury does not separately and directly consult with Māori stakeholders in relation to each Vote as part of this annual planning process because any Vote-specific issues involving Māori should already have been identified in the course of the Treasury's work with public service departments (see paragraphs 3.15-3.20).

Using Te Puni Kōkiri's advice

- 2.17 The Treasury is supportive of Te Puni Kōkiri's role as the primary advisor to the Government on Māori development. The Treasury identifies the Māori Potential Approach and Māori Potential Framework, currently being worked on by Te Puni Kōkiri, as a means for Te Puni Kōkiri to enhance its cross-sector influence.
- 2.18 The Māori Potential Approach focuses on "Māori succeeding as Māori", and realising Māori potential by placing greater emphasis on indicators of opportunity and success. The Māori Potential Framework is a tool that will be made available to public service departments for use in identifying priority areas for policy intervention, purchasing decisions, research, monitoring and evaluation, measuring performance, and outcomes reporting.⁴
- 2.19 The Treasury expects that the empirical data needed to support the Māori Potential Approach and the Māori Potential Framework will help public service departments, including the Treasury, to focus on key policy areas. We note that the Approach and Framework are being piloted in the public service in 2006-07.

⁴ More information about the Māori Potential Approach and Māori Potential Framework is available in Te Puni Kōkiri's *Statement of Intent* (July 2005), which is available at www.tpk.govt.nz.

Part 3 – Responding to issues for Māori

- 3.1 In this Part, we describe:
- how the Treasury's Māori Responsiveness Plan has made its response to issues for Māori more effective;
 - how the Māori Responsiveness Group has addressed the risk of the Treasury losing knowledge when staff leave the organisation; and
 - how the Treasury works with public service departments to address issues for Māori.

Māori Responsiveness Plan

- 3.2 In August 2000, the Treasury prepared a Māori Responsiveness Policy Statement in response to a State Services Commission expectation of all public service departments. This is no longer a requirement. The Māori Responsiveness Policy Statement provides the context for the design of the Treasury's strategies such as research, communication, external relationships, and training and development needs.
- 3.3 A Māori Responsiveness Plan (2000) was approved to give effect to the Māori Responsiveness Policy Statement. The plan set out initiatives for the first 2 years, allocated responsibilities and set dates for completion. An assessment in 2002 showed that satisfactory progress had been made in implementing the plan. The assessment recommended that:
- the recruitment and retention of Māori staff be dealt with separately from the Māori Responsiveness Plan, which should continue to address policy objectives;
 - one person be made accountable for leading the preparation and achievement of a revised Māori Responsiveness Plan; and
 - a Māori Responsiveness Group be established as a cross-Treasury team providing specialist support to sections on Māori issues.
- 3.4 The recommendations were accepted and are being progressively implemented.

The Māori Responsiveness Group

- 3.5 It was intended that the Māori Responsiveness Group would ensure that Māori perspectives were widely understood, and ensure that the Treasury would not be

overly exposed to “key-person” risk.⁵ We agree with the Treasury’s view that this has been achieved. Improving the Treasury’s capability to respond to issues for Māori was identified as a suitable focus for a knowledge management approach. The Māori Responsiveness Group uses knowledge management tools (such as meetings, fortnightly newsletters, and provision of training and other resources) to implement the Māori Responsiveness Plan and to ensure that staff have access to advice on issues for Māori.

- 3.6 The Māori Responsiveness Group prepares, monitors, and revises an annual plan in conjunction with the Treasury’s EEO Consultative Committee. The Group ensures that responses to issues for Māori are co-ordinated, and is a source of expertise for all staff. The Treasury’s capability to address issues for Māori has improved to the point where the group’s advice is issue-specific rather than broad-based.
- 3.7 We agree with the Treasury’s assessment that the Māori Responsiveness Group is a successful network. The Group’s meetings, held every 5 weeks, are well attended. In the Treasury this is a highly valued indicator of success – staff tend not to attend network meetings unless there are clear benefits for their work or professional development. Simple techniques, such as relating agenda items to the group’s objectives, ensure that meetings stay focused on core issues. The number of items put forward for discussion is such that a sub-network has been formed to address issues related to natural resources in a separate forum, to avoid dominating the Group’s agenda and to ensure that proper attention is given to natural resources concerns. The sub-network regularly reports back to the Māori Responsiveness Group to ensure that information is shared.
- 3.8 Another factor in the Group’s success is the commitment made by senior staff – a Deputy Secretary provides leadership for the group from a governance perspective, and the Director, Social Policy Branch provides leadership on Māori issues.
- 3.9 Although staff we interviewed partly attribute the Māori Responsiveness Group’s success to the leadership demonstrated by its key members, the wider group is seen as having addressed the risk of knowledge loss by disseminating information and increasing capability. The Treasury’s preference is to address capability gaps by educating its own staff rather than bringing in external expertise. The Treasury reports that, as its own capability has increased, there is less need for consultants and contractors to provide expertise on issues for Māori.

⁵ “Key-person risk” is the risk that that an organisation’s capability to continue its business will be impaired when the knowledge held by a “key person” is no longer available to the organisation – either because the person leaves the organisation or is allocated to tasks that leave them unable to share their expertise with others within the organisation.

- 3.10 The Māori Responsiveness Group does not have formal authority to authorise the release of policy advice, but it does contribute to the quality and consistency of advice. The Treasury's quality control processes involve a review of the processes used to draft advice, as well as an assessment of the advice.
- 3.11 A section is expected to consult with the Māori Responsiveness Group where it lacks expertise to deal with an issue in drafting advice. The group's advice may also be sought to review advice before authority is given to release the advice. On occasion, external expertise may be obtained to peer review draft advice.
- 3.12 The Māori Responsiveness Group also works with human resources staff to design and monitor the delivery of training courses. A course was introduced to improve the ability of analysts to understand and respond to issues for Māori. The course, called "Wetahi Whakaaro Maori" is, in part, an opportunity for staff to create and enhance more standardised frameworks for the analysis of Maori policy issues. This is an ongoing and iterative process. We note that these frameworks may incorporate or implement the Māori Potential Approach and Māori Potential Framework, when they become available.
- 3.13 In 2004, for the first time, the Treasury asked staff as part of a regular organisational climate survey whether they considered when solving problems the perspectives of, and implications for, different ethnic groups. The initial response to this question sets a benchmark for the Treasury to monitor responses in future years.
- 3.14 The Māori Responsiveness Group has also advised on the purchase of resources for staff (see paragraph 4.8 for a list of resources).

Working with public service departments

- 3.15 The Treasury works with public service departments in a variety of ways to address issues for Māori, but the main mechanism is through second-opinion advice. The Treasury relies on departments to be aware of any relevant issues for Māori within their Vote(s) and for those to be addressed in the draft advice the Treasury is asked to consider. The Treasury may comment on any gaps it identifies relating to issues for Māori, but its comments are generally from the perspective of fiscal and economic advice (see paragraph 1.8). The Treasury may also ask departments whether they have sought appropriate advice on issues for Māori, and whether a policy to address disadvantage has considered all relevant population groups.
- 3.16 On other occasions, departments may involve the Treasury staff more closely in work involving issues for Māori. Such involvement may include:
- seconding the Treasury staff to departments to work on specific projects;

- inviting the Treasury to lead or participate in multi-department projects;
- informal liaison; and
- the Treasury providing information, advice, or analysis in Background Papers, Perspectives Papers, and Working Papers.

- 3.17 The Treasury also identifies opportunities to respond to issues as they arise. One such opportunity was the Ministerial Review of Targeted Policies and Programmes, which was announced in March 2004. From the Treasury's perspective, the Ministerial Review included ensuring that the public was receiving value for money, within a managing for outcomes framework, from publicly funded activities – a core aspect of the Treasury's work. The Treasury's contribution included seconding one of its staff to the Ministerial Review Unit (a unit within the State Services Commission responsible for co-ordinating the review) and, in July 2004, publishing a background paper for departments (entitled *The use of ethnicity in targeting*).
- 3.18 The public service departments we spoke to do not expect the Treasury to provide expert advice on issues for Māori, but do expect it to have an understanding of issues for Māori.
- 3.19 Some public service departments we spoke to noted that, at times, the Treasury has needed more assistance than expected to undertake consultation with Māori. Others did not expect it to have in-depth knowledge on such matters because the Treasury does not deliver services directly to Māori and usually engages with Māori stakeholders jointly with departments. The frequency of visits with stakeholders varies and visits involving Māori stakeholders may be infrequent, depending upon the significance of issues for Māori within particular Votes.
- 3.20 We asked departments whether they considered that the Treasury should have direct relationships with Māori stakeholders. We were told that it was important for departments to lead relationships with Māori in order to implement the Government's goals. Departments are reluctant for the Treasury to form closer links with Māori stakeholders without departments' knowledge or direct involvement.

Part 4 – Preparing staff to recognise and respond to issues for Māori

- 4.1 In this Part, we describe how:
- the Treasury takes a deliberate approach to managing its culture;
 - the Treasury provides a flexible work environment;
 - staff have access to resources to improve their knowledge and experience of Māori culture and perspectives;
 - the Treasury’s recruitment of Māori staff is in line with projections; and
 - the Treasury took advice to help it improve the recruitment and retention of ethnically diverse staff.

Deliberate approach to managing the Treasury’s culture

- 4.2 We wanted to know if the Treasury’s internal arrangements prepare staff and provide them with ongoing support to confidently recognise and respond to issues for Māori. Overall, we found that they do, although the Treasury continues to improve its practices as part of its annual equal employment opportunities work programme (see paragraphs 4.17-4.29), and we identified areas where refinements could be made.
- 4.3 The Treasury recognises the importance of its workforce and of considering implications for staff in its 3- to 5-year planning and day-to-day activities. The Treasury regularly seeks ways to further improve its people management to achieve its outcomes.
- 4.4 Improvements in the Treasury’s culture are the product of a deliberate and managed work programme that began in the late 1990s. The work programme included an examination of the Treasury’s culture – for example, one report explained why female staff left the Treasury. The Mauri Initiatives, as the responses were called, have been implemented and reviewed as needed to make continuous improvements to staff management. This is a fundamental element of the Treasury’s integrated approach to knowledge, risk, and capability management (see paragraphs 1.13-1.18).
- 4.5 Initiatives to improve the Treasury’s responsiveness to Māori and Māori issues have been supported by the continued commitment and leadership of senior managers and chief executives since the late 1990s.

Providing a flexible work environment

- 4.6 The Treasury has the necessary systems, structures, and processes to respond to Māori as staff members. It has the usual range of human resources and EEO policies and practices expected of a public service department.
- 4.7 The Treasury's management structure and formal delegations take account of flexible working hours for staff. Although managers remain responsible for the quality of advice written by their staff, team leaders may have the authority to approve the release of advice routinely or in the absence of a manager or peer.

Accessing resources on Māori culture and perspectives

- 4.8 Several resources are available to help staff improve their knowledge and experience of Māori culture and perspectives.
- A one-day Amorangi workshop encourages staff and management to adopt a bicultural approach to their work.
 - A one and a half day Maori perspectives workshop (Wetahi Whakaaro Maori) is available to assist in enhancing staff awareness of Maori perspectives; to build and enhance capability; and to aid the creation and use of analytical approaches to recognise and respond to issues that might have a Maori dimension or perspective.
 - *Te Rito* (a self-learning interactive Māori language, culture and heritage resource) and *Te Ngutu Kura* (a Māori-English-Māori dictionary) are electronic resources available to all staff on the Treasury's intranet.
 - The Treasury's wharenuī was opened in 1991 and re-commissioned in 2004 as an environment to nourish all staff. The wharenuī is also known as the marae-in-the-sky because of its position on the 14th and top floor of the Treasury's building, and the 'heart of the Treasury'. The wharenuī's history and its significance to the Treasury are described on the intranet.
 - The Treasury's *Publication Design Guide* describes the symbolism of the spiral that is used on documents.
 - A directory of staff with expertise on issues for Māori is available on the intranet.
 - Opportunities are taken to put occasional resources on the intranet, such as recordings of the Treaty of Waitangi debates held at Te Papa in 2005.
- 4.9 Policies allow for the use of the Māori language in the Treasury documents. The wharenuī's protocols take account of public service requirements for equal employment opportunities. Māori and non-Māori staff were involved with the review of the protocols as part of the re-commissioning of the wharenuī.

- 4.10 Access to additional resources or training can be arranged if training needs are identified through the Treasury's personal development processes.
- 4.11 The range of resources available and the Treasury's initiatives to improve capability minimise the need to rely on Māori staff to explain cultural issues to non-Māori staff. Instead, staff with knowledge or expertise in Māori cultural or policy issues (who may or may not be Māori) are used to improve capability.
- 4.12 There is no assumption that Māori staff will be involved in:
- preparing policy advice where there are issues for Māori;
 - internal Māori cultural activities within the Treasury; or
 - preparing and revising internal policies and protocols involving Māori (such as protocols for the wharehau).
- 4.13 Knowledge management is about assessing how information should be delivered. The Treasury staff receive essential information at induction, by e-mail, or at staff meetings. Other information is made available on the Treasury's intranet, with staff able to seek out information on topics of interest to them.
- 4.14 We found that some of the Treasury's newer managers were not aware of the in-house training and tools relating to Māori responsiveness. This means that they cannot ensure that their staff have access to the resources to gain the skills and knowledge needed for their job.
- 4.15 The Treasury acknowledges the need for a common approach to learning and development within the organisation. The Senior Management Group has agreed to establish a centralised Development Centre within the next 2 years, which will provide for more targeted and prioritised resourcing of specifically identified development needs, and the design and delivery of learning and development programmes. This should ensure that managers are made aware of training and tools relating to Māori responsiveness.

Recommendation 1

We recommend that the Treasury ensure that new employees, including managers, are provided with information about the activities and resources available within the Treasury to recognise and respond to issues for Māori.

Recruiting Māori staff

- 4.16 The Treasury takes a broad approach to improving its capability to recognise and respond to issues for Māori – it is not relying on increasing the proportion of Māori staff to reach its objectives.
- 4.17 The Treasury meets its obligations under the State Sector Act 1988 to prepare an annual EEO programme and report on progress in implementing the programme in its annual report. Each branch writes its own EEO objectives annually – these are monitored and progress reported to the Senior Management Group.
- 4.18 The Treasury's long-term aim is to implement EEO Policy to 2010 (State Services Commission, 1997), which is a long-term, strategic response to addressing discrimination in the workplace and building public service capability and performance. EEO Policy to 2010 was endorsed by all public service chief executives of the day, and aims to realise a diverse public service that reflects the community it serves and that will be more effective at formulating and testing policy advice and ensuring that services are delivered appropriately.
- 4.19 Before deciding on its EEO objectives for 2005 and 2010, the Treasury's intention was to employ Vote analysts with mainly economics and accounting qualifications. These disciplines have traditionally attracted few Māori graduates, limiting the Treasury's ability to increase the ethnic diversity in this core group of staff. The Treasury now recruits Vote analysts with a broader range of academic backgrounds, but this has not led to a proportional increase in staff identifying as Māori. The reasons for this are not clear.
- 4.20 Since 1999, the Treasury has had an explicit commitment to increasing the ethnic diversity of its workforce. In June 2000, the Treasury set indicative forecasts for increasing the proportion of Māori staff by 2005 and again by 2010. At 30 June 2005, 6.3% of the Treasury's employees identified as Māori. The Treasury had forecast the proportion of employees identifying as Māori to increase to 6.4% in 2005 and 6.9% in 2010.
- 4.21 The Treasury's commitment to recruiting internally for many vacant positions may have organisational benefits, but it reduces the opportunities for increasing ethnic diversity. External recruitment will increase ethnic diversity only if it attracts ethnically diverse applicants. The Treasury staff work with university EEO staff when visiting universities as part of the graduate recruitment round.

Recruiting and retaining ethnically diverse staff

- 4.22 The Treasury's EEO Consultative Committee is chaired by a Deputy Secretary and includes a representative from Te Aniwaniwa, a formal Māori network within the Treasury. In 2004, the EEO Consultative Committee commissioned an external review of its recruitment and retention policies and practices to assess whether:
- they were free of unfair bias; and
 - they supported the Treasury's commitment to building and maintaining an ethnically diverse workforce.
- 4.23 The reviewer found that the Treasury's policies and procedures generally satisfied the criteria of being free of unfair bias, but that unintended bias did occur in the implementation and operation of the system. The reviewer recommended that the Treasury undertake further analysis of potential issues once it had considered what outcome it expected from increased ethnic diversity.
- 4.24 The Treasury subsequently confirmed the main purpose for increasing ethnic diversity as being to improve capability, and its secondary purpose to provide a richer cultural workplace. In 2005, further work was undertaken to review whether the Treasury had the required capability to achieve its outcomes. This review included identifying existing and emerging capability gaps and suggesting initiatives to address the gaps.
- 4.25 The Treasury collects data about changes in its workforce that may help it to identify any ethnicity-related issues. Turnover rates are not analysed by ethnicity because the small sample size would result in large percentage variations. In 2006-07, the Treasury's human organisational health reports, which include reports on staff leaving, were amended to track data by ethnicity. The organisational climate survey reports already report results by ethnicity.
- 4.26 Some of the recruitment and retention issues identified by the reviewer (which we also identified during our audit) are summarised below:
- The State Services Act 1988 requires the impartial selection of applicants. Managers are not trained in recruitment and selection practices and specifically not in the diversity aspects that would include the use of tools for testing their own attitudes and assumptions, identify their own bias, and learn the skills to recognise and address bias as it occurs.
 - Recruiting managers are encouraged to increase their understanding of EEO issues but they are not required to attend formal training.
 - The Treasury does not routinely advertise in diverse media to encourage ethnically diverse candidates to apply for vacant positions.

- The Treasury's competency framework includes a competency that can include knowledge of Māori culture and/or language if it is a requirement of the position. The competency framework does not include a competency relating to the knowledge and skills to respond to Treaty of Waitangi and Māori issues.

4.27 While we recognise that recruitment practices can always be improved, we consider it onerous to recommend that the Treasury make it mandatory for all managers involved in recruitment to undertake diversity training before recruiting staff. However, we expect the Treasury to continue to offer managers the opportunity to increase their understanding of EEO and diversity issues.

4.28 It is uncertain whether advertising in diverse media would increase the numbers of Māori applying for vacancies. If the Treasury were to consider advertising in diverse media then, before it does, we suggest that it conduct appropriate inquiries to identify the likelihood of such advertising being successful.

4.29 As the Treasury creates and enhances more standardised frameworks to understand and respond to issues for Maori, it would become possible to create an expert competency based on the knowledge and skills needed to respond to Treaty of Waitangi and Māori issues.

Recommendation 2

We recommend that, when its standardised frameworks for analysing Māori policy issues are sufficiently reliable, the Treasury draw up a set of competencies to ensure that there is a common body of knowledge and skills among staff to respond to Treaty of Waitangi and Māori issues.
