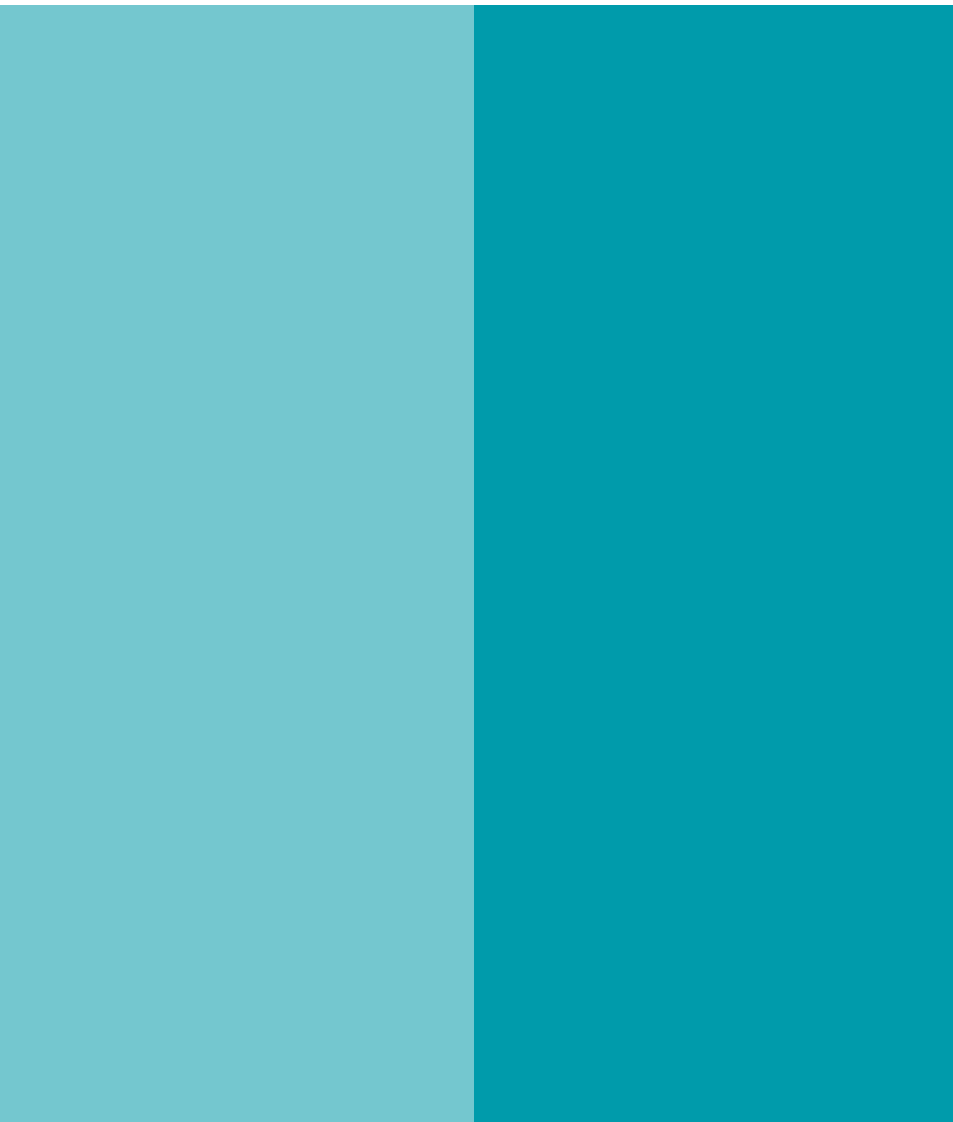# Putting integrity at the core of how public organisations operate

An integrity framework for the public sector

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June 2022

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Preface

E ngā mana, e ngā reo, e ngā karangarangatanga maha o te motu, tēnā koutou.

A high-trust public sector is one of New Zealand's greatest assets

Trust and confidence in the New Zealand public sector rank among the highest in the world. Since the inception of Transparency International's corruption perceptions index in 1995, New Zealand's public sector has been consistently ranked one of the least-perceived corrupt in the world. New Zealanders also report high levels of trust in the public service.[1]

However, it is important that these broad results do not create complacency. We need to stay vigilant and ensure that this trust is maintained over time. We also know that trust is not equally shared by all parts of society – for example, surveys suggest that Māori, Pasifika, and people with disabilities have lower levels of trust in the public service than the general population.[2]

Public organisations need to show that they are trustworthy

To maintain public trust and confidence, public organisations need to show that they are trustworthy and that they act in the interests of all New Zealanders.

Trust is built and maintained through competence, reliability, and honesty,[3] as well as the building of genuine and sound relationships between the public sector and the public it serves.[4] That means the public sector must be accountable for the management and delivery of public services and outcomes, for the direction and control of the work it does, the resources it manages, and for its behaviour and ethics.

Where there is a question about any one of these characteristics, trust can be eroded. Simply put, people care at least as much about *how* things are done as they do about *what* is done.

Integrity is essential to public trust

Overall, New Zealand's public sector is one that we can be proud of. It is well led, with staff at all levels focused on doing the right thing. However, experience shows that integrity issues can quickly undermine trust and it takes only a few examples to significantly affect the whole sector.

We know trust, when lost, can take a long time to rebuild. This is particularly so when an integrity failure occurs in a public organisation.

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1   Te Kawa Mataaho Public Service Commission (2021), *Trust and confidence in the Public Service.*

2   See the *Kiwis count* survey at www.publicservice.govt.nz/our-work/kiwis-count.

3   Office of the Auditor-General (2019), *Public accountability: A matter of trust and confidence.*

4   See the report (forthcoming) that we commissioned on Māori perspectives on accountability.

An integrity failure can arise from, for example, fraudulent behaviour, mismanagement of conflicts of interest, sensitive expenditure, override of a process or control, or a lack of cultural capability.

Integrity is not easy

Integrity is often assumed. Public sector employees are expected to comply with relevant laws or rules; to be fair, impartial, responsible, and trustworthy; and to be imbued with a spirit of service. Public sector employees come to work to make a positive difference, to comply with the law (or applicable rules), and to behave ethically. It is expected that those who do not are dealt with appropriately.

But integrity is not that simple. Individuals have an innate ability to rationalise their behaviour depending on the situation they face.[5] Decisions about whether sensitive expenditure is appropriate, whether an interpretation of a procurement policy is reasonable, or whether performance issues should be reported publicly will depend on the context.

No set of policies, rules, or compliance functions will cover every situation. People can usually convince themselves that, no matter what decision was made, it was made with integrity.

Added to that, individuals see situations differently – one person's gift given to recognise a business relationship may be seen by others as a bribe. Cultural differences can influence what is considered appropriate in different circumstances. As a result, research points to the need for a more holistic approach to building commonly understood values and a culture of integrity at an organisational level.

For these reasons, my Office has done work to help support leaders throughout the wider public sector take a whole-of-organisation approach to building a culture of integrity in their organisations. We consider this approach applies to all tax-payer and rate-payer funded organisations.

How my staff went about the work

In developing this framework and guidance, my staff reviewed New Zealand and international research on organisational integrity. They analysed integrity models from New Zealand and other jurisdictions and recommendations from New Zealand integrity-related reviews.[6]

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5   Ashkenas, Ron (2011), "Why integrity is never easy", *Harvard Business Review.*

6   New Zealand Defence Force, Civil Aviation Authority, New Zealand Law Society, Fire and Emergency New Zealand, Parliament, Sport New Zealand, and New Zealand Police.

We have tested the framework by talking to experts and academics in the integrity and ethics fields and carrying out interviews and case studies with public organisations already working on these matters.[7]

My staff interviewed and held workshops with senior leaders, people leaders, and front-line staff in local and central government organisations. They also had discussions with agencies with a role to play in influencing ethics and integrity in the public sector. This has included Te Kawa Mataaho Public Service Commission, Transparency International New Zealand (TINZ), and the Serious Fraud Office.

This framework is partially informed by Māori frameworks, mostly in the "ways of working" component.[8] My staff also used insights from kaupapa Māori research and some work I commissioned on Māori perspectives on accountability.[9] However, I acknowledge that we have more work to do to fully integrate te ao Māori into the framework and to provide guidance on demonstrating integrity to Māori. This will be the focus of the next phase of work on the framework and guidance. I welcome input and feedback on this aspect of the framework.

I want to help public organisations get it right

This integrity framework aims to support senior leaders and those in governance roles to deliver on their stewardship responsibility to support the integrity of New Zealand's public sector. It is designed to build on a public organisation's own cultural and ethical values, emphasise the importance of ethical leadership and tone from the top, and leverage existing internal controls and business practices.

My Office is one of several that has a role to play in leading and supporting integrity in the public sector. In particular, I note the role of Te Kawa Mataaho Public Service Commission, which has a role in promoting integrity in state services agencies by setting standards and issuing guidance. This framework is intended to be consistent with those standards and guidance and refers to them throughout, where relevant.

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7   We have used quotes from the reviews and case studies in this guidance.

8   For example, Te Ara Tika Guidelines for Māori Research Ethics at hrc.govt.nz and He Ara Waiora at treasury.govt.nz.

9   See the report (forthcoming) that we commissioned on Māori perspectives on accountability.

I urge chief executives, leadership teams, and governing boards to consider this framework in the context of their organisations. It is intended to serve as helpful guidance for all public organisations, including both central and local government. I hope that this will enable a more holistic and mature approach to supporting integrity and, in turn, continue to protect and improve the high trust and confidence that New Zealanders have in our public sector.

Nāku noa, nā

John Ryan
Controller and Auditor-General

13 June 2022

About integrity

What is integrity?

Integrity is a word that is frequently used but often means different things to different people. It can be defined as demonstrating honesty and uncompromising adherence to strong ethical principles. Importantly, it is not just about complying with the law – that is a given. It is about doing the right thing. It is about aligning both your commitment and your behaviour with strong ethical values or principles in a consistent and uncompromising way.

Within te ao Māori, the concepts of tika, pono, and aroha are present in conversations about integrity.[10] When considered together, the principles tika, pono, and aroha convey doing the right thing with integrity and love.[11]

Why integrity matters for public organisations

Integrity helps build and maintain trust and confidence

The public's trust and confidence in public organisations determine their levels of participation with public services and compliance with requirements. This ultimately determines public organisations' ongoing social licence to operate.

Operating with integrity enables services and outcomes to be delivered

To improve outcomes despite the increasing complexity of the issues they are facing, public organisations need New Zealanders to trust them. The public's trust in government is strongly determined by their interactions and experiences with the public services provided. Both the public and an organisation's staff need to see that the organisation is committed to, and regularly demonstrates acting with, integrity.

Integrity helps build meaningful relationships

Communities, iwi, hapū, whānau Māori, families, and individuals who access public services are directly affected by the organisational integrity of the public organisations they engage with. It is important that public organisations demonstrate a genuine commitment to caring for and upholding the dignity and mana of the people they serve.

10   Mead, Hirini Moko (2016), *Tikanga Māori: Living by Māori values* (Rev. ed.), Huia Publishers.

11   Stewart, G, Smith, V, Diamond, P, Paul, N, and Hogg, R (2021), "Ko te Tika, ko te Pono, ko te Aroha: Exploring Māori values in the university", *Te Kaharoa*, Vol. 14, No. 1.

The more public organisations engage with iwi, hapū, and whānau Māori in a way that displays an understanding of tikanga, the better they will be able to support the Māori-Crown relationship. Enhancing their organisational capability – for example, in building mutually beneficial relationships within te ao Māori and engaging in workforce learning and development – is one way that public organisations can demonstrate their integrity.[12]

Integrity links to long-term stewardship obligations

Organisational integrity is not just about how an individual acts at a particular point in time, but about the collective actions of an organisation over the long term. Actions in the present are contextualised by an organisation's history and inform the future direction of an organisation. This is particularly important in regard to Māori, who have a relationship with the Crown as a Treaty partner going back more than 180 years.

Stewardship responsibilities require public organisations to actively care for and protect not just their assets but also their long-term capability, people, institutional knowledge and information, systems and processes, and any legislation that they administer.[13] And, of course, to care for and protect their relationship with the public they serve.

From individual to organisational integrity

Research on integrity sometimes focuses on an individual – employees complying with a set of common rules and standards. Integrity can also be approached as the promotion of a set of positive shared values.

These shared values do not replace the need for rules. Rather, they give individual staff an additional way of interpreting and applying those rules, and help them properly use their discretion within the bounds of those rules.[14]

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12 See the report (forthcoming) that we commissioned on Māori perspectives on accountability.

13 For example, see s12(1)(e) of the Public Service Act 2020.

14 Kirby, N, and Webbe, S (2019), *Being a trusted and respected partner: the APS Integrity Framework*.

More recent thinking on integrity has centred on organisational integrity.[15] Organisational integrity, in the context of the public sector, refers to the collective ethical actions of an organisation to legitimately pursue its purposes for the public good.

The four qualities of organisational integrity are:
- clarity of an organisation's shared purpose;
- the prioritisation of an institution's proper processes alongside its performance;
- an organisation's ability, as well as track record, to keep to its commitments; and
- a robust accountability mechanism to enable the qualities above.

Public organisations with integrity ensure that the actions of their staff, their use of resources, and their spending are consistent with their values, purpose, and duties.

Organisational culture and the "integrity gap"

We know that the culture of an organisation affects the way people behave and the day-to-day decisions they make as they go about their job. Organisational culture is determined by the interaction of systems, norms, and values, all of which influence behaviour.[16]

Essential to a culture of integrity in an organisation is how safe staff feel about calling out wrongdoing, and how leaders hold themselves and others to account for poor behaviour.

Organisational culture is based on two key components: what is said and what is done. The first part is the desired culture based on the expressed vision, values, and policies and procedures of an organisation. The second is how culture plays out in practice, based on the actual behaviour and attitudes of staff in the organisation. Any difference between the two is known as an "integrity gap".[17]

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15   This definition of organisational integrity builds upon the Organisation for Economic Co-operation and Development's thinking on "public integrity" and was adapted from *'Public institutional integrity' defined*, Blavatnik School of Government, University of Oxford.

16   Taylor, Alison (2017), *The Five Levels of Ethical Culture* (working paper), BSR.

17   Canadian Audit and Accountability Foundation (2021), "Auditing organizational culture in the public sector", *Research Highlights*.

2 Introducing the integrity framework

At its simplest, the framework aims to reduce any integrity gap

The integrity framework (the framework) aims to reduce the gap between the culture an organisation wants to have and its actual practice.

Research has found that:

> ...the most effective strategy to embed a culture of integrity within the organisation is to combine compliance instruments to control unethical behaviour with an integrity approach to stimulate ethical behaviour.[18]

And, importantly:

> This requires time and reinforcement through multiple parts of the organisation to make it an integral part of the day-to-day decisions, staff behaviours, and the operating environment.[19]

The framework set out here is an integrated approach to examining the values, systems, and norms in a workplace. It's about identifying the key activities and ways of working that help to build and sustain integrity across the whole organisation. All the components that follow are required and need to reinforce each other. They should be explicitly designed and monitored as a coherent system of improvement.

The framework is made up of three components

The framework starts with six **ways of working.** The ways of working represent how a public organisation can go about doing the work of building integrity. The ways of working shift the focus from simply improving control systems and requiring compliance to building an organisation that has integrity in all the ways it operates.

Part 3 sets out the six ways of working in more detail.

The nine **building blocks** of the framework are what a public organisation should have in place. They are the key intervention points or activities that, when connected and build on one another, lead to the best results in strengthening an organisation's integrity system. When working on the building blocks, it is

> " *Integrity is not a once-a-year wonder. It needs to continue to be delivered over the course of the year. Don't only deliver messaging on integrity because of there being a problem. It needs to become a routine of the organisation."*
>
> Government department integrity specialist

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18 Bushell, J, Cain, C, Duncan, L-A and Lasthuizen, K (2021), *HUMANGOOD: A field guide to ethical leadership*, Brian Picot Chair in Ethical Leadership Aritahi, Wellington School of Business and Government Ōrauariki, page 81.

19 Bushell, J, Cain, C, Duncan, L-A and Lasthuizen, K (2021), *HUMANGOOD: A field guide to ethical leadership*, Brian Picot Chair in Ethical Leadership Aritahi, Wellington School of Business and Government Ōrauariki, page 81.

essential to also embed the ways of working. Part 4 sets out more information about the nine building blocks.

We expect most public organisations will already have all or most of the building blocks in place. However, building and maintaining integrity is an ongoing process.

For this reason, the final component of the integrity framework is **continuous improvement.** Integrity is not a destination; it is a process whereby an organisation continually looks for ways to do better.

Organisational memory is an essential factor in continuous learning and improvement. Using an organisation's accumulated body of data, information, and knowledge can ensure that new initiatives or changes build on previous experience and do not repeat previous mistakes.

> *We share where there are lessons for the organisation. It's great to be able to use things that have happened to educate."*
>
> Government department manager

The culture of an organisation will also change and evolve in response to changing circumstances or work pressures. Policies and practices need to be regularly reviewed, lessons need to be learned and fed back into systems improvements, and changes need to be communicated to ensure transparency and accountability.

Work on integrity should not be seen as a one-off initiative. And no single component will drive the improvements in organisational integrity necessary to prevent poor conduct and behaviour. We encourage public organisations to adopt and adapt all the components of this framework for their own unique environment and keep reviewing progress toward embedding integrity into everyday practice.

Figure 1
The integrity framework

The three components of the framework

The ways of working

1 Ongoing commitment

2 Build alignment

3 Prioritise relationships

4 Provide transparency

5 Make it easy

6 Be inclusive

The building blocks

A A statement of values

B Ethical leadership

C A code of conduct

D Policies and procedures

E People processes

F Listen up/ speak up

G Integrity roles and responsibilities

H Measuring and reporting progress

I Assurance and accountability

Continuous improvement

3   The six ways of working

1 **Ongoing commitment**

To achieve and maintain a culture of integrity, there must be strong commitment from leadership that integrity is at the core of an organisation – the foundation that everything else is built on.

Leaders are always being watched – their actions and behaviour influence the culture of an organisation more than policies or processes ever can. When all leaders in an organisation collectively commit to take every opportunity to demonstrate the values of their organisation and emphasise the importance of integrity, they can have a significant impact.

Such a commitment must be authentic and consistent, regardless of the pressures that leaders are under. However, integrity in a workplace is not just the responsibility of leaders, it is important that it is everyone's responsibility.

Cultural change of the magnitude contemplated by this review takes persistent and consistent effort to embed. Building on the work the firm has already begun, it is imperative that the Board, Chief Executive, and every partner are committed to the proposed transformation of the firm's culture and that they have a 10-year plan to implement, monitor, and audit the change.

Bazley, Dame Margaret (2018), *Independent review of Russell McVeagh*

2 **Build alignment**

The vision, values, and expected behaviours of an organisation should be consistently reflected in all its policies, processes, and controls even in times of pressure. Staff should not be given tasks that can be achieved only if some aspect of the integrity system is compromised.

Building alignment also requires working in a co-ordinated way across the organisation, with everyone working towards the organisation's commonly understood and shared purpose.

Staff had to spend money at an unprecedented speed. They made use of emergency procurement provisions and did everything possible to keep the just-in-time delivery as robust as possible... All this activity was layered on top of a solid foundation – strong systems that were already in place, combined with good judgement and integrity of Ministry staff. This pandemic really showed the importance of always reinforcing integrity in an organisation."

Leading with integrity during lockdown: Starting with Zoom and ending with zombies, TINZ Leaders Integrity Forum blog post, August 2020

3 Prioritise relationships

Cultures are forged on relationships and play out through the different networks in a workplace – individual engagement, group dynamics, relationships among groups, and interactions with external organisations.[20]

Efforts to change culture need to consider the way relationships are formed and maintained between and within groups in the workplace as these can directly affect trust – positively or negatively.

Workplaces with a strong culture of integrity focus on improving honest, trustful, respectful, and open relationships. They enable difficult conversations where needed and encourage respect and diversity of thought. This can also be expressed by the tikanga concept of manaaki, to look after the mana of others by showing respect, hospitality, generosity, and care for others.

> *... DHB staff raised concerns about the procurement process and the proposed contract with HealthTap as soon as they became aware of it...*
>
> Office of the Auditor-General (2019), *Inquiry into Waikato District Health Board's procurement of services from HealthTap*

4 Provide transparency

Integrity depends on transparent processes and decision-making. Transparency requires workplaces to be open about actions taken, decisions made, processes being put in place, and progress being made. Leaders who show a willingness to explain decisions or have them reviewed help demonstrate fairness and equity in the organisation.

This is important externally too. Organisations need to be transparent in sharing data, information, knowledge, and insights about their performance. Openly monitoring and reporting on performance supports accountability.

> *In many cases Wintec has been unable to provide an account of how it has spent public money [on international travel] ... Senior executives of public entities must be transparent about, and accountable for, the expenditure they incur.*
>
> Audit New Zealand (2019), *Report to the Council: Additional assurance work on travel expenses, redundancy and severance payments*

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20   Taylor, Alison (2017), *The Five Levels of Ethical Culture* (working paper), BSR.

5 Make it easy

Achieving a culture of integrity for an entire organisation is not easy. It is important to understand what behaviours in an organisation are encouraged, intentionally or not, to ensure that unforeseen barriers are not created.

Behavioural research shows that there is often a gap between our intentions and our behaviours. Some of this can be put down to "friction costs" – the things that make a task more difficult to complete.

Making integrity easy in a workplace means designing processes and policies around people and ensuring that it is easy to "do the right thing".

Seeking feedback from staff about what is working and what is not can help to ensure that a workplace's systems and processes are easy to navigate and make it clear what is expected.

> *Having digestible policies and procedures has been an important change for us. Before we had hundreds of pages of rules. These have been replaced over time by fewer and more principles-based policies."*
>
> Government department manager

6 Be inclusive

Staff participation is essential for effective and positive changes to a workplace's culture. Workplaces that encourage and value the participation of staff in decision-making processes support strong performance, innovation, organisational resilience, organisational integrity, and better staff well-being.

> *Culture change within organisations is challenging and takes time. In this context, it is essential to hear the voices of the people, even if the messages are hard to hear.*
>
> Teale D and MacDonald C (2020), *Independent Review of the New Zealand Defence Force's progress against its Action Plan for Operation Respect*

The nine building blocks

4

A A statement of values

Why it matters: Provides a shared understanding of, and commitment, to "what your organisation stands for"

A vision statement and a set of values form the foundation for an organisation, setting out its purpose and the expectations for its culture. Together, they help align the way you do your work with your strategic objectives.

When organisational values are embedded, they underpin the decision-making and actions of staff and empower individuals to call out behaviours that do not align.

> " I have worked here 48 years. What has kept me here is the people, great people, and good integrity. We know what we are working for."
>
> Government department manager

Values are the cornerstone of integrity because they:

- **Help staff understand their workplace and make (ethical) decisions:** Values guide decision-making and actions. They clarify what the organisation stands for.
- **Align your organisation:** Shared values communicate the bigger purpose that staff work towards together. They provide clarity on what is acceptable and empower staff to have difficult conversations in a safe environment.
- **Improve motivation:** Teams that have explicit values, and consistently demonstrate them, are more engaged because they know how everyone is expected to behave. Understanding and agreeing with the organisation's values gives staff collective buy-in and a sense of belonging.
- **Communicate to the public:** Organisational values can help communicate that an organisation takes integrity seriously and can be trusted.

What it looks like: A statement of what your organisation stands for and the culture you seek

Each organisation needs to put integrity in its own context in relation to its vision and purpose[21] and the core values to which it is committed and wishes to be held accountable.[22]

Establishing organisational values begins with a clear understanding of the overall organisational purpose.

It is not enough just to have values. There also needs to be a process to work through what the values look like in practice. This process should give attention to the diversity of beliefs and worldviews within current workplaces and ensure

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21 Paine, Lynn S (1994), "Managing for Organizational Integrity", *Harvard Business Review*.

22 CIMA and Institute of Business Ethics (2017), *Embedding ethical values: A guide for CIMA partners.*

an inclusive environment where different voices are heard and respected. This gives all staff a shared understanding of what each value means and looks like, and what they are being held accountable for.

The Public Service Act 2020 sets out the purpose and principles (political neutrality, free and frank advice, merit-based appointment, open government, and stewardship) for public service organisations.[23] It also includes the values (impartial, accountable, trustworthy, respectful, responsive) that underpin the public service.[24] They go to the heart of maintaining public trust and confidence and set the expectations for all public service employees regardless of which organisation they work for. As well as these principles and values, organisations can add additional values that reflect their organisation's unique role and responsibilities.

> *Staff talk every day in their morning debrief about the values, picking one to talk about it, sharing experiences that resonate."*
>
> Government department staff member

It's worth considering...

- How do your values support ethical behaviour within your organisation?

- How do you ensure that staff understand the values of your organisation and how the values apply to their work?

- When were the values last revisited to consider any changing context for your organisation?

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23 By public service organisations, we mean any of the organisations listed in section 17(2) of the Public Service Act 2020. This includes all public service departments, departmental agencies, Crown agents, and statutory Crown entities.

24 The public service values are given effect through minimum standards that the Public Service Commissioner sets. Employment management processes in an agency address behaviour inconsistent with minimum standards.

B Ethical leadership

Why it matters: Improves the ethical behaviour and well-being of individuals and the collective

Ethical leadership throughout the workplace has been found to enhance performance and ethical behaviour.[25]

Adopting ethical leadership supports people making discretionary judgements based on values. This empowers staff and gives them the confidence to deal with situations that the "rulebook" does not specifically cover. It also enables staff to deal with situations on a case-by-case basis.[26]

It's the 21st century... and ethical and authentic leadership really matter. We have the public expecting us to improve our behaviour and relationships.

Francis D (2019), *External Independent Review into Bullying and Harassment in the New Zealand Parliamentary Workplace*

What it looks like: Visible practising and role-modelling of ethical behaviour

Ethical leadership means that the person exercising that leadership is well grounded in a set of values and beliefs that are seen as ethical.[27] This is important not just at the senior leadership level but for all individuals with leadership roles in a workplace.

It starts with how I behave, if I want my team to live the values then I need to."

Government department manager

Ethical leaders are committed to their organisation's vision and values, and their behaviours and decision-making reflect this. For public service leaders, this also requires a demonstrated commitment to the principles and values of the public service.[28]

Leaders need to build a reputation for ethical leadership through role modelling. Leaders communicate explicitly (what they say) and implicitly (in what they do and how they affect others).

A failure to actively set the right tone can undermine all attempts to form a workplace culture of integrity.

25 Haar, J, Roche, M, and Brougham, D (2019), "Indigenous insights into ethical leadership: A study of Māori leaders", Journal of Business Ethics, Vol. 160, No. 3, pages 621-640.

26 Geenty, Kate (2018), "The importance of ethical leadership", *Boardroom.*

27 Klebe, L, Trevino, L, Hartman, P, and Brown, M (2000), "Moral person and moral manager: How executives develop a reputation for ethical leadership", *California Management Review*, Vol. 42, No. 4, pages 128-142.

28 Part 1 of the Public Service Act 2020.

Research has also found that leaders tend to overestimate their own ethical judgement and abilities, compared to the perceptions of their staff.[29] Being an ethical leader involves building meaningful relationships that are based on mutual trust, empathy, respect, support, and care. Without such relationships, leaders have limited ability to influence other people's ethical behaviours.

Much of the literature focuses on how ethical leaders base their decision-making on such values as integrity, honesty, and fairness.[30] Research on Māori leadership identifies the importance of expressing rangatiratanga from a position of personal integrity, humility, and authority.[31]

Ethical leadership requires persistence to "do the right thing" despite any challenges faced. Senior leaders are highly influential when it comes to shaping organisational behaviours. If ethical leadership is not visible at the top, it is unlikely to be found in the organisation.[32]

In larger organisations, most staff do not have strong working relationships with senior leaders. People leaders and middle managers are as likely, or arguably even more likely, to shape staff members' behaviour as the chief executive and are crucial to setting a positive culture. Therefore, it is important to pay attention to how an organisation's people leaders, from frontline supervisors to the senior executive team, demonstrate ethical leadership.[33]

It is also important to recognise and support the role informal leaders play in a workplace in creating a positive culture. Informal leaders are those people in a workplace who "live the values", model and champion desired behaviours, connect with people throughout the organisation, and demonstrate integrity through their everyday actions.

29   Macaulay, M (2020), "Towards a New Public Ethics", *Policy Quarterly*, Vol. 16, No. 1, pages 37-42.

30   Lasthuizen, Karin (2019), *Ethical leadership: Opportunities and challenges for Aotearoa New Zealand*, Brian Picot Chair in Ethical Leadership Aritahi, Wellington School of Business and Government Ōrauariki, Wellington.

31   Bean, Daryn (2018), *Manurau: A conceptual framework of Māori leadership practice in the New Zealand public sector.*

32   Klebe, L, Trevino, L, Hartman, P, and Brown, M (2000), "Moral person and moral manager: How executives develop a reputation for ethical leadership", *California Management Review*, Vol. 42, No. 4, pages 128-142.

33   The Leadership Development Centre has resources and core leadership development programmes that provide additional support and development.

It's worth considering...

- How do you ensure that your organisation's values underpin leadership practices across the organisation?
- What ethical behaviours are expected in your organisation and how are they encouraged?
- How does senior leaders' behaviour reflect your organisation's values and how would you know?
- How do leaders support staff to work in a way that aligns with those values?

C A code of conduct

Why it matters: Builds a shared understanding of expected behaviours and fosters responsibility and accountability

A code of conduct is a powerful declaration of how every person in an organisation is expected to behave. It expands on organisational values to explain "the way we work around here". A code is like a moral compass that sets the standards of acceptable and unacceptable conduct for everyone who works at the organisation.

Research suggests that a code of conduct is positively correlated with preventing losses from wrongdoing.[34] However, having a document does not prevent unacceptable conduct. The expectations it contains need to be demonstrated in the everyday behaviour of staff — and when they are not, staff need to be held to account.

> " *Introducing our new code of conduct took a lot of work but it has perhaps been the biggest contributor to the improvement in setting out the expectations of behaviour for all staff."*
>
> Non-public service department integrity specialist

Making ethical decisions is complex. It is fraught with contextual pressures and complications. An organisation's code of conduct assists staff by providing standards they can apply to specific situations.

What it looks like: A translation of the values into behaviours

A code of conduct defines how all staff should act, day to day. It should contain clear expectations that reflect an organisation's daily operations, core values, and culture. These expectations can be expanded on, either in the code or in accompanying guidance that provides additional support to staff, including clear guidance on the consequences for breaches and possible sanctions.

If staff members face an integrity problem, the code should help them exercise their own judgement, taking into consideration the individual circumstances of the situation, and arrive at a well-founded decision.

When preparing or updating a code of conduct, making the process inclusive and consulting with staff, staff networks, and unions will improve its effectiveness.[35] However, publishing a code will not be enough on its own to influence behaviour

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34 Association of Fraud Examiners (2020), *Report to the Nations: Global study on occupational fraud and abuse* (see legacy.acfe.com).

35 There may also be situations where it is appropriate to consult with other external parties where there are important relationships, recognising that the expected behaviour of staff affects how integrity is demonstrated and seen from the outside.

and ethical decision-making. A code needs to be supported. This includes making avenues available to staff to raise specific questions or ethical dilemmas, a programme of communication and training, and leadership exhibiting the core values and desired behaviours.

The Public Service Commissioner has issued a code of conduct and accompanying guidance for public service organisations. The code applies to all public service organisations, but any organisation could incorporate it into its own code or produce supplementary codes to cover specific circumstances. Local authorities (councils) are legally required to adopt a code of conduct for their elected members.[36]

It's worth considering...

- How does your code of conduct align with your vision and values?
- How useful is your code of conduct in guiding staff through integrity issues?
- How do you involve staff in any review of your code of conduct?
- How do you know whether your code of conduct is being complied with?
- What happens when someone breaches your code of conduct?
- How are your leaders role-modelling the code of conduct?

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36 Local Government Act 2002.

D Policies and procedures

Why it matters: Builds trust in the organisation by establishing processes that everyone is required to follow and staff understand why they are doing something

Policies and procedures that clearly communicate the values of the organisation support the practical day-to-day implementation of desired behaviours of all staff. Aligning policies to organisational values provides an explanation of why the policies matter and helps staff understand exactly what is expected of them in certain situations.

For example, you can explain the importance of policies on conflicts of interest by referring to values such as independence and fairness.

> *There are ways for staff to give feedback on policies which allows them to be constantly updated and developed so they are fit for purpose."*
> Local authority staff member

> *If you are following our values, you will be following our policies."*
> Local authority senior leader

What it looks like: Values embedded into the day-to-day activities and long-term culture of an organisation

An organisation's policies should have a clear purpose that is based on the organisation's values. Policies and procedures should make it easy for staff to know what they need to do in different circumstances. The process for ensuring that staff are complying with policies should be clear.

Determining what policies and procedures a workplace needs will, to an extent, depend on the nature of its work. Policies and procedures should be tailored to an organisation's specific function, capabilities, and risks, including integrity risks. When preparing policies and procedures, it is good practice to consider how values are built into day-to-day activities.

> *In terms of what they've done to change the culture, it's about how you 'walk the talk', for example health and safety is about making sure people know it's not just done because of a piece of legislation, it's about a genuine commitment to getting people home safe."*
> Local authority manager

We suggest that policies and procedures are:

- designed to clearly link to and reinforce an organisation's values;
- designed to support staff to live the organisation's values;
- developed and administered through a simple and transparent process; and
- prepared and reviewed with staff involved.

Involving staff in the development of policies and processes can help avoid unworkable or excessively burdensome processes and mean that they are more likely to be complied with.

For public service organisations, policies and procedures will need to align with the principles and values of the Public Service Act 2020, the Public Service Commissioner's code of conduct, and the Public Service Commissioner's minimum expectations in specific integrity areas (set out in model standards).[37]

It's worth considering…

- How are your organisation's values built into its policies, processes, and day-to-day activities?
- What input do staff have into the design, review, and enhancement of policies and procedures?
- Are policies designed and implemented so they are easy to follow?
- How are policies and procedures communicated to staff?
- How do you ensure that policies align with each other?
- Are the consequences for failing to follow policies clear?

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37 The Public Service Commissioner has issued model standards on a range of topics, including positive and safe workplaces, workforce assurance, speaking up, conflicts of interest, information gathering and public trust, and chief executive gifts, benefits, and expenses.

E People processes

Why it matters: Makes values and ethical behaviour significant to staff, supports organisations in effectively managing individual behaviour

Linking staff to integrity and values through the design and operation of each stage of the employee lifecycle is critical in embedding integrity into a workplace.[38]

When considering a person's performance in their role, ensuring that their behaviour aligns with the organisation's values is as important, or potentially more so, than what they have achieved.

If an individual does not demonstrate the values and behaviours appropriate to their role, the consequences will affect their colleagues and potentially undermine how the organisation is viewed by the public.

Leaders must be seen to make the hard decisions when their direct reports aren't displaying the values. Often, we find that, because an individual is 'delivering' the work, we are willing to tolerate a greater level of poor behaviour.

RDC Group Limited (2020), *Civil Aviation Authority Organisational Culture Review*

What it looks like: Values are factored into and reinforced by the behaviours that organisations recruit for, reward, and encourage

The organisation's values should be integrated throughout all parts of the employee lifecycle to encourage, reward, and monitor ethical behaviour of all staff.

The following, drawn from research, describes how an organisation can look to integrate its values in each employee lifecycle stage.[39]

Recruitment

When recruiting, be clear what the organisation's values are and what the organisation expects in terms of integrity and conduct. The recruitment process should include ways to test for alignment with values.

Induction and orientation

Induction processes should prioritise discussion about the organisation's values and how they are applied in the day-to-day work of staff.

In the interview process, I was asked to choose a value and speak to it."

Government department staff member

Everyone gets the same messaging through the induction process, which builds the affinity to the processes and values that are shared."

Government department staff member

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38 Employee lifecycle is a human resources model that identifies the different stages a staff member moves through in an organisation, as well as the role human resources teams play in optimising that progress.

39 For more information see Eccles, A, Newton, E, and Shaw, H (2013), *Performance with integrity – Linking performance to values: A toolkit*, City Values Forum and City HR Association.

Performance assessment and learning and development

The culture of an organisation is influenced much less by what it says than by what it chooses to measure and reward. When assessing performance, include consideration of how an individual's behaviour aligns with the organisation's values. This ensures that both *what* was done and *how* it was done are assessed.

When performance assessments are simply a compliance exercise for staff and management, it can send a strong message to staff about whether and how they are valued. Regular feedback about both performance and behaviour can help staff to develop and improve.

Ongoing training on ethics and integrity should also be provided. Everyday discussion about ethics, values, and integrity between staff is a sign of a healthy organisation.[40]

Career development

The process of identifying an individual for progression should be as thorough as that for any external recruitment, not least because the organisation has less excuse for getting it wrong – it has past performance and behaviour to inform its decision. When someone is promoted, there will be an implicit assumption that your organisation approves of that individual's behaviour and how well they live the desired values.

Exit interviews

These provide an opportunity to gain insight into how values and desired behaviours are perceived and practiced in your organisation.

It's worth considering…

- How are your organisational values factored into and reinforced in each stage of your employee cycle?
- Are there ways to build greater alignment?
- Do staff regard performance planning and review processes as meaningful or just a compliance exercise?
- How appropriately and quickly are integrity lapses dealt with?

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40 De Graaf, G (2010), "A Report on Reporting: Why Peers Report Integrity and Law Violations in Public Organizations", *Public Administration Review*, Vol. 70, No. 5, pages 767-779.

F Listen up/speak up

Why it matters: Essential key feedback loop on the health of your organisation that protects people and resources

When people feel safe to raise concerns and share their ideas without fear of negative consequences, an organisation gains visibility over what is happening and can respond and make improvements, including preventing and detecting wrongdoing.

Creating a mechanism for people to report concerns is not enough. Management and senior staff need to be seen to be listening and taking action to resolve issues in an appropriate and timely manner. This builds trust in the system. This applies not only to staff but also to people who are accessing the services of the organisation.

What it looks like: When someone speaks up, the organisation listens and responds appropriately

Organisations need to show their commitment to creating an environment that prioritises the safety and well-being of those raising concerns or complaints.

Raising a concern can leave a person feeling incredibly lonely and vulnerable. Research shows that people are reluctant to raise concerns, mainly because they do not think that they will be protected or that anything will be done.[41]

> " *I have confidence in the process. If something is raised, it will be addressed appropriately.*"
>
> Government department staff member

For there to be open and honest communication, individuals need to believe that the system will work with them. The following describes the main actions an organisation can take to create a safe environment.[42]

Understand the source of silence and focus on diversity and inclusion

Low disclosure rates might be because there are no issues. But they might also reflect a lack of trust in the system and a belief that speaking up will not result in change or, worse, will risk reprisal or retaliation against an individual.[43]

It is critical to also recognise that power is not equally distributed throughout an organisation – hierarchy or unconscious bias can mean that different people or groups bear the "costs" of speaking up differently.

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41 Brown, A J, et al (2019), *Clean as a whistle: A five-step guide to better whistleblowing policy and practice in business and government*, Griffith University, Brisbane.

42 Brown, A J, et al (2019), *Clean as a whistle: A five-step guide to better whistleblowing policy and practice in business and government*, Griffith University, Brisbane.

43 The *Clean as a whistle* study found that more than 80% of people who raised concerns about workplace wrongdoing reported that they experienced some negative repercussions.

Different organisational structures also play a role. For example, in organisations with a strong culture of command and control, it can be more difficult for staff to raise concerns or speak out against the behaviour or decisions made by their immediate manager or others more senior in the hierarchy.

> *In the past we just did what we were told, that is changing, we are now able to question our manager."*
>
> Crown entity staff member

Have multiple formal and informal avenues to raise concerns

Organisations need to enable people to raise concerns in any circumstance and through any channel they feel most comfortable with, even where they may be uncertain or lack evidence to support their concerns.

It is important that people can raise issues as a group, as well as on an individual complaint basis. Internally at a minimum, the following channels should be available:

- **Informal** – ask a question or speak privately to someone trusted in the organisation or raise a question in an open forum, such as a team meeting or staff talk.
- **Through the line** – discuss an issue or make a formal complaint to a manager or supervisor.
- **Chief executive** – raise any concerns about possible wrongdoing directly with the chief executive.
- **Protected disclosure** – talk confidentially to a designated impartial person in the organisation who is independent of the possible wrongdoing, as well as a range of external authorities in certain circumstances.[44]

Organisations should also consider establishing anonymous reporting. Anonymous reporting can encourage issues to be dealt with internally by providing a safe mechanism for staff who are reluctant to use other channels to raise concerns.

For concerns or complaints from the public or people accessing services, the appropriate mechanism will depend on the role and types of services the public organisation delivers.

Reported concerns are often a combination of issues, so processes should allow individuals to raise a concern that involves a combination of issues without being required to follow separate processes for each.[45]

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44   Te Kawa Mataaho Public Service Commission, *Speaking up in the Public Service*.

45   For example, bullying or harassment combined with wrongdoing.

Make sure monitoring is in place to ensure that your processes (triage, risk assessment, support, intervention, and remediation), roles, and responsibilities are operating effectively.

Have a high degree of transparency

There needs to be transparency about the system, processes, and actions taken when concerns are raised. A lack of visibility can lead to people making assumptions about what is happening.

Although some issues often require confidential management, it is important to make as much as possible visible, particularly for those who raise concerns or make complaints. This builds trust that action is being taken against integrity breaches and that the organisation stands firmly by its values.

Provide training and support on handling concerns

Have training available for reporting, receiving, and dealing with concerns and formal complaints. Processes need to be robust and well understood to give staff reassurance that their concerns will be treated seriously and in confidence. Staff and managers should be trained in using the processes.

Have tailored support for staff who speak up

Staff who have raised concerns need to receive individualised support and regular communication. There should be a range of support mechanisms made available that are constantly monitored to ensure that the individual is getting the care and support they need to feel safe.

For public service organisations, the *Speaking up* model standard sets out minimum expectations to support staff to speak up about wrongdoing.[46]

> *Allowing all parties to know what the process is has built trust amongst staff that action is being taken against integrity breaches and that the organisation stands firmly by its values."*
>
> Government department manager

> *The managers who often deal with complaints have had little or no education or training in how to manage these often complex and troubling cases. Processes and policies are not applied in a consistent way throughout the organisation and lack transparency."*
>
> Shaw, Judge Coral (2019), *Independent Review of Fire and Emergency New Zealand's workplace policies, procedures and practices to address bullying and harassment*

46 Te Kawa Mataaho Public Service Commission, *Speaking up in the Public Service*.

It's worth considering…

- What systems do you have in place for staff to raise concerns confidentially?

- What are the ways you show staff that it is safe to raise concerns, you are listening to them, and that the matters they raise will be considered and acted upon?

- How are people in the organisation encouraged to share their views about work culture? What does this look like?

- What pathways do you have for communication that enable staff to participate as a collective, not just as individuals, including raising concerns?

- What training do you provide to people leaders for handling concerns?

G Integrity roles and responsibilities

Why it matters: Sustained improvement to organisational integrity requires ongoing commitment, focus, and resources

Building integrity at an organisational level doesn't just happen. Research shows that it takes an ongoing commitment to implementing all the components set out in this framework. To achieve this, sufficient time and resource, combined with clear roles and responsibilities in your organisation, are essential.

What it looks like: Roles and responsibilities for managing integrity are assigned across the whole organisation

Organisations will have several integrity-related functions responsible for the different tasks associated with preventing, detecting, and responding to integrity matters. These will likely include people and capability teams, finance, legal, risk and compliance, and internal/external audit.

The allocation of integrity roles and responsibilities will need to reflect the size, scale, and complexity of an organisation's operations and the type of integrity risks it faces. What is important is that each of the elements of this framework are well described and sit clearly within someone's responsibility in the organisation.

> " *Responsibility for integrity doesn't just sit at the top table. However, it does start there."*
>
> Government department senior leader

As well as that, it should be someone's role to bring together all the different parts of an integrity system (or framework) to monitor and measure progress at an organisational level.

Some organisations have a dedicated integrity advisor or unit to deal with integrity matters.[47] However, they still need to work with other functions throughout the organisation to ensure that the management of integrity issues is integrated across the workplace.[48] It is also important to ensure governance oversight of all integrity functions with responsibility for balancing prevention, detection, and response efforts.

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47 It is important to clearly identify which issues in your organisation are considered "integrity breaches" and covered by your integrity adviser or unit. Not all employment issues, for example, will be integrity breaches.

48 Taylor, Alison (2017), *The Five Levels of Ethical Culture* (working paper), BSR.

We suggest that the following responsibilities are considered when assigning roles:

- A senior leadership team member as an integrity leader, to champion and ensure an ongoing commitment to integrity at an organisational level.
- Monitoring and reporting of integrity at an organisational level.
- Promotion of integrity matters across the organisation.
- Ensuring that integrity is regularly on the agenda for senior leadership team meetings.
- Identifying and ensuring alignment of progress on integrity matters with other work under way across the organisation.
- Engagement with frontline and middle management staff to uphold and enhance their position as role models and early responders to integrity issues.
- Support to staff who raise concerns.

It's worth considering...

- What integrity functions have been established in your organisation?
- Who in the senior leadership team has formal responsibility for championing integrity?
- What preventative measures are taken to ensure integrity activities do not fall through the gaps?

H Measuring and reporting progress

Why it matters: Strengthens commitment and drives improvement

Ensuring that a culture of integrity is an integral part of the day-to-day running of an organisation requires regular monitoring and reporting, not only of compliance with policies and processes but also monitoring the "health" of the organisational culture. This requires a focus not only on what is done but also on how things are done.

> *It is important for our organisation to start the work strengthening integrity and then ensuring there are regular reviews of what is in place. It doesn't need to be perfect straight away but getting feedback is a good thing."*
>
> Local authority senior leader

What it looks like: Evaluating whether the desired culture is being demonstrated and can be seen through staff behaviours and work processes

Measuring a system's progress means assessing the direction of travel, rather than measuring specific outputs and outcomes. Mechanisms need to be put in place to ensure that progress is made to reduce any integrity gap.

Organisations may already have a regular review or monitoring process that spans many of the components of this integrity framework. The challenge is to bring that monitoring together, in combination with reporting on the organisational culture, and report it together, to provide a system perspective. This will allow for measuring traction and momentum in building and maintaining a culture of integrity within the organisation.

When considering how to measure progress, there is different data that can be collected, such as incident reports, types of incidents, investigation outcomes, exit interviews, use of employee counselling and support services, the outcome of focus groups, and internal audits.

> *The level of maturity in the organisation around the topic of integrity is constantly growing, so current policies and practices need to be regularly reviewed and reframed and all staff need to be engaged in the conversation."*
>
> Local authority manager

Organisations can also use tools such as staff engagement or culture surveys, "pulse" surveys, or other forms of feedback to provide an indication of culture across the workplace. However, the perceptions of staff are usually the slowest to show improvement. Most people will shift their thinking only after new behaviours have led to observable change. This means that staff surveys should be only one part of the monitoring that is undertaken.

The importance of "soft" as well as "hard" monitoring of culture should not be underestimated. Data collection, formal feedback, and surveys should be combined with those in governance or leadership roles regularly seeking out informal feedback from staff. Through regular and genuine engagement, leaders can receive a wealth of insight into the culture in their workplace and their own leadership performance. This can help identify issues for further exploration that might not otherwise emerge through formal monitoring or data analysis.

The Institute of Internal Auditors lists the following cultural characteristics that are relevant to any measurement of culture:

- **Positive tone from the top:** Executive management promote the organisation's values and models those values.

- **Clear communication:** Management reinforces the values and culture through clear communication of expectations.

- **Open dialogue:** Management actively gathers and listens to feedback.

- **Staff participation:** Staff are engaged in objective-setting and strategy discussions.[49]

> *It is important to look at the lessons learned and feed them back into the system. The Integrity team have been very active in system improvement. Giving complainants information on the process is the direct result of a feedback loop."*
>
> Government department integrity specialist

Finally, it is important to seek multiple sources of information and to close the loop, so staff know what's going on and see leadership continuing to prioritise improvement of the organisation's culture of integrity.

It's worth considering…

- What different types of data and information are collected on integrity?

- What happens with the data that is collected? Who sees it and what do they do with it?

- How does your organisation work with other public sector organisations to support and learn from each other?

- Is equal importance placed on monitoring how things are done as measuring what is done?

- How are you monitoring your organisational culture and, in particular, how staff communicate and collaborate with each other?

- What processes do senior leaders have in place to engage directly with staff to help understand what issues might be occurring in the organisation?

I Assurance and accountability

Why it matters: Builds trust through transparent scrutiny

Assurance activities support building trust into the integrity system. Trust comes from providing those in governing roles and the public with confidence that an organisation is transparent about its performance in relation to integrity and taking appropriate actions to address issues or make improvements, where required.

> " *The addition of two new overarching strategic commitments [equity measures] in our accountability documents … We are more explicit in these documents about the journey we are on as an organisation, our role in the community, and the need to continue to develop and foster enduring relationships with iwi."*
>
> Crown entity staff member

What it looks like: Adequate independent oversight "of the whole" by those charged with governance

Public organisations should account both internally and externally for the design and operation of the internal integrity environment. Measuring and reporting progress (building block 8) is beneficial only if it then feeds into the planning, reporting, and assurance processes set up to monitor, improve, and account for an organisation's activities and risks.

Internally, this means that there is regular reporting and discussion at a governance level on the organisation's integrity system and culture. Those in charge of governance should be able to regularly monitor how the organisation is behaving as well as what functions it is delivering, by considering the extent to which the organisation's values, the design and operation of its internal controls, and the behaviour of its staff are all aligned. It is also important that these governance discussions include a focus on incidents or examples where behaviour in the organisation does not reinforce its values (and what changes are required as a result).

An organisation's internal audit function can play an important role in providing those charged with governance with independent assurance over the internal integrity system. It is also important to connect with the organisation's risk management processes and consider the role of the audit and risk committee.

The New Zealand Customs Service includes indicators about its ongoing programme to safeguard integrity and prevent corruption in its annual report. The information includes data on the outcomes of investigations into allegations of unacceptable behaviour and what type of corrective action was needed.

Office of the Auditor-General (2019), *The problems, progress, and potential of performance reporting*

Management reporting processes are important and need to regularly inform staff about integrity discussions or decisions at the governance level, so there is visibility and understanding of the agreed activities and their outcome.

Public organisations should also account externally for their integrity. By doing so, they acknowledge the importance of integrity to their external stakeholders and maintain the public's trust and confidence.

Where public organisations are spending public money, collecting and using personal information, or exercising coercive powers, it is essential to give the public assurance that integrity is safeguarded. An external account, such as describing the types and outcomes of integrity investigations in an annual report, gives interested members of Parliament and the public insight into the design and operation of the integrity system in public organisations.

It's worth considering...

- How are the public, and those charged with governance, provided with confidence that actual behaviour aligns with your organisational values?

- How are indicators used to benchmark positive culture, strengthen integrity, and monitor the risk of inappropriate behaviour?

- How useful is the data in informing decision making? What, if any, gaps are there?

- What independent assurance is provided over the performance of your organisation's integrity system?

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