



Te Kawa Mataaho

Public Service Commission

19 July 2021

Ms Leeanne McAviney
Assistant Auditor-General, Sector Performance Group
Te Mana Arotake | Office of the Auditor-General

By email: Leeanne.McAviney@oag.parliament.nz

Dear Leeanne,

Thank you for writing to the Public Service Commissioner about your 2019 Performance Audit on 'Using Functional Leadership to Improve Government Procurement' (the Audit) and requesting an update from Te Kawa Mataaho on how we are putting the recommendations of that Audit into practice. The Public Service has an important job to keep delivering the services New Zealanders rely on and is committed to future improvements and greater transparency. In this spirit, as well as using this letter to update you on progress with your Audit's recommendations, we have also included information on Cabinet authorisation for these arrangements to help readers' understanding.

Te Kawa Mataaho Public Service Commission's specific feedback on the recommendations in your Audit is as follows:

Recommendation: 'The State Services Commission [now known as The Public Service Commission | Te Kawa Mataaho] clarify its oversight role for procurement functional leadership in the public sector.'

Te Kawa Mataaho expects the Procurement Functional Lead role to provide leadership and advice on complex and strategically important projects and build capability in procurement across the system. Our oversight role with respect to the Procurement Functional Lead is the same as with all functional leads across the Public Service and is set out below.

Recommendation: 'The State Services Commission [now known as The Public Service Commission | Te Kawa Mataaho], as appropriate, clarify its oversight role for other functional leaders in the public sector.'

Te Kawa Mataaho's oversight role in functional leadership is to ensure clear expectations are set for Chief Executives and Functional Leads, including through their individual performance expectations.

Performance against these expectations is assessed as part of the regular engagement Te Kawa Mataaho has with Chief Executives as their employer.

To elaborate on this, Te Kawa Mataaho sets and reviews performance expectations for every Chief Executive on an annual basis. Expectations for the Procurement Functional Lead are included within the relevant Chief Executive's performance expectations. These expectations are monitored in real time through ongoing dialogue and updates, both from the Chief Executive themselves and others across the system such as Ministers and other members of the Public Service Leadership Team. This is a more effective methodology for monitoring performance in a dynamic context than relying on periodic or after-the-fact reviews. This is managed through the close connection between Chief Executives and their Te Kawa Mataaho Assistant Commissioner whose role it is to support and review their performance on behalf of the Public Service Commissioner. The Assistant Commissioner also attends relevant forums such as the Functional Lead's monthly meetings with Chief Executives.

It is the Commissioner's expectation that Chief Executives put in place the structures and processes that demonstrate performance in their areas of responsibility, including ongoing and appropriate reviews. The Commissioner does not prescribe those structures and processes.

Further to my comments on your recommendations, I feel it is important to explain how functional leadership is achieved. Functional leadership is where a Public Service Secretary or Chief Executive is given a system-leadership role that is in addition to their existing responsibilities. Functional leadership nurtures and facilitates collaboration and consistency across the Public Service, led by a single Chief Executive, but does not mean centralisation of activities. Individual Chief Executives remain accountable for their own agency's performance.

The model for functional leadership roles was first established by Cabinet in 2012 (CAB Min (12) 16/10 refers). Functional leadership is defined in this Minute as "leadership aimed at securing economies or efficiencies across departments, improving services or service delivery, developing expertise and capability across the Public Service, and ensuring business continuity." The minute provides authority for the State Services Commissioner (now the Public Service Commissioner) to appoint functional leaders within the Public Service. The Cabinet Paper and associated Minute can be found here:

Cabinet Paper: <https://www.publicservice.govt.nz/assets/Legacy/resources/bps-2306510.pdf>

Minute: <https://www.publicservice.govt.nz/assets/Legacy/resources/bps-2348706.pdf>

Also in 2012, Cabinet made decisions about how procurement functional leadership could be implemented and directed the State Services Commissioner (now the Public Service Commissioner) to "support and assist the work of the procurement functional lead by communicating government expectations to agencies in the State Services, supporting the procurement functional lead in engaging the wider State sector, supporting the procurement functional lead in engaging with Ministers on significant agency-level issues, and where necessary taking a hands on role in helping resolve issues that arise in the interaction of the procurement functional lead and agencies" (CAB Min (12) 35/4D refers). The Cabinet Paper and associated Minute can be found here:

Cabinet Paper: <https://www.publicservice.govt.nz/assets/Legacy/resources/cab-paper-sec1290.pdf>

Minute: <https://www.publicservice.govt.nz/assets/Legacy/resources/cab-min-1235-4D.pdf>

The charter for the Public Service Leadership Team recognises that Chief Executives have a stewardship responsibility to support the integrity and capability of the Public Service. The Charter is how the Public Service Leadership Team give licence to Functional Leads to provide direction on a specific on their behalf. This form of leadership is codified in the Public Service Act 2020.

If there is anything you would like me to clarify, or if your team have further questions, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'HMC', followed by a long horizontal flourish.

Hannah Cameron (she/her)

Deputy Commissioner Strategy and Policy | Kaikomihana Tuarua, Te Tohutohu Rautaki me te Kaupapa Here