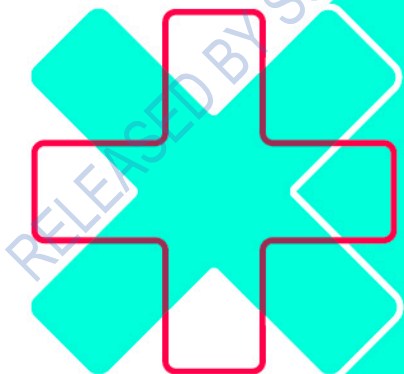


# INDEPENDENT REVIEW OF INLAND REVENUE'S APPROVAL OF A SURVEY QUESTION ABOUT POLITICAL LEANINGS

Final Report

29 April 2019



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# PREFACE

This report has been prepared for Inland Revenue by Kevin Jenkins and Andrew Horwood from MartinJenkins (Martin, Jenkins & Associates Limited).

MartinJenkins advises clients in the public, private and not-for-profit sectors. Our work in the public sector spans a wide range of central and local government agencies. We provide advice and support to clients in the following areas:

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# EXECUTIVE SUMMARY

## Background

- E1 Inland Revenue (IR) is required by the Tax Administration Act 1994 to protect the integrity of the tax system, including the perceptions of that integrity. To assist with this, in December 2018 IR commissioned Colmar Brunton to undertake research with the objectives of:
- *identifying the key factors that influence New Zealanders' trust in IR and the tax system*
  - *determining which of these factors can be influenced by IR's actions and which cannot*
  - *understanding how IR's actions build or erode that trust.*
- E2 Colmar Brunton held interviews and focus groups with New Zealanders to discuss their trust in IR and the tax system. The issues that emerged during these discussions were to then be further tested in an online survey. During the interviews, New Zealanders raised several issues that appeared to affect their trust in IR and the tax system. As one of these issues was a person's political leanings, a question on this was included in the online survey. The question was approved by IR and read:
- People often indicate their political affiliation along a spectrum of left and right. Using this divide, where on the spectrum would you place yourself? (from 0 to 10).*
- E3 The media reported on this question being used in a survey of New Zealanders by IR, and publicly queried whether IR's intention behind the question was politically motivated. IR initially defended the inclusion of the question on political leanings but reconsidered after the media publicly queried whether IR's motivation for the question was political, and IR's view is now that it should not have been included in the survey. As a result, IR directed Colmar Brunton to delete the data on political leaning and not report on it, and instigated this review.
- E4 IR engaged MartinJenkins to conduct this review, asking us to consider and form an opinion on:
- *whether there is any evidence that including the question on political leanings was in any way politically motivated.*
  - *the adequacy of the end-to-end process leading to the approval of the political leanings question. This will include looking at the commission and design of the relevant research, and the procurement, decision-making and review processes for approving the question.*
  - *whether the processes supporting the decision to include the political affiliation question in the survey were considered and balanced against the risks to the integrity of the tax system. This includes perceptions of political neutrality.*
- E5 We gathered and considered a wide range of documentation relating to the survey – from conceptualisation to implementation – and interviewed 12 IR employees, and a Group Account Director from Colmar Brunton. We shared a draft report with IR and the interviewees and asked for any corrections to our summary of the facts.



## Findings

### **Whether the decision to include the question was politically motivated**

- E6 We have found no evidence of political motivation in the use of the question on political leanings or the setting of the questions. We are confident that there was no political motivation at any point, from when the research was conceived to when the survey was implemented.

### **The adequacy of the end-to-end process leading to the approval of the political leanings question**

and

### **Whether the processes supporting the decision were considered and balanced against the risks to the integrity of the tax system**

- E7 We considered these questions through a range of lenses including IR's statutory requirements; its ethical framework including the State Services Code of Conduct and IR's own Code of Conduct; the globally-recognised COSO internal control approach and IR's adaptation of that, with a particular emphasis on IR's approach to risk management; the strategic intent of the research and the intended strategic purpose of the question on political leanings; procurement policies and procedures and how they applied in this case; the roles and responsibilities of project sponsors and project managers at IR; the IR delegation framework; and new policies and procedures developed and/or introduced from late 2018. It became obvious that the answers to these two questions are entwined.
- E8 IR has all the policies and procedures you would expect to find to satisfy the obligations of good practice required of the frameworks outlined above. Another important part of the context is the statements IR has made about the way it wants to work, that is that it aspires to be intelligence-led, customer-centric and agile, meaning decision making is delegated to the lowest possible level, closest to customers. Together, these factors form a coherent approach, that is an empowered environment balanced with appropriate checks and balances.
- E9 However, the application of the checks and balances to the end-to-end process in this instance was inadequate. Risks to the integrity of the tax system and political neutrality are at the heart of reputational risk for IR. This report uses "reputational risk" as shorthand for both.
- E10 Throughout the process leading to the approval of the question we have seen a fragmented risk management regime that allowed a risk to become a problem. For example, risks were considered in the paper to the Strategic Governance Board outlining the strategic intent of the research, but this did not include consideration of reputational risk. Risks to the effectiveness of the research were separately considered in designing the research but not reputational risk. Risks to successful procurement were separately considered in the procurement process but not reputational risk. Risk management specialists in IR had no visibility of the research at any point in the process. IR has a sophisticated risk management regime but its application in this case was fragmented and there were gaps. There was no overall coherent consideration of risk.



There was no effective leadership or management of risks across the process. At no point was the risk of a perception of lack of political neutrality raised.

- E11 There was no consideration of the Codes of Conduct through the process. This in itself is not surprising, but it is surprising that the risk to political neutrality – core to the Codes – was never explicitly considered.
- E12 There was a designated project sponsor for the research but their role was not clear. IR has guidance setting out the roles of project sponsor and project manager for enterprise projects. There appear to be no formal expectations for project sponsors and managers for projects below enterprise level. This research project is not an enterprise level project but had a designated project sponsor. If the guidance for project sponsors for enterprise projects was applied – and there must have been some expectations for the project sponsor designation to have any meaning – then this would include responsibility for quality. This would include all key risks, including to perceptions of a loss of political neutrality. The enterprise level guidance also requires project managers to discuss risks with the project sponsor.
- E13 The process of finalising the survey questions included a rigorous, question-by-question engagement between IR research experts and Colmar Brunton. The question on political leanings was explicitly checked and quickly confirmed with no risks identified. At no point was this or any other question escalated to managers above or outside the core research team. No manager above or outside the core research team asked whether the questions were consistent with the requirement for political neutrality, whether they negated or created risks to the integrity of the tax system, or to see the questions.
- E14 The risk management regime, and the Codes of Conduct, explicitly identify perception of a loss of political neutrality as a key risk. The inadequacy of the application of the risk management regime, and the other elements of the control environment, led to this very risk becoming an issue. This case has revealed that the “risk aware” or “risk intelligent” culture envisaged in the risk management framework does not apply universally in IR. Risk management specialists struggle to engage with some business areas, and focus on those business areas that do engage. There is no comprehensive ongoing training of staff in the risk management regime. New staff – including staff new to the Public Service – do not necessarily receive training in the regime, and how it relates to the Codes of Conduct.
- E15 Other factors may have contributed to the inadequacy of the process, including key staff on leave, new managers being asked to sign off contracts just after they have started, and staff new to the Public Service.

## Recommendations

- E16 We recommend that Inland Revenue:
- a. Remind all staff what it means to be politically neutral in line with State Services Commission guidance, including the need to avoid the perception that IR’s political neutrality has been compromised.



- b. Review the content relating to political neutrality and the Codes of Conduct used in its induction process.
- c. Set expectations relating to risk management in induction.
- d. Clarify what it expects of project sponsors and project managers in projects other than enterprise investment projects.
- e. Raise the profile of its risk and assurance functions to ensure they have consistently high visibility across IR, and that other parts of IR are consistently receptive to benefitting from these functions.
- f. Devise a strategy for monitoring and, if possible, measuring risk intelligence across IR so it can be tracked over time.
- g. Expect project leaders to consider risk in tandem with strategy when leading projects.
- h. Hold IR's executives to account for ensuring their areas of responsibility exhibit risk intelligence.
- i. Defragment risk management by:
  - i. ensuring risk is considered at project level in light of the Enterprise Risk Management Framework.
  - ii. considering an amendment to Commercial & Procurement's checklist to include confirmation that the business area seeking a procurement has assessed all relevant risks, including reputational risk.
- j. Hold IR's executives to account for implementing each component of the Internal Control Framework, with particular attention paid to monitoring and improvement.





# INTRODUCTION

## Background to this review

1. Inland Revenue (IR) is required by the Tax Administration Act 1994 to protect the integrity of the tax system, including the perceptions of that integrity. To assist with this, in December 2018, IR commissioned Colmar Brunton to undertake research with the objectives of:
  - *identifying the key factors that influence New Zealanders' trust in IR and the tax system*
  - *determining which of these factors can be influenced by IR's actions and which cannot*
  - *understanding how IR's actions build or erode that trust.*
2. Colmar Brunton held interviews and focus groups with New Zealanders to discuss their trust in IR and the tax system. The issues that emerged during these discussions were then further tested in an online survey.
3. During the interviews, New Zealanders raised several issues that appeared to affect their trust in Inland Revenue and the tax system. As one of these issues was a person's political leanings, a question on this was included in the online survey. The question, as approved by IR, read:

*People often indicate their political affiliation along a spectrum of left and right. Using this divide, where on the spectrum would you place yourself? (from 0 to 10).*
4. Throughout this report we refer to this as 'the question on political leanings'.
5. The media reported on IR's inclusion of the question on political leanings after a Fairfax Media business journalist interviewed IR's Group Manager, Marketing and Communications. The Group Manager initially defended the inclusion of this question, arguing that it was needed for research and was not included for political purposes. The media publicly queried whether IR's intention in including the question was politically motivated, and this led to IR reconsidering the question. IR's view is now that the question should not have been included in the survey. As a result, IR directed Colmar Brunton to delete the data on political leanings and to not report on it. IR also initiated this review.

## The terms of reference for this review

6. MartinJenkins was asked to consider and form an opinion on:
  - *whether there is any evidence that including the question on political leanings was in any way politically motivated.*
  - *the adequacy of the end-to-end process leading to the approval of the political leanings question. This will include looking at the commission and design of the relevant research, and the procurement, decision-making and review processes for approving the question.*



- *whether the processes supporting the decision to include the political affiliation question in the survey were considered and balanced against the risks to the integrity of the tax system. This includes perceptions of political neutrality.*
7. Throughout this report we use “reputational risk” to refer to both the risk of political neutrality being compromised and the risk to the integrity of the tax system.

## The structure of this report

8. This report is structured as follows:
- **The control environment at Inland Revenue** – an outline of the legal and ethical frameworks, internal policies and other components of IR’s control environment
  - **What happened: The events** – an outline of the relevant events, from the commissioning of the research, through to the decision to delete the data relating to the question on political leanings, and related events that occurred in response
  - **Findings** – our analysis of what happened, including what went wrong
  - **Recommendations** – our suggestions for how IR can improve its systems and minimise the risk of similar events occurring in the future.

## Methodology

9. This review was conducted in phases. First, to help us understand the timeline of events, IR provided MartinJenkins with a range of documents relating to:
- preliminary strategic material
  - the procurement process
  - the process for finalising the topic guide that shaped the qualitative research and the questions used in the survey.
10. Second, MartinJenkins interviewed 12 IR staff and a Group Account Director from Colmar Brunton. The questions were derived from the material provided to us in the document review.
11. Throughout the interviews we discovered more documents we needed to consider which were subsequently provided to us. These documents helped us understand the control environment at IR.
12. We provided a draft of our report to IR to allow for a check of factual accuracy. We considered comments but retained our right as independent reviewers to address comments (or not) as we saw fit.



## Context

13. IR is undergoing an extensive, multi-stage business transformation programme which will streamline its processes, policies and online services to make it easier for New Zealanders to pay tax and receive entitlements.
14. IR has also signalled cultural traits which it aspires to demonstrate in its work which complement the business transformation process. IR aims to demonstrate an approach which is customer-centric, intelligence-led and agile.



# THE CONTROL ENVIRONMENT AT INLAND REVENUE

15. Inland Revenue has checks and balances in place, including to ensure political neutrality. This section describes the frameworks, policies and other components that together make up the control environment – the checks and balances – at Inland Revenue. These include:

- IR's legal framework – the statutory obligations that impact IR's strategic direction
- IR's ethical framework – the obligations that IR staff have as public servants and that IR has as a State sector organisation
- IR's Internal Control Framework, and the globally recognised COSO framework on which IR's framework is based
- The culture and value statements IR has made about how it wants to work
- IR's risk management approach, both at an enterprise level and throughout a project, and including IR's procurement policies and how they are applied
- The roles and responsibilities of project sponsors and project managers at IR
- IR's delegations framework
- New policies and procedures IR has implemented since the media interest in the question on political leanings.

## IR's legal framework

16. Trust in the tax system is directly linked to the integrity of the system. Inland Revenue has a legal obligation to protect this integrity: every 'officer' of IR must use their best endeavours to protect the integrity of the tax system at all times.<sup>1</sup>

17. The 'tax system' is defined in the legislation as including the following:

- taxpayer perceptions of that integrity
- the rights of taxpayers to have their liability determined fairly, impartially, and according to law
- the rights of taxpayers to have their individual affairs kept confidential and treated the same as the tax affairs of other taxpayers
- the responsibilities of taxpayers to comply with the law
- the responsibilities of those administering the law to maintain the confidentiality of the affairs of taxpayers

<sup>1</sup> Tax Administration Act 1994, section 6(1). <http://www.legislation.govt.nz/act/public/1994/0166/383.0/DLM348343.html>



- the responsibilities of those administering the law to do so fairly, impartially, and according to law.<sup>2</sup>
18. Further, the Commissioner of Inland Revenue is also required over time 'to collect ... the highest net revenue that is practicable within the law' (given resource constraints and so on).<sup>3</sup> Tax morale – derived from trust in IR – is believed to influence the voluntary payment of tax obligations and therefore the revenue provided to IR.<sup>4</sup>
19. The impact of the Tax Administration Act on the strategy behind the research and the setting of the questions is discussed in the 'Findings' section of this report.

## IR's ethical framework

20. In addition to their legal obligations, IR staff also have ethical obligations as State servants, as set out in the State Services Code of Conduct, the IR Code of Conduct, and the Cabinet Manual.<sup>5</sup>

### The State Services Code of Conduct

21. The State Services Code of Conduct (formally entitled 'Standards of Integrity & Conduct') sets standards of behaviour expected of State servants.<sup>6</sup> The Code itself states four general principles that State servants should adhere to with judgement:
- **Fair** – treat people fairly and with respect
  - **Impartial** – maintain political neutrality
  - **Responsible** – act lawfully and objectively and using organisational resources carefully and only for intended purposes
  - **Trustworthy** – be honest and avoid activities that may harm the reputation of the organisation or the State services.<sup>7</sup>

<sup>2</sup> Section 6(2).

<sup>3</sup> Section 6A.

<sup>4</sup> 'Tax morale' measures taxpayer perceptions and attitudes towards paying and evading taxes. Research suggests that higher tax morale equates to more willingness to pay tax, and therefore more voluntary compliance with tax obligations. Across the economy, the impact of tax morale could be significant, for example in reducing the size of undeclared transactions that comprise the sharing economy.

<sup>5</sup> The 'public service' is a subset of the 'State services' as defined in the State Sector Act 1988. IR is both part of the public services and the State services.

<sup>6</sup> <http://www.ssc.govt.nz/code>

<sup>7</sup> Compliance with the Code obliges state servants to have regard for:

- The spirit of service to the community
- The obligation that organisations have as part of executive government
- The role of the State Services in supporting parliamentary democracy
- The value of State servants having a lively interest in political matters.



22. Guidance issued by the State Services Commission explains the obligations on State servants under each of the four principles.<sup>8</sup> These are the main obligations relevant to this report:
- State servants should have personal integrity, be committed to organisational responsibilities, and be aware of the extent to which other interests could impact those responsibilities (particularly senior staff).
  - Avoid any public perception that a department is not politically disinterested, public spirited and politically neutral, so that actions under one government do not affect the department's ability to work under another government.
  - Work must not be influenced by personal beliefs, interests, or ethical viewpoints.
  - State servants should respect the authority of the government of the day.
  - State servants must act within the scope of the power or discretion conferred on them, and within their delegated authority. They must take an objective, balanced approach to their legislative responsibilities and respect the traditions of liberal democratic government and the rule of law.
  - An organisation's resources must only be used for their intended purpose.
  - Information must be treated with care and used only for proper purposes.
  - Activities that may harm the reputation of the State services, whether at work or outside work, should be avoided.
23. Notably, organisations have obligations under the Code of Conduct too. For example, agencies should act decisively when a breach occurs.

## The Inland Revenue Code of Conduct

24. State sector organisations must maintain policies and procedures that enable them to give effect to the standards in the State Sector Code of Conduct. In meeting this requirement, each organisation may develop additional or more detailed provisions for its particular circumstances. This is the process, anticipated in the State Sector Act, by which an organisation will issue its own code of conduct, incorporating the standards in the State Sector Code of Conduct and building on them with detail that is directly relevant to its own work and context.
25. IR has a Code of Conduct dating from 2008 (updated in 2016). It covers both the standards expected of all State servants and expectations specific to IR and the legislation it administers – for example, the Tax Administration Act. It applies to all Inland Revenue employees, whether permanent, temporary, casual and fixed-term (including workers sourced from employment agencies). It also applies to external contractors or consultants working for Inland Revenue.

<sup>8</sup> The Code is supported by two sets of guidance:

- Implementing the Code of Conduct – Resources for Organisations: [http://www.ssc.govt.nz/upload/downloadable\\_files/Implementing-the-code-of-conduct-updated-7-Dec-09.pdf](http://www.ssc.govt.nz/upload/downloadable_files/Implementing-the-code-of-conduct-updated-7-Dec-09.pdf)
- Understanding the code of conduct – Guidance for State servants: <http://www.ssc.govt.nz/sites/all/files/UnderstandingtheCode-April2010.pdf>



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“[F]or the code of conduct, and a whole bunch of reasons, it is not our job to try and influence political persuasion.”

– Deputy Commissioner, Information & Intelligence Services

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26. Notably, the IR Code of Conduct includes a ‘decision making checklist’. When making decisions, IR staff are encouraged to ask themselves:

- *Is it legal? – does it conform to laws and policies?*
- *Is it equitable? – will the decision be the same for everyone else in the same circumstances?*
- *Is it naturally just? – are you being impartial and open-minded?*
- *Is it likely to be misconstrued? – consider the public’s perception of your proposed actions.*
- *Is it open to scrutiny? – are your stated reasons for taking the proposed action your real reasons?*
- *Is it sensible? – in the context of other related decisions.*

27. IR staff are advised to discuss difficult decisions with their managers. Similarly, if they believe others are behaving badly they are encouraged to raise this with management.

28. Employee obligations are spelled out in the IR Code of Conduct:

- *protect the integrity of the tax system at all times, including taxpayer perceptions of that integrity (section 6 of the Tax Administration Act 1994)*
- *maintain the secrecy of all matters relating to the legislation that Inland Revenue administers (section 81 of the Tax Administration Act 1994)*
- *work within the law with honesty, integrity, openness to scrutiny, and concern for the public interest*
- *comply with Inland Revenue’s policies and not do anything which might bring Inland Revenue and the public service into disrepute*
- *respect the rights of colleagues and customers*
- *provide a professional service at all times to the Minister, the public and your colleagues*
- *take all practicable steps to prevent personal injury and illness in the workplace.*

29. The IR Code of Conduct also addresses the need to protect the integrity of the tax system, saying:

*We are ... all required to manage the real and perceived risks to the integrity of the tax system and must ensure that nothing we do creates, or has the potential to create, a threat to the integrity of the tax system or a perception among taxpayers that certain groups in the community somehow receive preferential treatment.*

30. Again, where IR staff are in any doubt how to deal with an issue relating to the integrity of the tax system, they must discuss the issue with their manager before taking any action.



31. Provisions in the IR Code of Conduct relating to political neutrality are similar to those in the State Sector Code of Conduct.
32. The IR Code of Conduct notes that breaches may result in disciplinary action against the employee concerned. This can range from warnings, to dismissal in cases of serious misconduct. In some situations the employee could be prosecuted.
33. Examples of breaches that, if proved, may lead to dismissal include:
  - dishonest, illegal or corrupt behaviour in the workplace
  - misuse of Inland Revenue property, business tools or funds
  - knowingly, negligently or carelessly subjecting Inland Revenue assets and resources to undue risks
  - behaviour that is likely to bring Inland Revenue into disrepute.

## The Cabinet Manual

34. The Cabinet Manual is the authoritative guide to New Zealand's system of central government decision making and a primary source of information on constitutional matters.<sup>9</sup> This includes important information on the role of State servants, particularly around the relationship they have with the Executive.
35. The Cabinet Manual provides that members of the public service:
  - *are to act in accordance with the law*
  - *are to be imbued with the spirit of service to the community*
  - *are (as appropriate) to give free and frank advice to Ministers and others in authority, and, when decisions have been taken, to give effect to those decisions in accordance with their responsibility to the Ministers or others*
  - *when legislation so provides, are to act independently in accordance with the terms of that legislation.*
36. Further, public servants must meet these obligations in accordance with important principles and values such as political neutrality, fairness, and integrity. In relation to political neutrality, the Cabinet Manual specifies that:

*[O]fficials must be politically neutral in their work, serving the current Minister in such a way that they will equally be able to serve any future holder of the office. This principle of political neutrality is central to the public service's ability to support the government of the day and any future government.*
37. For their part, Ministers must respect the political neutrality of the public service and not ask officials to act in a way that would conflict with the Code of Conduct.

<sup>9</sup> <https://dpmc.govt.nz/sites/default/files/2017-06/cabinet-manual-2017.pdf>





38. The State Services Code of Conduct is referred to in the Cabinet Manual. The Cabinet Manual notes that the State Services Commissioner sets the Code of Conduct and that agencies within the State services must maintain policies and procedures that are consistent with the Code.

## IR's formal control framework

39. This section outlines the recognised COSO framework and IR's formal Internal Control Framework (ICF) which is based on the COSO framework.

### The COSO framework

40. The COSO framework is a widely adopted, globally recognised internal control framework, developed and maintained by the Committee of Sponsoring Organizations of the Treadway Commission. It was designed to help organisations establish, assess and enhance their internal control. The framework has five components:

- **Control environment** – the standards, processes and structures that provide the basis for carrying out internal control across an organisation, including its integrity and ethical values, as reinforced by management
- **Risk assessment** – a dynamic and iterative process for identifying and assessing risks to the achievement of objectives, consideration of risks against risk tolerance, and the basis for determining risk management
- **Control activities** – the actions (preventative or detective) established through policies and procedures that help ensure risk mitigation is carried out
- **Information and communication** – communication is the continual, iterative process of providing, sharing, and obtaining necessary information
- **Monitoring activities** – evaluations used to ascertain whether each component of internal control is present and functioning, with the findings shared as appropriate.

41. We have considered the institutional elements that make up the control framework at IR in reference to COSO.

### IR's Internal Control Framework

42. Inland Revenue has an Internal Control Framework (ICF), developed in 2008. Former Commissioner, Bob Russell wrote in the Foreword:

*The Internal Control Framework sets out the principles and identifies the drivers of our control environment. The Internal Control Framework feeds and enhances many of the other frameworks we have and is a key component in providing assurance to Government and the public that we are doing our job well.*

43. The ICF is based on COSO. It has five components, each of which has an equivalent in COSO, as shown in the table below.



**Table 1: Comparison between COSO and IR’s Internal Control Framework**

COSO	ICF
Control environment	Leadership and culture
Risk assessment	Goals and objectives
Control activities	Control activities
Information and communication	Information and communication
Monitoring activities	Monitoring and improvement

44. COSO and the ICF essentially cover the same areas of focus but with different labels. The comparison between the frameworks highlights an important point. What COSO terms ‘risk assessment’ (covering the risk to achieving objectives) the ICF terms ‘goals and objectives’ (including the strategy for achieving objectives and the risk management framework). This neatly demonstrates the inseparability of risk and strategy. To achieve objectives, an organisation should have a strategy and a corresponding risk management framework. An organisation’s handling of the interplay between these components of the control framework is vital for its success.

## IR’s culture and values

45. In COSO terms, the control environment is the standards, processes and structures that provide the basis for carrying out internal control across an organisation, including its integrity and ethical values, as reinforced by management. Inland Revenue’s Internal Control Framework simplifies this, stating that leadership sets the tone by ‘influencing our [IR’s] attitude towards control’. The tone from management is reflected in all the documents discussed in this report. However, this section considers the culture and values as stated by IR.

46. IR defines its culture as ‘what’s important to us in how we work’. This is defined as the following three traits:

- **Customer-centric:** *together we understand the many influences on each customer, and decide how we will work with them to get the best outcomes for New Zealand.*
- **Intelligence-led:** *we’re confident we make good decisions based on quality information and analysis. We continually test and learn to know what the best approaches will be.*
- **Agile:** *we work at pace, pulling together the right people to make good decisions quickly, focusing on the things that matter most.*

47. Four values underpin the culture that will enable IR to be customer-centric, intelligence-led and agile:

- **Trust and integrity:** *we act with integrity, honesty and professionalism.*



- **Innovating to make a difference:** we keep finding new ways to lift our performance and make compliance easier.
- **Valuing people:** we treat each other and our customers with respect.
- **Working together:** we work together and with other organisations to deliver better services and value.

## Risk management at Inland Revenue

48. As noted above, strategy and risk management are inherently interrelated. This report now turns to the risk management frameworks that Inland Revenue applies:

- the Enterprise Risk Management Framework (and the Risk Management Policy included in it)
- assurance mapping
- the Commercial and Procurement branch risk register and refreshed approach
- the risk register in the Procurement Plan
- the risk register in the Recommendation to Appoint.

## Enterprise Risk Management Framework

49. The Enterprise Risk Management Framework (ERMF) sets out the risk management policy and practice at IR. The ERMF is clear from its opening paragraph that: 'Everyone is responsible for identifying, understanding and actively managing risks that can affect the achievement of IR's objectives and outcomes'.

50. The ERMF contains the Risk Management Policy. It opens with a Policy Statement noting that: 'Risk management will inform our decision making to ensure that we deliver our objectives safely'. The table below presents the roles and responsibilities of IR staff in relation to enterprise risk, as set out in the policy.

**Table 2: Staff roles and responsibilities in relation to enterprise risk, as set out in the Risk Management Policy in the ERMF**

Role	Responsibilities
Commissioner	<ul style="list-style-type: none"> <li>• Ultimately accountable and responsible for managing risks to IR</li> </ul>
Deputy Commissioner, Corporate Integrity and Assurance	<ul style="list-style-type: none"> <li>• Owns the Risk Management Policy</li> </ul>



Role	Responsibilities
Executive Leadership Team	<ul style="list-style-type: none"> <li>Owns the enterprise risks</li> <li>Provides risk management leadership</li> <li>Promotes a risk-smart culture</li> </ul>
Corporate Integrity and Assurance	<ul style="list-style-type: none"> <li>Provides independent advice and assurance to the Commissioner on the governance and integrity of the tax and social policy systems</li> <li>Provides the resources to support IR staff to comply with the Policy</li> </ul>
Manager, Risk Services	<ul style="list-style-type: none"> <li>Administers the Policy and owns the ERMF</li> </ul>
Line Management and staff	<ul style="list-style-type: none"> <li>Comply with and actively support the Policy and ERMF</li> <li>Accountable and responsible for risks relevant to their role</li> </ul>

51. The ERMF commits Inland Revenue to adopting best practice in risk management in order to ensure that:

- IR has a current, accurate and comprehensive understanding of its risks*
- Risk management is embedded within IR's overall strategic and operational policies and practices.*

52. The ERMF also sets out IR's goals for risk management, namely:

- Lead and promote a risk intelligent culture to identify, assess and manage risks*
- Continuously improve our risk management practices to fit our changing environment*
- Encourage our people to apply their judgement, insight and experience, supported by evidence.*

53. The ERMF includes an operational guideline that steps through the risk management process to ensure that risks are managed in a clear and consistent way across IR. As part of 'risk identification', IR staff are encouraged to consider concerns that may impact on:

- strategy and governance*
- people, policy, process and platform*
- time, cost and quality*
- data, information and metrics.*

54. Appendix A of the ERMF contains an Enterprise Risk Rating Tool that includes a Consequence Assessment Matrix. The Matrix lists 'negative national media coverage' as a moderate consequence of a reputational risk. Appendix B includes a Project Risk Rating Tool, which



includes a Consequence Assessment Matrix for projects that notes 'sustained negative national ... traditional media coverage' as a severe consequence of reputational risk in a project.

## Assurance mapping: Risk management works in conjunction with assurance

55. Assurance is the process through which risk management controls are reviewed to ensure they are applied effectively. IR has an assurance mapping system to provide a visual representation of the risks and controls in place and how effective they are. The assurance process will identify risks with inadequate assurance coverage, or areas with duplicated assurance coverage.
56. Assurance is considered in three 'lines':
- **First line:** controls that have been established by management to mitigate risks
  - **Second line:** management's monitoring that provides assurance the controls are working
  - **Third line:** independent reviews that provide assurance the controls are working – for example, internal or external audits.
57. An assurance map for the integrity of the tax system was drafted around 2013. The Manager Internal Audit told us it is now out-of-date and that it has not been seen by most current Deputy Commissioners.

## How is enterprise risk management applied at IR?

58. A risk management framework is only as good as the extent to which it is implemented, incorporated into day-to-day workflows, considered as part of project oversight, and reinforced by a risk-aware culture. In COSO terms, the control environment needs to be reinforced by control activities; by information and communication about expectations from management; and by monitoring to ensure expectations are being met. This part of our review report considers what we have heard about efforts to embed risk management into the processes and psyche of Inland Revenue.

### Internal control activities relating to risk

59. The Internal Assurance & Advice unit operates an 18-month rolling plan, targeting risk areas in a dynamic risk environment. The unit works like an internal consultancy.
60. IR has told us that risk management guidance is not included in the induction material provided to new staff. IR recommends that managers discuss risk with new staff. Generally, new staff find out about the ERMF when Corporate Risk & Assurance goes into their business area, they hear about it, or it is a requirement in a template for a particular process.
61. There is a risk management module on LearnIR designed for managers and team leaders.<sup>10</sup> We were told that it needs refreshing and is not mandatory. The module took the place of a wider

<sup>10</sup> LearnIR is IR's online Learning Management System and hosts learning resources, allows IR staff to enrol and attend internal face-to-face or video conference sessions, and keeps a record of courses IR staff have completed or attended.



session in the two-day, face-to-face induction IR once had. The Risk Services Manager has had an initial discussion with the team behind LearnIR about having the risk management capability incorporated into other modules (rather than it being isolated in its own module) to reinforce the concept that consideration of risk should be part of a business process.

62. A *Quick Guide to Risk Management* was distributed to IR staff in 2016 via a desk drop.
63. There is a Risk & Assurance Committee with five independent members.
64. Risk Services – part of Corporate Risk & Assurance – is in the process of revising and refining its quarterly reporting format to IR's Strategic Governance Board (SGB). They are trialling a 'risk radar' approach that identifies the extent of the gap between current risk and target risk. The intention is for this information to prompt the remediation of risk (and therefore investment decisions) or risk acceptance discussions.

## The Commercial & Procurement branch risk register

65. The Commercial & Procurement branch maintains a risk register. We were told that each risk on the register is assessed in relation to a specific procurement at the outset and managed throughout the procurement process. There are six high-level risks on the register:
  - Complete or partial failure of supply of critical goods and services including information technology and communications-supported infrastructure, e.g. hardware or operating software
  - Procurement processes are not undertaken or performed with due regard for policy and probity considerations
  - Loss of value for money risk
  - Fraud, bribery and corruption
  - Insufficient capacity and capability of Commercial & Procurement teams
  - Risk related to Enterprise Support Services (a new software package).
66. Commercial & Procurement is moving to a new risk assessment approach, represented in a series of bowtie diagrams provided to us.<sup>11</sup> The six high-level risks that underpin the approach are the same as those listed above. Some of the triggers listed for each risk could be indirectly relevant to the review. Breaches of political neutrality (or the perception of a lack of neutrality) are not specifically listed in the new approach but would presumably fall under the risk of insufficient policy and probity considerations.

## The IR Code of Conduct and Master Services Agreement

67. IR has a Master Services Agreement with Colmar Brunton which specifically states:

***Maintain reputation:*** *The Service Provider must not engage in any activity of conduct that might, in Inland Revenue's opinion, damage the reputation or image of Inland Revenue or the Crown.*

<sup>11</sup> A bowtie diagram (sometimes known as a 'butterfly' diagram), shows causal relationships between risk triggers and risks, and risks and consequences. They are named after their shape, and show preventative and corrective controls to manage risk.



68. There is also a generic clause in all of IR's Master Services Agreements (including that with Colmar Brunton) setting out that suppliers must "comply with all Inland Revenue policies and procedures".
69. We were told that IR's Code of Conduct is currently shared directly with some suppliers. Further, IR is developing a new Supplier Code of Conduct which addresses, amongst other things, ethical responsibilities.

## The research risk register in the Procurement Plan

70. The Procurement Plan included a risk register that listed the following risks to the effectiveness of the research:
- **Agreeability bias:** if customers express more positive sentiment toward IR than they really feel (presumably because they would be on an IR platform)
  - **Timeliness:** the risk of delay
  - **Methodology – customer understanding:** the risk of customers struggling to understand the difference between 'IR' and 'the tax system'
  - **Methodology – self-selection risk:** the risk that customers who are less trusting will be less likely to engage in the research
  - **Sampling:** the risk of having skewed data due to only some types of customers participating in the research
  - **Personnel:** the risk that stems from the project lead being on leave for six weeks during the project.
71. Reputational risk to IR was only considered as a subset of the first risk area above: agreeability bias. The Procurement Plan noted that this risk was lessened by the independence of the procured researchers.

## The risk register in the Recommendation to Appoint

72. The Recommendation to Appoint also contained a risk register. Four of the risks in the Procurement Plan are carried through to the Recommendation to Appoint: timeliness; methodology – customer understanding; methodology – self-selection risk; and sampling. There are also two new risks:
- Embedding and activating the insights: the risk of not establishing key relationships with stakeholders in a position to act on the information
  - Identifying the drivers of trust: the risk of not identifying the drivers of trust in the first phase of the research, creating great difficulty to run additional phases.
73. Reputational risk is not mentioned in the Recommendation to Appoint.



## Responsibilities of project sponsors and project managers

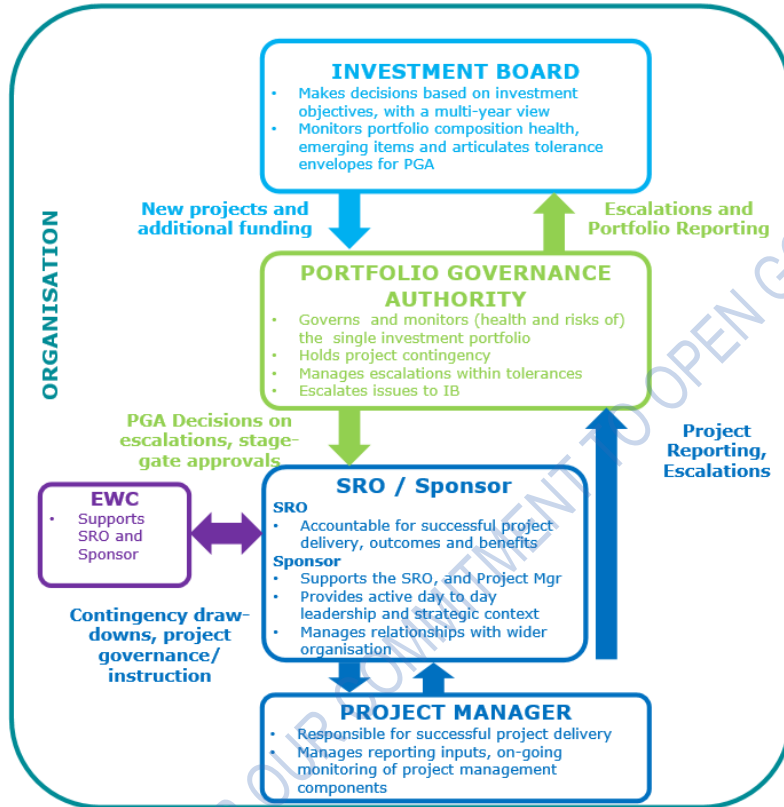
74. Inland Revenue provided us with its guidance for those sponsoring and managing enterprise projects, in the form of a PowerPoint slide pack used in a workshop for enterprise project sponsors. The survey project that is the subject of this review would not qualify as an 'enterprise project'. However, given the research had an executive designated as a 'project sponsor', it is useful to draw parallels between 1) the defined expectations of a project sponsor and project manager for enterprise projects; and 2) what we could have expected from those performing these roles for the research into trust.
75. According to the guidance, the roles and responsibilities of a project sponsor include:
- working with the project manager to ensure risks are proactively managed
  - providing 'active leadership' for the project until completion
  - providing constructive feedback
  - fostering 'close alignment' between the senior responsible owner (SRO), sponsor, and project manager<sup>12</sup>
  - supporting the SRO in their accountabilities.
76. As part of proactively managing risk, project sponsors are expected to be able to 'call out' risks and propose a change in course, or to stop a project if necessary. They must understand the factors that are likely to drive risk and monitor them. The sponsor is the 'escalation point' for difficult issues. Ultimately, they must be able to allocate adequate time to the project.
77. Project managers are tasked with discussing risks and issues with the SRO or sponsor so that they understand the potential impacts. The project management role includes actively managing risks and issues that arise. The project manager must formally review risks and issues regularly. When risks meet a specified level of severity they must be escalated.
78. 'Management' must ensure that the SRO, project manager and working committees are very clear about their roles and responsibilities and those of the wider team.
79. The relationships between key actors for enterprise projects at IR as set out in the project sponsor guidance are presented in the diagram and table below.

<sup>12</sup> The Senior Responsible Owner (SRO) is the individual responsible for ensuring that a project or change programme meets its objectives and delivers the projected benefits. They should be the owner of the overall business change that the project is supporting.





Figure 1: Governance interactions at IR, as depicted in the slide pack for the enterprise project sponsor workshop



**Table 3: Areas of focus for enterprise project sponsors, as depicted in the slide pack for the enterprise project sponsor workshop**

<b>SRO</b>	<b>Sponsor</b>	<b>Project Manager</b>
The individual accountable for ensuring that a Project meets its objectives and delivers the projected benefits	The sponsor is responsible for ensuring that the work is governed effectively and delivers the objectives that meet identified needs	The person in charge of the planning and execution of a particular project.
<ul style="list-style-type: none"> <li>• Successful delivery of the project or programme</li> </ul>	<ul style="list-style-type: none"> <li>• Provide active leadership for the project throughout the entire lifecycle until the benefits are realised</li> </ul>	<ul style="list-style-type: none"> <li>• Define project scope and change control</li> </ul>
<ul style="list-style-type: none"> <li>• Delivering the enablers that facilitate benefits realisation</li> </ul>	<ul style="list-style-type: none"> <li>• Commit the time required to the role</li> </ul>	<ul style="list-style-type: none"> <li>• Design a project plan with milestones and deliverables</li> </ul>
<ul style="list-style-type: none"> <li>• Representing the Idea Brief and Feasibility Report they are sponsoring at the Investment Board</li> </ul>	<ul style="list-style-type: none"> <li>• Provide strategic direction to the project with a focus on outcomes and benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct project resource planning</li> </ul>
<ul style="list-style-type: none"> <li>• Ensuring that their programme / project is well prepared for each stage gate and any other internal /external reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Help remove road blocks by working actively with the project and wider organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Manage risks and issues</li> </ul>
<ul style="list-style-type: none"> <li>• Representing their programme / project escalations to the PGA /IB</li> </ul>	<ul style="list-style-type: none"> <li>• Work with the Project Manager to ensure that risks and issues are being proactively managed</li> </ul>	<ul style="list-style-type: none"> <li>• Manage project financials</li> </ul>
<ul style="list-style-type: none"> <li>• Ensuring that a programme or project manager is appointed upon approval of the project or programme by the Investment Board</li> </ul>	<ul style="list-style-type: none"> <li>• Provide constructive feedback, and recognise / reward team performance</li> </ul>	<ul style="list-style-type: none"> <li>• Manage project interdependencies</li> </ul>
<ul style="list-style-type: none"> <li>• Establishing a Working Committee as an advisory function, if required</li> </ul>	<ul style="list-style-type: none"> <li>• Be an advocate for the project and proactively communicate to the wider organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Preserve and/or highlight risks on project benefits</li> </ul>
	<ul style="list-style-type: none"> <li>• Foster close alignment between the SRO, Sponsor and Project Manager</li> </ul>	
	<ul style="list-style-type: none"> <li>• Support the SRO in their accountabilities</li> </ul>	

80. The guidance also notes that lessons should be learnt from other projects so that previous pitfalls are avoided and IR can capitalise on 'good lessons'.

## The IR Delegations framework

81. Inland Revenue is transforming to become more agile, intelligence-led and customer-centric. This will mean that over time delegations will be exercised through devolved decision making at the lowest possible level. The first step was a new approach to Revenue Delegations and the devolving of selected decisions for the new roles in Customer & Compliance Services – Individuals; Customer & Compliance Services – Business; and Information & Intelligence Services in February 2018.

82. This enables:

- faster (more agile) decision making by avoiding the need to seek decisions from more senior staff
- decisions to be made at a point closest to customers (customer-centric), drawing on the knowledge of those who work most closely with customers (intelligence-led).



83. However, this new approach also comes with a risk, in that some decisions are made further from senior management. This risk needs to be mitigated by an effective control environment, for example having decisions with significant implications reserved to selected roles.
84. At IR, positions are also assigned a delegation level by human resources. Delegation levels are set out in the Position Matrix. Staff are told to use the Position Matrix to identify the delegation level (and thereby the staff member with that delegation level) that needs to make a particular decision. Delegations generally only apply to particular areas of control. Financial delegations may be made separately. They may also be restrictions on some powers to make decisions.
85. Delegation levels relevant to this review include the following:
- Level 4 (and therefore also levels 1, 2 and 3) can approve contracts for service with independent contractors. However, this has a caveat: level 2, 3, and 4 delegation holders should not approve appointments to jobs reporting directly to them. These appointments and salaries should be approved by a delegation holder at the next level up.
  - Level C financial delegation (or above) would be needed for the expenditure for the value of the Colmar Brunton contract.

## What IR has changed since the survey?

86. This section considers new policies, procedures and analysis that Inland Revenue has implemented since the survey was released. Some of this work was already in train when media interest in the question on political leanings began and was then adjusted in response.

## Interim guidance for surveys, interviews and focus groups

87. In direct response to the issues that led to this review, the Deputy Commissioner Intelligence & Insight Services issued *Interim guidance for conducting surveys, research interviews or focus groups*, effective from 27 February 2019. This guidance has interim status until IR can consider the recommendations from this review and establish new processes if necessary.
88. The guidance includes new steps 'required' when conducting surveys and other research. It applies across Inland Revenue – that is, not only to research conducted by the Customer Insight and Evaluation Group.
89. These are the key components of the guidance:
- All 'surveys, etc' require a business owner or sponsor at Tier 3 or above.
  - That sponsor is required to approve the questions being asked, ensure that any contract with a provider is clear that IR will own the data created, and ensure there is documentation setting out appropriate data storage, distribution and management.



- The full guidance on the content of questions is as follows:
  - *Any question referring in any way to the recipient's political views is inappropriate.*
  - *Questions that meet any of the below criteria are discouraged during this interim period.*
    - *Questions referring to the Government e.g. 'Do you think the Government makes good use of taxpayer money?'*
    - *Questions seeking feedback on current policy e.g. 'Do you think the Student Loan scheme is fair?', unless the research is being undertaken on behalf of the Government.*
    - *Questions that on face value don't seem relevant to the purpose of the survey 'e.g. 'How would you describe your overall life satisfaction?'*
    - *Questions that on face value seem frivolous, e.g. 'Would you feel happier receiving a tax refund or extra fries with your pizza?'*
  - *If the business owner / sponsor believes that a question meeting any of the above criteria should still be included, they must escalate that decision to Mike Cunningham, Deputy Commissioner Intelligence & Insight Services.*

90. The guidance tells IR staff:

*If you have any questions or would like advice on how to conduct research during this period, speak with...Group Lead Customer Insight & Evaluation.*

## Enterprise Risk: failure to preserve political neutrality

91. We were provided with the bowtie diagram for the enterprise risk of failure to preserve Inland Revenue's political neutrality that was produced after the events leading to this review. IR currently considers the risk of this event to be high (possible likelihood, moderate consequence) but aims to move it to low (possible likelihood, minimal consequence). A number of the triggers for this risk indirectly relate to the research that we are reviewing, but one is directly relevant: 'IR internal or external communications inadvertently imply and/or are perceived to be politically biased'.

92. The diagram lists two preventative controls for the risk of failure to preserve political neutrality:

- *Management oversight of third party commissioning, milestone development and delivery and preapproval of output*
- *Quality review mechanisms.*

## Insights and Evaluation Policy

93. IR's Insights and Evaluation Policy sets out guiding principles and responsibilities intended to ensure that individuals who conduct research for, or on behalf of, IR maintain the highest standards of professional conduct. The policy takes effect from 1 April 2019 and covers all staff, contractors, and other individuals carrying out research activities and research. Work on this new policy started in spring 2018, well before there was media interest in this research, although material on political neutrality was added as a result of the media interest.



94. Much of the policy is not directly relevant to this report – for example, the provisions relating to data storage, record keeping, peer review, and conflicts of interest. However, the policy does have provisions relating to political neutrality that are derived from the guidance described above:

*All research undertaken by, or on behalf of, Inland Revenue must remain politically neutral.*

*Research should not ask participants about their political affiliations or interests, their views on political parties, or anything that could create a perception of political partiality.*

95. The IR Code of Conduct is noted in the Insights and Evaluation Policy as a 'related' IR document.

96. The *Methodology* section of the policy states: 'Researchers should ensure they use research methods appropriate for each project, and base conclusions on critical analysis of the evidence'.

97. Suspected breaches of the policy should be reported to the Group Lead – Customer Insight and Evaluation so they can be investigated. If a breach involves any employee of IR, they may also have breached the Code of Conduct. In addition to managing suspected breaches, the Group Lead will work with employees to ensure standards are met and will share the policy with individuals wanting to work with (or on behalf of) IR.

98. The owner of the Insights and Evaluation Policy is the Customer Insight and Evaluation Advisory Committee (CIEAC) of IR executives. CIEAC will:

- be kept regularly informed by the Group Lead about any breaches of the Insights and Evaluation Policy and actions taken to address these
- advise the Commissioner of any significant concerns regarding research or evaluation conducted in contradiction of the policy.

## Customer Insight & Evaluation Workflow Process

99. The Customer Insight & Evaluation Team unveiled a new workflow process in October 2018, as the process for procuring Colmar Brunton was underway. The process has been refined since then and we were told it is now more embedded.

100. The Workflow Process clarifies responsibility for sign-off at key points. For example:

- As part of the project design phase, the scoping document is to be signed off by a level 3 staff member and the Group Lead (and the stakeholder)
- As part of the kick-off phase:
  - the procurement plan and request for proposals, if required, are to be signed off by the Group Lead
  - 'research tools' are to be signed off by a level 3 staff member
  - 'instruments' (questionnaires, topic guides, and so on) are to be signed off by a level 3 staff member or team leader and the internal client
  - the analysis plan is to be signed off by a level 3 or Group Lead.



101. The Workflow Process includes a list of key times to get senior staff involved, namely: project qualification, project design brainstorm, questionnaire and/or topic guide design, analysis session, story-telling session, and before design of the final output.
102. The new Workflow Process has the benefit of clarifying responsibilities for sign-off at key points. However, it is not clear from the documents we have been provided how and when risk would be considered throughout the process.

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# WHAT HAPPENED: THE EVENTS

Figure 2: Illustration of the timeline



## Overview of the timeline

103. This section sets out the events that comprise the end-to-end process that led to this review being commissioned.

104. The events can be considered in six phases:

- Strategic thinking at senior level
- Scoping work for a contractor
- Procuring Colmar Brunton as the contractor
- Refining the work sought from Colmar Brunton
- Survey going live and attracting media interest
- Actions taken since the survey.

105. An organisation chart showing the relationships between the relevant IR staff is in Appendix 2 of this report.

## Strategic thinking at senior level

106. IR's Strategic Governance Board (SGB) considered tax morale and the impact it can have on voluntary compliance in November 2017. At that point the SGB considered a paper titled *Trust in the public sector*. It was sponsored by the Deputy Commissioner, Policy & Strategy and presented by a manager in the Strategy branch and a Senior Strategist. The paper was intended to consider:

- how trust impacts IR's strategic direction
- what would help maintain trust in IR and the revenue system
- what IR could do better to influence trust.

107. The Minutes show that SGB agreed that:

- SGB would schedule a discussion on a potential 'Communications Strategy' for IR and how IR can influence New Zealanders' perceptions about the tax/revenue system and why it is good to participate in it. This would be led by the then-Deputy Commissioner, Information, Intelligence & Communications with the help of the strategy team. The paper would also address investment requirements and potential outcomes IR would get from this.
- As part of the customer segment strategies, new segment leads would consider and incorporate trust data, including demographic differentiation, into the development of customer segment strategies.

108. SGB next considered a paper titled *Influencing perceptions of tax* on 18 April. The paper was sponsored by the Deputy Commissioner, Information, Intelligence & Communications. Its purpose was to discuss a strategy for influencing New Zealanders' perceptions of tax and why it is good to participate in the tax system.





109. The Board agreed that:

- influencing tax morale is a strategically important part of IR's activity. Relevant areas of IR should build it into their plans, funding it through their business group budgets
- a formal part of the process of considering, costing and implementing new projects and policies is to consider the possible impacts on tax morale
- influencing tax morale should be considered as part of the continuing work on the customer segment strategies.

## Scoping work for a contractor

110. Between April and July, IR staff, including the Group Lead, Customer Insight & Evaluation, a Senior Strategist and an Intelligence & Insight Specialist, scoped work for a contractor to increase IR's understanding of trust in IR and the tax system, and the flow-on impact on tax morale. This eventually manifested as a draft procurement plan in September. The Request for Quotes (RFQ) was released to a closed panel of suppliers selected from the All of Government Consultancy Panel on 25 September.

111. The RFQ listed the following research objectives for the project:

- identify the key factors that influence customers' overall trust in IR and New Zealand's tax system
- determine which of these can be influenced by IR's actions and which cannot
- understand how IR's communications and behaviours build or erode customers' trust and collaborate with us to identify tangible next steps and actions
- develop questions for the ongoing monitoring of customers' trust in IR and the tax system, to provide internal stakeholders with actionable insights and timely indicators of any noteworthy changes.

112. The RFQ indicated IR was open as to the approach to the research but offered initial thoughts on the methodology, seeing it as including the following:

- a discovery phase, involving a literature review and stakeholder engagement to capture what is already known
- an 'uncover' phase involving qualitative and quantitative research methods to find out what the key drivers of trust are for IR customers
- a phase determining solutions and next steps, to be led by the provider in close collaboration with IR.

## Procuring Colmar Brunton as the contractor

113. After the RFQ went to market, Inland Revenue received four tenders from suppliers by the deadline of 8 October. Between 8 and 12 October the tenders were evaluated by a core team of



two Intelligence & Insight Specialists and the Group Lead, Customer Insight & Evaluation. Moderation was conducted by the Commercial Manager, Commercial Corporate.

114. On 12 October, Colmar Brunton and one other provider were notified they had been shortlisted. Each presented to IR on 17 October. Between 18 and 30 October, the evaluation panel confirmed and refined its scores of the shortlisted candidates, completed its evaluation, and refined its recommendation to appoint.

115. On 30 October, the Manager, Commercial Corporate endorsed the recommendation to appoint. The Commercial Manager, Commercial Corporate emailed the recommendation to appoint to the Intelligence Leader, Intelligence & Insight for sign off. On 1 November, the Commercial Manager, Commercial Corporate wrote to Colmar Brunton to inform them they were the preferred provider.

116. The RFQ anticipated the following timeline when it went to market:

- 22 October – the provider was to be confirmed
- 29 October – ‘set up’ meeting with selected provider was to be held and Statement of Work was to commence
- 30 October to 27 November – fieldwork was to be undertaken
- 29 November – the provider was to meet with the Research Evaluation & Insight Team to discuss findings
- 3 December – the provider was to present to key IR stakeholders
- 4–7 December – an ongoing monitoring solution was to be developed in collaboration with key IR stakeholders, notably the Research Evaluation & Insight Team.

## Refining the work sought from Colmar Brunton

117. Through November and December, IR and Colmar Brunton liaised to refine the work programme for the qualitative work that would inform the survey. Colmar Brunton submitted revised pricing on 29 November.

118. Through this process it was agreed that Colmar Brunton would be involved in three pieces of work:

- running a series of ethnographic dyads and/or triads<sup>13</sup> to gain an understanding of drivers of trust for particular populations
- running a series of focus groups to gain a more general sense of drivers of trust
- running an online survey.

<sup>13</sup> ‘Dyads’ and ‘triads’ are interviews with groups of two and three interviewees respectively. Interviews of this nature are common in qualitative research.



119. Colmar Brunton began work with the dyads and triads on 7 December. Focus group discussions were held on 31 January 2019.

120. The Statement of Work was signed by Colmar Brunton on 17 December and by IR on 19 December.<sup>14</sup> The timeline in the signed Statement of Work contained the following deliverables in section 3.2:

- 5 December – project planning and qualitative topic guide
- 20 December – development of draft questionnaire for survey
- 24 January 2019 – final questionnaire agreed
- 10 February – fieldwork (survey in field) complete
- week of 25 February – analysis and story-telling sessions with IR
- 8 March – draft report.

121. Between 8 and 24 January, IR and Colmar Brunton discussed the rationale for each of the draft survey questions, agreeing on the specific rationale behind each individual question and the framework for the survey. This was mostly done by email but included a meeting on 17 January. The questions were considered one-by-one and several attracted considerable attention, including some with political themes. However, despite the relatively thorough process, no issues were raised with the question on political leanings. Minor wording changes to the questions continued to be discussed up until 30 January, when IR confirmed it was comfortable with the wording by an email from an Intelligence & Insight Specialist to a Colmar Brunton Group Account Director.

## The survey goes live and attracts media interest

122. Pre-notification of the survey going live was sent to 40,000 customers on 25 January. A pilot survey was sent by Colmar Brunton on 31 January. The survey went live on 1 February.

123. Media queries began on 5 February. The Group Manager, Marketing & Communications was interviewed by a Fairfax Media business journalist on 7 and 8 February.

124. After a lengthy meeting of relevant IR staff on Saturday 9 February as a result of media queries, the Group Lead, Customer Insight & Evaluation emailed Colmar Brunton asking for the data from the question on political leanings to be deleted. A Colmar Brunton Group Account Director confirmed this would happen when the working week began. On 6 March he confirmed that the data had been deleted from the data download. Colmar Brunton further confirmed on 20 March that the data had been deleted from the original servers so there is no way it could be unarchived’.

125. At 9 am on 11 February the survey was removed from the internet.

<sup>14</sup> The Statement of Work was signed after Colmar Brunton began working. This is not unusual, particularly as there is a Master Services Agreement between these parties and there is a need for balance between compliance with processes and getting on with the job.



## Actions taken since the survey

126. The Deputy Commissioner, Information & Intelligence Services issued Interim guidance for conducting surveys, research interviews or focus groups on 27 February.

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# FINDINGS

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“[W]e said...the question was inappropriate, so something has clearly gone wrong.”  
– Deputy Commissioner, Information & Intelligence Services

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## The terms of reference

127. MartinJenkins was asked to consider and form an opinion on these three issues:

- *Whether there is any evidence that including the question on political leanings was in any way politically motivated.*
- *The adequacy of the end-to-end process leading to the approval of the political leanings question. This will include looking at the commission and design of the relevant research, and the procurement, decision-making and review processes for approving the question.*
- *Whether the processes supporting the decision to include the political affiliation question in the survey were considered and balanced against the risks to the integrity of the tax system. This includes perceptions of political neutrality.*

128. Our finding on political motivation is presented first. The second and third issues are closely related and we therefore present our findings on them together.

## Was there political motivation?

### From the terms of reference:

- ***Whether there is any evidence that including the question on political leanings was in any way politically motivated.***

### Key finding

129. We have found no evidence of political motivation in the use of the question on political leanings or the setting of the questions. We are confident that there was no political motivation at any point, from when the research was conceived to when the survey was implemented.

130. In the following sections we expand on that finding, including on Inland Revenue’s strategic intent in commissioning the survey and the specific purpose of including the question on political leanings.



## The strategic intent behind the research

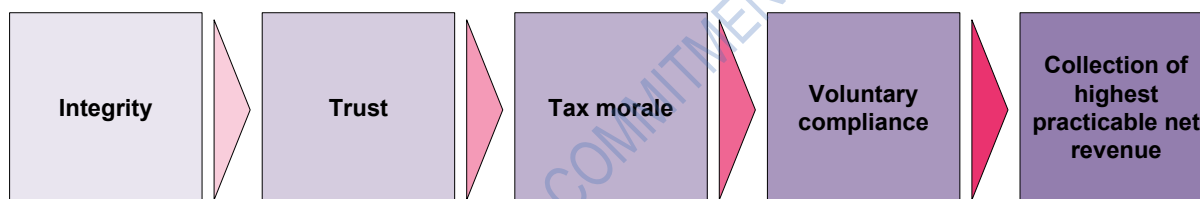
131. This section first considers the strategic intent of the research, and the relationship between that intent, Inland Revenue's objectives and the rationale for the question on political leanings.

### IR's broad strategic intent

132. As noted, the Commissioner of Inland Revenue has a legal duty to collect over time the highest net revenue that is practicable within the law.<sup>15</sup> Further, every IR staff member has an obligation to protect the integrity of the tax system.

133. The integrity of the tax system is directly linked to the trust New Zealanders have in IR, which domestic and international research suggests correlates to 'tax morale' – that is, the willingness to pay tax and voluntarily comply with tax obligations. In turn, tax morale directly relates to the net revenue collected by IR and therefore to the fulfilment of the Commissioner's duty. These relationships are shown below.

**Figure 3: Integrity contributes to IR's objective**



134. Inland Revenue's strategic objectives are set out in an A3 titled *IR for the future*, which is displayed around IR's offices. It includes the organisation's purpose, strategic objectives and cultural values. The strategic objectives include:

*Grow voluntary compliance by making it easier for people to get it right.*

135. The document describes IR's mission as being achieved when it delivers three specific outcomes, one of which is:

*Revenue is available to fund government programmes through people meeting payment obligations of their own accord.*

<sup>15</sup> Tax Administration Act 1994, section 6A(3).



## The strategy behind the research

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“We measure tax morale, trust in the tax system every quarter. Some quarters I see it go up, some quarters I see it go down and I have never over five years been able to attribute a reason as to why that is. It is therefore impossible for me to achieve my goal of influencing that trust, the perceptions of the integrity of the tax system because I don’t know what’s causing changes in movement at a public level.”

– Group Manager, Marketing & Communications

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136. IR’s Request for Quotes set out the objectives for the broader project. The successful provider was to:

- *identify the key factors that influence customers’ overall trust in Inland Revenue and New Zealand’s tax system*
- *determine which of these can be influenced by Inland Revenue’s actions and which cannot*
- *understand how Inland Revenue’s communications and behaviours build or erode customers’ trust and collaborate with us to identify tangible next steps and actions*
- *develop questions for the ongoing monitoring of customers’ trust in Inland Revenue and the tax system, to provide internal stakeholders with actionable insights and timely indicators of any noteworthy changes.*

137. In particular, IR believed it had some understanding of the functional elements of trust but less knowledge of the emotional associations that can underpin customer behaviour and decision-making around tax compliance. This was particularly true for some groups, including Māori and Pacific peoples.

138. As noted above, IR wants to be customer-centric and intelligence-led in the way it operates. The research was intended to directly contribute to this as it aimed to gather intelligence to help IR understand the influences on its customers’ perceptions of trust.



## The purpose of the question on political leanings

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“We felt like ... we hadn’t asked about people’s specific political party affiliation, and so we thought it was broad enough and there was a discussion, well actually it is anonymous, it is only being used internally. These were the things that were going through our heads.”

– *Intelligence & Insight Specialist*

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139. The set of survey questions was intended to improve Inland Revenue’s understanding of the degree of influence it had over trust. IR and Colmar Brunton worked through the rationale for each question in the survey in January 2019 until IR was comfortable the reason for asking each question was clear. Each question was inspired by what Colmar Brunton had heard about what drove trust in IR and the tax system through the interviews and focus groups it conducted in 2018.

140. Those we interviewed explained how regression analysis could show which factors drove trust the most. Theoretically, the research could have shown that trust in IR and the tax system was almost entirely controlled by factors IR could never influence. Those we interviewed argued that good research practice required IR to identify factors it knew it could not control – and would never try to control – in order to find out how much influence it may be able to have over the remaining factors, and therefore its ability to influence taxpayer perceptions of IR and the tax system.

141. IR knew it could not, and would not seek to, influence political leanings but the question that led to this review was included nonetheless to ascertain the influence this variable had on respondents’ trust in the tax system so IR could consider what influence it had through other variables it could influence.

## Findings on the strategy behind the research and the question

142. We find that the strategic intent behind the research was consistent with:

- Inland Revenue’s broader strategy and legal obligation to protect the integrity of the tax system and to maximise trust in the system, increase voluntary compliance, and collect the greatest amount of revenue within the law
- the traits IR seeks to display through its work, such as customer-centricity and intelligence-led actions.

143. However, the inclusion of the question had the perverse effect of undermining the integrity of the tax system by calling into question IR’s political neutrality. This is because risk was not adequately considered in conjunction with strategy.

144. The desire to understand the effect of political leanings on trust is understandable given the objectives of the research and IR’s broader objectives. IR believed it did not have a good understanding of the drivers of trust in IR and the tax system, and the range of factors that influence the drivers of trust over time. This was particularly true for the emotional associations





that can underpin customer behaviour and decision-making around tax compliance, especially in regard to Māori and Pacific peoples. IR wanted to understand how much control it had over the drivers of trust, and thereby what it could do to influence trust and gain the benefits of a taxpayer base with greater trust in the tax system and IR.

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“Personally, I have come from a private sector background...it felt like another time, another place, this was a natural question to include. And I still think... from an integrity of the research point of view we needed to have it in there....”

– *Intelligence & Insight Specialist*

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145. The inclusion of the question was consistent with principles that could underpin research in a non-governmental context such as academia, where the political considerations of the Codes of Conduct and so on do not apply. The researchers wanted to use regression analysis to understand which drivers of trust were the strongest and how much control IR had over trust in the system. This meant asking respondents about things IR knew it could not control, to understand how important the things it could control were in affecting trust.

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“[I]t was actually not us trying to understand that particular point, it was actually to remove it from the series of drivers that we might look at.”

– *Intelligence Leader, Intelligence & Insight on why the question was included*

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146. We argue throughout this report that strategy and risk management should be intertwined. We understand what IR was trying to achieve through the research and the question, and why it would want to improve its understanding of trust in IR and the tax system. However, this is a case where reputational risk should have been given greater consideration within the strategic context. Had risk been properly considered, IR could potentially have found another way to achieve its strategic objective.

### **Could the research have used an alternative approach?**

147. We note that researchers we interviewed told us that there are usually a variety of options to achieve the objectives of research like this. Applying a reputational risk lens would ensure the option selected would not risk ambiguity in the perception of political neutrality.



## The adequacy of the process and consideration of risk

### From the terms of reference:

- ***The adequacy of the end-to-end process leading to the approval of the political leanings question. This will include looking at the commission and design of the relevant research, and the procurement, decision-making and review processes for approving the question.***
- ***Whether the processes supporting the decision to include the political affiliation question in the survey were considered and balanced against the risks to the integrity of the tax system. This includes perceptions of political neutrality.***

### Key finding

148. While the use of the question on political leanings was not politically motivated, it was clearly unacceptable and its inclusion reflected an inadequate application of internal controls.

### Our approach

149. In carrying out this review we considered the various frameworks, policies and other components of Inland Revenue's control environment: these are discussed in detail earlier in this report, under 'The control environment at Inland Revenue'.

150. In the course of this review it became obvious that the 'adequacy of the end-to-end process' was inseparable from consideration of 'the risks to the integrity of the tax system'. We have therefore set out our findings on those two issues together in this section.

### Inland Revenue has a sufficient range of policies and procedures

151. IR has all the policies and procedures we would expect of a modern organisation. It has signalled it wants to work in a way that is agile, intelligence-led and customer-centric – all traits of a modern organisation. Delegating decisions to the lowest possible level is consistent with this. It allows decisions to be made quickly (without reverting up to senior leaders), by those who are closest to customers and who therefore know the most about customers through interacting with them. Together these factors form a coherent approach – that is, an empowered environment with what looks like appropriate checks and balances.



## However, the application of checks and balances was inadequate

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“You can always improve your controls.”

– Deputy Commissioner, Information & Intelligence Services

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### Risk management at IR

152. IR has a sophisticated risk management regime but its application in this case was fragmented. There were gaps, and there was no overall, coherent consideration of risk. There was also a lack of leadership and oversight of risks across the process. At no point was the risk of a perception of a lack of political neutrality raised.

### Risk management was fragmented

153. Risk was considered at a number of points in the project, including:

- the paper to SGB setting out the strategic intent of the review
- the design of the research, which considered risks to the integrity of the research (that is, the validity of the findings)
- the procurement of the provider, which considered risks to the procurement and successful completion of the work.

154. The reputational risk from compromising the perception of political neutrality was not considered at any of these points.

155. Risk management appears fragmented across the business areas within IR involved in this project. Risk to the perception of political neutrality was only explicitly considered at the enterprise level after the events leading to this review had occurred. Other risks were considered throughout the procurement process but only those risks that would affect the integrity or delivery of the research, not the integrity and reputation of the organisation. A more ‘risk intelligent’ culture and a better control environment could have prevented this.

### Control activities relating to risk

156. There was a disconnection between the stated expectations of management in various policies (part of the control environment) and the control activities implemented in this case. The ERMF commits IR to adopting best practice to ensure that ‘risk management is embedded within IR’s overall strategic and operational policies and practices’. It sets out IR’s goals for risk management, including promoting a ‘risk intelligent culture’, aiming to ‘continuously improve risk management’. The risk team even predicted the ‘negative national media coverage’ that would follow an incident related to reputational risk.

157. In the terminology of the assurance framework, a number of controls have been established by management to mitigate risks to form the ‘first line’ of assurance. However, the ‘second line’ –



management's monitoring that provides assurance the controls are working – appeared to be missing in this case. In COSO terms (reflected in IR's Internal Control Framework):

- there were difficulties with **information and communication**
- **monitoring** of risk practice was limited.

### **Risk culture is inconsistent across IR**

158. We heard that attitudes to risk management vary across Inland Revenue, with some parts being more risk-aware than others. Some parts do not engage with those attempting to manage enterprise risk. This means the risk specialists effectively have no visibility over what is happening in some of IR's business areas. With so many risks competing for the attention of the Corporate Risk & Assurance Group, this can become reinforcing. If a business area does not want to engage there are plenty of other things for the Corporate Risk & Assurance Group to focus on. We heard that Deputy Commissioners can help 'set the tone' for risk management and set expectations for engagement with Corporate Risk & Assurance for their units. Interviewees implied that some Deputy Commissioners are more engaged in conversations about risk than others.

159. We have met with staff in parts of IR relevant to this review, including Commercial & Procurement. This unit has a unique role to play in two ways:

- in overseeing the contract process where IR enters formal relationships with providers
- in managing risk, in that some risks (financial risks for example) can be transferred to a provider through a procurement process. However, reputational risk will always remain with the organisation whose reputation is at stake – in this case, Inland Revenue.

160. Commercial & Procurement's checklist could be amended to include confirmation that the business area concerned (e.g. research) has assessed all relevant risks, including reputational risk.

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“[O]ur plan is based on risk and when I don't have engagement to discuss such things with managers...I would rather spend my time where it is appreciated.”

– *Manager Internal Audit*

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### **Risk is not covered in induction**

161. As documented above, risk is not specifically covered in induction. The module on LearnIR targets managers and team leaders only. IR's Risk Services unit would prefer risk was incorporated into a number of modules to reflect how risk management should be incorporated into day-to-day practice.



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“I just use any means, honestly, I use any means to get in and push the word out that this [risk management] is actually a useful discipline.”

– Group Manager, Corporate Risk & Assurance

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### **The Codes of Conduct should have provided a check**

162. The Codes of Conduct should provide a check against reputational risk in that they unambiguously promote political neutrality in the conduct of the State services. There was no consideration of the Codes of Conduct through the process. This in itself is not surprising, but it is surprising that the risk to political neutrality – which is core to the Codes – was never explicitly considered. In other words, we would have expected a robust risk management framework to have picked this up.

163. The State Services Code of Conduct requires State servants to act impartially, in a politically neutral way. This includes avoiding the public perception that a department is not politically disinterested. It is important State servants have a full understanding of political neutrality. It is not enough to simply avoid influencing State sector work with the political leanings of those doing the work. State servants must avoid even the perception that their work is political in nature.

164. Notably, the IR Code of Conduct includes a decision-making checklist. Staff who are unsure about taking an action should ask, among other things, ‘is it likely to be misconstrued?’ and to ‘consider the public’s perception of ... proposed actions’. Clearly that did not happen in this case.

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“I felt like I was at all times actually operating within the Code of Conduct.”

– Intelligence & Insight Specialist

“[O]ur thinking around political neutrality was ... framed at not letting our political views influence what we do at work ... I think with hindsight, we should have been thinking about political neutrality in a broader sense ... what might the perception of asking this question be? Would that compromise the view that IR is politically neutral?”

– Group Lead, Customer Insight & Evaluation

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### **The process for considering the questions should have identified risks**

165. The IR researchers on the project engaged with Colmar Brunton to explicitly and rigorously clarify the research rationale for each individual question in the survey. The question on political leanings was explicitly checked and quickly confirmed with no risks identified. No senior managers outside the project team were consulted on this question, or any other. No senior manager asked about



reputational risk – or risks to the integrity of the tax system – or to see the questions. The risk of the perception of compromised political neutrality should have been identified in this process.

## Roles of key project leaders

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“I wasn’t given guidance on that [being a project sponsor] and if there is some formal guidance on that I am still not aware of it.”

– Group Manager, Marketing & Communications

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166. The expectations of a project sponsor and project manager are not clear for a project of this kind. The guidance we were provided with for this review relates only to enterprise projects. No-one we interviewed could direct us to similar guidance for ‘lower’ level projects (such as research projects) which, as this report demonstrates, can still involve sufficient risk to require oversight.

167. Regardless, this project was not run in accordance with the expectations for enterprise project sponsors and managers. For example, the project manager did not discuss risks with the project sponsor. These titles are meaningless without a set of expectations attached to them. It is reasonable to expect project leaders to be responsible for quality and project risk management. Had the expectations been clear they may have taken a more hands-on approach.

## Other issues relating to personnel

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“...we have had a great influx of private sector people and I don’t think that they really understand what working in the public sector means from a risk point of view, from a machinery of government point of view ... they are totally different things.”

– Manager Internal Audit

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168. The terms of reference have asked us to consider the adequacy of the ‘end-to-end process leading to the approval of the political leanings question’. The process primarily failed because of a break down in the control environment. However, there were also a range of factors relating to the personnel on the project that may have contributed distraction or pressure to the environment, and thereby contributed in some way to the internal controls being inadequately applied. These factors are noted here for completeness.

169. An Intelligence & Insight Specialist was a key staff member from the Customer Insight and Evaluation Team working with procurement on producing the RFQ. That staff member was away for six weeks when the RFQ was planned to be released. This may have contributed to a hold up in releasing the RFQ and IR reviewing the quotes it received, with a flow-on effect of a delay in Colmar Brunton starting its work.



170. The Group Manager, Corporate Risk & Assurance told us IR had five risk managers in six years. Regular turnover of risk managers could affect the degree to which expectations around risk management are embedded within an organisation like IR.
171. The Manager, Commercial Corporate started working at IR the day before receiving the Recommendation to Appoint. They relied on the advice of the Commercial Manager, Commercial Corporate on the process that had been undertaken. The Manager, Commercial Corporate endorsed the Recommendation to Appoint on this basis, and it was forwarded to the Intelligence Leader, Intelligence & Insight for sign-off.
172. At least two key staff had little public sector experience: an Intelligence & Insight Specialist and the Manager, Commercial Corporate. Both have spent much of their careers in the private sector. Other staff we spoke to had spent considerable periods in the private sector, although with some public-sector experience also. The public and private sectors have different operating environments, particularly around the need for political neutrality as detailed in the Codes of Conduct that IR employees are subject to.
173. When key staff are new to a State sector organisation, particularly if they have a private sector background, a robust induction programme is needed to convey the expectations of public servants. As noted above, induction at IR does not include any specific training on risk management, although there is a module on LearnIR for managers and team leaders that, we have been told, is not mandatory and needs refreshing.



# RECOMMENDATIONS

## Improve staff understanding of political neutrality

174. We recommend that IR

- Remind all staff of what it means to be politically neutral in line with State Services Commission guidance, including the need to avoid the perception that political neutrality has been compromised.

## Refresh the induction process

175. We recommend that IR:

- Review the content relating to political neutrality and the Codes of Conduct used in its induction process
- Set expectations relating to risk management in induction.

## Clarify key project roles

176. We recommend that IR:

- Clarify what it expects of project sponsors and project managers in projects other than enterprise investment projects, particularly its expectations around risk management.

## Improve the control environment

177. We recommend that IR:

- Raise the profile of its risk and assurance functions to ensure they have consistently high visibility across IR, and that other parts of IR are consistently receptive to benefitting from these functions.
- Devise a means for monitoring and, where possible, measuring risk intelligence across IR so it can be tracked over time.
- Expect project leaders to consider risk and strategy together when leading projects.
- Hold IR's executives to account for ensuring their areas of responsibility exhibit risk intelligence.
- Defragment risk management by:
  - i. ensuring risk is considered at project level in light of the Enterprise Risk Management Framework.
  - ii. considering an amendment to Commercial & Procurement's checklist to include confirmation that the business area seeking a procurement has assessed all relevant risks, including reputational risk.





- Hold IR's executives to account for implementing each component of the Internal Control Framework, with particular attention paid to monitoring and improvement so IR can see if the framework is working and ensure the framework remains up-to-date in a continuously changing environment.

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# APPENDIX 1: INLAND REVENUE TERMS OF REFERENCE

## Independent review into Inland Revenue's approval of a question about respondents' political leanings in an online survey

18 February 2019

### Background

Inland Revenue is required by the Tax Administration Act 1994 to protect the integrity of the tax system, including the perceptions of that integrity. To assist with this, in December 2018, Inland Revenue commissioned Colmar Brunton to undertake research with the objectives of:

- identifying the key factors that influence New Zealanders' trust in Inland Revenue and the tax system
- determining which of these factors can be influenced by Inland Revenue's actions and which cannot, and
- understanding how Inland Revenue's actions build or erode that trust.

Following standard research practice, Colmar Brunton held interviews and focus groups with New Zealanders to discuss their trust in Inland Revenue and the tax system. The topics that came up during these discussions would then be further tested in an online survey.

During the interviews, New Zealanders raised several issues that appeared to affect their trust in Inland Revenue and the tax system. As one of these issues was a person's political leanings, a question on this was included in the online survey. The question was approved by Inland Revenue and read:

*People often indicate their political affiliation along a spectrum of left and right. Using this divide, where on the spectrum would you place yourself? (from 0 to 10).*

Inland Revenue became concerned at the public perception that the research had been carried out for political purposes. As a result, Inland Revenue directed Colmar Brunton to delete the data on political leaning and not report on it.

On reflection, Inland Revenue's view is that the question on political leanings should not have been included in the survey.



## Scope of Review

The review will:

1. Consider and form an opinion on:

- Whether there is any evidence that including the question on political leanings was in any way politically motivated.
- The adequacy of the end-to-end process leading to the approval of the political leanings question. This will include looking at the commission and design of the relevant research, and the procurement, decision-making and review processes for approving the question.
- Whether the processes supporting the decision to include the political affiliation question in the survey were considered and balanced against the risks to the integrity of the tax system. This includes perceptions of political neutrality.

2. The review will also consider lessons learnt from this issue and make recommendations accordingly.

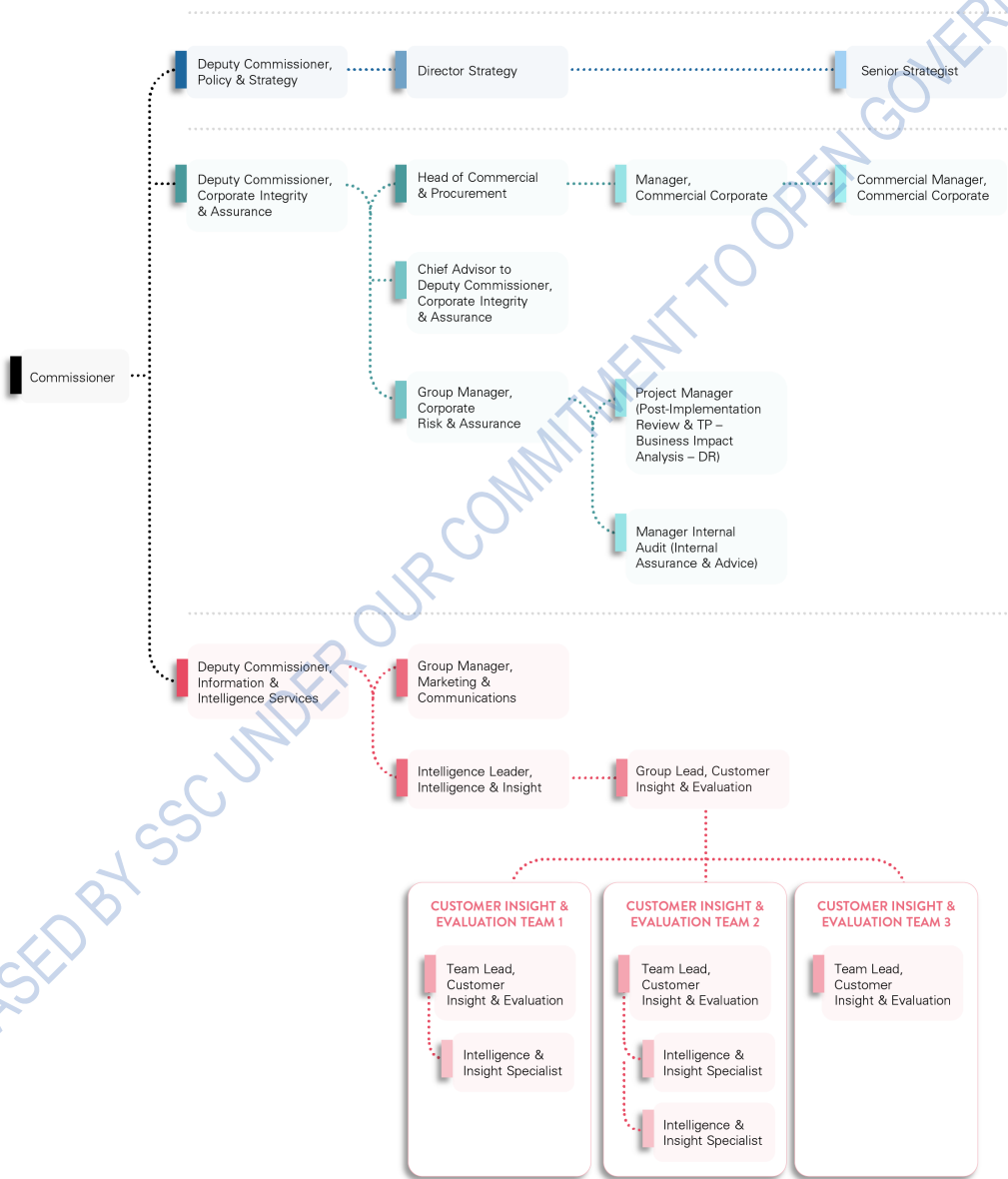
## Timeline

An interim progress report will be made to the Deputy Commissioner, Policy & Strategy, by Friday 8 March 2019.

The review report will be made to the Commissioner of Inland Revenue, who will provide it to the State Services Commissioner to support his examination of the circumstances that led to Inland Revenue commissioning a poll of taxpayers, which included a question about their political affiliation along a spectrum of left and right.



# APPENDIX 2: ORGANISATION CHART FOR RELEVANT STAFF



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**Date:** 28 February 2019

**To:** Lou Sanson, Director-General of Conservation

**CC:** Bruce Parkes, Deputy Director-General Policy and Visitors  
Martin Kessick, Deputy Director-General Biodiversity  
Karen Deputy Director-General, People and Engagement

**From:** Lucy Alcock, Director Government Services

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**Subject: Question on political orientation in survey**

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### **Purpose**

1. You have asked for a report responding to a request from the State Services Commission regarding a political orientation question included in a survey designed by DOC and Landcare.

### **Context**

2. The Minister of State Services has asked the Commissioner to examine the circumstances that led to Inland Revenue commissioning a poll of taxpayers, which included a question about political affiliation. DOC subsequently referred a related issue to SSC, concerning a question in a survey designed by DOC and conducted for New Zealand's Bioheritage National Science Challenge.
3. SSC emailed DOC to get an understanding of the specific facts of the issues and advised that DOC can approach the investigation as you see fit.
4. Without limiting the scope of DOC's investigation, SSC expects DOC to look at:
  - a. The details of exactly what has happened, how the questions were asked and how the data was used
  - b. Why and how it occurred
  - c. At what level approvals were given
  - d. Whether these were within delegated levels
  - e. How senior management control was exercised
  - f. The processes for quality assurance (both technical QA and QA of appropriateness of content)
  - g. whether the management controls were consistent with your agency's normal practice.
  - h. Any other matters that come to light that DOC thinks SSC should be aware of
5. The question notified to SSC was question 27 in the 'BioHeritage Challenge' survey undertaken in September 2017, reproduced below.

Q 27. Please indicate where on the political spectrum you perceive yourself to be on a scale ranging from 1 (extremely liberal) to 7 (extremely conservative).

1 - Extremely liberal	2	3	4	5	6	7 - Extremely conservative
1	2	3	4	5	6	7

- DOC designed the survey which was undertaken by Colmar Brunton, under contract to Landcare. Colmar Brunton tested the design, delivered the survey online in September 2017 and provided the results in agreed format to DOC.

### Administrative arrangements relating to the survey

- There are several agreements relevant to the survey. The dates of these are included in the chronology at Attachment 1.
- The Government has 12 [National Science Challenges](#)<sup>1</sup> (NSCs) established in 2014 to tackle the biggest science-based issues and opportunities facing New Zealand. One of these is the New Zealand's Biological Heritage Challenge (NZBH).
- The NZBH has 18 Collaboration Parties including universities Crown Research Institutes and two Public Services; one of which is DOC.
- Landcare is the Lead Collaborator for NZBH. It receives funding from the Ministry of Business, Innovation and Employment to support a programme of work agreed by the Collaboration Parties.
- Part of this programme is a project on: *Novel technologies, novel pest control perspectives* (project 2.6). Project 2.6 is an ongoing multi-agency effort to address public perceptions of the use of novel technologies for pest control. The aims of project 2.6 required a survey of New Zealanders to understand their opinions towards novel pest-control technologies and the underlying values, beliefs, and attitudes that influence their opinions.
- On 2 March 2017, Landcare as Lead Collaborator signed a Memorandum of Understanding (MOU) with DOC detailing how the relationship would be conducted to execute project 2.6. The MOU established that DOC will provide the Project Leader and technical expertise for project 2.6. (Attachment 2).
- On 10 March 2017, Landcare, as the 'Challenge Contractor' for project 2.6 contracted Landcare as the 'Lead Collaborator' to deliver project 2.6. The Lead Collaborator Work Schedule is at Attachment 3. DOC was not a party to that contract, but DOC's Director Planning and Support and the DOC Legal team were involved in determining the wording of the contract.

<sup>1</sup>: <https://www.mbie.govt.nz/science-and-technology/science-and-innovation/funding-information-and-opportunities/investment-funds/national-science-challenges/>

14. The survey questionnaire was designed by the project team under DOC leadership. The team included staff from DOC, Landcare and from Otago, Victoria and Auckland Universities. The results are being analysed and reported by the project team under DOC's leadership.
15. On 12 July 2017 Landcare signed a contract with Colmar Brunton to deliver the survey listing a Landcare staff member as the Project Leader for that contract.
16. Colmar Brunton delivered the survey in September 2017. There were no DOC or Landcare identifiers displayed on the survey.

### **Why did the survey include a political orientation question?**

17. Much of the current literature on public communication of science is based on United States research. In order to understand public attitudes to science in New Zealand it is necessary to determine the degree to which US research applies in the New Zealand context.
18. Based on international literature and over 25 years of research on public attitudes towards science, DOC developed a 20-minute on-line survey. The survey instrument/questionnaire covered 20 different 'constructs' one of which was political orientation (Q.27 reproduced above). This measure was one of the 20 chosen because there is significant evidence from the United States that political orientation is associated with opinions of environmental issues and trust in science.
19. The question did not prompt for party political affiliation, party preference or voting history. The question and analysis also do not seek to make any value judgements about any political orientation, but to better understand the underlying values that impact public opinion.

### **How will the results be used?**

20. The overall findings have been shared [publicly](#)<sup>2</sup> and DOC's role in the research has been stated in research reports.
21. The results are still being analysed and will be submitted to international peer reviewed scientific journals. The results will be used to help inform strategies designed to better engage the public about novel technologies and issues surrounding their potential application in New Zealand.
22. As part of the NSC agreement, the survey questionnaire and data and survey are to be made publicly available at the conclusion of the research and following publication of the scientific papers.

### **At what levels was approval given?**

23. There were two key approval points. The first was signing the MOU governing DOC's involvement in project 2.6; the second was finalising the survey.
24. The MOU was signed by the Director Planning and Support (a Tier 3 position) on behalf of the Director-General of Conservation.

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<sup>2</sup> <https://www.youtube.com/watch?v=ARfiRP-RIOQ>

25. DOC's Social Science Manager (Tier 4) was specified in the MOU as the Project Leader and had responsibility for finalising the survey design.

### **Were approvals given within delegations and at appropriate levels?**

26. DOC Tier 2, 3 and 4 roles may enter contracts which are within the scope of their area of work responsibility, and in accordance with DOC's financial delegations.

27. The Director Planning and Support involved the DOC legal team in developing the MOU and acted within these delegations when he signed it on behalf of the Director-General of Conservation.

28. The relevant Deputy Director-General confirms that the nature and importance of the research was discussed at senior levels in DOC at the time and the Senior Leadership Team were aware that DOC would be leading the work.

29. Under DOC's operating model staff are required to operate within the boundaries of their professional and technical expertise. The Project Leader acted within her delegations in finalising the survey design as the content of the questionnaire was a technical matter within her professional social science expertise.

### **How was senior management control exercised?**

30. The primary mechanism for management oversight of project 2.6 were one-on-one Monthly Operating Review sessions between the Project Leader and the Director Planning and Support.

31. The Project Leader used the meetings appropriately to update the Director on progress and flag issues. The Director did not recall any discussion of matters relating to question 27. He was clear that he would not have expected the Project Leader to seek his approval for the question or for any other technical matters such as survey design.

32. The Director in turn had the opportunity to discuss any matters of concern with the project in his Monthly Operating Review with his Deputy Director-General.

### **What quality assurance processes were in place (for technical matters and appropriateness)?**

33. As noted above, the project team contained the expertise needed to design the questionnaire. The draft questionnaire was subject to iterative joint reviews by the Project Leader, Landcare social scientists and Colmar Brunton technical experts prior to being finalised and deployed.

34. The survey was not referred to the Landcare Social Ethics Panel. Landcare advises that the panel would have been unlikely to perceive an issue with the political question, because the question was embedded in the research methodology the Project Leader was advocating and so would have appeared as a legitimate question.



## Were management controls consistent with DOC's normal practice?

35. Management controls were consistent with normal practice in DOC at the time. As discussed above, the Director held MORs at the appropriate frequency and used these as the mechanism to monitor performance.

## Other matters - funding arrangements

36. Project 2.6 was funded from NSC challenge funding administered by Landcare. Attachment 4 is an addendum to the Collaboration Agreement for the Challenge that sets out conditions for DOC and MPI to be able to receive funds for research in relation to the challenge.

## Methodology

37. The information for this report has been produced from review of key documents and discussions with key staff. We note that the findings are limited due to the time available and the absence of some key staff members.

## Recommendations

1. Forward a copy of this report to SSC
2. Direct that all surveys DOC is involved in that collect psychographic data are approved at DDG level until further notice
3. Direct that DOC develops a policy for the content and approval of surveys that it directly commissions, and that it is associated with, once the SSC investigation has concluded and recommendations are made
4. Develop an approval mechanism for surveys in DOC to ensure that all DOC surveys meet appropriate political neutrality, privacy and ethical standards, for example through establishing an ethics committee

## Attachments

1. Chronology
2. Memorandum of Understanding for the execution of the National Science Challenges Project: 2.6 Novel technologies, novel pest control perspectives
3. Lead Collaborator Work Schedule
4. Variation to contract
5. Contract for services between Landcare and Colmar Brunton
6. Addendum to the collaboration agreement for New Zealand's Biological Heritage National Science Challenge

## Attachment 1: Chronology

Date	Item	Note
18 Nov 16	Funding for project confirmed	Letter from Landcare to Landcare
2 Mar 17	MOU for the execution of NSC project 2.6 agreed between DG DOC and Landcare	Signed by Jeffrey Cornwell (DOC) and Peter Millard (Landcare)
10 Mar 17	Lead Collaborator Schedule for project 2.6 signed between Challenge Contractor (Landcare) and Lead Collaborator (also Landcare)	Signed by Richard Gordon (as Contractor) and Peter Millard (as Lead Collaborator)
3 July 17	Social Science team moved into newly formed Biodiversity Group. Martin Kessick DDG, Jeffrey Cornwell remains as Director Planning and Support (including Social Science team).	Team was in Science and Policy under Bruce Parkes DDG
26 Jun 17	Landcare invoices DOC for additional co-funding for project 2.6	75,000 GST ex
12 July 17	Contract signed between Landcare and Colmar Brunton for delivery of the survey	
Sept 17	Colmar Brunton undertakes the survey	
14 May 18	Sharon Alderson becomes Acting Director of Planning and Support	
1 Aug 18	Landcare signs variation to the contract extending dates due to an increase in scope made possible by additional funding	Richard Gordon for Contractor and Peter Millard for Lead Collaborator
6 Aug 18	DOC's Manager Social Sciences and project 2.6 lead Edy McDonald moves to the US and continues to work part time for DOC as a senior social scientist	Edy remains the project lead for project 2.6
22 Aug 18	Jeff Dalley becomes Acting Manager Social Science	

19 June 2019

Peter Hughes  
State Services Commissioner  
Level 10, Reserve Bank of New Zealand (RBNZ) Building  
2 The Terrace  
Wellington 6140

Dear Peter

### Political neutrality and surveys

In mid-February you asked us to look for any market research questions that could potentially be perceived as politically motivated.

We found one piece of market research with such a question: a survey used to understand public awareness of the census, both pre and post-census day. One question asked as part of this research was: How would you describe your current level of positivity towards the Government? It should be noted that this question was within a market research survey conducted by a third party – and not within one of our statistical surveys.

This question was intended to understand people's attitudes towards government, in a general sense, as this was likely to influence their willingness to provide data to Stats NZ, i.e. part of government. Unfortunately, the question proved easy to misinterpret, and as a consequence some responses contained positive or negative references to political parties and MPs. Eliciting such political-leaning information from respondents, even accidentally, risks damaging the impression of our political impartiality which is a fundamental tenet of Stats NZ and any National Statistical Office.

I subsequently commissioned an external review to determine how this instance occurred, whether any others had occurred, and to learn from this to prevent similar cases in future.

#### What we found out

The external review found that the intention of the question was reasonable and a useful insight to gain. There was no evidence that we intended to gather people's opinions or positivity towards the Government of the day or any particular political party. However, the review did conclude that the wording of the question was not appropriate, and we had missed the chance to realise that and

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change it – either as the poll was being worked-up or once the results of it were being compiled and summarised.

No other questions were found in any surveys and polls we conducted over the last five years that could have been perceived as relating to political leanings.

The review made the following four recommendations:

- Make an explicit requirement of high-level sign-off for questions relating to the government in general, and re-iterate that questions relating to political preferences are never appropriate,
- Review internal quality assurance processes for non-statistical surveys,
- Receive all reports as draft for review, before finalising,
- Add a specific note to the report from Census 2018 marketing to explain this review and the question.

What we intend to do

At Stats NZ, our independence and impartiality are fundamental to how we work. With that in mind, we welcome and accept the independent review's recommendations. To demonstrate how we intend to enact them, I have attached our draft response plan.

We will work with the SSC on external communications, including the timing of our release of the independent report, to align with the related review undertaken with SSC.

As the independent review recommends, it will be valuable for us to draw on the expertise of our Data Concepts & Design team for non-statistical surveys, as well as the statistical surveys they are currently involved in. Given we have this expertise, and given my role as Government Statistician, I will undertake to share advice on how to maintain political neutrality in questionnaires with our CE colleagues and their agencies, after implementing the recommendations above.

Nga mihi



**Liz Macpherson**

Government Statistician and Chief Executive  
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7 March 2019

# Independent Review of Statistics New Zealand's Market Research and Polls

## Phase 1 Report

# Statistics New Zealand

# This report considers and reports on Statistics New Zealand's (Stats NZ's) use of a question in its 2017 pre-census market research and post-2018 Census research relating to people's sentiment towards the Government

## 1. The issue in scope

In February 2019, the State Services Commissioner announced he was examining the use of certain questions about the political leanings of taxpayers used by Inland Revenue in a public poll that they undertook.

When the Inland Revenue poll came to light, the Office of the Chief Executive and Government Statistician carried out an initial check of Stats NZ's own market research and polls, to see if there was anything that Stats NZ may have contracted or conducted that could be perceived as similar in nature.

Stats NZ identified one instance of a non-statistical market research survey which contained a question that could potentially be seen as inappropriate for a government agency to ask.

To safeguard Stats NZ's impartiality, to ensure that nothing has been missed, and to make sure that similar cases are prevented from arising in the future, the Government Statistician commissioned a more detailed independent review of Stats NZ's non-statistical surveys and collections to determine if there are any other instances of the use of inappropriate questions in any of its non-statistical surveys and collections.

This report covers phase 1 of the review and reports back on our findings and recommendations relating to the use of a question in a survey undertaken in 2017/18 as part of Stats NZ's pre and post-census research. The research was used to inform how Stats NZ would market and deliver the 2018 Census which was important given the shift towards a more digitally delivered and returned census model. One question asked as part of the census market research was:

*How would you describe your current level of positivity towards the new Government?*

This was subsequently amended to:

*How would you describe your current level of positivity towards the Government?*

Phase 2 of the review will report separately with findings and recommendations on any other instances of the use of political questions in other non-statistical surveys and collections.

## 2. Purpose of this review and our approach

The purpose of this review was to identify any potential cases of non-statistical surveys or collections breaching political impartiality, or cases that may result in perceptions of impartiality, to fully investigate these, to identify lessons learned and to make recommendations that will prevent similar cases in the future.

In undertaking this first phase of the review we:

1. Looked at the specific piece of research noted above, how it was commissioned, carried out and reported on.
2. Interviewed all relevant staff and management.
3. Considered and reported on the systems, processes and approval policies that apply to market research and polls and examined how the providers were commissioned in relation to this research.
4. Developed findings and recommendations in relation to this particular survey.

## 3. Limitations

This report has been undertaken within relatively tight timeframes. Phase 2 is ongoing. It is therefore necessarily based upon the information that has been provided to us (Appendix 1), the interviews we have undertaken (Appendix 2), supplemented by the research we have been able to undertake within the available time.

In line with our Terms of Reference (Appendix 3), we do not make any findings nor make any comment on the conduct or competence of any individual.

## 4. 2018 Census - Context

The 2018 Census was held on 6 March 2018. This census marked a significant shift towards a digital delivery model compared to previous censuses. For the 2018 Census, Stats NZ was pursuing a deliberate strategy to have respondents complete their forms online via a variety of digital channels and devices.

Field collectors going door-to-door to deliver or collect census forms were not going to be used unless dwellings fell into a targeted collection area or Stats NZ had determined responders would not respond online. Special engagement strategies and communications methodologies were needed to ensure Stats NZ reached and captured people unable or unwilling to comply with online participation.

Paper forms and face-to-face visits were still used for areas which were not be able to receive mail, or who it had identified were unable or unlikely to fill out the Census online.

Stats NZ had a target of 70% response using online channels for the 2018 Census. The 2013 Census only had a 34% online response rate. Achievement of this increased target would require careful planning and execution. As with previous censuses, a communications and marketing team was set up to support the marketing and delivery of the 2018 Census.

Due to the significant change in mode to 'digital first' and the fact there were far fewer face to face interactions with field officers, the communications and marketing campaign needed to be different from previous census campaigns.

The goals of the campaign were to:

- reach all New Zealanders
- make them aware of the census
- encourage participation

- reduce barriers to participation
- inform people and households of when and how to complete the census.

Stats NZ knew from its experience with previous censuses that some people and households would be harder to reach and get a response from than others. To develop an effective campaign Stats NZ needed to understand the motivations and barriers to participation with these groups. These were known as the Target Response Groups and these included:

- Māori (multiple sub-groups)
- young working age
- elderly and over 75s
- cultural and language barrier (multiple sub-groups)
- digital barrier (multiple sub-groups)
- non-standard private dwellings (multiple sub-groups).

Stats NZ was aware that one of the potential barriers to participating in the census included people's attitudes to giving personal information to the Government. Research to explore this further was included in the scope of the marketing research that was developed.

The shift towards a digital delivery and census completion model was an ongoing international trend. Stats NZ was in regular dialogue with its counterparts in a number of jurisdictions including Australia, Canada, the UK and the US. Some had experienced issues in the shift to a digital model including Australia whose website hosting their 2016 Census was hacked leading to a denial of service to Australians at the time of the completion of the survey<sup>1</sup>.

Further, feedback from some other jurisdictions indicated a correlation between citizens' negative attitudes towards government and lower response rates.

A campaign concept "Let's Find Out" was developed. This was aimed at understanding the discrete audiences in order to provide tailored messaging to them at different levels - nationally, regionally and within communities.

To support the development and delivery of the census in 2018, the communications and marketing campaign was developed collaboratively by Stats NZ, Clemenger BBDO and Perceptive Ltd a specialist research company which undertakes research providing insights into behaviours and attitudes of people. Perceptive and Clemenger BBDO were engaged through a procurement process and commenced work on the campaign in early 2017.

Clemenger BBDO's role was larger in that they were also engaged to advise on marketing more broadly, media management and activation strategies. Perceptive's role was focussed on the behavioural insight research which would then be used by Stats NZ, along with advice from Clemenger and Perceptive to target its marketing and delivery strategies for the census.

## 5. Development of the research and survey questions

In September 2017 Perceptive presented their response to the creative brief to Stats NZ. In their brief they proposed that the scope of their research would look at the influence a number of specified issues may have on the general population as well as with Target Response Groups. These issues included:

- coverage of broadband throughout NZ
- household access to internet and device type

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<sup>1</sup> <https://www.abc.net.au/news/2016-08-09/abs-website-inaccessible-on-census-night/7711652>



- *attitudes towards Government, collection/use of data, Census awareness* (emphasis added)
- likelihood of households to participate in Census 2018
- likelihood to respond to Census 2018 online.

The primary purpose of the research was broader than this and was to gain insight and understanding of the level of awareness of the census, people's likelihood to participate and their reasons for not participating, as well as people's understanding that the census could be filled in online as an alternative to a paper form.

For the reasons already outlined in this report, Stats NZ was also interested in understanding the influence or impact respondents' attitudes toward government might have on their likelihood of completing the census.

It seems clear from the presentation and from what we were told during the interviews we conducted that there was no intention to research people's attitude towards *the Government*. Rather, the focus was to be on attitudes towards government generally and in relation to certain specific matters relating to personal data collection, storage and use by government.

Following agreement on the areas of focus and what Stats NZ hoped to get out of the research, Perceptive prepared the survey methodology including the questions respondents would be asked to answer.

## 6. Conduct of the research and how it was reported back to Stats NZ

The survey methodology used two approaches.

CATI (Computer Assisted Telephone Interviews) were used as the primary survey methodology to collect the majority of the sample. Random number generation was used to target calling across New Zealand.

A secondary methodology, utilising a range of consumer research panels that complied with guidelines for online research were sourced and screened to meet the requirements for the sampling framework.

Fieldwork was weighted towards the primary methodology, with CATI making up 75% of the sample with the remaining 25% of the sample to be collected via the secondary methodology.

The surveying was to be conducted across a number of phases undertaking both pre and post-census surveys. This was to allow Stats NZ to see how the population and Target Response Group's behaviour and insights changed through the census market campaign. This information would then be available to Stats NZ to inform its approach to the next census, as well as its understanding of what worked and what didn't for the 2018 campaign.

The survey approach and questionnaire were worked up across October and November 2017. While prepared by Perceptive, Clemenger BBDO and Stats NZ were actively involved in their development and finalisation.

As it came together the questionnaire was made up of a series of sections focussed on the things Stats NZ was interested in. These were brought together in the survey questionnaire in the following order:

- awareness of the census
- awareness of Stats NZ
- awareness of the 2018 Census
- awareness that the census can be completed online
- understanding of likely participation rates and how people intended to participate

- reasons for intended non-participation
- awareness of and/or understanding of the census marketing campaign
- confidence in the NZ Government's ability to securely collect and store personal data
- levels of comfort in sharing personal and household information with government departments
- attitude towards the Government generally.

In November 2017, while the survey was being finalised, there were active communications between Clemenger, Perceptive and Stats NZ. During this phase, a Stats NZ marketing manager identified an issue with the wording of the proposed question for measuring the attitude of respondents towards government.

The proposed question was:

*"Q. How would you describe your current level of positivity towards the new Government?"*

The manager advised the lead manager at Perceptive that:

*"Hope your week is going well? .....and I just caught up on the design framework and had one question for you - number 19, Attitude towards Government: how would you describe your current level of positivity towards the new govt?"*

*Wondered why you are asking 'new'? Stats NZ is a govt agency that is impartial to whatever government is in power. We have a requirement to stand neutral so wondered if this question might lead to a respondent thinking the census might be linked to the new (or old) party (ies) in power?"*

In response Perceptive advised:

*"Very good point. The purpose of the question is to assess impact, and pick up sentiment, around the new Government - as in whether the election/change impacts the environment around the Census at all.*

*However I agree with your point of view on the wording, and we'll remove the word 'new'.*

*Also, you'll note for survey positioning we have included this survey at the end to ensure we do not create any bias towards other results from prompting and exploring Govt sentiment/attitudes."*

Only the proposed change to the word *new* was made and so the final question read:

*"Q. How would you describe your current level of positivity towards the Government?"*

We are not aware of any further discussion about this question following this amendment.

We note that some people identified there may be a perception issue in using a capital G in the word *government*, regardless of the removal of the word *new*. However, we were equally advised that using a capital was not a deliberate choice and simply reflected internal use standards within Perceptive. We further note that the differentiation would not have been perceptible to survey respondents, particularly those being surveyed through the CATI process and for the most part the general population wouldn't understand that the use of a capital might convey a different meaning from government, i.e. the Government.

While the questionnaire was seen by Stats NZ officials with responsibility for the marketing and communications for the 2018 Census, as far as we are aware, it was not seen by senior management. We were advised that this is consistent with how non-statistical surveys are managed within Stats NZ.

Nor did the research design and questionnaire development come under the remit of Stats NZ's Questionnaire Methodology and Development Team, (QMD). That is because the role of QMD does not extend to non-statistical surveys. However, the QMD team has significant expertise and experience in the design and development of questionnaires insofar as these relate to Stats NZ's core statistical data surveys e.g. the census itself.

We understand the role of the QMD is:

- questionnaire wording, layout, logic and overall design
- development and implementation of standards
- implementation of core questions
- how to pre-test questionnaires
- expert sign-off on questionnaires to inform final SMA (subject matter area) sign off
- print proofing and liaising with IDC to get print questionnaires printed
- liaising with IT to ensure electronic questionnaires are delivered including Blaise
- questionnaire development
- planning and monitoring of progress.

As well as asking respondents to identify their levels of positivity towards the Government on a 5-point scale<sup>2</sup> the survey question also provided respondents with a "free text box" where they could record their reasons for their levels of positivity. A free text box option was provided in the case of all other questions as a way of eliciting reasons for people's answers and a richer understanding of why they answered the way they did. This was a logical and, we understand, normal practice with respect to these types of questions in the survey. With respect to the question about positivity towards the Government however, we consider it was always likely to prove problematic, unless the question was carefully worded and even then, likely to generate inappropriate and unintended responses.

The results of the research were reported back to Stats NZ in December 2017. In their presentation to Stats NZ, Perceptive reported on the statistical results of each question as well as providing a "word cloud" or "wordle"<sup>3</sup>.

In relation to the question about positivity towards the Government, Perceptive noted:

*"There appears to be little difference in sentiment expressed towards the Government across the Target Response Groups."*

Given this finding, we were advised that there was no need for the design of the marketing of the 2018 Census to take account of people's answer to this particular question. That was because the responses to this question did not indicate any significant differences in relation to the general population nor the Target Response Groups. Responses to other questions in the survey did reveal preferences and attitudes which helped inform the design of the marketing of the census campaign. In this respect the research still played an important role in informing the marketing of the 2018 Census.

Equally, the post-census survey was intended to provide important information about the extent to which the marketing had been successful (or not) in raising awareness and driving up completion rates towards the KPI's Stats NZ was hoping to achieve.

Given some of the free text responses to the poorly worded question in the November 2017

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<sup>2</sup> Five-point scale: Extremely positive, positive, indifferent, negative and extremely negative.

<sup>3</sup> Word clouds are visual representations of text data, typically used to depict keyword metadata, or to visualize free form text. Tags are usually single words, and the importance of each tag is shown with font size or color or a mixture of both.

survey were clearly disclosing people's political leanings and that these then flowed through to the summary of responses collated by Perceptive and reported to Stats NZ, we consider that at this point there might have been a discussion about whether the question should be asked in the follow up survey. This discussion does not appear to have occurred. We note that the question was included in the follow up survey in March 2018. Compounding matters, the final report<sup>4</sup> from Perceptive highlighted:

*"Sentiment towards the Government has generally improved across all Target Groups compared to Nov-17 level."*

We also note that in the December 2017 and April 2018 reports the left side panel summarising the results for the particular questions retained the words "*Sentiment towards the new Government...*" and used language that could easily lead a reasonable observer (without the benefit of the underlying intentions) to conclude the question was aimed at measuring how positive sentiment was towards the new Government, as opposed to government generally. We were advised that Perceptive and Stats NZ were clear in their understanding that this was not the intention and that, additionally, the reports were for internal use only and were not intended for public release. The use of the words *new Government* in the side panels we were told was a formatting oversight given the reports were templated at the same time the original questions were developed. Nothing much turns on this given our finding that the question itself was poorly constructed across the board.

We also note that word clouds were produced for the November 2017 and April 2018 reports. Two were produced for each report; one cloud covering reasons for being positive and one for reasons for being negative. Each featured the names of political parties and politicians.

We were advised that, with the benefit of hindsight, neither the free text box nor the word clouds should have been used. We were also advised that the reports were essentially received as "final" although Perceptive and Clemenger BBDO both confirmed they would have been amenable to editing the reports to remove the word clouds and references to politicians and political parties.

We were advised that these reports were not provided to senior management nor the Stats NZ Executive Leadership Team, although they were briefed on the results against the KPIs set for the marketing campaign.

We understand that as part of normal government financial review select committee processes reports on this research were provided to the Governance and Administration Select Committee in response to the following standard request for information from the Committee:

*"What polls, surveys or market research did your department, agency or organisation undertake in the last financial year and what were the total estimated costs of this work? Please provide a copy of the polling report(s)..."*

## 7. Findings

As a result of our review of the material, the research we undertook and the interviews we held, we have made the following findings:

1. Stats NZ had a legitimate interest in understanding what influenced respondents as part of developing its plan for how best to position and market the 2018 Census to the general population and specified Target Response Groups. The results of the 2013 Census showed that some groups would be more difficult to shift to a digital response than others and understanding what might work to increase their online response rate was an important part of being able to reach the ambitious target of 70% on line response for the 2018 Census.
2. The hypothesis that people's attitudes towards government may play a part in their

<sup>4</sup> Statistics NZ 2018 Census Tracking Report-30 April 2018

willingness, or otherwise to participate in the census was based on reasonable assumptions which were informed by the international context and experiences of New Zealand's international counterparts, including the Australian experience with its national census in 2016.

3. Understanding the influence or correlation between respondents' attitudes toward government and their likelihood of completing the census was therefore important. Stats NZ had a legitimate interest in understanding this and asking for this to be included in the research and survey was not inappropriate.
4. There was no intention on the part of Stats NZ nor the research company to specifically survey for people's attitudes, or positivity towards the Government, or the new Government, or any particular political party.
5. The information and insights that were to be generated by the research were intended to be used by Stats NZ internally to inform the design and delivery of the campaign which aimed to achieve the highest response rate possible to the 2018 Census.
6. The engagement of Clemenger BBDO and Perceptive to partner with Stats NZ in the design and delivery of the research followed normal and prudent procurement practices. Both agencies are experienced in working with government and understood the boundaries that needed to be observed in relation to political neutrality and impartiality and being seen to be so. However, this was not explicitly referenced in the creative brief, the contract or other commissioning documentation we saw.
7. Clemenger BBDO were the lead provider with Perceptive being essentially a subcontractor.
8. Perceptive were responsible for designing the research methodology and the questionnaire, but in doing so it worked closely with Clemenger BBDO and Stats NZ officials.
9. We consider that that the approach taken to develop the questionnaire was appropriate and focused on matters of relevant importance to Stats NZ and the 2018 Census.
10. We do not consider the actual wording of the question to have been appropriate as it could too easily be misconstrued as requiring a response that elicited people's attitude to the current Government, as was the case. It would have benefited from further consideration and modification, being clear about what Stats NZ was seeking to gain from the question and the risks posed by the question, as drafted. To Stats NZ's credit, the issue was spotted by a manager and their position on the matter was well articulated to Perceptive. For whatever reason however, having raised the flag the only change made was minor, did not adequately deal with the risk and no further discussion appears to have been had on the issue. Unfortunately, this was a missed opportunity.
11. The use of free text responses from respondents was likely to generate responses that revealed people's personal views of the current Government including current politicians, regardless of the wording of the question.
12. Capturing the text in a word cloud exacerbated this problem as the clouds made explicit reference to political parties and politicians. Perceptive's own report then summarises the themes for why people were feeling positive or negative by specific reference to the Labour Party and the current Prime Minister.
13. The reports on the surveys once received by Stats NZ did not appear to go through any process to detect or highlight wording or matters that might raise risks or need to be improved through editing. There was an opportunity to have the reports from Perceptive edited to make clear what the question was really saying and in a way that didn't create the impression that the survey was interested in how people felt towards

the current Government. Again, this appears to have been missed as an opportunity to ensure the reporting of survey data meets Stats NZ's impartiality and apolitical obligations.

14. The development of the research methodology and subsequent reports on the findings of the survey did not go through the same process of QA as Stats NZ's statistical surveys. A more robust process leveraging internal expertise may have picked up the risk with the question's wording, responses and how it was being reported back to Stats NZ.
15. While we accept that there was never any intention to question people about their attitude towards the current Government, clearly some respondents have expressed exactly that view. This was the unintended consequence of a poorly constructed question coupled with a less than ideal QA and internal oversight practices and the inclusion of free text channels that were not needed.
16. Compounding matters, the question was repeated in the follow up, post-census survey, and then reported back to Stats NZ in Perceptive's final report<sup>5</sup> which noted positive sentiment towards the Government had "...generally improved across all the Target Response groups." As already noted, the lack of a review of how the final report dealt with the response to this question appears to have been a missed opportunity to ensure the reporting of survey data meets Stats NZ's impartiality, apolitical requirements and obligations.

## 8. Recommendations

Having regard to our findings we make the following recommendations:

1. Stats NZ make explicit in its survey commissioning documentation and its policies for procuring all surveys, that questions relating to the Government, or alignment to parties in government are out of bounds and that questions relating to how people feel about government generally will need to be agreed through a standardised internal process with suitable senior management oversight and risk assessment.
2. Stats NZ review its internal QA and question selection processes covering non-statistical surveys and polls to ensure they are robust and meet current standards of best practice. This might include referencing these to the QMD processes used for statistical surveys and/or leveraging internal expertise.
3. In reviewing reports from suppliers, Stats NZ adopt the approach that they receive drafts to ensure they can be appropriately reviewed and risk assessed prior to being accepted as "final".
4. We consider it would be prudent to attach to this specific survey documentation a note that makes clear what the intention was in relation to the particular question. This note should make clear that the responses did not influence how Stats NZ managed the 2018 census and that to the extent that responses and word clouds and the report back from Perceptive might look on the face of it like they exceed the bounds of what is appropriate for a government agency to be surveying for, this was not intended and that the information was not shared beyond Stats NZ own internal processes.

## 9. Next Steps

We consider that the next steps are:

- Consider and provide any feedback on this report as to factual inaccuracy or missing information

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<sup>5</sup> Statistics NZ 2018 Census Tracking Report-30 April 2018

- Discuss our findings and recommendations and consider the implications of implementing our recommendations
- Continue to work with us to complete phase two of this review

RELEASED BY SSC UNDER OUR COMMITMENT TO OPEN GOVERNMENT

# Appendix 1

## Stats NZ Document List

- Census Communications and Marketing Research Pre-Campaign report
- Stats NZ 2018 Census Tracking Report, 30 April 2018 (Perceptive)
- Stats NZ Census Research Wave 1
- Dually Signed Overarching ASO December 2015 (Clemenger BBDO & Stats NZ)
- Report to the Minister of Statistics: Approval of 2018 Census Publicity Expenditure
- Census Communications & Marketing Research Proposal Sept 2017 (Perceptive)
- Census 2018 KPI Tracking email
- Stats NZ Organisational Chart February 2019
- Census Structure
- Procurement Policy Jan 2019
- Stats NZ Procurement Policy Feb 2019
- One-page Overview of a Procurement Project
- Procurement Guidelines - Introduction to Procurement at Stats NZ
- Communications and Marketing Creative Brief 2018 Census



## Appendix 2

### List of People Interviewed

- Denise McGregor, Deputy Chief Executive - Insights & Stats (formerly GM - Census), Stats NZ
- Richard Stokes, Director - Census Communications & Engagement, Stats NZ
- Chris Harty, Former Stats NZ employee, Marketing Campaign Manager at the time
- Brett Hoskin, Managing Director, Clemenger BBDO
- Matt Barnes, Business Lead on the Census Programme, Clemenger BBDO
- Daniel Shaw, General Manager, Perceptive Ltd

## Appendix 3



### Terms of Reference Independent review of Stats NZ's non-statistical market research and polls

#### Background and context

The ongoing impartiality, and perception of impartiality, of Statistics New Zealand's (Stats NZ) conduct in its market research, polls and surveys is an important aspect of Stats NZ's work and the role of the Government Statistician.

The impartiality of the public service is a key part of its foundation, and for Stats NZ as an independent statistical agency, this is even more important.

In February 2019, the State Services Commissioner announced he was examining the use of certain questions about the political leanings of taxpayers used by Inland Revenue in a public poll that they undertook.

When the Inland Revenue poll came to light, the Office of the Chief Executive and Government Statistician carried out an initial check of Stats NZ's own market research and polls, to see if there was anything that Stats NZ may have contracted or conducted that could be perceived as similar in nature.

One such instance of a piece of market research has come to light.

To safeguard Stats NZ's impartiality, to ensure that nothing has been missed, and to make sure that similar cases are prevented from arising in the future, the Government Statistician is commissioning a more detailed independent review of Stats NZ's non-statistical surveys and collections to determine if there are any other instances of the use of inappropriate questions in any of its non-statistical surveys and collections.

An independent reviewer has been appointed and these Terms of Reference will guide their review.

#### Purpose and objective of this review

The aim of the review is to identify any potential cases of non-statistical surveys or collections breaching political impartiality, or cases that may result in perceptions of impartiality, to fully investigate these, to identify lessons learned and to make recommendations that will prevent similar cases in the future.

If other cases are identified, Stats NZ is seeking to understand how and why the question(s) was/were asked and reported as it was.

#### Scope and focus of the review

In carrying out this review the reviewer will exercise their independent skill and judgement in developing findings, forming advice and in making recommendations.

Stats NZ will provide access to all relevant Stats NZ documentation, personnel, and internal and external communications.

Without limiting the approach the reviewer might take, we would expect the reviewer to:

Carry out an audit and review of Stats NZ's market research and polls, and related material, from the last 5 years.

Look at the specific piece of research noted above, and any similar cases that may come to light to identify how and why the question was asked and reported as it was.

Interview all relevant staff and management.

Consider and report on the systems, processes and approval policies that apply to market research and polls and examine how providers are commissioned in relation to research and polls.

Make findings and recommendations, including identifying any lessons learned to ensure the ongoing impartiality, and perception of impartiality, of Stats NZ's conduct in its market research, polls and surveys.

The reviewer will not make any findings nor make any comment on the conduct or competence of any individual.

### Reporting

The reviewer will report directly to the Government Statistician on the progress and findings of the review. In carrying out the review the reviewer will be supported by the Government Statistician's office.

The reviewer will ensure that the Government Statistician has an opportunity to respond to the findings, before the report is finalised.

### Deliverables

The main deliverables will be a draft report that responds to these Terms of Reference (as set out above) with a final report to be delivered to the Government Statistician by 29 March 2019. The Reviewer will provide an interim update on progress by 8 March 2019.

The Government Statistician intends to share the review with the State Services Commissioner.

### Key Dates

The following are the key dates for the review:

**Commencement of review** - 21 February 2019

**Interviews and research** - 22 February 2019 - 15 March 2019

**Interim update** - 8 March 2019

**Delivery of draft report** - 22 March 2019

**Delivery of final report** - 29 March 2019

Signed  
Liz MacPherson  
Chief Executive and Government Statistician

Date: 21 February 2019

...Signed on 22 February 2019.....

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18 April 2019

# Independent Review of Statistics New Zealand's Market Research and Polls

## Phase 2 Report

**Statistics New Zealand**

# This report informs on phase 2 of the review of Statistics New Zealand's (Stats NZ's) use of a question in its 2017 pre-census market research and post-2018 Census research relating to people's sentiment towards the Government

## 1. The issue in scope

In February 2019, the State Services Commissioner announced he was examining the use of certain questions about the political leanings of taxpayers used by Inland Revenue in a public poll that they undertook.

When the Inland Revenue poll came to light, the Office of the Chief Executive and Government Statistician carried out an initial check of Stats NZ's own market research and polls, to see if there was anything that Stats NZ may have contracted or conducted that could be perceived as similar in nature.

Stats NZ identified one instance of a non-statistical market research survey which contained a question that could potentially be seen as inappropriate for a government agency to ask.

To safeguard Stats NZ's impartiality, to ensure that nothing has been missed, and to make sure that similar cases are prevented from arising in the future, the Government Statistician commissioned a more detailed independent review of Stats NZ's non-statistical surveys and collections to determine if there are any other instances of the use of inappropriate questions in any of its non-statistical surveys and collections.

In March we reported on phase 1 of the review and we now report back on our findings and recommendations in relation to phase 2. relating to the use of a question in a survey undertaken in 2017/18 as part of Stats NZ's pre and post-census research. The research was used to inform how Stats NZ would market and deliver the 2018 Census which was important given the shift towards a more digitally delivered and returned census model. One question asked as part of the census market research was:

*How would you describe your current level of positivity towards the new Government?*

This was subsequently amended to:

*How would you describe your current level of positivity towards the Government?*

Phase 2 of the review will report separately with findings and recommendations on any other instances of the use of political questions in other non-statistical surveys and collections.

## 2. Purpose of this review and our approach

The purpose of this review was to identify any potential cases of non-statistical surveys or collections breaching political impartiality, or cases that may result in perceptions of impartiality, to fully investigate these, to identify lessons learned and to make recommendations that will prevent similar cases in the future.

In undertaking the first phase of the review we:

1. looked at the specific piece of research noted above, how it was commissioned, carried out and reported on.
2. interviewed all relevant staff and management.
3. considered and reported on the systems, processes and approval policies that apply to market research and polls and examined how the providers were commissioned in relation to this research.
4. developed findings and recommendations in relation to this particular survey.

In phase 2 we examined all research, reports and findings from non-statistical surveys and research for the previous 5 years. For these we:

1. developed a long list of research/surveys potentially in scope.
2. refined this to a list of research/surveys requiring additional examination.
3. specifically reviewed a short list of research/surveys requiring closer examination.

## 3. Limitations

This review was initially undertaken within relatively tight timeframes. Phase 2 has taken a deeper review of significantly more material; however, we determined that it was not necessary to interview additional staff.

Our findings and recommendations are necessarily based upon the information that has been provided to us supplemented by the research we have been able to undertake within the available time.

This report should be read together with our Phase 1 Report.

In line with our Terms of Reference (Appendix 2), we do not make any findings nor make any comment on the conduct or competence of any individual.

## 4. 2018 Census - Context

While phase 2 of this review was focussed on all non-statistical research and surveys undertaken over the last 5 years, the 2018 Census, held on 6 March 2018 provides important context to this review and we therefore repeat this context in our phase 2 report for the sake of completeness.

The 2018 Census marked a significant shift towards a digital delivery model compared to previous censuses. For the 2018 Census, Stats NZ was pursuing a deliberate strategy to have respondents complete their forms online via a variety of digital channels and devices.

Field collectors going door-to-door to deliver or collect census forms were not going to be used unless dwellings fell into a targeted collection area or Stats NZ had determined responders would not respond online. Special engagement strategies and communications methodologies were needed to ensure Stats NZ reached and captured people unable or unwilling to comply with online participation.

Paper forms and face-to-face visits were still used for areas which were not be able to receive mail, or who it had identified were unable or unlikely to fill out the Census online.



Stats NZ had a target of 70% response using online channels for the 2018 Census. The 2013 Census only had a 34% online response rate. Achievement of this increased target would require careful planning and execution. As with previous censuses, a communications and marketing team was set up to support the marketing and delivery of the 2018 Census.

Due to the significant change in mode to 'digital first' and the fact there were far fewer face-to-face interactions with field officers, the communications and marketing campaign needed to be different from previous census campaigns.

The goals of the campaign were to:

- reach all New Zealanders
- make them aware of the census
- encourage participation
- reduce barriers to participation
- inform people and households of when and how to complete the census.

Stats NZ knew from its experience with previous censuses that some people and households would be harder to reach and get a response from than others. To develop an effective campaign, Stats NZ needed to understand the motivations and barriers to participation with these groups. These were known as the Target Response Groups and these included:

- Māori (multiple sub-groups)
- young working age
- elderly and over 75s
- cultural and language barrier (multiple sub-groups)
- digital barrier (multiple sub-groups)
- non-standard private dwellings (multiple sub-groups).

Stats NZ was aware that one of the potential barriers to participating in the census included people's attitudes to giving personal information to the Government. Research to explore this further was included in the scope of the marketing research that was developed.

The shift towards a digital delivery and census completion model was an ongoing international trend. Stats NZ was in regular dialogue with its counterparts in a number of jurisdictions including Australia, Canada, the UK and the US. Some had experienced issues in the shift to a digital model including Australia whose website hosting their 2016 Census was hacked leading to a denial of service to Australians at the time of the completion of the survey<sup>1</sup>.

Further, feedback from some other jurisdictions indicated a correlation between citizens' negative attitudes towards government and lower response rates.

A campaign concept "Let's Find Out" was developed. This was aimed at understanding the discrete audiences in order to provide tailored messaging to them at different levels - nationally, regionally and within communities.

## 5. Review of research and survey questions over the past 5 years

As noted above, the aim of this second phase of the review was to "identify any other potential cases of non-statistical surveys or collections breaching political impartiality, or cases that may result in perceptions of impartiality".

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<sup>1</sup> <https://www.abc.net.au/news/2016-08-09/abs-website-inaccessible-on-census-night/7711652>

In carrying out this phase we worked closely with Stats NZ staff and management to identify all surveys and documents potentially in scope. These were then triaged and analysed for potential issues.

### **Approach to developing a longlist of material to be reviewed**

The Stats NZ management accounts team identified all invoices from the last 5 years that appeared to fit within a broad scope of market research or polls.

The resulting longlist was then refined to match the scope of the review.

To determine items that were out of scope the following was undertaken:

- A review of individual invoices was undertaken to remove official surveys (which are out of scope), and invoices for anything that was not for a survey or research.
- The remaining longlist was then further reviewed by the Office of the Government Statistician who provided us with advice as to whether to remove any internally-focused surveys and any payments for survey licenses/subscriptions which were also out of scope. Full disclosure of their reasons for recommending the removal of any survey was made.

A refined longlist was then produced for further follow-up.

Working with the Office of the Government Statistician, advice was sought from relevant teams in Stats NZ to triage each item on the longlist, to identify those items that were remaining as within scope. Any repeat/redundant invoices for parts of the same activity were removed from the longlist. Every individual piece of research/survey activity on the resulting list was then evaluated.

For each item needing further evaluation the related document e.g. questionnaire used, or where that was not available a detailed report on results of the poll/survey was compiled and reviewed for anything related to political, government, or party content.

Anything that mentioned trust in government, politics, or parties was highlighted for further evaluation.

### **Results**

The only two items that were identified as potentially falling within the bounds of gathering information about political views were the pieces of census research that were the focus of phase 1 of this review.

Several items highlighted through the research undertaken for phase 2 mentioned government trust or the political neutrality of Stats NZ, but we are of the view that these did not fall outside the bounds of what is appropriate or acceptable for a public service agency. For instance, asking respondents whether they believed Stats NZ was politically neutral is both appropriate and important as this is core to Stats NZ being able to execute its core functions.

No other research or survey was identified as asking inappropriate questions or collecting inappropriate information about respondents' political views or attitudes to the Government or any political party.

## **6. Findings**

As a result of our review of the material and the research we undertook in phase 2, we make the following findings:

1. The only two items of research that were identified as falling within the scope of this phase were the same pieces of Census 2018 research that were the focus of phase 1 of the review. Nothing further has been identified in phase 2.
2. The development of research methodologies and approaches to QA for non-statistical

surveys and research do not go through the same processes as Stats NZ's statistical surveys. A more robust process leveraging internal expertise would better manage potential risks around inappropriately worded questions and/or responses and how these are reported back to Stats NZ.

3. As with our findings in phase 1 we found no evidence of any inappropriate intention on the part of Stats NZ nor its research suppliers to specifically survey for people's opinions or positivity towards the Government, or the *new* Government, or any particular political party.
4. The reports on the surveys we reviewed as part of phase 2 did not appear to go through any process to detect or highlight wording or matters that might raise risks or need to be improved through editing. Reports from suppliers generally appeared to be received as 'final', limiting the opportunity for Stats NZ to risk assess or require edits to make clear any matter that might inadvertently convey an inappropriate meaning or create the impression that the survey was gathering information about matters out of scope, including political view of respondents.

## 7. Recommendations

Having regard to our findings and recommendations in phase 1 we the make the following recommendations in relation to phase 2 (noting these repeat some recommendations):

1. As with phase 1 we recommend that Stats NZ make explicit in its survey commissioning documentation and its policies for procuring all surveys, that questions relating to the Government, or alignment to parties in government are out of bounds and that questions relating to how people feel about government generally will need to be agreed through a standardised internal process with suitable senior management oversight and risk assessment.
2. Stats NZ review its internal QA and other arrangements covering non-statistical surveys and polls to ensure they are robust and meet current standards of best practice. This might include referencing these to the QMD processes used for statistical surveys and/or leveraging internal expertise in the design and delivery of research and surveys.
3. In reviewing reports from suppliers, Stats NZ adopt the approach that they receive drafts to ensure they can be appropriately reviewed and risk assessed prior to being accepted as "final".
4. We consider it would be prudent to attach to this specific survey documentation a note that makes clear what the intention was in relation to the particular question. This note should make clear that the responses did not influence how Stats NZ managed the 2018 Census and that to the extent that responses, word clouds and the report back from Perceptive might look on the face of it like they exceed the bounds of what is appropriate for a government agency to be surveying for, this was not intended and that the information was not shared beyond Stats NZ own internal processes.

## 8. Next Steps

We consider that the next steps are:

- Consider and provide any feedback on this report as to factual inaccuracy or missing information
- Discuss our findings and recommendations and consider the implications of implementing our recommendations.

# Appendix 1

## Stats NZ Document List

- Census Communications and Marketing Research Pre-Campaign Report
- Stats NZ 2018 Census Tracking Report, 30 April 2018 (Perceptive)
- Stats NZ Census Research Wave 1
- Dually Signed Overarching ASO December 2015 (Clemenger BBDO & Stats NZ)
- Report to the Minister of Statistics: Approval of 2018 Census Publicity Expenditure
- Census Communications & Marketing Research Proposal Sept 2017 (Perceptive)
- Census 2018 KPI Tracking email
- Stats NZ Organisational Chart February 2019
- Census Structure
- Procurement Policy Jan 2019
- Stats NZ Procurement Policy Feb 2019
- One-page Overview of a Procurement Project
- Procurement Guidelines - Introduction to Procurement at Stats NZ
- Communications and Marketing Creative Brief 2018 Census
- Spreadsheet of all potentially relevant surveys and research compiled as being potentially in scope of phase 2
- Various surveys undertaken that were determined as needing additional review and assurance to determine whether in scope for the review

## Appendix 2



### **Terms of Reference** **Independent review of Stats NZ's non-statistical market research and polls**

#### **Background and context**

The ongoing impartiality, and perception of impartiality, of Statistics New Zealand's (Stats NZ) conduct in its market research, polls and surveys is an important aspect of Stats NZ's work and the role of the Government Statistician.

The impartiality of the public service is a key part of its foundation, and for Stats NZ as an independent statistical agency, this is even more important.

In February 2019, the State Services Commissioner announced he was examining the use of certain questions about the political leanings of taxpayers used by Inland Revenue in a public poll that they undertook.

When the Inland Revenue poll came to light, the Office of the Chief Executive and Government Statistician carried out an initial check of Stats NZ's own market research and polls, to see if there was anything that Stats NZ may have contracted or conducted that could be perceived as similar in nature.

One such instance of a piece of market research has come to light.

To safeguard Stats NZ's impartiality, to ensure that nothing has been missed, and to make sure that similar cases are prevented from arising in the future, the Government Statistician is commissioning a more detailed independent review of Stats NZ's non-statistical surveys and collections to determine if there are any other instances of the use of inappropriate questions in any of its non-statistical surveys and collections.

An independent reviewer has been appointed and these Terms of Reference will guide their review.

#### **Purpose and objective of this review**

The aim of the review is to identify any potential cases of non-statistical surveys or collections breaching political impartiality, or cases that may result in perceptions of impartiality, to fully investigate these, to identify lessons learned and to make recommendations that will prevent similar cases in the future.

If other cases are identified, Stats NZ is seeking to understand how and why the question(s) was/were asked and reported as it was.

#### **Scope and focus of the review**

In carrying out this review the reviewer will exercise their independent skill and

judgement in developing findings, forming advice and in making recommendations.

Stats NZ will provide access to all relevant Stats NZ documentation, personnel, and internal and external communications.

Without limiting the approach the reviewer might take, we would expect the reviewer to:

Carry out an audit and review of Stats NZ's market research and polls, and related material, from the last 5 years.

Look at the specific piece of research noted above, and any similar cases that may come to light to identify how and why the question was asked and reported as it was.

Interview all relevant staff and management.

Consider and report on the systems, processes and approval policies that apply to market research and polls and examine how providers are commissioned in relation to research and polls.

Make findings and recommendations, including identifying any lessons learned to ensure the ongoing impartiality, and perception of impartiality, of Stats NZ's conduct in its market research, polls and surveys.

The reviewer will not make any findings nor make any comment on the conduct or competence of any individual.

## Reporting

The reviewer will report directly to the Government Statistician on the progress and findings of the review. In carrying out the review the reviewer will be supported by the Government Statistician's office.

The reviewer will ensure that the Government Statistician has an opportunity to respond to the findings, before the report is finalised.

## Deliverables

The main deliverables will be a draft report that responds to these Terms of Reference (as set out above) with a final report to be delivered to the Government Statistician by 29 March 2019. The Reviewer will provide an interim update on progress by 8 March 2019.

The Government Statistician intends to share the review with the State Services Commissioner.

## Key Dates

The following are the key dates for the review:

**Commencement of review** - 21 February 2019

**Interviews and research** - 22 February 2019 - 15 March 2019

**Interim update** - 8 March 2019

**Delivery of draft report** - 22 March 2019

**Delivery of final report** - 29 March 2019

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