



Learning from audit findings
2015 to 2017

Procurement and Contract Management

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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Our assurance specialists

Our assurance specialists are individuals with considerable industry and public sector knowledge and experience.

Their work guarantees we are providing our clients with greater assurance in areas that really matter advice on sensitive matters where independence may be essential.



Peter Davies

Director, Specialist Audit and Assurance Services



Martin Richardson

Director, Audit Services



Lyn Daken

Associate Director, Specialist Audit and Assurance Services



Jonathan Roylance

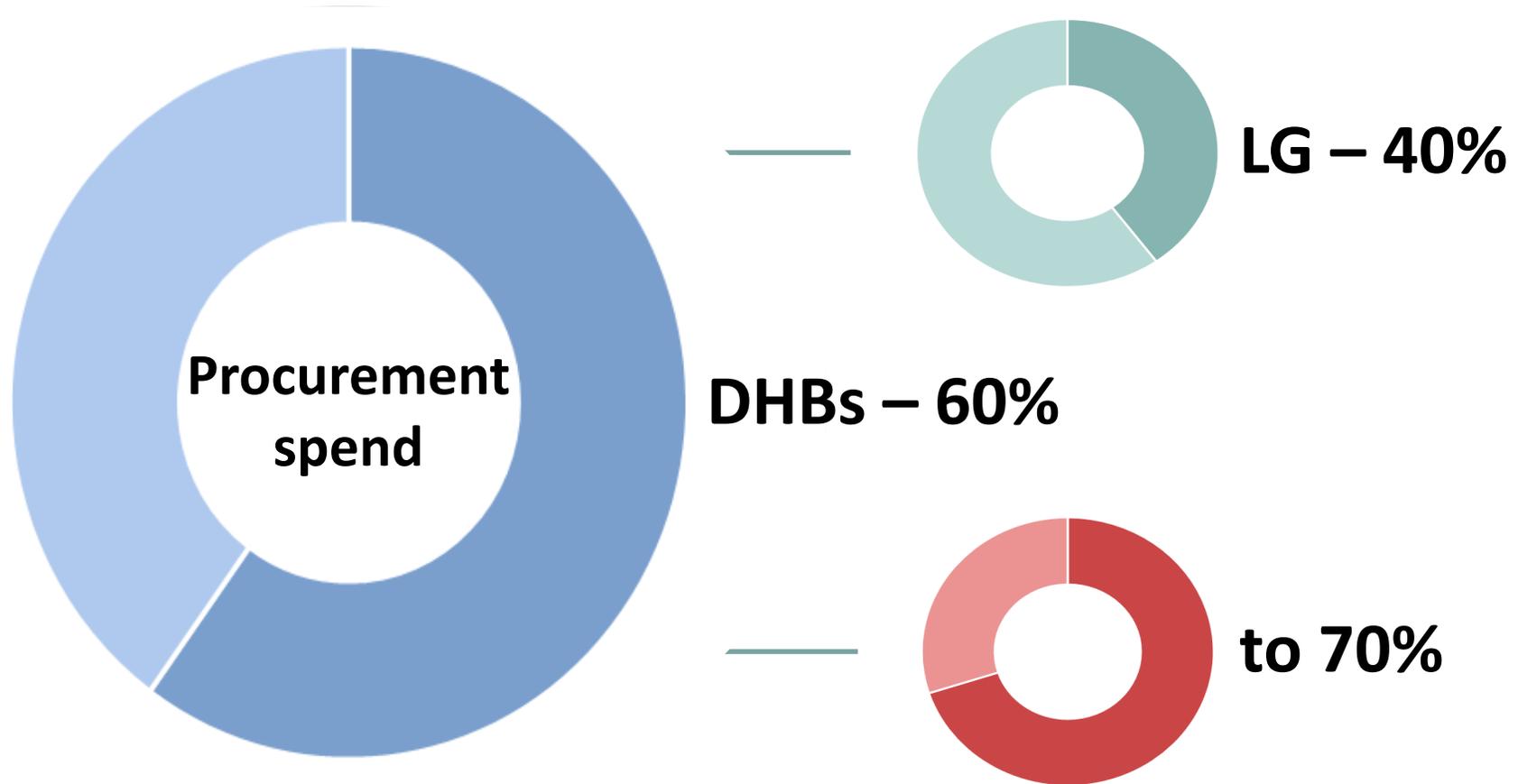
Associate Director, Specialist Audit and Assurance Services



Rachel McKechnie

Associate Director, Specialist Audit and Assurance Services

Why procurement matters

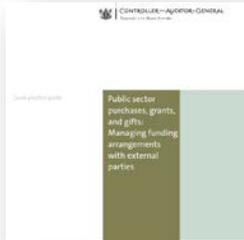


Good practice



www.procurement.govt.nz

Government rules of sourcing



www.oag.govt.nz

Public sector purchases, grants, and gifts:

Managing funding arrangements with external parties



www.cips.org

CIPS global standard for procurement and supply

What is probity?

probity

/'præʊbɪti, 'prɒbɪti/

noun formal

Principles

- **Accountability**
- **Openness**
- **Value for money**
- **Lawfulness**
- **Fairness**
- **Integrity**

- **Plan and manage for great results**
- **Be fair to all suppliers**
- **Get the right supplier**
- **Get the best deal for everyone**
- **Play by the rules**

Two types of work



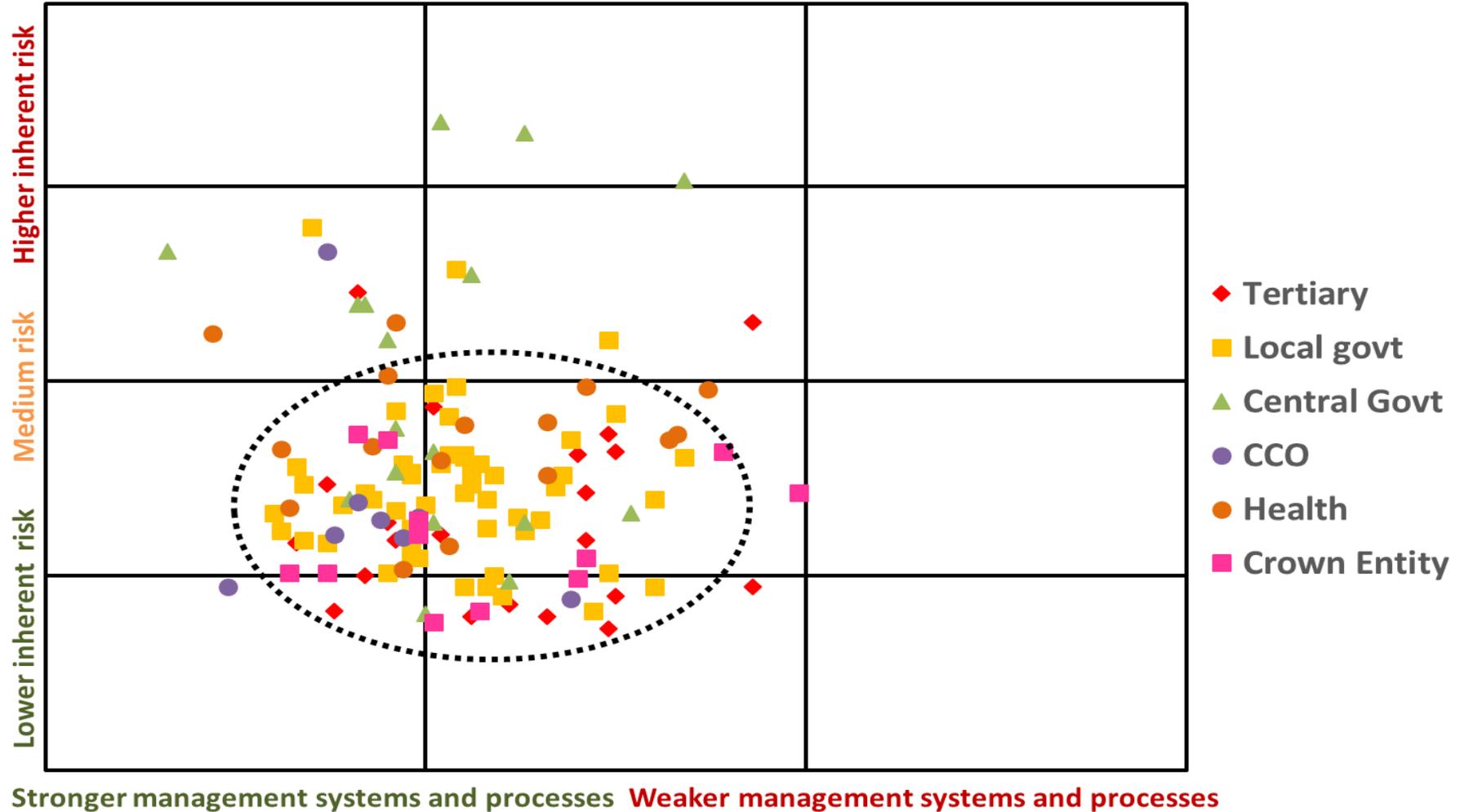
Assurance



Audit

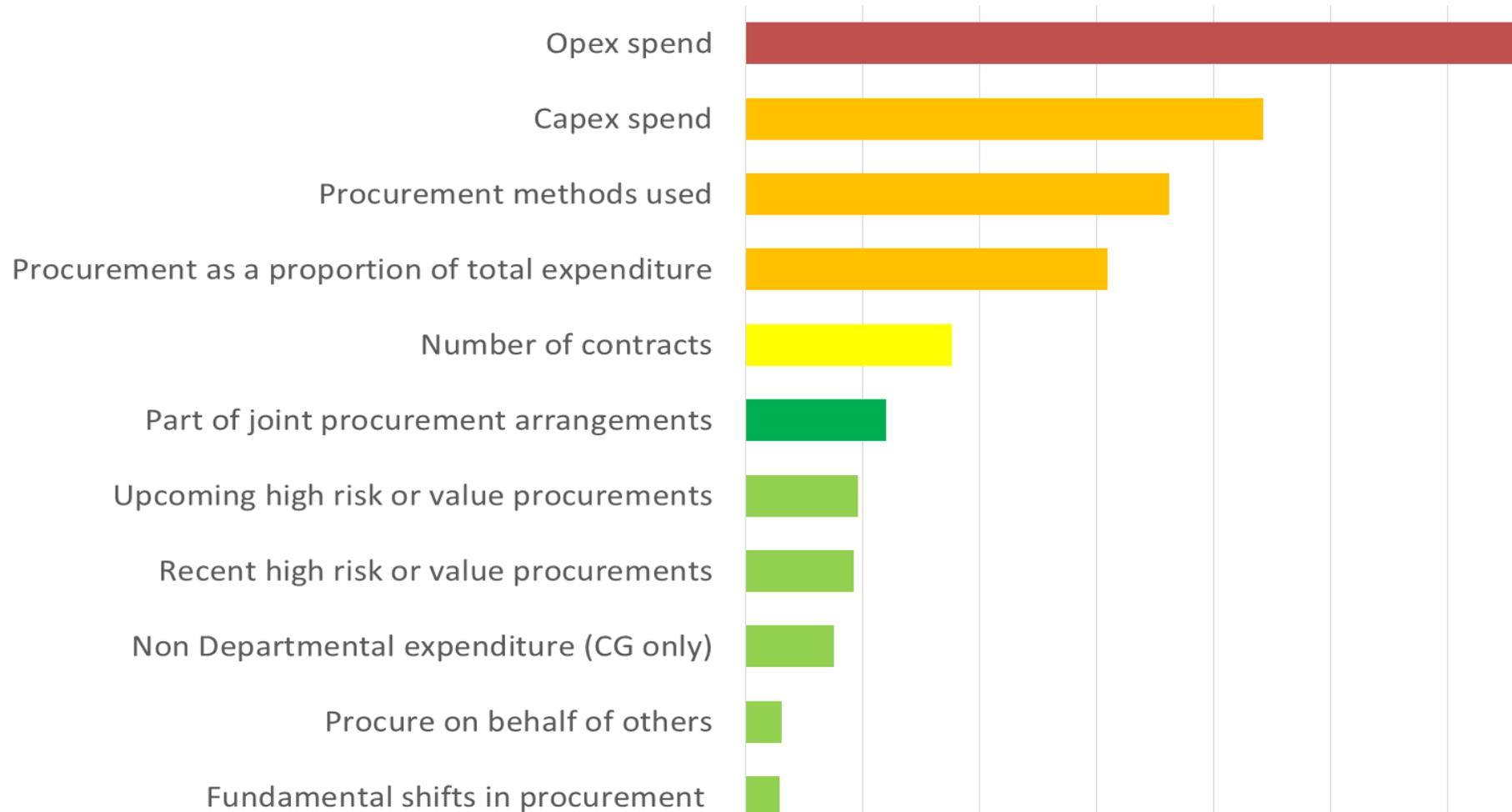
Assessing risk and opportunities for improvement

Procurement Risk Ratings 2016



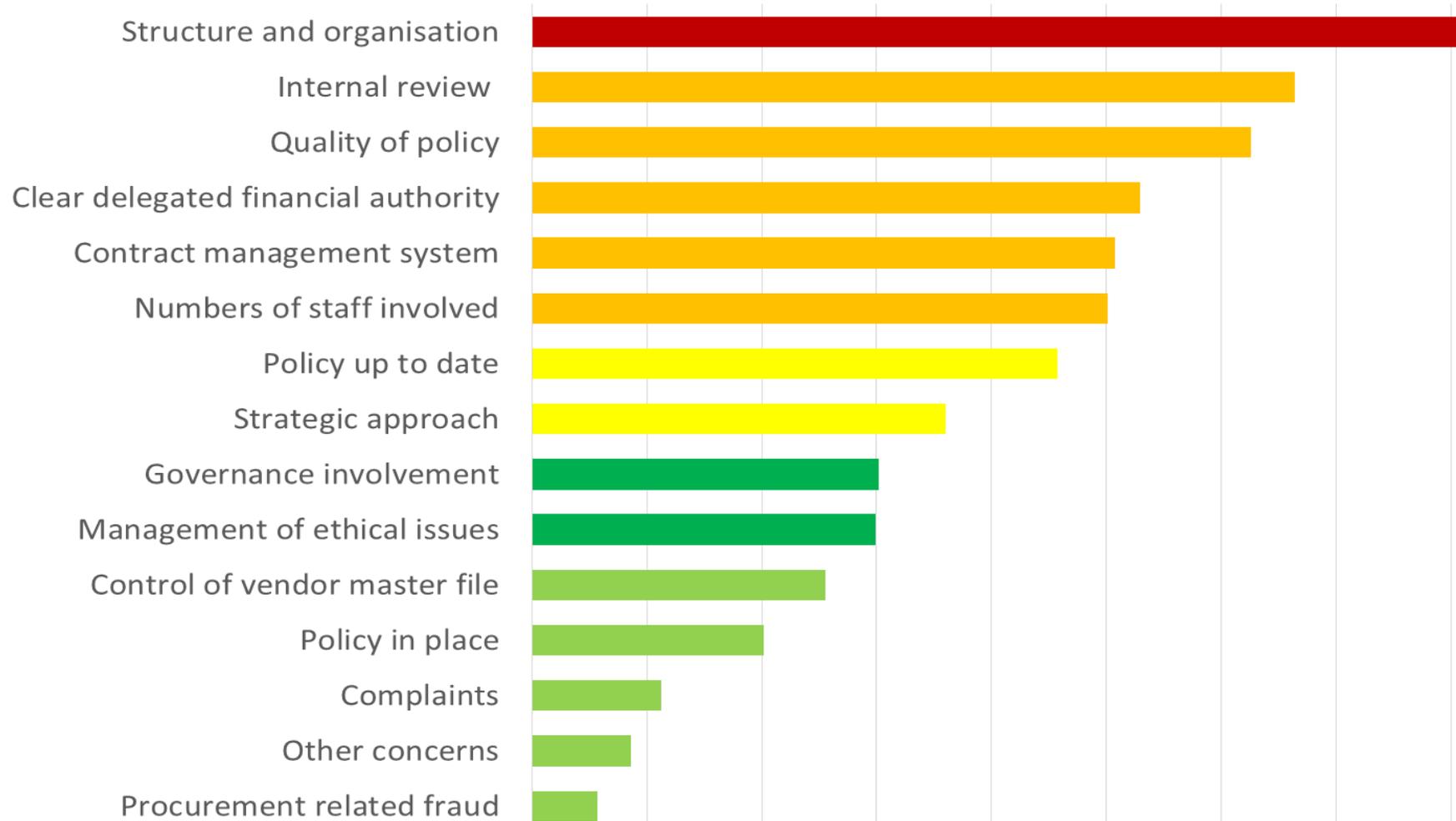
What factors drive procurement risk?

Inherent procurement risks

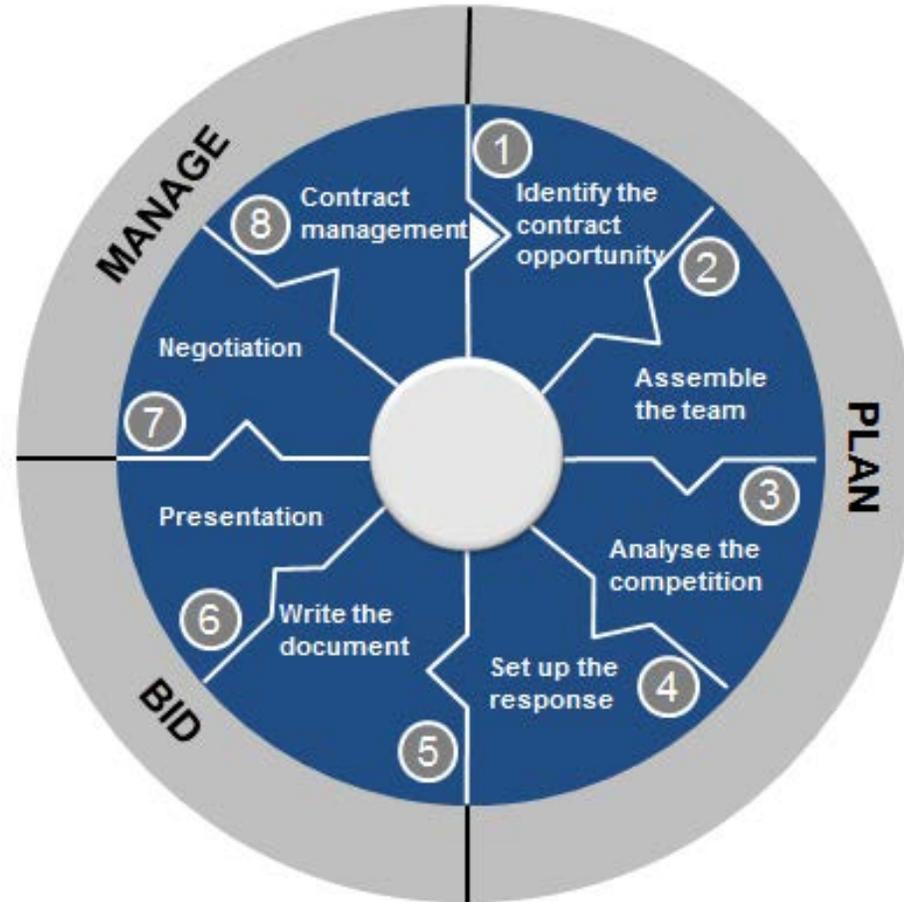


Where are the opportunities for procurement improvement?

Areas for procurement improvement?



Probity or outcome? or the best of both worlds...



Conflict of interest

New Zealand Government

Procurement – driving better value for money

Conflict of Interest and Confidentiality Agreement



Who and when?

Anyone involved in a procurement activity must complete this agreement before developing tender documents, joining an evaluation panel or making a decision. Before you complete this form, read the Quick-Guide: Conflicts of Interest.

Name:	
Position:	
Organisation:	
Tender:	
Role in the procurement activity:	

Conflict of interest

Do you have any actual, potential or perceived conflicts of interest?

Do you have any personal interest in the purchasing decision?
(e.g. you own shares in a supplier or related company)

Yes **No** **Potentially** (tick 'potentially' if others could perceive you have a conflict)

Are you a relative or close friend of someone with a personal interest in the goods or services being purchased or who could be personally affected by the purchasing decision?

(e.g. a family member is an employee or shareholder of a supplier)

Yes **No** **Potentially** (tick 'potentially' if others could perceive you have a conflict)

Conflict of interest

Do you have any personal obligations, loyalties or bias that could influence the way you evaluate offers and recommend purchases?

(e.g. a close friendship with an employee of a supplier)

Yes **No** **Potentially** (tick 'potentially' if others could perceive you have a conflict)

Have you recently been offered any special discounts, gifts, trips, hospitality, rewards or favours by suppliers of the goods or services being purchased?

(e.g. free travel; free samples for your own use)

Yes **No** **Potentially** (tick 'potentially' if others could perceive you have a conflict)

Are you aware of anything that could give the appearance that you might be biased towards or against a particular supplier?

(e.g. you have expressed strong views about a supplier; you worked for a supplier; you use a supplier's corporate box at a sports event)

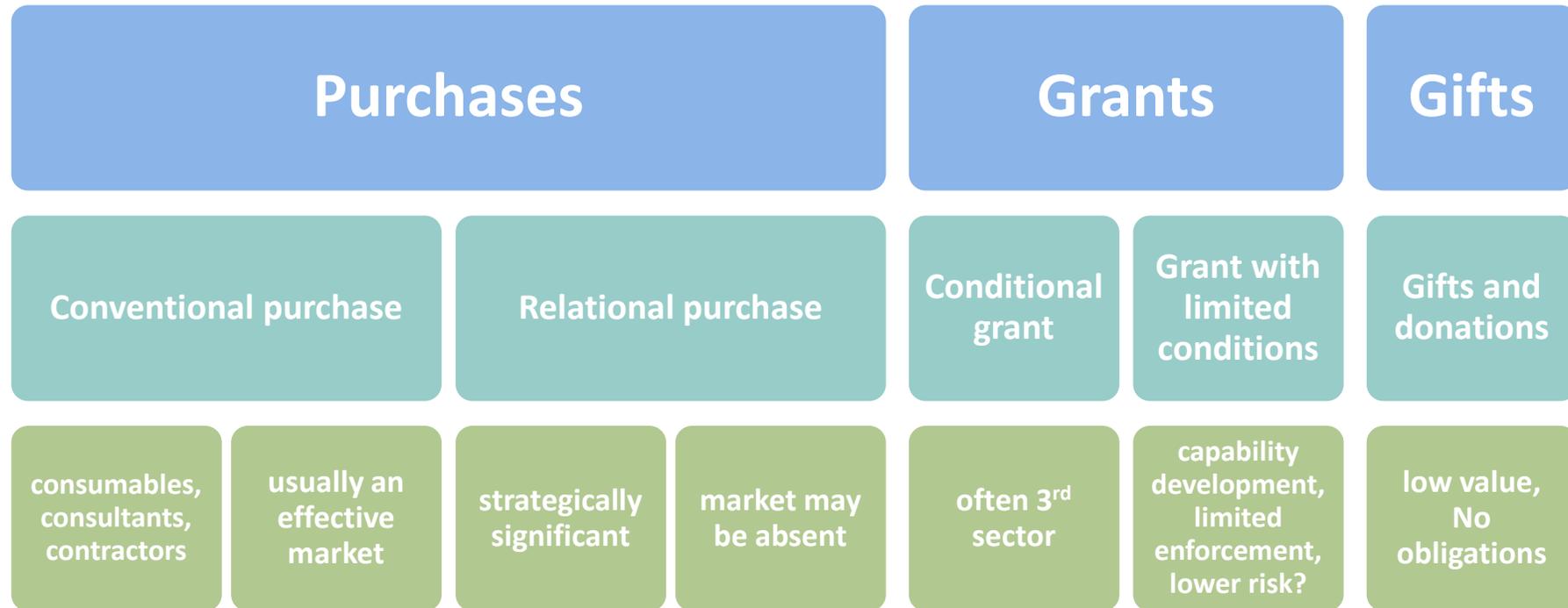
Yes **No** **Potentially** (tick 'potentially' if others could perceive you have a conflict)

Engagement of consultants



A continuum

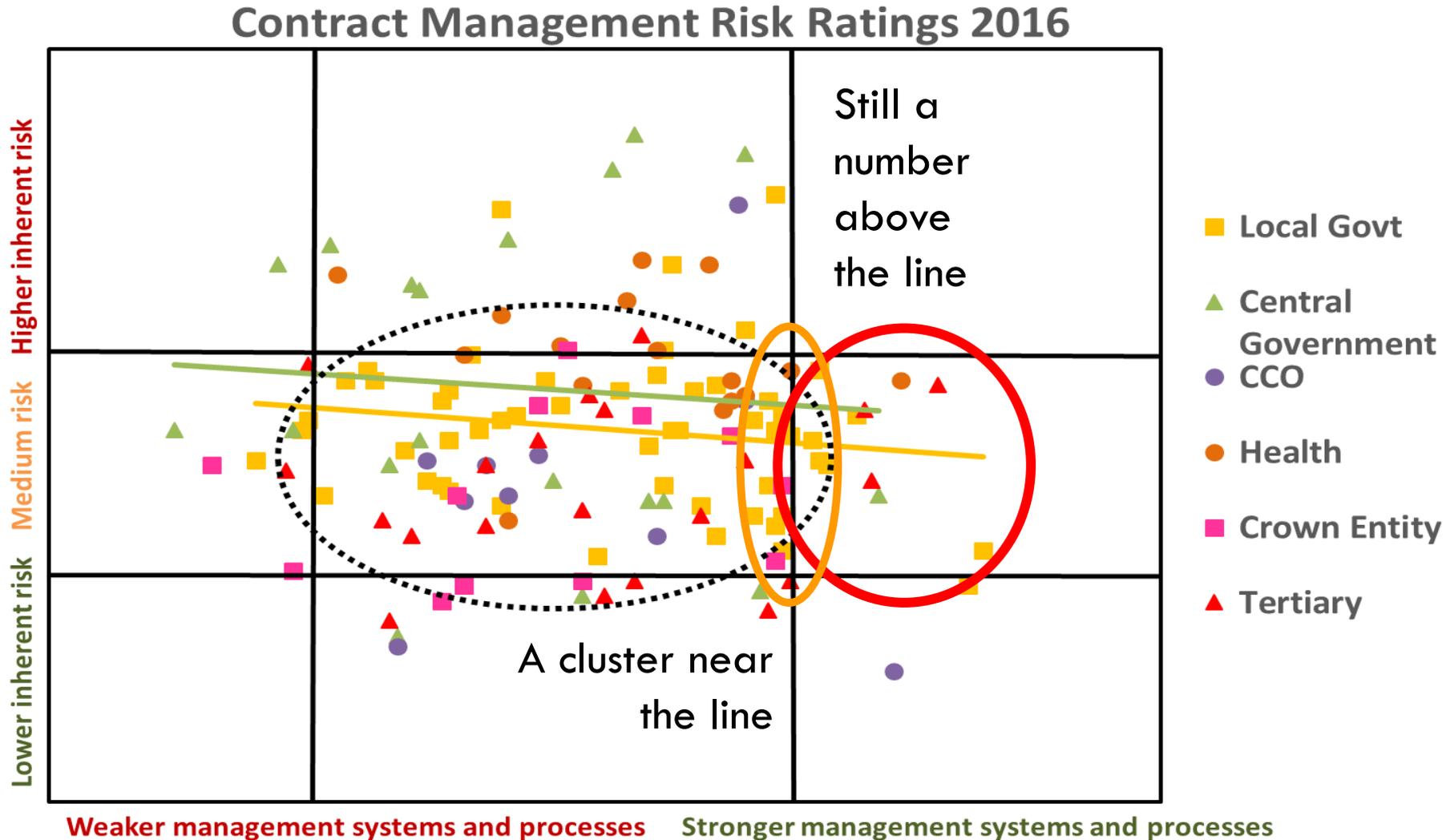
Funding arrangements with external parties



Emerging practice

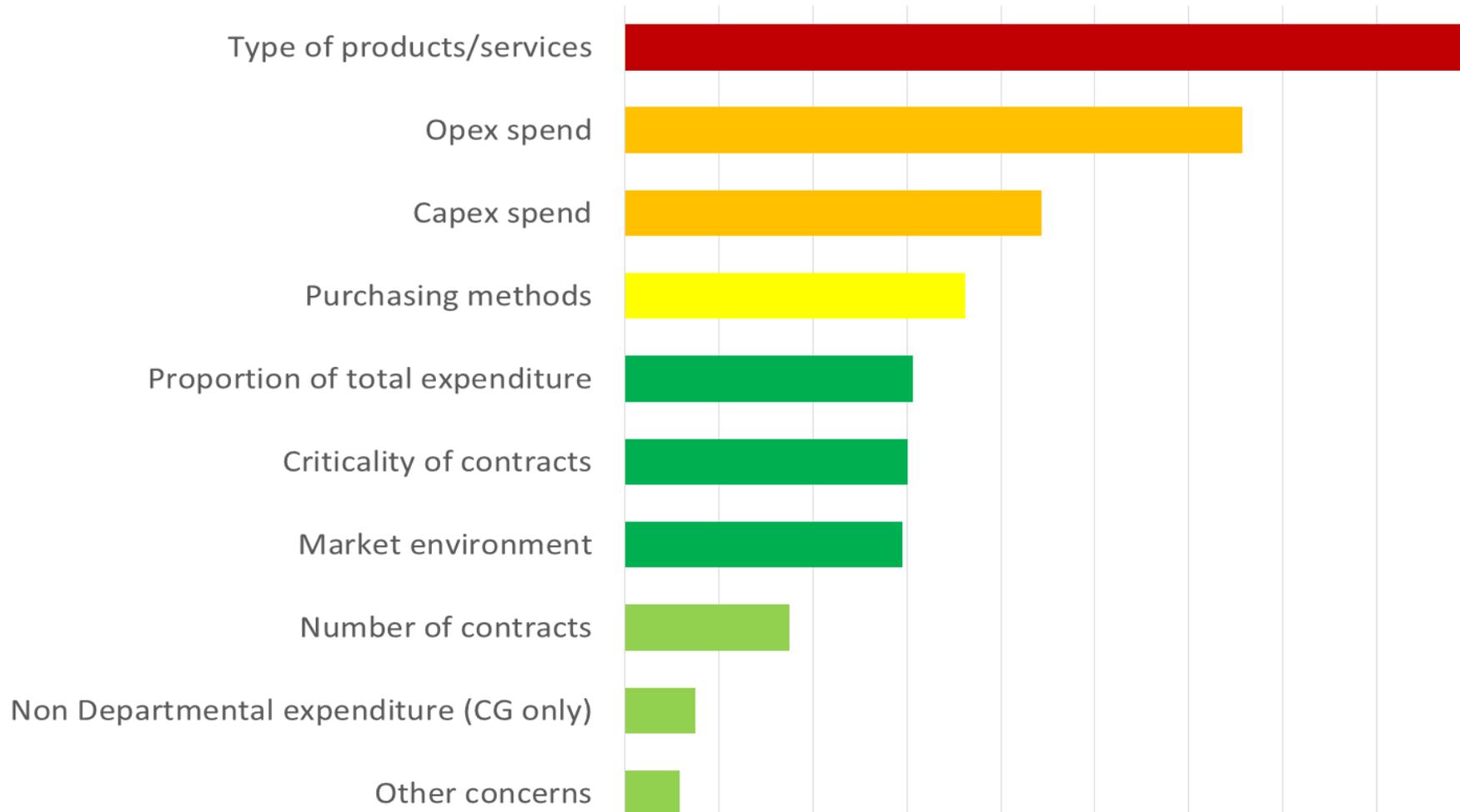
- **All of Government and common capability contracts**
- **Strategic alliances**
- **Panels and pre-qualification**
- **Fairness, value for money and a preference for local supply**
- **Market engagement**

Contract management risk



What factors drive contract management risk?

Inherent contract management risks



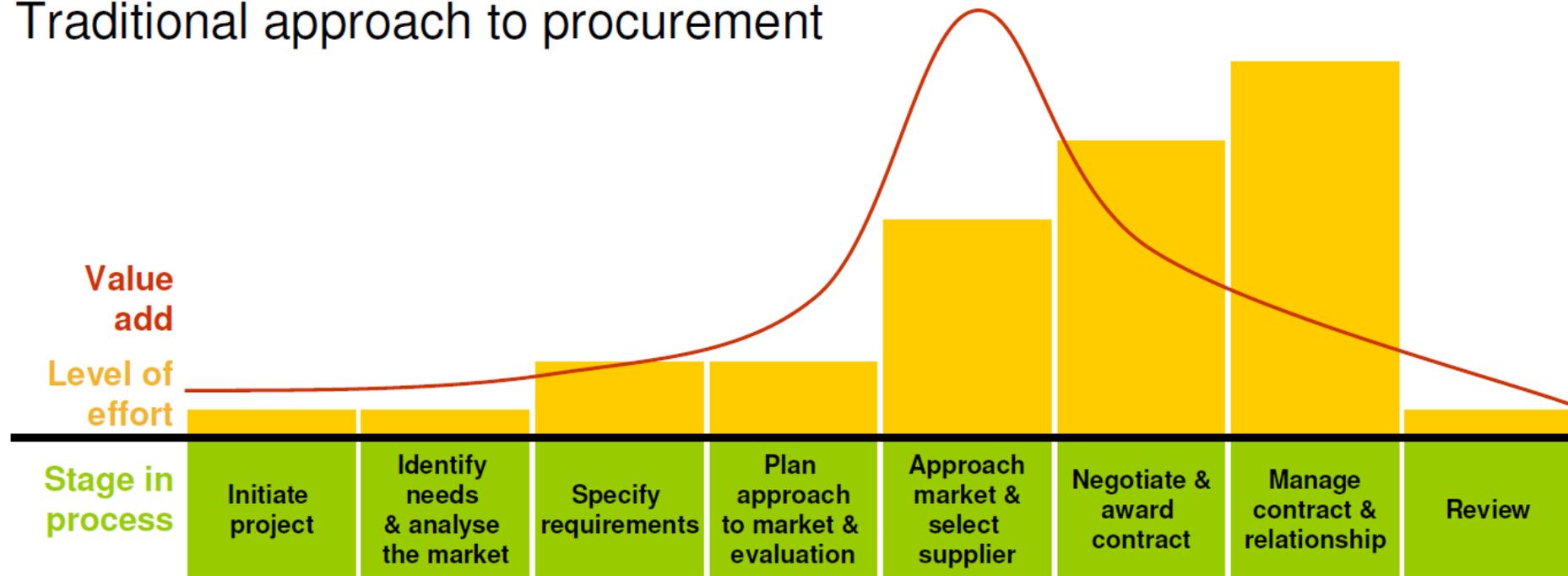
Where are the opportunities for contract management improvement?

Areas for contract management improvement?



MBIE's guide to mastering procurement

Traditional approach to procurement



MBIE's guide to mastering procurement

Strategic approach to procurement

