

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](#)

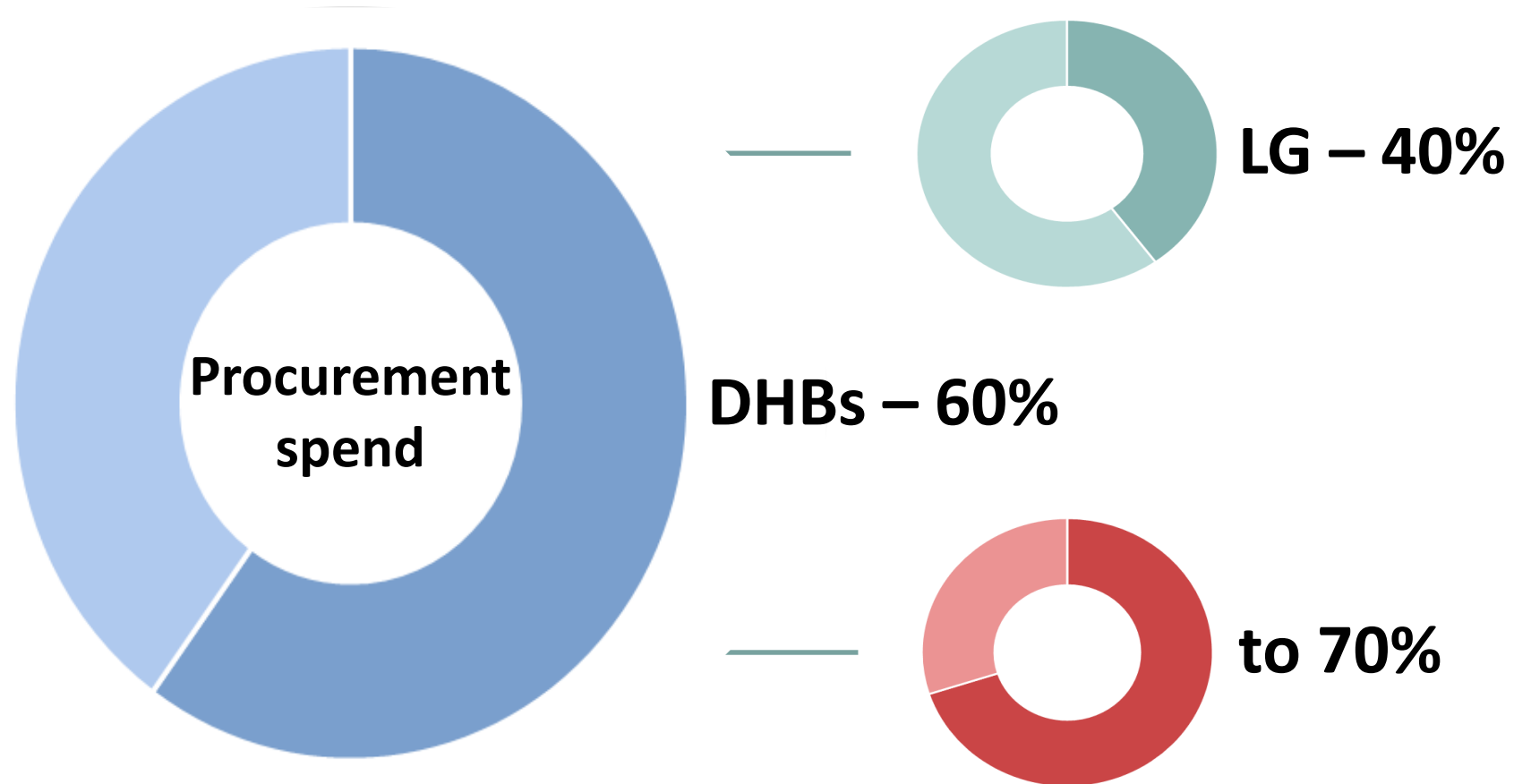
Associate Director, Specialist Audit and Assurance Services



### [Rachel McKechnie](#)

Associate Director, Specialist Audit and Assurance Services

# Why procurement matters

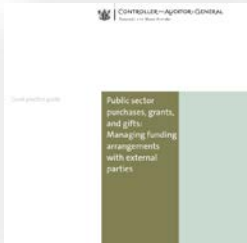


# Good practice



**[www.procurement.govt.nz](http://www.procurement.govt.nz)**

**Government rules of sourcing**



**[www.oag.govt.nz](http://www.oag.govt.nz)**

**Public sector purchases, grants, and gifts:  
Managing funding arrangements with external parties**



**[www.cips.org](http://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

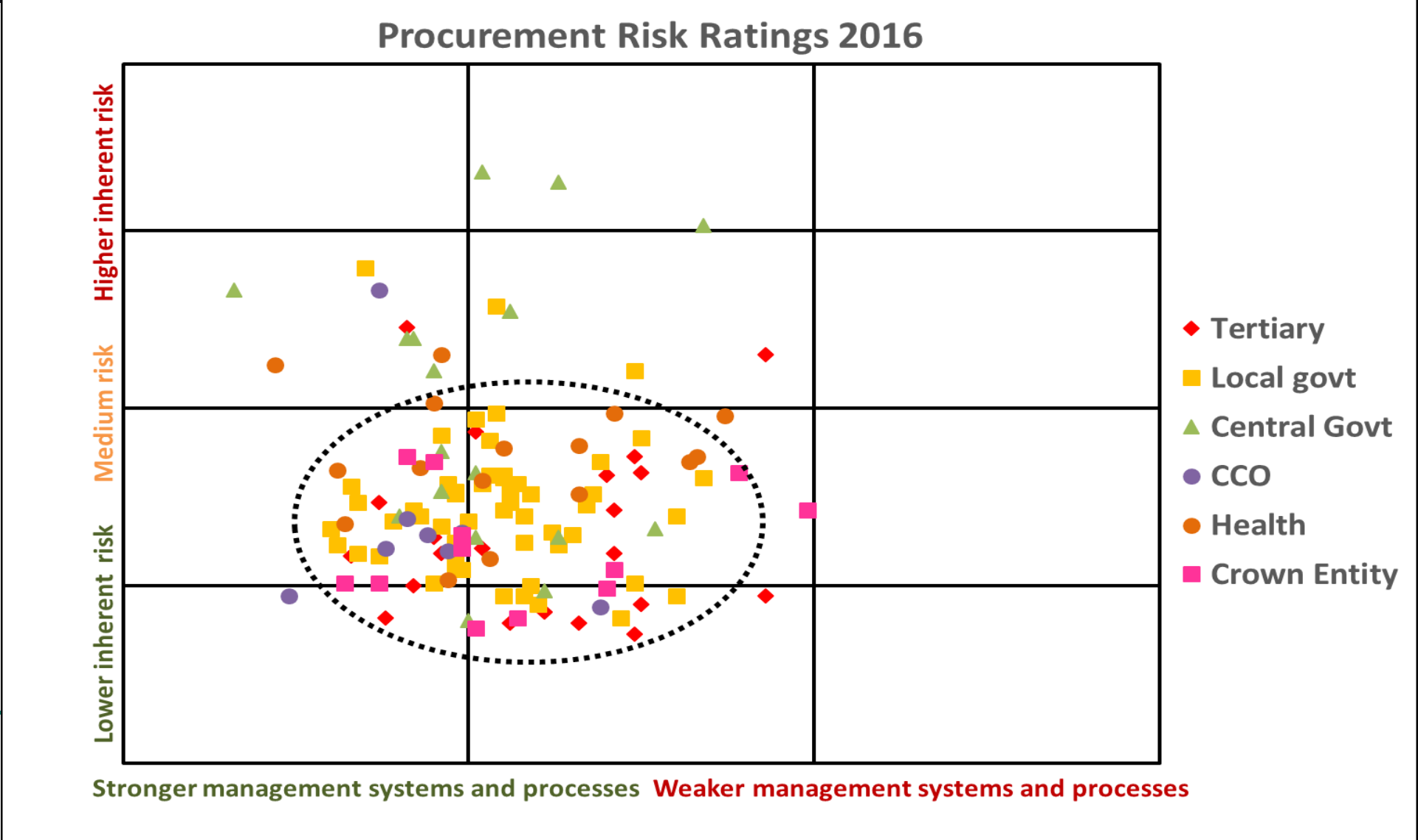


**Assurance**



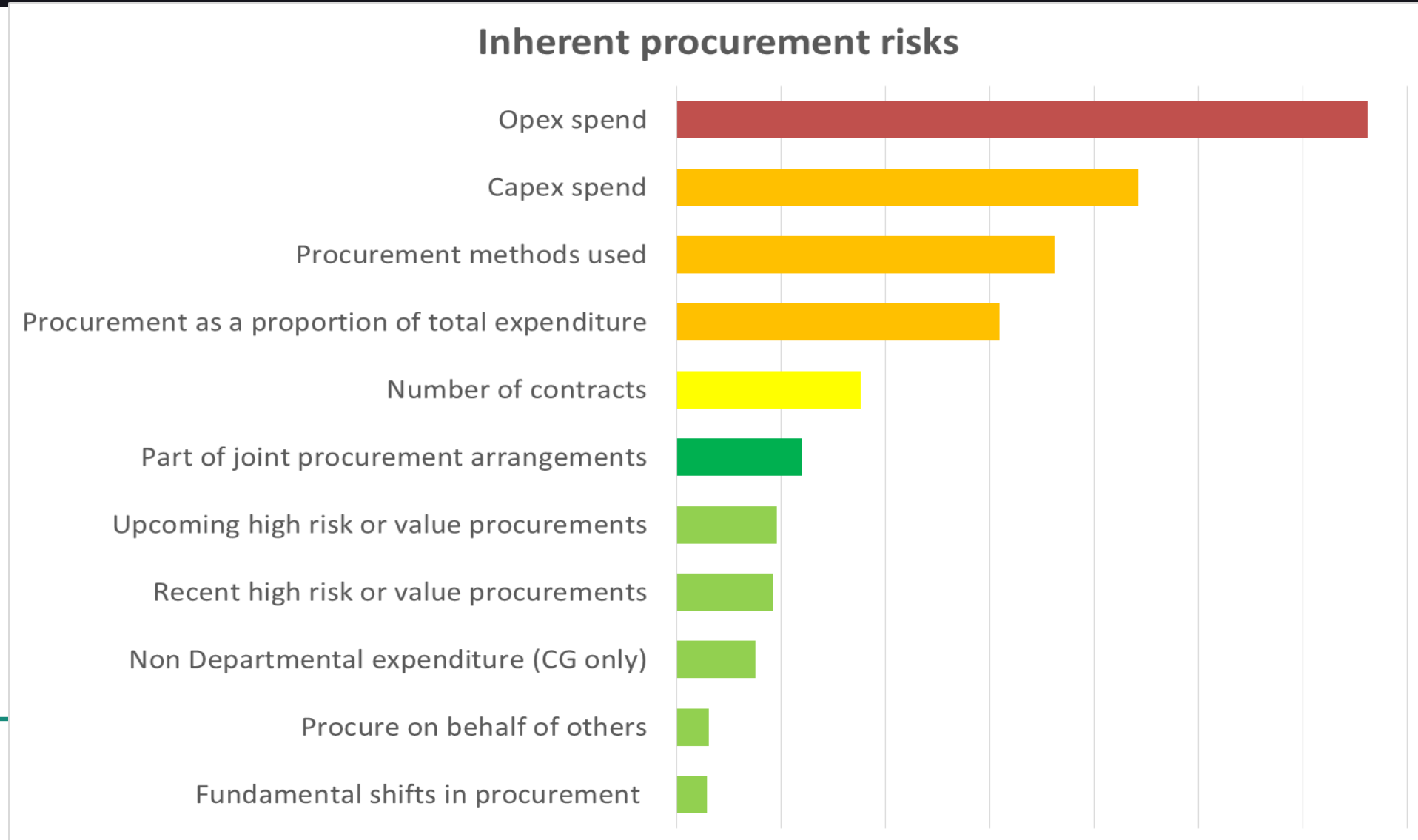
**Audit**

# Assessing risk and opportunities for improvement



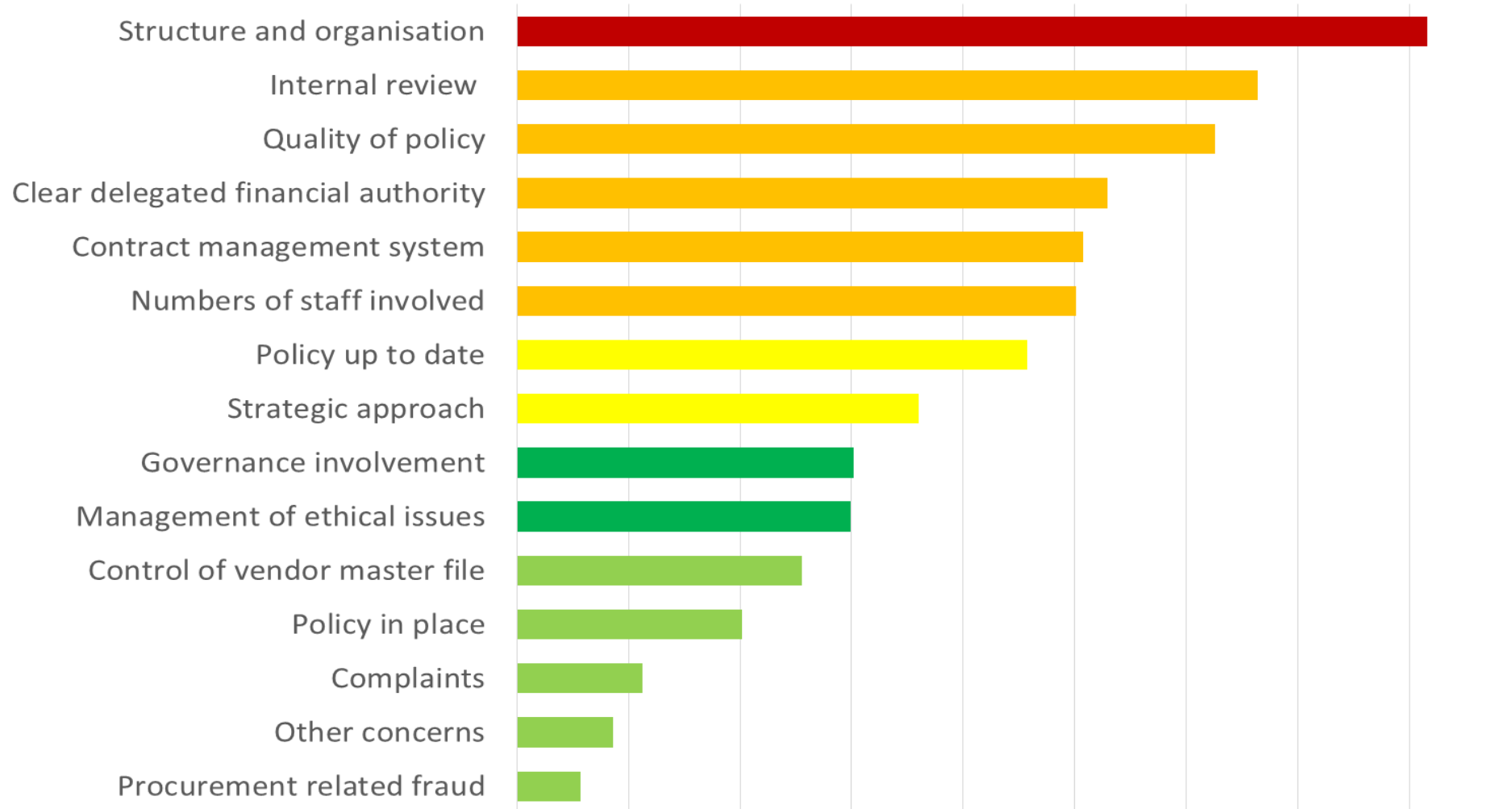


# What factors drive procurement risk?

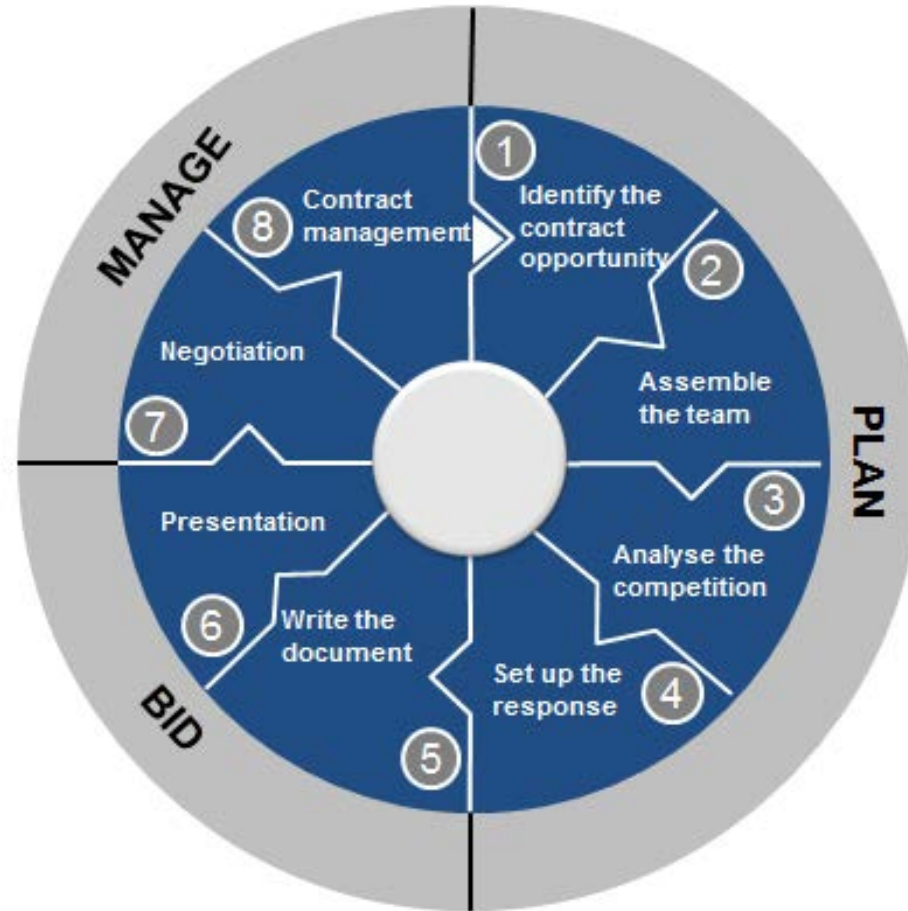


# Where are the opportunities for procurement improvement?

## 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

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## 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

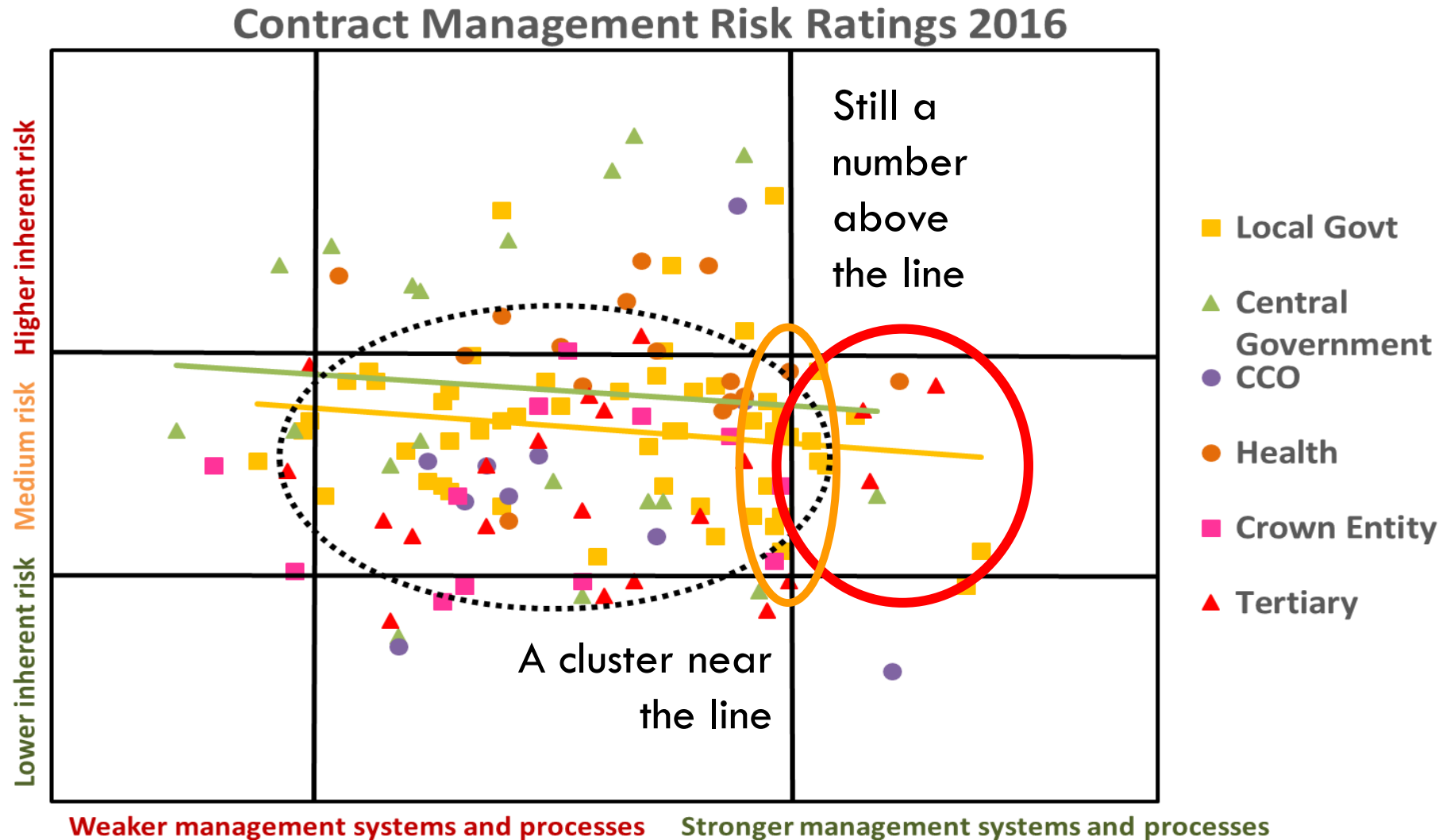
Purchases				Grants		Gifts
Conventional purchase		Relational purchase		Conditional grant	Grant with limited conditions	Gifts and donations
consumables, consultants, contractors	usually an effective market	strategically significant	market may be absent	often 3 <sup>rd</sup> sector	capability development, limited enforcement, lower risk?	low value, No obligations



# Emerging practice

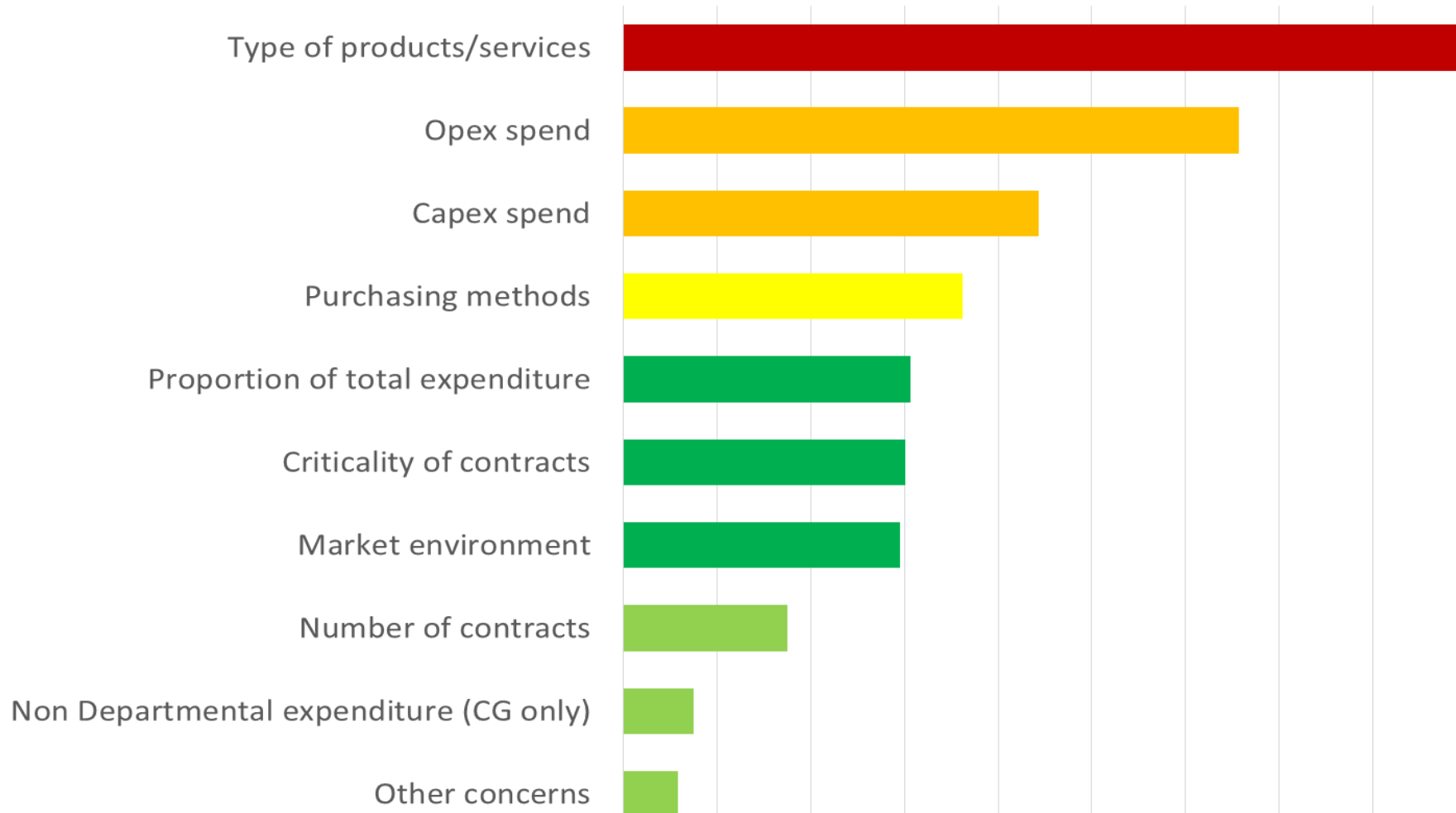
- **All of Government and common capability contracts**
- **Strategic alliances**
- **Panels and pre-qualification**
- **Fairness, value for money and a preference for local supply**
- **Market engagement**

# Contract management risk



# What factors drive contract management risk?

## Inherent contract management risks

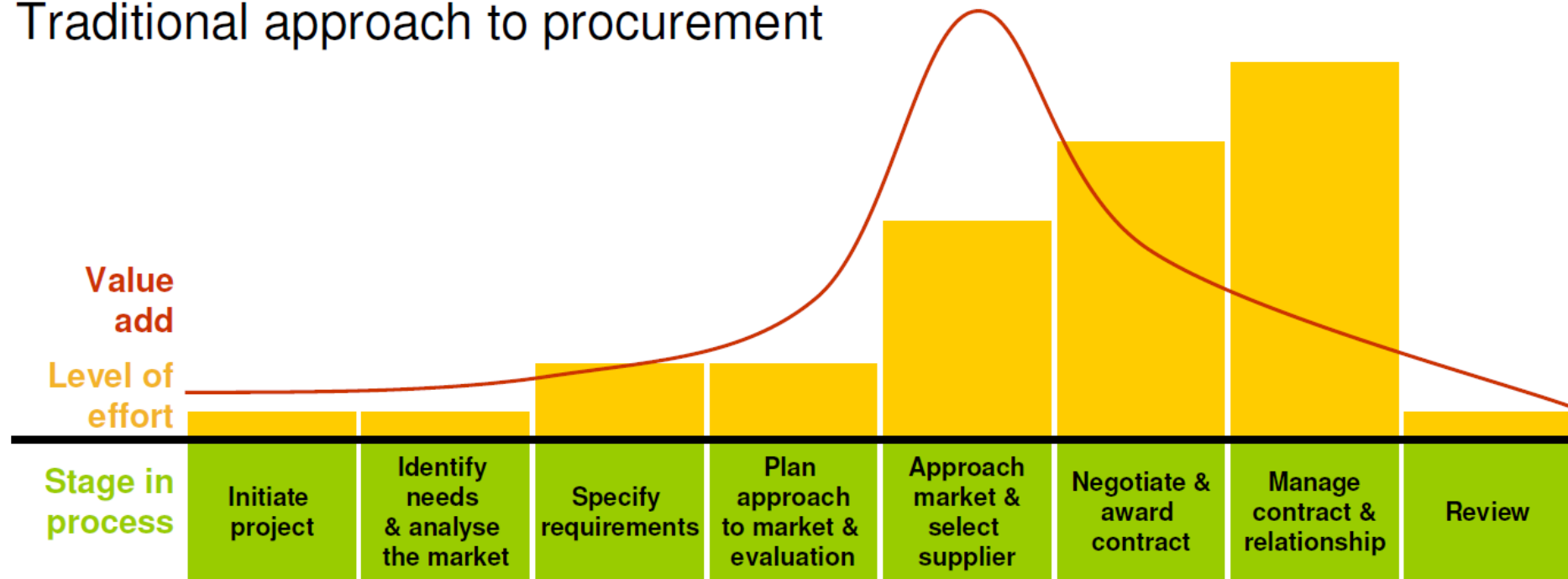


# Where are the opportunities for contract management improvement?



# MBIE's guide to mastering procurement

## Traditional approach to procurement



# MBIE's guide to mastering procurement

## Strategic approach to procurement

