

## WHAT GOOD LOOKS LIKE

# Procurement

### What is procurement?

*Procurement* is an overarching term used to describe the business processes associated with purchasing goods and services. The procurement cycle begins when a need to acquire goods and services is identified and continues until the end of the contract for those goods and services. In this guide, the process of sourcing goods and services is referred to as procurement. Once a contract is in place, that part of the procurement cycle is called contract management.

### Why does good procurement matter?

Effective procurement helps achieve strategic intent by:

- obtaining best value for public money;
- ensuring that the right suppliers are selected to support the public sector;
- helping to ensure that projects can be delivered to time and within budget;
- reducing exposure to commercial risk; and
- allowing the public sector to benefit from private sector innovation.

### About this guide

This guide is for governors and senior managers. It poses questions and provides some of the indicators that tell us whether your organisation meets our definition of what good looks like. We have designed this guide to help you work out whether you are sourcing goods and services effectively.

### Effective procurement

A good approach to procurement comprises four elements:

- having a **framework** in place to control your approach – policies, procedures, tools, and templates;
- having the right **infrastructure** to support the function – the right number of staff with the right skills, knowledge and experience, with access to the right information;
- being able to **apply** your policies in practice consistently and well; and
- ensuring that senior managers and governors have the information they need to **monitor and review** your organisation's spending.

### Where to find out more

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

[www.auditnz.parliament.nz/  
assuranceservices](http://www.auditnz.parliament.nz/assuranceservices)

[www.oag.parliament.nz/good-practice/  
procurement](http://www.oag.parliament.nz/good-practice/procurement)

[www.oag.parliament.nz/2008/  
procurement-guide](http://www.oag.parliament.nz/2008/procurement-guide)

10 questions		Indicators of what good looks like
Framework	1. Do you have a procurement strategy?	<ul style="list-style-type: none"> <li>Procurement strategy sets out high-level objectives and purchasing approaches that the organisation will use.</li> <li>Annual procurement plans outline how the strategy will be achieved; these can help the market prepare to meet your needs.</li> </ul>
	2. Is your policy up to date and consistent with good practice?	<ul style="list-style-type: none"> <li>A single procurement policy sets out overarching principles.</li> <li>Policy covers ethical issues such as conflicts of interest.</li> <li>Everyone is able to easily access and understand the policy.</li> </ul>
Infrastructure	3. Have you got the right number of staff, with the necessary expertise, and in the right structure?	<ul style="list-style-type: none"> <li>Staff with specialist knowledge and expertise might be needed.</li> <li>All staff are provided with training and support to understand and apply the policy.</li> <li>There is good oversight and co-ordination of staff involved with procurement management in a devolved structure.</li> </ul>
	4. Do you have information to assist with planning and managing procurement?	<ul style="list-style-type: none"> <li>The complexity of any system corresponds with the number and nature of procurements undertaken.</li> <li>Data is accurate, up-to-date, stored securely and electronically, and readily accessible.</li> </ul>
Application	5. Do you plan what you want to achieve, and how you will choose the best supplier?	<ul style="list-style-type: none"> <li>What you want to achieve is clearly defined at the planning stage.</li> <li>Processes ensure good practice is followed without preventing a constructive outcome.</li> <li>Evaluation methodologies and criteria match important priorities in choosing the right goods or services to meet the objectives.</li> </ul>
	6. Do you always assess and mitigate procurement-related risks?	<ul style="list-style-type: none"> <li>Effective processes are used for dealing with actual, perceived, and potential conflicts of interest, commercial confidentiality, and managing interaction with potential suppliers.</li> </ul>
	7. Does your process match the scale, risk, and value of the goods and services being procured?	<ul style="list-style-type: none"> <li>Procurement documents are based on good practice templates.</li> <li>Departures from policy and applicable rules are well informed, approved appropriately, and not used as a way to circumvent the principles of good procurement practice.</li> </ul>
	8. Are your negotiations well planned?	<ul style="list-style-type: none"> <li>Formal negotiation planning includes a clear walk-away position and a best alternative to a negotiated agreement (BATNA).</li> <li>Supplier debriefings are offered to unsuccessful respondents to help them understand where they need to improve their submissions.</li> </ul>
Monitor and review	9. Do you review your approach? What have you learnt?	<ul style="list-style-type: none"> <li>Reviews provide confidence that procurement activity is consistent with policy and good practice. Recommendations arising from reviews are actioned in a timely manner.</li> </ul>
	10. Are governors informed enough to assess whether procurement is effective?	<ul style="list-style-type: none"> <li>Senior managers and governors set the right tone through their commitment to ensuring that good policy and practices are in place.</li> <li>Senior managers and governors are provided with regular, good quality reporting on procurement activity to facilitate effective monitoring.</li> </ul>