



# Procurement and contract management

Learning from audit findings

AUDIT NEW ZEALAND  
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# Audit and Assurance Services

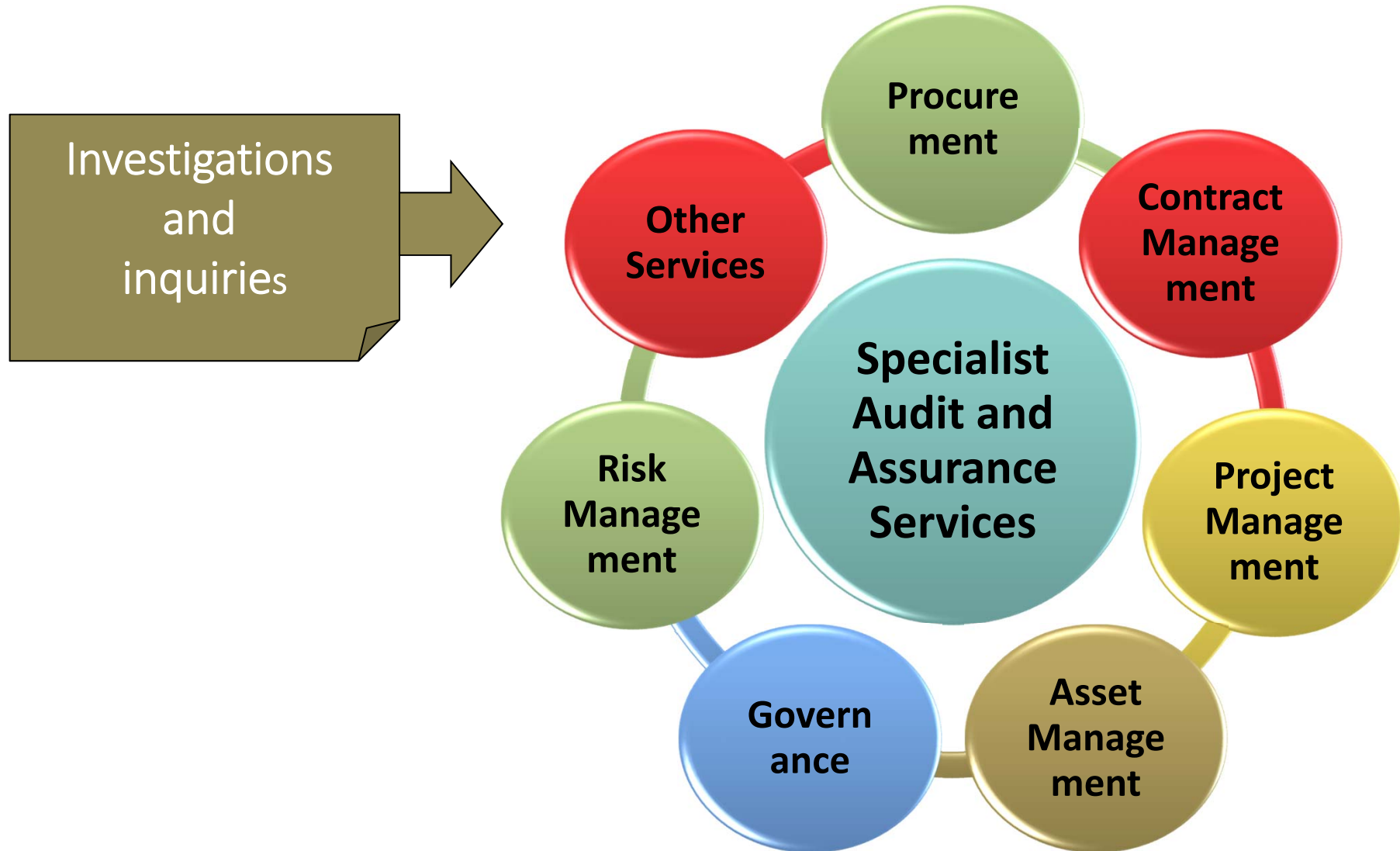


**Assurance**



**Audit**

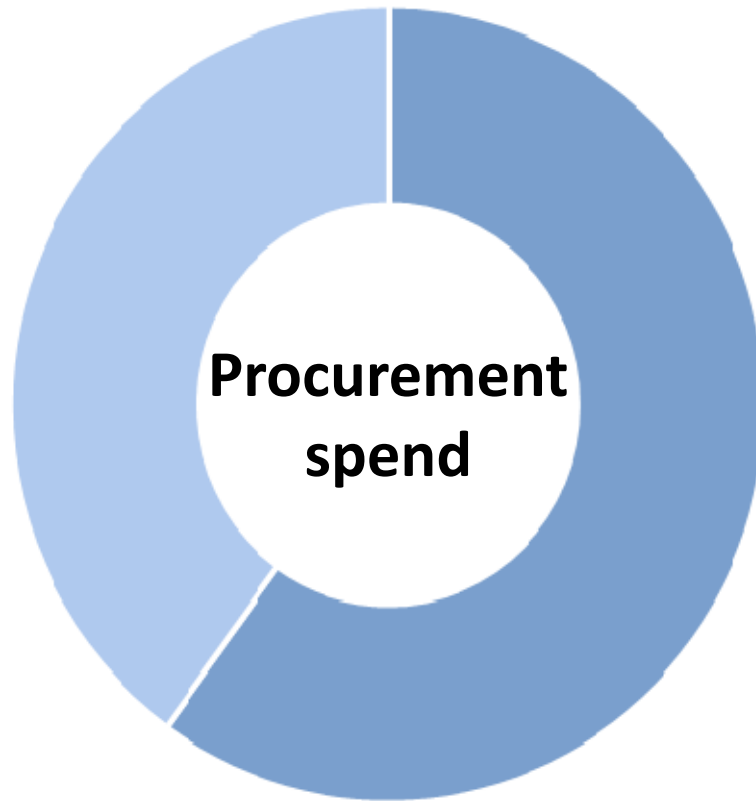
# Audit and Assurance Services



Don't...



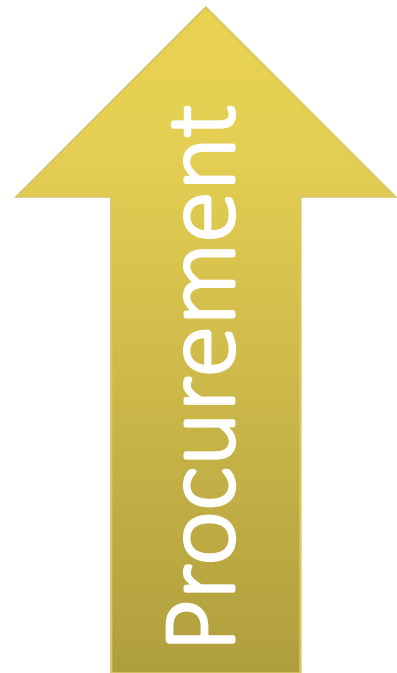
# Why procurement matters



**DHBs – 60%**



# Why procurement matters



procurement  
activity growing



risks increasing  
due to the scale and  
value of procurement

# 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**

# 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



What is probity?



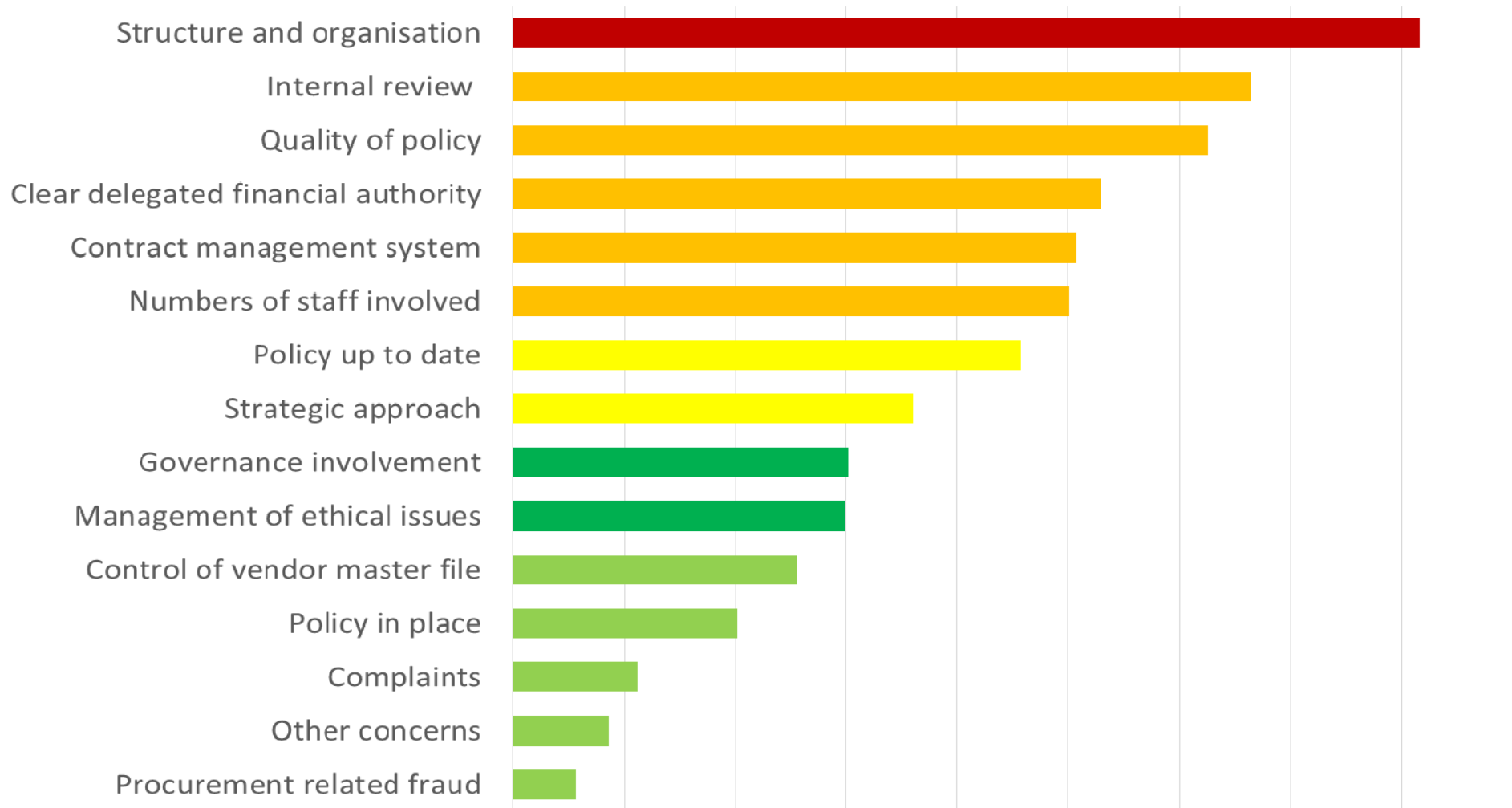
# probity

/'præʊbɪti, 'prɒbɪti/

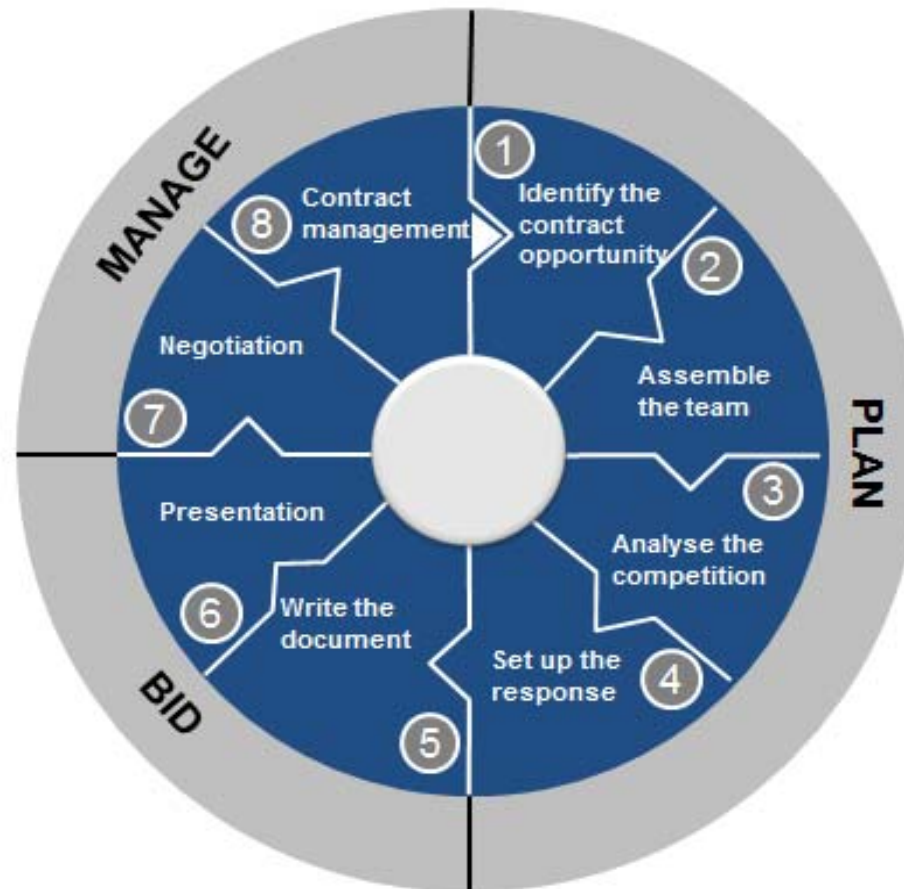
*noun formal*

# Where are the opportunities for procurement improvement?

## Areas for procurement improvement?



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



# Emerging practice

- **All of Government and common capability contracts**
- **Strategic alliances**
- **Panels and pre-qualification**
- **Market engagement**

# Issues and observations





# Challenges for a new entity or project



# Where are the opportunities for contract management improvement?

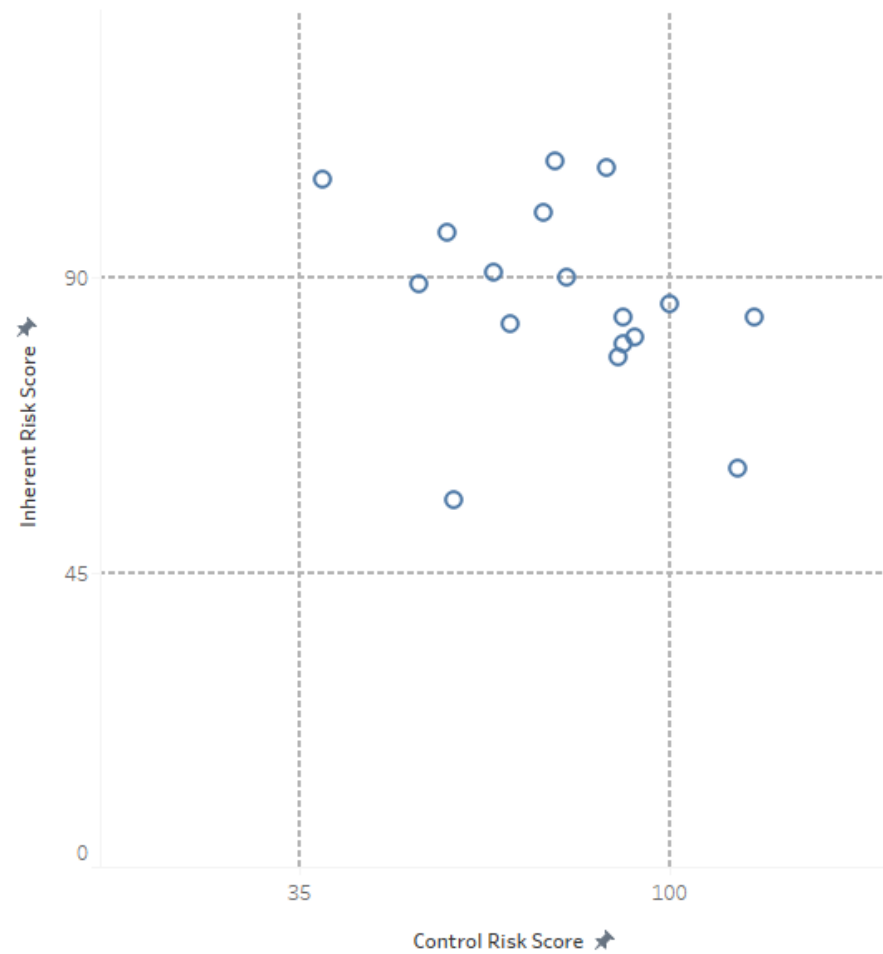
## Areas for contract management improvement?



# Contract Management – DHB 16J



Contract Management - DHB 16J

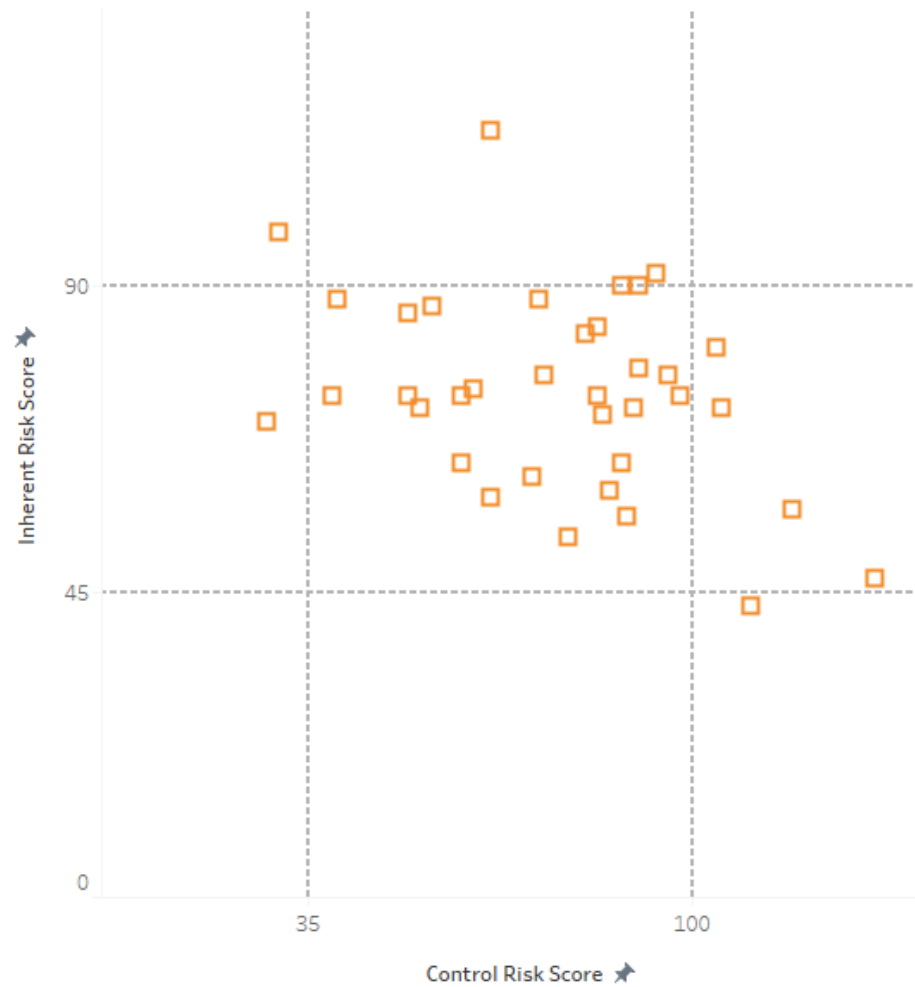




# Contract Management – LG 17J

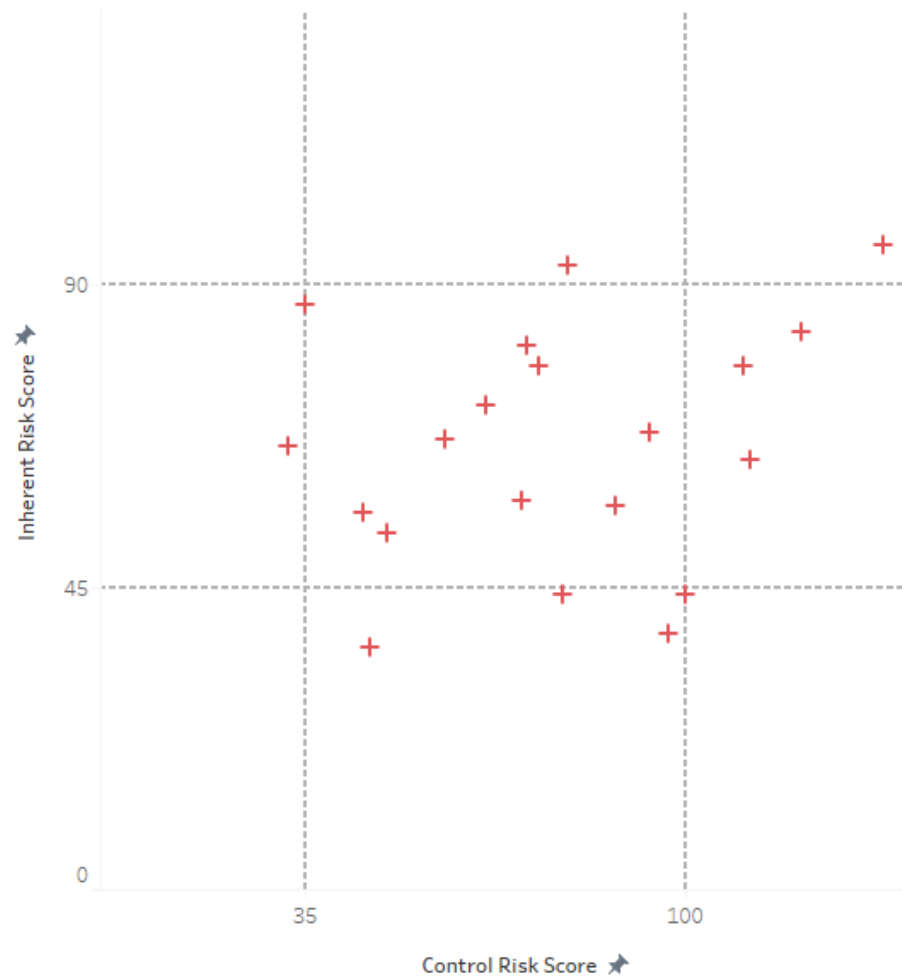


Contract Management - LG 17J



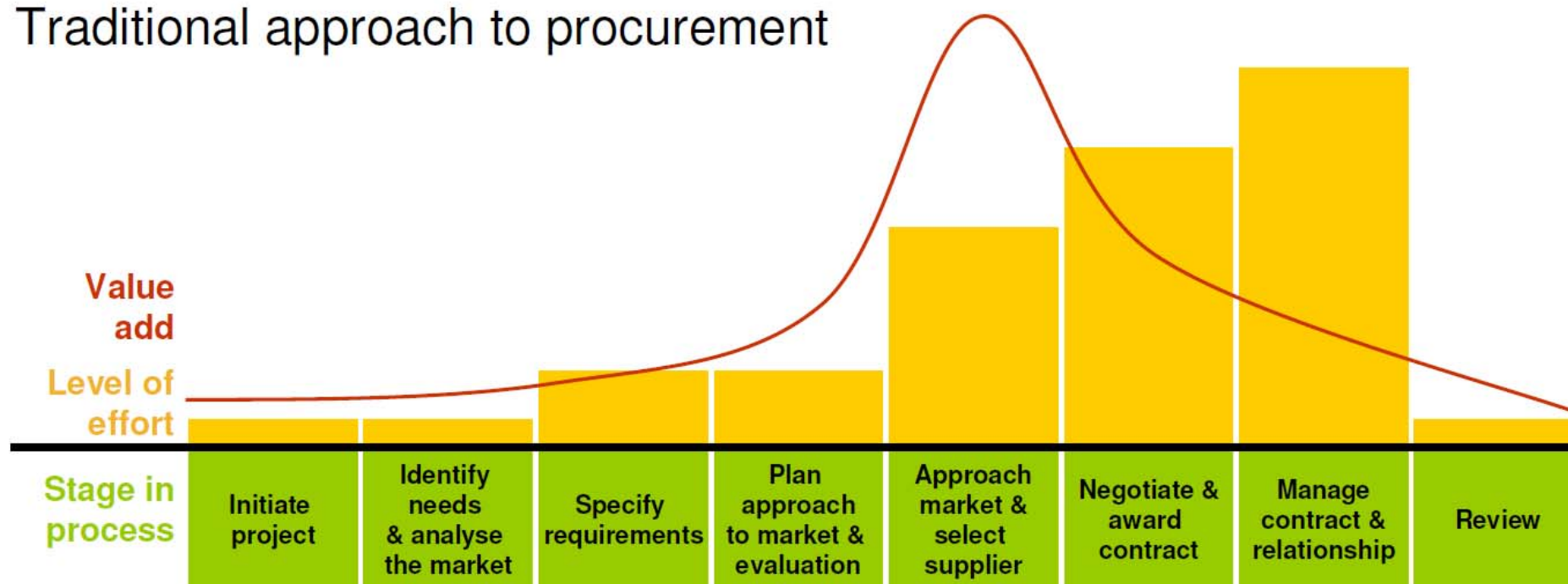
# Contract Management – TEI 16D

Contract Management - TEI 16D



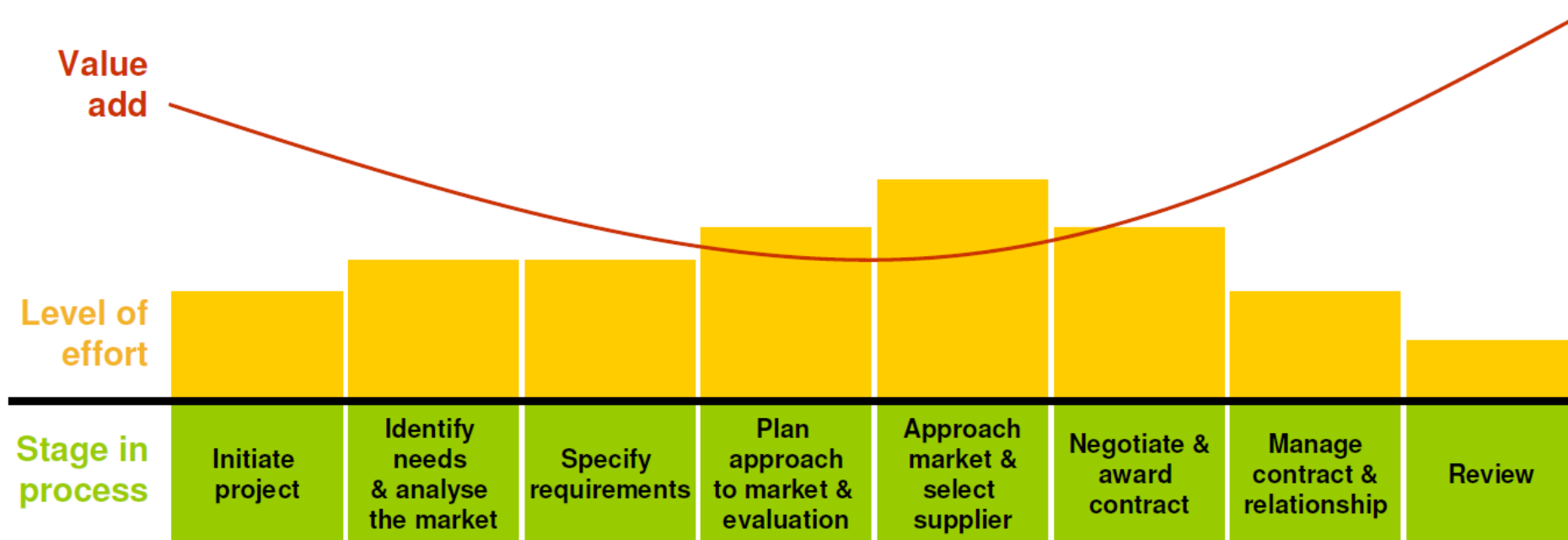
# MBIE's guide to mastering procurement

## Traditional approach to procurement



# MBIE's guide to mastering procurement

## Strategic approach to procurement



# Top ten contract management questions for governors and senior managers

1. Is your supplier relationship management strategic?
2. Are your policy, guidance and procedures up-to-date and good?
3. Have you got the right number of staff, the right structure & the right capability to manage contracts effectively?
4. What is your contract management or supplier relationship management system?
5. Are staff aware of policy and guidance and supported in its use?

# Top ten contract management questions for governors and senior managers

6. Is your financial control robust?
7. Is your contract monitoring and performance management sound?
8. How well do you manage completion and transition?
9. Do you review your contract management activity?
10. Are senior management and the governing body interested, well informed and committed to good contract management?