



Probity, ethics and the Auditor-General

Martin Richardson, Director

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Would you rather...



or





Probity, ethics and the Auditor-General

Martin Richardson, Director

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Who is the Auditor-General?



CONTROLLER^{AND} AUDITOR-GENERAL

Tumuaki o te Mana Arotake

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

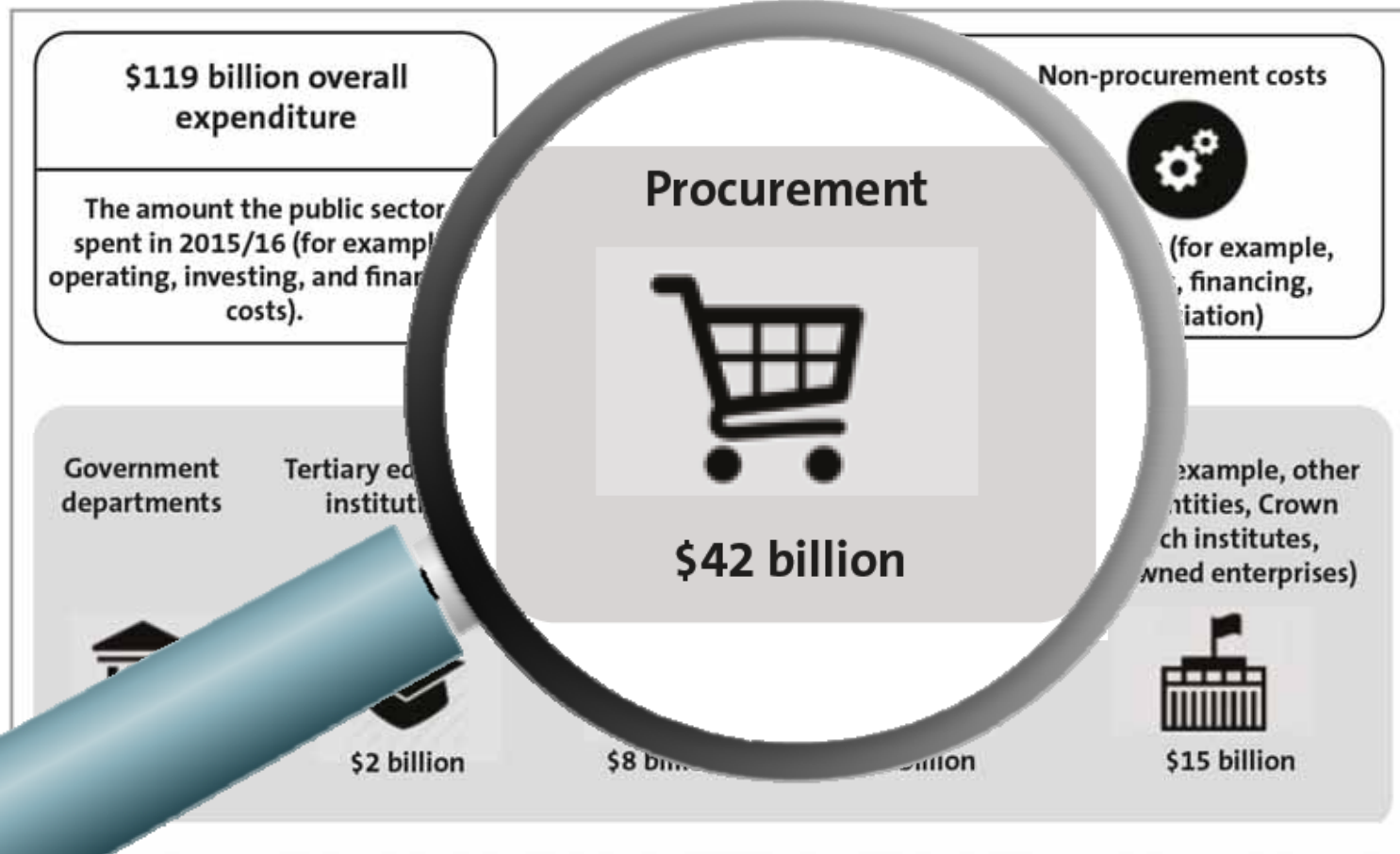
What do we mean?

The eight stage procurement lifecycle



Sourced from Ministry of Business, Innovation and Employment

Why is the Auditor-General interested?



What and when



Procurement work – 2018/19

Procurement foundation report



www.oag.govt.nz/2018/procurement/

MBIE's procurement functional leadership:
Driving efficiencies; improving services



underway as one audit about
improving government procurement
using a functional leadership approach

MBIE's procurement functional leadership:
Developing central government workforce
expertise and capability

Panels of suppliers



done but not yet published

Management of MBIE's grant programmes



Now focussing on the PGF

What next



Procurement work – 2019/20	Procurement work – 2020/21
Procurement workforce capacity and capability (local government)	Effectiveness of panels of suppliers
Government Chief Digital Officer: functional leadership	How procurement in a local community meets that community's needs
Procurement of healthcare assets	Managing smaller contracts - under \$½ m
Effectiveness of partnerships with the private sector to deliver public sector outcomes	Procurement reflections report
NZTA's procurement model, long-term procurement risks, future value and sustainable procurement	

What is probity?

probity

/'præʊbɪti, 'prɒbɪti/

noun formal

Ethics – why care?

The purpose of ethical practice is to protect
the public
those who receive professional services
the professional themselves
the reputation of the organisation
and the profession



Pergament, D. & Klimesh, M.K. (2015). *School-based law, ethics, and mental health services.*

Ethical dilemmas

truth

v

loyalty

individual

v

community

short-term

v

long-term

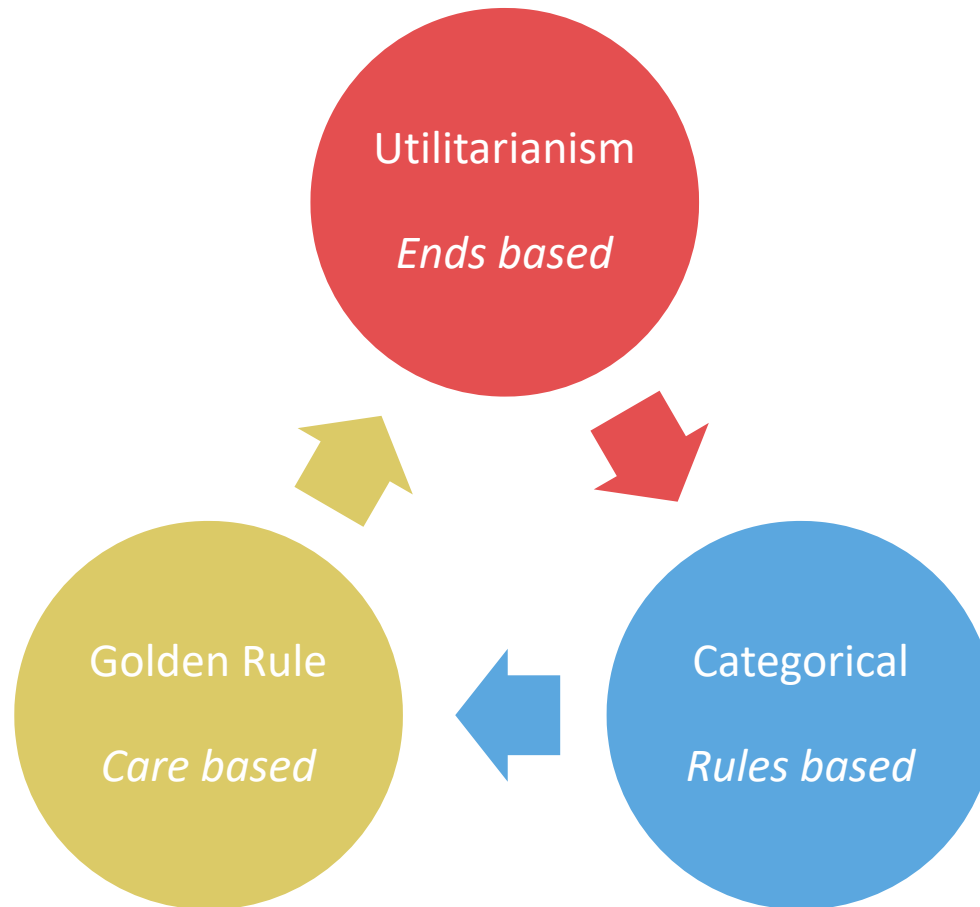
justice

v

mercy

Kidder, Rushworth. (1995), *How Good People Make Tough Choices: Resolving the Dilemmas of Ethical Living*

Ethical ways of thinking



CIPS view of ethical procurement

CIPS Procurement topic



Ethical Purchasing/Ethical Procurement

Ethical procurement doesn't always have to cost more. In fact, the current drive to create greater efficiencies in public spending may actually create more opportunities

What we are seeing, and what we're not...



The impact of personal conscience on ethical procurement

Eradicate fraud, bribery and corruption in procurement and supply

Sustainable procurement

The impact of personal conscience

Integrity

- Moral compass: transparency, accountability, awareness, good management, prevention, control, confidentiality



Ethical procurement

- CIPS code of conduct, standards, ethical practices throughout the supply chain



Human Rights

- Employment terms, non-discrimination, harassment, forced labour, child labour



Modern Slavery

- Exploitation, human trafficking, forced labour, slavery



Conflicts of interest



**Trust me
I'm a
professional**

Fraud, bribery and corruption

Policies

- Code of ethics, hotline, zero tolerance, whistleblowing, donations, gifts and hospitality, expenses



Risk identification

- Manipulated specification, qualification, selection, sole sourcing, quality and quantity, payment process, variations



Mitigation

- Recruitment, employment terms, due diligence, supplier audits, build supplier integrity



Prevention and response

- Training, awareness of policies and procedures, compliance, rigorous response



Can't happen here

 **CONTROLLER AND AUDITOR-GENERAL**
New Zealand | Tumuaki o te Mana Arotake

About us Media centre Publications Good practice

Home

[Inquiry into procurement of work by Westland District Council at Franz Josef](#)



NEW ZEALAND

SmartHealth review finds failed virtual health app cost taxpayers \$25.7m

24 May, 2016 9:02 am

8 minutes to read



Waikato DHB former chief executive De Nigel Murray (centre) and former board chair Bob Simcock (right) drove the proposal for virtual health in 2015. Photo / Christine Cornege



By **Natalie Akoorie**

NZ Herald reporter based in Hamilton
natalie.akoorie@herald.co.nz
@NatalieAkoorie



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Sustainable procurement



Environmental impact

- Environment, society, whole of life, triple bottom line



Positive practices

- Value for money, influence and incentivise the market, energy use, waste, climate change, pollution



Drivers, Actions and Challenges

- Laws, rules, standards, supply chain mapping, price v cost, affordability



Whole of whose life?



Changing the world one contract at a time



“Wake up in the morning, stretch your arms, take in a deep breath, and remind yourself that today you’re not going to save the world, but today you’re going to focus on saving one small, discrete, very clearly defined part of it.”

**SUPPLY
MANAGEMENT**

Conservation biologist George Schaller

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Ethical leadership

**“Ethics are at the heart of good leadership...
professional connections are grounded in shared
skills, knowledge and experience, but also in our
ethics...
our ability to know the difference between what
we have a right to do and what is right to do.”**



2019 CA ANZ President Stephen Walker FCA, Executive Director of Audit New Zealand

Questions

- **Do you agree with our assessment of which ethical issues have been / not been tackled?**
- **What are the barriers to sustainable procurement?**

Ethical leadership

“This whole idea of ethical leadership is not just about being an ethical person yourself, but about cultivating that behaviour among employees and within the organisation... achieving this is no easy feat.”



Professor Karin Lasthuizen, Brian Picot Chair of Ethical Leadership, Victoria University of Wellington

Use of panels of suppliers

263

agencies
surveyed

75%

response
rate

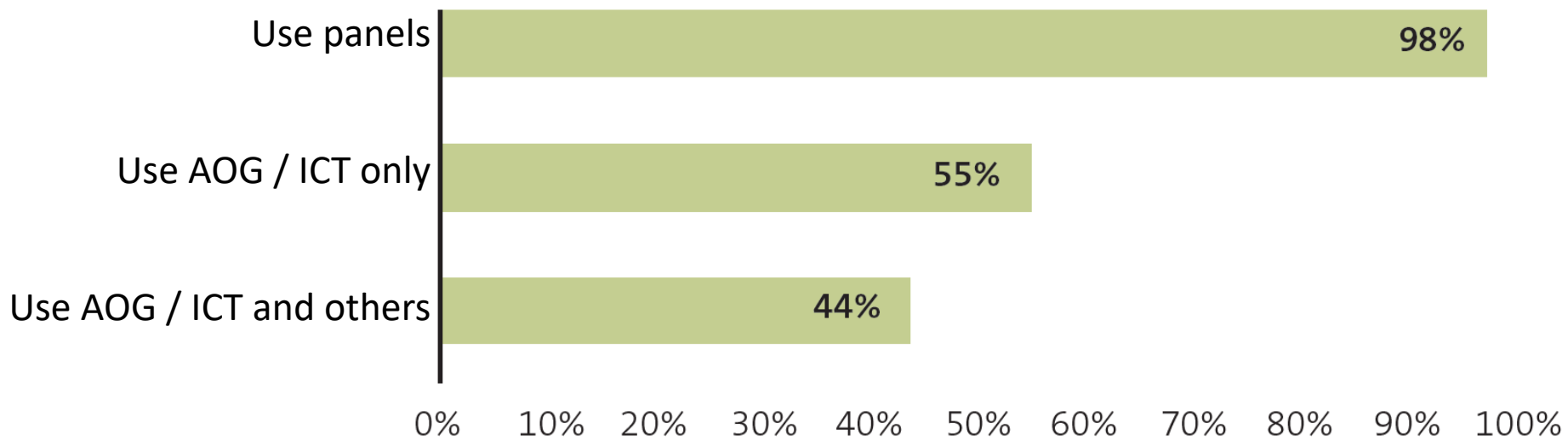
**Challenges for
agencies
to respond**

Couldn't
generate
information
needed

Lack of
common
understandin
g of supplier
panels

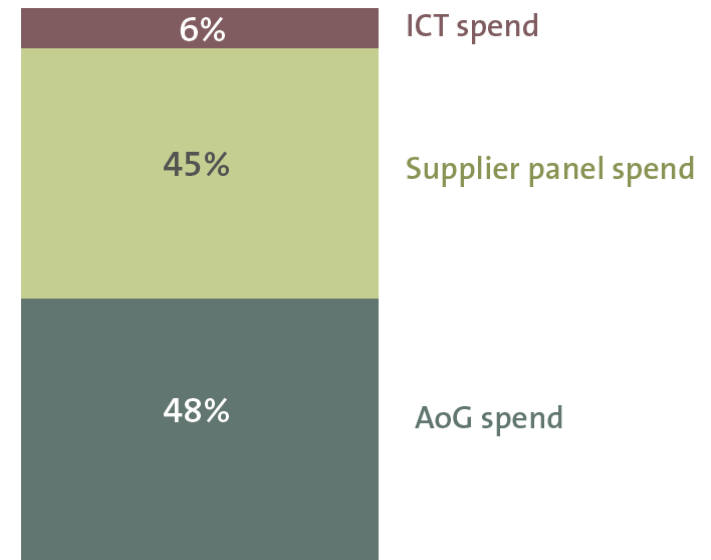
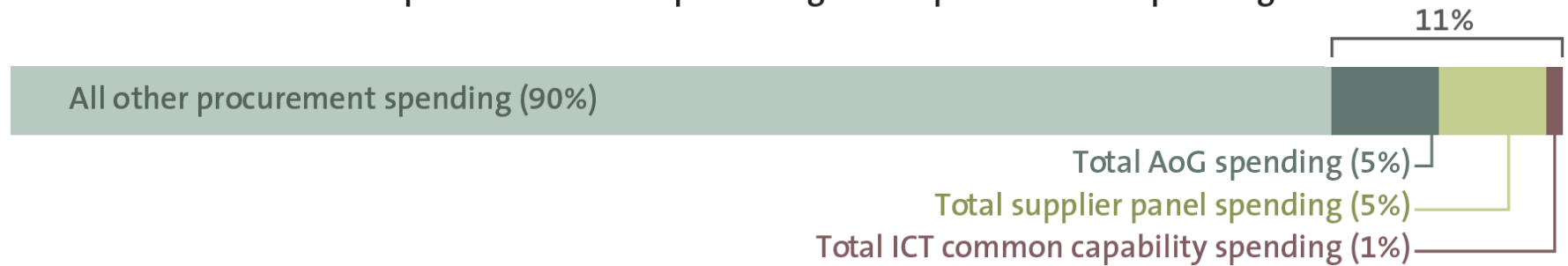
Lack of
specialist
procurement
staff

Panel use



Panel spend

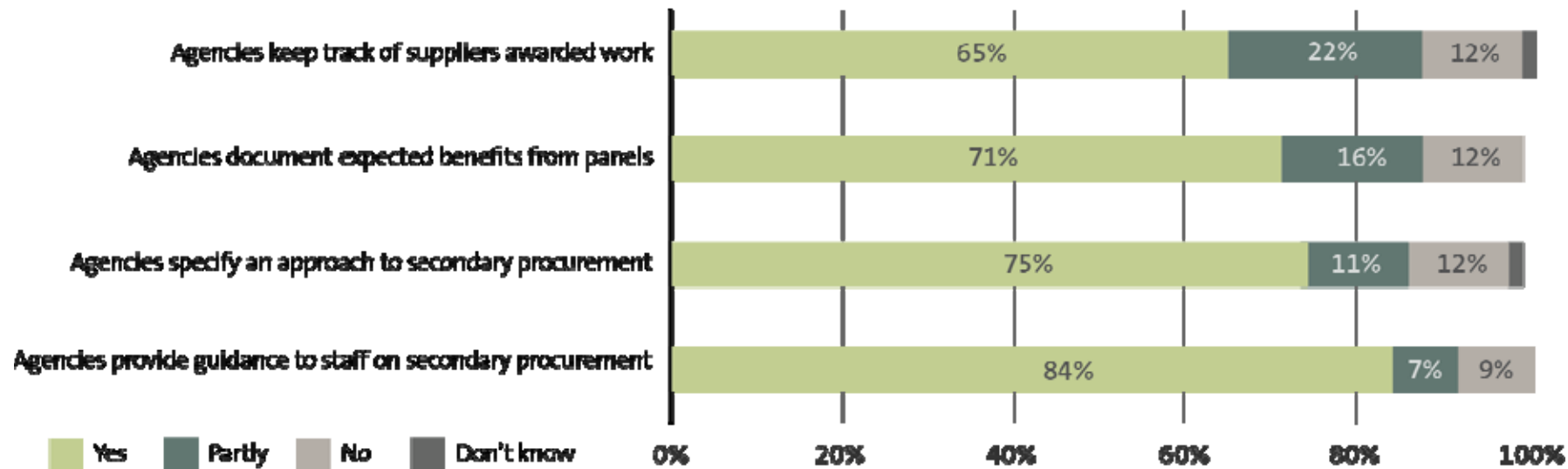
Panel procurement as a percentage of all procurement spending



Top five spend categories	Expenditure (\$ million)	No. of supplier panels used
Healthcare services	1,200	65
Building, facility construction, and maintenance services	551	53
Medical equipment and accessories and supplies	177	41
Management, professional, administrative, consultancy, and legal services	138	78
Engineering and research and technology based services	94	23

Secondary procurement

Secondary procurement practice questions



Benefits and issues



Top 4 Benefits	Top 4 issues
Reduced procurement costs	Market shifts since panel was put in
Avoid lengthy procurement processes	Varying rules / processes when using different types of supplier panels
All suppliers on common, agreed terms and conditions	Unequal allocation of opportunities
All suppliers meet quality, capability, and capacity standards	Limited scope of goods/services that suppliers contracted to provide

Questions

- **Do these results fit your experience?
Anything surprising?**
- **Do you agree with the benefits and issues?**