

## WHAT GOOD LOOKS LIKE

# Learning from procurement policy audits

**We carry out annual audits of hundreds of public organisations on the Auditor-General's behalf, to give taxpayers and ratepayers assurance that public organisations are appropriately reporting on how they spend public money and on the services they provide.**

Spending public money on services in an accountable and transparent way involves procurement.

In 2022, we assessed the procurement policies of more than 30 public organisations that are required to follow the Government Procurement Rules (the Rules). We wanted to see how up to date they were on recent changes to the Rules. We focused on support for the Procurement Charter, broader outcomes, and progressive procurement requirements.

### What we found

Overall, we found that the majority of public organisations we assessed had not fully implemented changes to their procurement policy to account for changes to government policy and priorities. Some organisations' policies had perfunctory support for government policy changes without further context or explanation, which could lead to difficulty achieving the objectives of policy changes.

We are concerned about organisations whose procurement policies are well below expectations.

Further information about our expectations, including what good procurement looks like and how to apply the Rules, is available on our website at [auditnz.parliament.nz/resources/procurement](https://auditnz.parliament.nz/resources/procurement).

### Good policies need to be up to date

Given the value and significance of public sector procurement, public organisations should prioritise regular reviews of their procurement policies. We expect organisations to review their policies regularly and update them as required, based on changes that are internal (such as new roles and different needs for goods and services) as well as external (such as new government priorities).

Our assessment findings, however, indicate that many public organisations' procurement policies are not adequate or effective for putting the Rules and government policy into practice. Of the public organisations we assessed, we found that 19% had policies that required significant updates (for example, they contained references to outdated versions of the Government Procurement Rules). A further 68% required improvement to meet expectations; their policies were not fully up to date or effective following changes to government policy since 2019.

This means that these organisations' policies were likely to be inconsistent with government policy, causing confusion for staff about which to follow. Failing to keep policy up to date indicates that it may not be reviewed regularly and may not be seen as important for managing the way an organisation operates. An organisation that does not recognise government policy changes in its own policies is providing a poor basis for effective procurement.

## Good policies need to be clear and easy to use

Good policies need to be understandable so that staff can implement them well. That means keeping policy succinct and readable whilst providing enough detail to put it into practice. We expect organisations' policies to set out, at a high level, **what** staff should do and **why** they should do it. In general, policies should also include statements of intent, commitments to action, and enforceable principles for staff to follow.

The most common aspect of policy that we felt needed improvement was its clarity, and staff's ability to interpret the policy and put it into practice consistently and well. Although many organisations' policies referred to the Procurement Charter, broader outcomes, and progressive procurement, we found that this was often generic and was not clear about what the policy might mean in practice. In our view, additional statements would help staff to understand the policy and how it applies to the organisation's specific circumstances, such as the goods and services it typically procures.

## Guidance should not be a substitute for policy

Policies are put into practice through internal guidance or procedures. We expect organisations to have guidance, procedures, and templates that support the Procurement Charter, broader outcomes, and progressive procurement. The detail of how to implement the policy is found in procedures, which are, in turn, based on wording in the policy. However, these additional resources need to support and not be a substitute for policy.

Some organisations are creating guidance documents, templates, and other supporting materials to assist specialist procurement and other staff with aspects of the procurement lifecycle. Although it is good to see organisations creating documents to help staff put good procurement into practice, guidance should be consistent with policy. We found that these documents were often not based on, or linked to, the organisation's procurement policy, and often lacked a firm policy foundation as a result.

## Other lessons from our assessment

We asked organisations that are required to follow the Government Procurement Rules to complete a survey about how their procurement functions are structured. We also asked about the adoption of, and support for, broader outcomes and progressive procurement.

From our survey, we identified some common themes that people involved in public sector procurement should reflect on.

**1. Broader outcomes and progressive procurement are similar, but not the same.** Some organisations are treating progressive procurement as a subset of broader outcomes, and they cited support for progressive procurement based on work they are doing to support Rule 17.2 (Increase access for New Zealand businesses).

Broader outcomes and progressive procurement are complementary but distinct policies. Increasing access for New Zealand businesses is a broad policy objective. Progressive procurement includes specific targets for contracting with certain types of organisations, while encouraging them to identify and remove barriers for those organisations to compete for government contracts. Organisations may wish to read our guide, [Applying Te Kupenga Hao Pāuaua – Progressive procurement](#)<sup>1</sup>.

**2. Government policy needs translating into local action.** Organisations appear to be struggling to turn guidance and information from central agencies into practical material for their own use.

Requirements to collect information for external reporting can also overshadow consideration for the sort of information needed in internal reporting. Ideally, information gathering and reporting should be aligned, providing value to internal management *and* external parties.

1. <https://auditnz.parliament.nz/resources/procurement/progressive-procurement>

**3. Toolkits and templates** can help staff translate policy into practice. Some organisations have created new templates for staff to support broader outcomes and progressive procurement. However, these are often generic, with a 'one-size-fits-all' approach. If tools and templates are not tailored to specific tasks, they rely on procurement staff being knowledgeable and empowered enough to apply them to different situations.

Some organisations have started to address this by creating toolkits tailored for their own needs. Toolkits like these can assist staff to apply broader outcomes and progressive procurement requirements based on the particular outcome wanted. In our view, it is for organisations as a whole to determine policy priorities, rather than leaving this to individual staff to infer. We welcome toolkits that help staff translate policy into practice.

**4. Organisations should consider how they are similar to their peers.** In survey responses, organisations often mentioned that they were different from their peers, and described strategies they are using to assist with their own requirements.

Many organisations have unique needs, but much of what the public sector procures is similar from agency to agency (for example, ICT equipment and support, accommodation, office supplies, policy advice, and specialist consultancy services). Looking at 'how we are the same' rather than 'how we are unique' may provide opportunities for shared learning and better results.

Significant resources are rightly often devoted to dealing with day-to-day pressures. It is important that sufficient resources are also dedicated to updating policies and processes. This ensures that the day-to-day effort is effective and contributing to what the organisation wants to achieve, in the way it wants to achieve it. Public organisations need to determine an appropriate mix between 'working in the business' and 'working on the business' so that government and other priorities are met.