



# Procurement

Public organisations use many different kinds of goods and services. Procurement is the process that public organisations use to acquire and manage these goods and services. It's important that New Zealanders get the best possible outcomes from public spending on these goods and services.

## Principles

Public organisations need to carry out their procurement in a transparent, accountable, impartial, and equitable way. Sometimes this is referred to as probity. Probity is a broad concept, but its principles are fundamental to how we expect public organisations to carry out procurement. These principles include:

- **Accountability** – Public organisations should be accountable for their performance and be able to give complete and accurate accounts of how they have used public funds, including funds passed on to others for particular purposes. They should also have suitable governance and management arrangements in place to oversee funding arrangements.
- **Openness** – Public organisations should be transparent in their administration of funds, both to support accountability and to promote clarity and shared understanding of respective roles and obligations between organisations and any external parties entering into funding arrangements.
- **Value for money** – Public organisations should use resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the entity is trying to achieve. Where practical, this may involve considering the costs of alternative supply arrangements.
- **Lawfulness** – Public organisations must act within the law, and meet their legal obligations.
- **Fairness** – Public organisations have a general public law obligation to act fairly and reasonably. Public organisations must be, and must be seen to be, impartial in their decision-making. Public organisations might also at times need to consider the imbalance of power in some funding arrangements, and whether it is significant enough to require a different approach to the way they conduct the relationship.
- **Integrity** – Anyone who is managing public resources must do so with the utmost integrity.



The standards applying to public servants and other public employees are clear, and public organisations need to make clear when funding other organisations that they expect similar standards from them.

## Procurement needs a strategic approach

Having set its priorities, objectives, and outcomes, a public organisation needs to have a clear view of what it will do itself and what it will outsource or procure from the market. The public organisation can then determine the best strategic approach to meet those procurement needs.

If a public organisation is reliant on external providers to deliver its strategy, it should prepare a procurement strategy. We expect all public organisations to demonstrate:

- a knowledge of the type, value, and risk associated with the goods and services it procures; and
- that policies and procedures are in place to ensure that staff who are involved in procurement activity use good procurement principles and practices.

## Identifying and managing conflicts of interest

We expect public sector organisations to have clear policy, guidance, and procedures to manage the risks to procurement processes that can arise from actual, potential, and perceived conflicts of interest. Our work indicates that failure to identify and manage these risks effectively is a significant factor where procurements have gone wrong. We expect everyone involved in or with an influence over significant procurements to make a specific declaration so that any risks or issues are identified early and can be managed well.

Not all conflicts of interests will be apparent at the start of a procurement process. It is likely that some will become apparent throughout the procurement process, as more becomes known about the companies that might respond to a tender process and the staff that might be involved. It is important that public organisations remain mindful of conflicts of interest throughout the procurement process.

## Contract management

In short, a public organisation needs to monitor and manage a supplier's performance to assess whether the public organisation is getting the full value that was identified during the procurement of the goods or services. It should determine how much monitoring and managing to do based on its assessment of risk and the costs and benefits of that monitoring and managing.

Monitoring and managing supplier performance should be a priority when the value and the risks associated with the procurement are high.

## Questions for public organisations to consider

- Have you clarified roles, responsibilities, and processes for decision-making, ownership, and oversight?
- Have you identified your needs and analysed the supplier market?
- Do you have a clear understanding of what you want to purchase and a plan of how you will measure supplier performance?
- Do you have a plan for your procurement approach?
- What processes do you have to implement the procurement process, including evaluating tender responses and making decisions about suppliers?
- How will you negotiate a contract's terms and conditions?
- What processes do you have in place to monitor and manage supplier performance?
- Does your organisation assess whether the intended benefits from a procurement have been realised?
- What lessons can be learned from the procurement process?

There's more information and more good practice resources – including on this topic – on our website.

