

Summary

Oranga Tamariki: Inquiry into procurement and contract management



Why we did this work

Oranga Tamariki – Ministry for Children contracts social service providers to deliver services to children and families in need. These contracts are worth about half a billion dollars each year. Failing to manage these contracts well might result in children and families not receiving the support they need when and where they need it.

In July 2024, concerns were raised with the Office about contract management, particularly contracting decisions for 2024/25. These services are critical for children and their families and involve significant public spending. Managing contracts poorly could significantly undermine public trust. Given this, the Auditor-General decided to inquire into the concerns that had been raised.



What we found

- Before the 2024/25 contracting round, Oranga Tamariki was aware of issues with its procurement and contract management practices. It had also identified financial pressures in its contracted services budget and was forecasting that its 2023/24 spending would go over budget. In 2023, Oranga Tamariki was directed to refocus spending and achieve financial savings of 6.5% from its overall budget. To contribute to these savings and address financial pressures, Oranga Tamariki decided to reduce spending on contracted services for the 2024/25 year by about \$60 million and to fully recover funding that it considered had not been spent by providers on contracted services (known as reconciliation).
- We found that Oranga Tamariki was poorly prepared to carry out the 2024/25 contracting round. It did not have a strategic approach to procurement and did not plan the contracting round well. Oranga Tamariki did not provide adequate advance warning about reconciliation, which was a change in process, and service providers were taken by surprise. Contracting decision-making was left until late in the process, poorly documented, and not adequately informed by evidence of how decisions would affect children and their families. The effects of decisions on children and their families were not known at the time the report was written.
- Other aspects of the 2024/25 contracting round were also not in line with good practice. For example, the contracts that Oranga Tamariki awarded in 2024/25 were (with a few exceptions) not subject to open, transparent, and competitive procurement process. Providers were not consistently paid on time, there was no system for identifying or managing conflicts of interest in the contracting round, communication was not timely, and we did not see evidence that Oranga Tamariki had factored its te Tiriti o Waitangi partners into its decision-making.
- Taken as a whole, these failures have significantly harmed trust and confidence in Oranga Tamariki – in particular, from the social services sector, which Oranga Tamariki relies on to provide services to vulnerable children and their families.



What next?

In our view, Oranga Tamariki needs to make significant and urgent improvements, and we make four recommendations for Oranga Tamariki in this report. We intend to follow up with Oranga Tamariki as it makes improvements in response to these recommendations and a separate review it has commissioned about its contracting processes.