



# Procurement risks

What can go wrong?

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# High profile public concerns

## The potential risks

- Unfairness (e.g. political involvement; different process for different participants)?
- Public money wasted, put to private use?
- Public sector ethic in conflict with political, private interest?
- Conflict of interest in awarding and managing contracts?



# Procurement relationships

## Managing tensions

- Public accountability vs collaboration, partnership, trust, shared outcomes
- Public/commercial ethics and standards
- Risk management vs compliance costs
  - No amount of contract detail can negate all risk; too much could be onerous
  - Must act, even if resources scarce



# Accountability, transparency and standards

## Key expectations

- Public resources should be applied for the public benefit
- Arrangement and process should be transparent, fair and reasonable
- People using the public resource should behave “properly”



# First test

## Accountable to the public?

- Clear to the public stakeholders what the procurement is meant to achieve, so that the benefit can be assessed, roll-over decided
- Agreed purpose, outcome as well as services
- Wider public benefit vs entity benefit
- May be benefits other than \$\$
- Benefits should exceed “costs” (“whole of life” costs, and risks)



## Second test

### A transparent process?

- Type of arrangement “fit for purpose” (e.g. commercial vs not for profit; obtaining a service vs maintaining a relationship)
- Clear procurement plan
- Clear record of decisions/arrangement, and of performance under it
- Do it right, be seen to be doing it right!



# Third test

## A fair process?

- Stick to the procurement plan
  - Or, if you change, give adequate notice to all parties
- Clear agreement on risk-sharing
- Sole provider procurement limits potential competition
  - Should justify its use (& continued use)
  - Is it, in itself, restricting development of a viable market?



## Fourth test

### Behaving “properly”?

- Public expectations of behaviour with public resources
  - Funder/ provider split – does it matter to the public?
  - Waste, and the perceptions of “profit”
  - Public sector standards of conduct
  - “Front page of the Dom” test!





# Managing the risks (1)

- Applications meet the criteria?
- Documentation of funding decisions
- NGOs:
  - legal entity to pass public funds to?
  - segregation of duties?
  - potential for personal benefit?
  - ongoing financial viability?
  - “double dipping”?



## Managing the risks (2)

### Waste

- Are you paying the right price?
- Alignment of deliverables and payments
- Control of intellectual property

### Probity

- Reality and perception of conflicts of interest
- Controls: registers, disclosure



# Managing the risks (3)

## Performance

- Appropriate risk-based management procedures over life of the arrangement
  - Risk-based monitoring: how? who by? how often?
  - Transparency/documentation
  - Acting on monitoring report
  - Were outcomes achieved? Unintended outcomes?
  - Don't roll-over the procurement arrangement without considering value for money



# Managing the risks:

## To sum up

- Are your procurement arrangements consistent with accountability/transparency/fairness considerations?
- Have you got policies in place that address the potential risks?
- Do you follow procedures to manage the risks?
  - Do you analyse? monitor? document? evaluate?



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