

Background

- 5.1 In September 1995 we issued a guide entitled *Good Practice for Purchasing by Government Departments*.¹
- 5.2 Feedback on the guide indicated that it was well received and useful to departments in developing their own procurement policies and procedures. However, procurement practice has continued to evolve. We considered that the 1995 statement would benefit from revision, in order to:
- identify the overriding principles which apply to the procurement process;
 - address new developments over the last 4-5 years;
 - widen the application of our guide to include Crown entities; and
 - address more fully three elements of the process which are especially relevant to significant procurements:
 - the business case;
 - the procurement plan; and
 - project management.
- 5.3 Consequently, in June 2001 we made available on our web site (www.oag.govt.nz) our updated guide *Procurement – A Statement of Good Practice*. It was initially placed there as a draft, but is now in its final form.

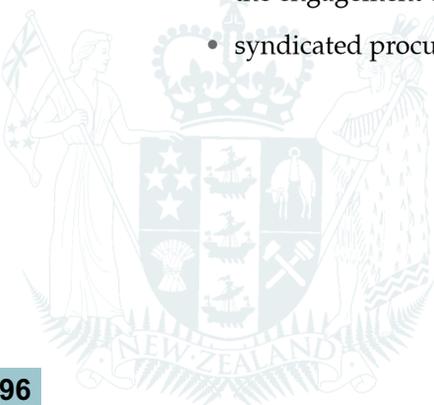


1 ISBN 0 477 02848 9.

What does this 2001 Statement of Good Practice Contain?

5.4 The statement is in three easy-to-absorb parts:

- Part 1 sets out the overriding considerations that a public entity should consider when procuring goods or services:
 - **General obligations** – including, for example, being aware of and, if appropriate, complying with government procurement policies;
 - **Legal considerations** – including any public law considerations;
 - **Ethical considerations** – including how these considerations extend to the use of consultants and procurement agents;
 - **Economic considerations** – including the total cost of ownership; and
 - **Risk management considerations** – including involvement of competent people in the process.
- Part 2 describes, in relation to each part of the basic procurement process, the overall principles of good practice and information which a public entity might include in its own procurement manual.
- Part 3 discusses particular types of procurement, and how the basic procurement process described in Part 2 applies to them. The types of procurement covered include:
 - the engagement of consultants; and
 - syndicated procurement.



How Should this Statement be Used?

- 5.5 The statement is not a set of rules. Rather, it is an outline of good practice which is intended to assist public entities. We suggest that each public entity uses the statement as a benchmark for its own procurement policies and procedures, and as a guide to what its own procurement manual should contain.
- 5.6 The statement is also not a comprehensive guide to a public entity’s legal obligations. Each entity should supplement the comment in the statement with separate legal advice where necessary.
- 5.7 In our role as the auditor of public entities, we would expect to find that an entity’s procurement policies and procedures compare favourably with this statement.

What Else is Worth Reading on Procurement Practice?

- 5.8 Other government departments have issued related material. For example, the Treasury has published guidelines for contracting with non-government organisations for services sought by the Crown at www.treasury.govt.nz/publicsector/ngol/default.asp.

