Audit New Zealand
Mana Arotake Aotearoa

Level 1, 100 Molesworth Street
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## Report to Te Tāhuhu o te Mātauranga | the Ministry of Education

## Independent assurance over the procurement of providers for the Ka Ora, Ka Ako | Healthy School Lunches Alternative Provision Model

Audit New Zealand provides discretionary assurance services which can be commissioned by public entities under Section 17 of the Public Audit Act 2001. The Ministry of Education has an agreement with Audit New Zealand for us to review significant procurements that it undertakes. In July 2024, the Ministry of Education asked Audit New Zealand as part of this agreement to provide independent assurance over its procurement of suppliers for Ka Ora, Ka Ako | Healthy School Lunches Programme. This work was initiated by the Ministry, not by Audit New Zealand.

Audit New Zealand reviewed the Ministry's procurement process in real time as it was conducted and issued a report with findings and conclusions on 22 October 2024. The report only covers the procurement process for suppliers for Ka Ora, Ka Ako | Healthy School Lunches Programme. It was not the scope of this work nor the role of Audit New Zealand to offer opinion on the Government's policy decision to change the school lunch programme or on the final choice of suppliers for the programme.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Our ref: W627 E47

22 October 2024

Level 1, 100 Molesworth Street
Thorndon
PO Box 99, Wellington 6140

Andrew McLean
Procurement School Lunches Programme
Ministry of Education – Te Tāhuhu o te Mātauranga
National Office, 8 Gilmer Terrace
Wellington

Tēnā koe Andrew,

**Final report on Ka Ora, Ka Ako | Healthy School Lunches Alternative Provision Model**

Attached is our final report for this engagement. If you wish to discuss this report, please contact me on martin.richardson@auditnz.parliament.nz or 021 222 6102.

Nāku noa, nā

Martin Richardson
Director Specialist Audit and Assurance Services, Specialist Audit and Assurance Services

Cc: Craig Neil, Sector Manager

Audit New Zealand
Mana Arotake Aotearoa

# Report to Te Tāhuhu o te Mātauranga | the Ministry of Education

# Assurance over Ka Ora, Ka Ako | Healthy School Lunches Alternative Provision Model – final report

22 October 2024

# Contents

# Conclusion

*We reviewed Te Tāhuhu o te Mātauranga | Ministry of Education (the Ministry)'s procurement process to select a preferred provider for Ka Ora, Ka Ako | Healthy School Lunches Alternative Provision Model. We considered information provided by the Ministry. We also undertook our own review as set out in this report.*

*We considered whether the procurement process as a whole was conducted in accordance with the Ministry's policy, planning, and published procurement documentation, applicable rules and good practice for public sector procurement, and probity principles.*

*We have reflected in the report on areas of judgement made by the Ministry throughout the process, noting that this was a complex procurement process involving Suppliers of differing capacity, in locations across New Zealand, with a fixed price cap.*

*We are not aware of any outstanding probity issues.*

*This report completes our work on this assurance engagement.*



This is an independent assurance report. More information on Audit New Zealand's assurance services is provided in **Appendix 3**.

If there are any aspects that you wish to discuss further, please contact Martin Richardson on martin.richardson@auditnz.parliament.nz or 021 222 6102.

**Contact us:**

www.auditnz.parliament.nz/services/assurance-services

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# Background

The Ministry's Ka Ora, Ka Ako | Healthy School Lunches programme is one of the biggest food programmes in the country, delivering lunches to approximately 240,000 children and young people. The Government announced a change to the programme as part of Budget 2024. This introduced an alternative provision model for Year 7+ eligible learners whereby schools will order food from a central source to store, prepare and distribute to learners. The procurement process had three elements, seeking Responses from food producers, wholesale/distributers, and meal providers to support the government's goal of harnessing buying power for cost effectiveness for this new model. These changes will take effect from day 1, Term 1 2025, with funding provided until the end of 2026.

# Summary of work completed

This report sets out our findings and conclusion on the procurement process to select a preferred supplier to deliver Ka Ora, Ka Ako | Healthy School Lunches Alternative Provision Model. We provided assurance over the process in accordance with our letter of engagement dated 25 July 2024.

Probity means honesty and doing the right thing. It is important in the public sector where significant processes need to be conducted with integrity and fairness. The public needs confidence that decisions are made impartially, for the right reasons, and are not influenced by personal interests or ulterior motives. Operating ethically means treating people as they expect. Probity is particularly important in a procurement process. Maintaining the trust and confidence of suppliers is key to generating competition and achieving best public value.

The following section provides a summary of the elements that we reviewed and the issues we considered in reaching our conclusion about the probity of Te Tāhuhu o te Mātauranga | Ministry of Education (the Ministry)'s procurement processes. Our report identifies the aspects of good practice that we observed, and discusses probity risks that were avoided, mitigated, or managed.

## Procurement Planning

### Our expectations

To achieve the desired outcomes without unfairly disadvantaging any prospective supplier the design of the procurement process must be appropriate to the size, nature and risk of the goods/services being procured.

We expect procurement planning to be carried out consistent with good practice, taking into consideration the Government Procurement Rules (4th edition October 2019) (GPR), policy, guidance and other initiatives. We also expect planning to meet the requirements of your own policy and procedures.

### Our findings

We retrospectively reviewed the procurement plan and procurement strategy. We provided feedback to the Ministry, including comments on the pre-conditions, and minimum non-price scores. These are discussed further under the ROI section.

Notwithstanding these points, the contents of the procurement plan overall were consistent with good practice and provided appropriate documentation of the planning decisions.

> *Overall, the contents of the procurement plan were consistent with good practice and provided appropriate documentation of the planning decisions.*

## Managing risks from conflicts of interest

### Our expectations

All those with influence over a procurement process should act with integrity, free from conflicts of interest and bias. Procurement decisions, including those at the planning stage, should be made impartially.

We expect a well-structured and timely approach to identify and manage risks from actual, potential, or perceived conflicts of interest and bias. We also expect you to meet the requirements of your own policy and procedures. We expect any declared issues to be considered and conflict management plans to be reviewed and approved by a manager with authority to accept any residual risk. This ensures you do not take risks outside of your organisation's risk appetite. Managing risks related to conflicts of interest is an essential element of planning and is a common area where probity risks arise.

## Our findings

We reviewed all conflict of interest declarations provided to us, including the mitigation strategies proposed for the disclosures made. Conflict of interest declarations were made by all evaluators and Ministry staff with significant influence on the process.

Consistent with good practice, the Ministry required staff and advisers to update their conflict of interest declarations at any time they became aware of changes requiring disclosure, and all evaluation team members and advisers we requested to disclose any changes to their conflict of interest declaration at the start of the evaluation team meetings.

We noted the following:

- One evaluator (who later withdrew from the process) raised a conflict that their current role in the Ministry gives them an in-depth working knowledge of current suppliers and could be perceived as having strong views towards certain Suppliers. No conflict management plan was prepared for this declaration nor was it documented whether the circumstances declared reflected an actual, potential or perceived conflict.
  In our view, having knowledge of suppliers is not a conflict between personal/professional interests and the interests of the Ministry so there is low probity risk. However, if someone declares they have strong views to the extent that their objectivity could be called into question the impact of this and how it could be managed should be considered. A conflict management plan should be completed for each source of potential conflict declared so that the risk (if any) to the Ministry is clearly articulated, assessed and accepted by someone with delegated authority.
  This person had a limited role in evaluation and subsequently went on leave the Ministry so there was little impact on the procurement. However, the issue points to the importance of having good documentation for reasons of transparency and accountability.

- The Ministry engaged a consultant to advise on the market and how best to structure the procurement. The consultant had previously been a senior manager at one of the likely tenderers where they had managed relationships with other food providers. The person declared this in their conflict of interest declaration and the Ministry prepared a mitigation plan which included restricting the consultant’s involvement in the evaluation of responses. Later in the process, the Ministry determined that its evaluators lacked the industry insights that the consultant could offer, and the best approach was to have the consultant review proposals and advise the evaluation panel as a subject matter expert. That way the panel would have access to expertise, but the consultant would not have a direct scoring influence on the outcome. In our view this was a pragmatic response to the circumstances that mitigated probity risk while ensuring that evaluation was well informed. The Ministry accepted that there was some residual risk.

*Notwithstanding the lack of one conflict management plan, overall the Ministry’s processes for managing the risks from conflicts of interest were appropriate.*

## ROI documentation

### Our expectations

Documents inviting or encouraging suppliers to participate in a procurement must be consistent with the procurement planning. These documents give effect to the procurement design decisions, putting the plan into practice. Together, planning and procurement documentation helps ensure the process is fair to all prospective suppliers.

We expect good quality, clear procurement documentation that sets out the requirements, the procurement process, the conditions of responding, and any reserved rights. It should be clear how prospective suppliers should respond. We expect the good practice templates provided by the Ministry of Business Innovation and Employment (MBIE) to be used or a clear rationale for any variation. We also expect the Ministry to meet the requirements the Ministry's policy and procedures.

We expect a procurement opportunity to be advertised widely and the procurement documents made accessible to all interested parties in an equitable manner.

### Our findings

The Ministry issued an ROI covering each of the procurement streams. We retrospectively reviewed these documents.

Evaluation criteria and weightings were provided for Meal Providers, Wholesalers/Distributors, and an Integrated Solution (for assessing those Respondents offering an end-to-end solution).

Information was sought from Food Manufacturers/Producers on the types of ingredients or supplies available. This element of the process was fact-finding, so no criteria and weightings were established for Food Manufacturers/Producers' Responses.

We provided feedback to the Ministry on the documentation, including:

- Standard terms and conditions relating to the procurement process were not included in the ROI documentation. These protect the Ministry and provide information to suppliers on reserved rights the Ministry may want to rely on. This was addressed whilst the opportunity was in the market via a Notice to Tenderers (NTT).
- One of the pre-conditions was missing from the integrated solution response form. This was addressed whilst the opportunity was in the market via an NTT.
- There was an error in the criteria and weightings for the Meal Provider stream with criteria 3 being included twice in error. This was addressed whilst the opportunity was in the market via an NTT.
- We noted that there was no minimum score given in the ROI documentation for determining a response to be non-compliant. Setting a minimum score for individual criteria can protect the Ministry against a Response that scores highly overall but has an

unacceptable response to one part of the requirements. This was addressed whilst the opportunity was in the market via an NTT.

- We asked how the Ministry would consider regional and national coverage as part of the evaluation, shortlisting and contracting decisions. The ROI stated "*After the evaluations have been completed, we'll have our responses ranked in order of the final score. We'll pick the top scoring respondents to proceed to the next phase of our selection process*." We didn't believe that this adequately conveyed the complexity of shortlisting suppliers for each of the clusters to ensure the Ministry has coverage across New Zealand. There was a risk that this lack of clarity could be a point of challenge from unsuccessful suppliers. The Ministry addressed this via an NTT to explain the situation more clearly.

- We noted that assessment of some ROI pre-conditions required judgement based on the reasonableness of the information / narrative provided in Responses. Pre-conditions are usually matters of fact where a response either complies or not. We discussed this and the Ministry confirmed that the pre-condition would primarily be assessed on the yes/no assertion from respondents. The brief outline of how Suppliers meet the pre-condition would be used to validate the assertion. For example, if a supplier said 'yes' but from their brief explanation it was doubtful they could meet the criterion then the Ministry would consider further validation/questioning to confirm compliance. Similarly, the Ministry might pass the Response to evaluators, but flag the uncertainty. We fed back the risk with this approach that a response could be well-progressed through evaluation before compliance was confirmed.

- The GPR set out the minimum time periods that a process should be in the market. For an ROI in a multi-stage process, the minimum time is 13 working days where the opportunity has not been advertised in an annual procurement plan (APP).
  This opportunity was only in the market for 10 working days. We discussed this with the Ministry.
  A Notice of Information (NOI) had been issued on 23 May (11 weeks before the ROI was issued). The Ministry considered this NOI effectively fulfilled the role of the APP, thereby making 10 working days acceptable and compliant with the rules – the NOI having provided a reasonable amount of notice to Suppliers to get ready to respond.
  Although we understand the Ministry's reasoning, and concluded that it was not fundamentally unfair or unreasonable, the approach taken did not strictly comply with the GPR and as such could have provided a potential point of challenge to the process that would have been avoided by allowing 3 more days in the market.

*We found that the procurement documentation supplemented by NTTs provided appropriate structure and guidance for this procurement.*

## Managing communications

### Our expectations

Prospective suppliers should be treated equitably. They should receive all relevant information about the procurement concurrently and have the same opportunity to clarify the procurement process or requirements.

We expect there to be a clear process to issue updates to the market, and for prospective suppliers to raise questions to clarify your requirements or aspects of the procurement process. We expect this process to be well controlled through a single point of contact. We expect any verbal communication (such as meetings with prospective suppliers) to be equitable and appropriately documented. We expect confidentiality to be maintained and individual suppliers' intellectual property to be protected.

### Our findings

The Ministry provided two briefings on the ROI stage to all potential Respondents whilst the opportunity was in the market. This gave an overview of the ROI process and allowed Suppliers to ask questions of the Ministry.

All other communications to Suppliers were managed through GETS. The Ministry created a register of all communications received and the proposed responses. We retrospectively reviewed the responses and noted that some were not posted publicly on GETS. It is generally good practice for all responses to be issued openly to all interested parties unless commercial confidentiality has to be maintained.

In this case the responses were either general queries (how to access information, which form to use, requesting confirmation of receipt of a submission, etc.), or did not relate specifically to the procurement process. We did not identify any probity risks with not sharing these publicly. We also noted that some questions were asked via email after the ROI question deadline had passed. In the interests of being fair to all Suppliers, the Ministry responded to the procedural aspects of these questions (e.g. which response form to use) to facilitate Responses from those less familiar with GETS.

*We were satisfied that the management of communications was appropriate.*

## Closing of submissions

### Our expectations

Prospective suppliers should have the same opportunity to respond to the procurement and be treated equitably. Submission requirements should be consistently applied.

We expect a formal submission close with a record kept of those responses received by the deadline. We expect a robust process to check that deadlines were met, and any conditions of submission have been complied with before responses are accepted for evaluation.

### Our findings

The Ministry used GETS to assist in the receipt and evaluation of responses. After completing the compliance checks, the Ministry brought two matters to our attention:

- The Ministry received responses from a reasonable number of suppliers who had added comments against the pre-condition that they can deliver a lunch to the schools/kura within each cluster at the target price cap of $3 per student per day (including ingredients and distribution) for the 2-year length of the programme. The comments were mainly that this was conditional on manufacturer pricing and final menus.
  The Ministry decided to progress those suppliers through to evaluation (unless there were other areas of non-compliance) on the basis that their ability to meet the pre-condition is contingent on pricing in other parts of the supply chain.
  We discussed the probity risk with this given the ROI was clear that each Registration must meet all the pre-conditions and that registrations which fail to meet one or more will be eliminated from further consideration. The ROI stated that Respondents who are unable to meet all pre-conditions should conclude that they will not benefit from submitting a Registration.
  The is a risk that Suppliers who decided not to respond because they couldn't meet the pre-condition could complain. The Ministry acknowledged and accepted this risk.

- The Ministry also received a number of Responses after the ROI deadline. In the interests of being fair to Suppliers not familiar with GETS, the Ministry chose to accept these Responses for evaluation (unless there were other areas of non-compliance).
  Accepting late responses introduces probity risk. By allowing additional time for some suppliers the Ministry risks fairness to those Suppliers that followed the submission rules and met the deadline.
  The supplier briefings provided advice about how to use GETS for those that hadn't used it before, and asked Respondents to reach out if they were struggling with GETS.
  The Ministry acknowledged and accepted the risk of accepting late responses.

We reviewed the compliance checking documentation and noted it contained queries to follow up with a number of Suppliers. For some, the Ministry decided to confirm these as part of clarification if the Suppliers were recommended to be shortlisted. This decision was made in the interests of time and efficiency. Whilst we understand the time pressure that the Ministry was under, and the desire not to waste the time of Suppliers that weren't later recommended for shortlisting, the normal course of action is to close out any queries relating to compliance checks prior to passing the Responses to the evaluation team. This is to avoid wasting evaluators time looking at non-compliant responses, and the risk that compliance decisions made later are influenced by more than a simple assessment of whether they complied or not.

A number of Suppliers were deemed to have failed the compliance check. This was on the basis that:

- Supplier(s) they did not submit Response forms;
- Supplier(s) were clear that they could not meet the $3 price cap;
- Supplier(s) did not have sufficient capacity; and
- A Supplier only wanted to provide local rather than national distribution. Note: this Response was erroneously progressed to the evaluation stage, although it should not have been as it failed the pre-condition requiring a national solution. However, it scored very low and accordingly was not shortlisted.

Although these appear to be reasonable decisions, we note that there was no approval by a manager with delegated authority of the decision to exclude the Suppliers deemed to have failed the compliance check from progressing to the evaluation stage. We recommend that this process is followed to ensure that someone with appropriate responsibility is aware of any decisions being made and the associated judgements used.

*We have identified an improvement area in the compliance checking processes.*

## Evaluation of ROI submissions

**Our expectations**

The evaluation process must be undertaken impartially and fairly, in a manner consistent with the procurement planning and the information provided to prospective suppliers.

We expect there to be a planned approach to evaluating submissions that is followed in practice. We expect evaluators to be briefed on their roles and responsibilities (including making sure judgements are evidence based, confining evaluation to the submitted responses, acting impartially and with integrity). We expect clarification to be sought where it is needed to ensure a fully informed evaluation process. This might include presentations, demonstrations, or a site visit.

We expect the results of the evaluation to be documented in a timely manner and approved by the evaluation team.

## Our findings

The Ministry held an evaluation briefing meeting which we attended and observed. It included all staff and consultants involved with the evaluation. We found the session was well run and informative. It should have left attendees well placed to play their roles effectively. Afterwards, attendees were provided with a package of key information relating to the evaluation process. Holding such a briefing for the evaluation team is consistent with good practice as it enables the evaluators to clarify their responsibilities and their understanding of the evaluation methodology.

As mentioned above, the evaluation process included the engagement of subject matter experts (SMEs) to provide an initial risk-based assessment against relevant criteria. The evaluation panel members concurrently reviewed all of the submissions, coming to their own views. A series of evaluation moderation meetings was held on 28 August 2024, and 3 and 4 September 2024. We attended these meetings to observe the application of the evaluation methodology, as documented in the ROI.

During the evaluation, one of the SMEs noted that a GM of a Respondent contacted them to provide some context to their Response. The SME correctly asked the GM to instead send an email to the procurement team contact to explain this. Whilst a supplier contacting a SME directly was inappropriate, any risk from this inappropriate contact was avoided by the way the SME dealt with it.

Unfortunately, one of the evaluators was unable to attend day two and three of the evaluation moderation meetings. As their scoring could not therefore be moderated the evaluator's scores were removed from the consensus scoring for Meal Providers and Wholesaler/Distributor Responses. The evaluator's scores were included in the Integrated Suppliers scoring as they were in attendance for the full discussion. We scenario tested removing the evaluator's scores from the moderated integrated solution evaluation to assess whether there was any probity risk. Removing this evaluator did not impact the ranking of the top two Responses and the top two Responses were still scored significantly higher than the rest. Although late change to evaluation panel make up is not recommended, in this case the Ministry's approach seemed reasonable and there was no material impact on the outcome of the process.

The Ministry considered whether the evaluator that withdrew left a skills/expertise gap in the evaluation team and determined that any gap would be managed with the rest of the evaluation team's skills, knowledge, and experience. There were other evaluators in the team that were able to represent the business.

During the evaluation moderation meetings, where relevant, the SMEs presented in their areas of expertise and answered specific questions from the evaluation team members. The evaluation team then completed the moderation and agreed the final assessments against the defined criteria. All members of the team were provided an opportunity to share their views and to ask questions of the other evaluators.

The moderated results of the non-price evaluation were confirmed by all members of the evaluation team and a discussion was held as to which Suppliers should be recommended for shortlisting.

Due to the geographical coverage required some meal providers were recommended for shortlisting even though they scored lower than others (or scored below 3 for some criteria). This was to address the potential need for back-up coverage in some of the more rural / difficult to access areas of New Zealand and was an approach consistent with the detail on coverage that had been notified to the market via NTTs.

*We were satisfied there was appropriate and consistent application of the evaluation methodology.*

## Shortlisting and Reporting

### Our expectations

We expect you to be open and accountable for your procurement decisions. We expect all key decisions made during the procurement process to be appropriately justified and documented.

We expect a written report supporting the shortlisting recommendations arising from the evaluation process. This report should provide sufficient detail for the reader to understand all material considerations. We expect the recommendation to shortlist to be in line with the result of the evaluation process or a clearly articulated explanation for any change.

We expect approvals to be in line with delegated financial authorities. We expect clear and timely communication with successful and unsuccessful Respondents. We expect unsuccessful Respondents to be offered a debrief opportunity so that they can learn from the experience.

### Our findings

We were provided with a copy of the approved recommendation to shortlist and proceed to negotiation on 27 September 2024.

We retrospectively reviewed the report and found it to be consistent with the process as we had observed it. We did identify two errors in the report as noted below, but these did not impact the overall rankings:

- The report stated that two Wholesale/Distributors were assessed as scoring 7 against the evaluation criteria (good and considered compliant and acceptable). In fact one of these scored 6.376 rather than a 7 or above.
- The report also contained an inconsistency as it stated that 10 meal providers were assessed as scoring 7 (good and considered compliant and acceptable) or above. Later, the report states that five of these Suppliers scored below a 7 (which is consistent with the moderated scoring).

These appeared to be issues with the accuracy of the detail in the report and did not impact which suppliers were recommended.

The report considered three possible outcomes:

- A single integrated solution provider able to deliver a comprehensive 'one-stop-shop' solution that meets all requirements.
- A combination of one or more integrated solution providers along with one or more meal providers able to collectively meet requirements.
- A combination of one or more meal providers along with a wholesaler able to collectively meet requirements.

Following evaluations the evaluation panel considered the diversity and quality of responses, along with the need to balance risk, cost and national service provision. The Panel recommended proceeding to negotiations with shortlisted suppliers to confirm (or not) the Ministry's findings that a combined integrated solution with partial coverage from meal providers would provide the best public value.

Shortlisted Suppliers comprised of:

- Two Suppliers offering an integrated solution
- Two Suppliers offering meal provider solutions with a national coverage (these Suppliers were also part of the integrated solution Responses)
- Eight Suppliers offering meal provider solutions with a regional coverage
- Six Suppliers offering meal provider solutions with select coverage in Regional 'Pressure Point' areas as a back-up.

> *We are satisfied that the report accurately reflected the evaluation process and results except for the two errors noted which did not impact on the overall rankings.*

## Negotiation stage

### Our expectations

We expect you to develop a negotiation strategy or plan to guide the negotiation team through the negotiation process that is appropriate to the size and complexity of the procurement and the matters that may be the subject of the negotiations.

We expect that each negotiation focusses appropriately on each Response separately without cross-over from negotiations with other Suppliers, especially where the same people are involved in both.

## Our findings

We were not involved in the negotiation process, so we retrospectively reviewed the negotiation agendas and meeting notes and noted the following.

Shortlisted Suppliers offering an integrated solution were met first so that the Ministry could get an understanding of which areas of New Zealand were integral to the solution being provided and whether there were any minimum volumes or parts of New Zealand that were required for the solution to be viable. It was also a chance to understand the commitment of the Respondents to meeting the $3 per meal price cap. This knowledge could then inform the meal provider negotiations as these would rely on the Supplier(s) offering an integrated solution and the individual meal providers being able to work together.

An agenda was prepared which was mostly standard for each shortlisted integrated solution Supplier with specific questions relating to the particular business models.

9(2)(b)(ii) [redacted]

[redacted]

[redacted]

Whilst we understand the Ministry's approach from an efficiency point of view, and from not wasting the time of other shortlisted Suppliers, choosing not to follow the approved recommendation to proceed to initial negotiations with all shortlisted suppliers may leave the process open to challenge.

*We have identified a probity risk in the negotiation processes as not all shortlisted Suppliers were negotiated with.*

## Recommendations and Reporting

### Our expectations

We expect you to be open and accountable for your procurement decisions. We expect all key decisions made during the procurement process to be appropriately justified and documented.

We expect a written report supporting the preferred Supplier recommendation arising from the evaluation process. This report should provide sufficient detail for the reader to understand all material considerations. We expect the recommendation to proceed to contract to be in line with the result of the evaluation process or a clearly articulated explanation for any change.

We expect approvals to be in line with delegated financial authorities. We expect clear and timely communication with successful and unsuccessful Respondents. We expect unsuccessful Respondents to be offered a debrief opportunity so that they can learn from the experience.

### Our findings

We were provided with a copy of the approved recommendation to proceed to negotiating a contract on 27 September 2024.

We retrospectively reviewed the report and found it to be consistent with the process as we had observed it. We did identify some errors in the report that did not impact on the overall decision, but it is important to present accurate information to decision makers:

- In part of the report it ranked Suppliers offering meal provider solutions with a regional coverage. The third and fourth ranked Suppliers were the incorrect way around compared to the record of moderated scores.
- Later in the report, moderated scores were provided for a number of Suppliers. We found inconsistencies between the moderated scores shown in the report and the moderated scored per the record of moderated scores. It appears that the pre-moderation scores were erroneously included in the report for some Responses.

| | Moderated score in the report | Moderated score in the record of moderated scores |
|---|---|---|
| Supplier A | 63.68 | 65.76 |
| Supplier B | 60.31 | 59.89 |
| Supplier C | 60.26 | 63.39 |
| Supplier D | 49.01 | 50.64 |

The report recommended proceeding to negotiating a contract with the one shortlisted Supplier offering an integrated solution.

*We are satisfied that the report accurately reflected the evaluation process and results except for the two errors noted which did not impact on the final decision.*

## Queries

### Our expectations

We expect you to have appropriate processes in place to receive and investigate any complaints about the procurement, independently of the procurement team. We expect any investigation to be appropriately documented and the results communicated in a timely manner to the complainant.

### Our findings

We are not aware of any complaints about this procurement to date and no participants in this process have raised any probity issues with us.

# Appendix 1: Scope and expectations

The scope and approach to our review was set out in our letter of engagement, which was accepted by the Chief Procurement Officer on 29 July 2024.

This report concludes on the procurement process as a whole.

Our services were designed to provide assurance over the key probity and process risks for the procurement. We also considered compliance with the Government Procurement Rules and the Ministry’s policies and processes, including the probity plan.

Audit New Zealand is a business unit of the Controller and Auditor-General. This assurance is provided in accordance with Section 17 of the Public Audit Act 2001. It complies with the Auditor-General’s Standard 7: Other Auditing Services (AG-7).

**What our work did not include**

Our assurance review did not include:

- assurance over the outcome of the procurement process (this is the role of the evaluation team and the Ministry’s approving authority).
- assurance over risks from conflicts of interest at senior executive/approving authority level. We did not review declarations from those making the final decision.

An assurance review of this kind helps an entity understand the risks it faces and assists it to manage those risks, but it does not remove the responsibility of the entity itself for ensuring that its actions comply with all relevant legal and other standards.

**Our expectations**

This report is based on the expectation that the Ministry:

- provided all information the that we requested;
- made available all information that was in its possession and relevant to our engagement; and
- advised us of any circumstances that may have been material and significant in relation to our work.

# Appendix 2: Good practice guidance and policy

In addition to our internally developed methodologies for review of procurement processes, our primary references for good practice for this procurement review were:

- Government Procurement Rules 4th edition (Ministry of Business Innovation and Employment, 2019).
- Procurement guidance for public entities (Office of the Auditor-General, 2008).
- Public sector purchases, grants, and gifts: Managing funding arrangements with external parties (Office of the Auditor-General, 2008).
- Managing conflicts of interest: A guide for the public sector (Office of the Auditor-General, 2020).

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

# Appendix 3: Other assurance services

This is an independent assurance report.
Audit New Zealand's independent assurance services include:

## Procurement

Procurement processes must be robust and fair to all the parties involved, such as contractors, consultants, and purchasers. They must meet the standards for good practice expected of public entities. Our team can provide an invaluable independent review of public entities' processes and procedures.

## Contract management

Whether public entities are handling a major supply contract or a small professional services contract, good practice is essential. Our team can review contracting practices and provide independent insights.

## Probity and integrity

Integrity is about honesty and adherence to strong ethical principles. Whenever a public entity spends money, this must meet standards of probity that will allow it to withstand parliamentary and public scrutiny. With extensive knowledge of the public sector, we are well positioned to provide assurance about probity risks, carry out integrity audits and conflict of interest inquiries.

## Managing assets

Public services rely on a diverse portfolio of assets to support service delivery. Managing assets well will result in an organisation reducing risks and getting better value for money. Public entities will want effective plans for managing their assets effectively and efficiently. Our specialists have wide experience in reviewing asset management and can provide assurance on planning.

## Portfolio, programme, and project management

Portfolio management is about delivering strategically important change. It balances investment in running the organisation (business as usual) with changing the organisation. Delivering programmes and projects paid for by the public carries risk. Public entities are responsible for outcomes, and that public funds are used effectively and efficiently. Our team can provide independent assurance that these entities are managing their portfolio, programmes, or projects to good practice standards.

## Managing risks

Identifying, analysing, and managing or mitigating risk is integral to the reputation of a public entity and vital for ensuring objectives are met. All public entities need systems to avoid conflicts of interest and to adhere to professional accounting, legal, and financial standards. Public entities need to show that they have appropriate quality assurance, external review, and training for managing risks. Our specialists can provide assurance for public entities' that their risk management practices meet applicable standards.

## Governance

Getting governance right is vital to protect and enhance the performance of a public entity. Good governance contributes to an open, fair, and transparent public sector. Effective governance of change programmes and projects is important for their success. Our team has wide experience identifying where governance works well and where improvements can be made.

## Sensitive spending

Some spending of public money is particularly sensitive. An example is spending that provides some form of private benefit to an individual – for example, spending on travel, accommodation, and hospitality. A public entity might need to spend money on something considered unusual for that organisation's purpose and/or functions. A public entity's sensitive spending needs to stand up to the scrutiny of Parliament and the public. With extensive knowledge of the public sector, our team is well positioned to provide public entities with assurance about sensitive spending.

## Managing performance

Managing performance effectively is critical to the success of a well-run public entity. Managing performance well should provide managers with the information that they need to make decisions, help to guide and manage staff, and provide information to stakeholders and the public about the services that a public entity provides. Our specialists' thorough understanding of best practice means that they can provide quality assurance for public entities' performance reporting.

## Some useful resources

What good looks like:

*Procurement*

*Contract management*

*Integrity*

*Probity*

*Managing conflicts of interest*

*Asset management*

*Project management*

*Portfolio, programme, and project management*

*Governance*

*Risk management*

Other resources:

https://auditnz.parliament.nz/resources

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