

4 July 2025

Thomas Wong  
Senior Procurement Advisor  
Kāinga Ora  
PO Box 2628, WELLINGTON 6140

Dear Thomas

## **PROBITY AUDIT REPORT NUMBER 3 – PROCUREMENT PARTNERS – SUPPLY CHAIN AND MATERIALS – NATIONAL SUPPLY AGREEMENT (“NSA”) PROCUREMENTS PROCESSES**

### **i. Introduction**

We refer to our Consultancy Services Order (“CSO”) dated 17 October 2024, with Kāinga Ora, for McHale Group to provide real-time (‘live’) Probity Audit and Advisory Services (“the Probity Services”) over the openly competitive, procurement processes (“the Procurements”/“Tenders”); comprising eleven separate Request for Proposals (“RFPs”) processes to replace the current eleven NSAs, which were to expire on 30th June 2025.

As agreed in the CSO, we conducted the Probity Services over the eleven RFPs outlined in Section A5 of this CSO but organised into two separate tranches RFP #1 to RFP#3 (tranche 2), numbering three in total, and the separate RFP #4 to RFP #11 (tranche 1), numbering eight in total.

### **ii. Background**

For the first tranche of RFPs, Kāinga Ora issued, via GETS, a set of eight RFPs (RFP # 4 to RFP # 11) Procurements on 4 November 2024. The RFPs closed on 29 November 2024 at 12.00 noon, using Kāinga Ora’s own Objective Connect system.

For the second tranche of RFPs, Kāinga Ora issued, via GETS, a series of three RFPs (RFP # 1 to RFP # 3) Procurements on 4 November 2024. The RFPs closed on 6 December 2024 at 12.00 noon, using Kāinga Ora’s own Objective Connect system.

For the first tranche of RFPs, we received the Recommendations to Shortlist Report dated 6 January 2025 (“the Recommendation Report”) for this Procurements and reviewed the subsequent Negotiation Plan and the relevant Negotiation Meetings’ Minutes.

For the second tranche of RFPs, we received the Recommendations to Shortlist Report dated 15 January 2025 for the Procurements and reviewed the subsequent Negotiation Plan and the relevant Negotiation Meetings’ Minutes.

We received the Final Recommendations Report, dated 25 March 2025, covering 10 of the 11 RFPs on 1 April 2025. The outstanding RFP, RFP 11, concerned the Procurement for the Product Category Carpet and Underlay, which is outlined below.

One of the 11 overall RFPs issued, that covered the Product Category Carpet and Underlay, was withdrawn on 23 January 2025, the RFP scope extended to allow the use of wool and nylon (not just nylon) carpet and released to the open market on 28 January 2025. We received the Final Recommendations Report, covering the Product Category Carpet and Underlay, dated 29 April 2025, on 17 June 2025.

To date we have reviewed and examined the relevant Procurements' and Negotiations' process documentation, attended the Evaluation Panel ("EP") meetings, and held discussions with key Kāinga Ora personnel involved in the management of the Procurements' processes.

Our first probity audit report covering the separate eight RFP processes (RFP # 4 to RFP #11), dated 17 February 2025, was earlier provided to Kāinga Ora.

Our second, probity audit report covering the remaining, completed three Procurements (RFP# 1 to #3), dated 20 February 2025, up to the point where a recommendation on the shortlisted respondents was made to the appropriate Kāinga Ora senior management and/or delegated authority/ies.

This is our third probity audit report that covers all eleven Procurements up until the conclusion of the negotiation processes and final recommendation to the appropriate Kāinga Ora senior management and/or delegated authority/ies.

Our work was designed to provide reasonable independent assurance to Kāinga Ora from a probity perspective, up to the point where a recommendation on the shortlisted respondents was made to the appropriate Kāinga Ora delegated authority/ies.

### iii. Probity audit objectives

Our probity audit services were conducted in accordance with SAE 3100 (Revised) issued by the NZ Auditing and Assurance Standards Board, to enable us to report to you on whether:

- ✓ The Procurements' processes and related documentation as designed, was consistent with; Kāinga Ora's procurement policies and procedures existing at the time, with the Audit Office procurement guidelines, Government Procurement Rules, and with good public sector practice, and incorporated the necessary probity principles (such as consistency, impartiality, managing conflicts of interest, fairness, transparency, accountability, and good ethical behaviour);
- ✓ The Procurements' processes and related documentation was planned and implemented consistently with those principles and with integrity, in such a way that minimised the risk of probity failure due to potential weaknesses in the process, and that no parties were treated unfairly;
- ✓ Ethical behaviour was practiced throughout the Procurements' processes and was guided by the principals of honesty, integrity, fairness, trust, and respect, and these were evidenced; and
- ✓ Given the high-profile nature of the Project, the Procurements' processes, and the competitive nature of the supplier markets, potential probity risks (including conflict of interest management,

interactive respondent meetings, respondents' presentations, and evaluation team meetings) were identified by Kāinga Ora, planned for, and mitigating action initiated.

#### iv. Activities conducted

We conducted the following real-time probity audit activities:

- ✓ We issued our Probity Expectations Statement to Kāinga Ora 8 November 2024.
- ✓ Reviewed and supplied probity feedback where appropriate on the Procurements' and Negotiations' documentation for the eleven RFPs. Detailed lists of the documentation we reviewed during the course of our real-time probity audit are contained in our two earlier probity audit reports, dated 17 and 20 February respectively,
- ✓ Attended the RFPs' EP Moderation meetings.
- ✓ We also supplied real-time probity comments/advice both verbal and written/guidance/recommendations to Kāinga Ora representatives (involved in the management of the Procurements' and Negotiations' processes) where required for the duration of the Procurements' and Negotiations' processes.
- ✓ Resolved probity queries from the Evaluation Panel members and advisors to the Evaluation Panel during the Procurements' processes.
- ✓ Held regular discussions with/briefings from/to key personnel involved in the management of the Procurements' processes and supplied probity advice and guidance (where required) during the processes.

#### v. Probity Opinion

We were satisfied as to the probity of the Procurements' processes where a recommendation on the preferred respondents for the eleven RFPs, was made to the appropriate Kāinga Ora delegated authority/ies.

In our opinion, the Procurement processes were carried out in accordance with:

- ✓ The Procurement Plan;
- ✓ The RFP documents;
- ✓ The RFP Evaluation Plan;
- ✓ The Recommendation Reports;
- ✓ The Negotiation Plans;
- ✓ The Kāinga Ora procurement policy and procedures;
- ✓ New Zealand Government Procurement Rules and related procurement principles;
- ✓ Our expectations of good public sector probity practice; and

- ✓ Due regard for probity principles.

In our opinion:

- ✓ The Procurements' processes and related documentation as designed, was consistent with; Kāinga Ora's procurement policies and procedures existing at the time, with the Audit Office procurement guidelines, Government Procurement Rules, and with good public sector practice, and incorporated the necessary probity principles (such as consistency, impartiality, managing conflicts of interest, fairness, transparency, accountability, and good ethical behaviour);
- ✓ The Procurements' processes and related documentation were planned and implemented consistently with those principles and with integrity, in such a way that minimised the risk of probity failure due to potential weaknesses in the process, and that no parties were treated unfairly;
- ✓ Ethical behaviour was practiced throughout the Procurements' processes and was guided by the principals of honesty, integrity, fairness, trust, and respect, and these were evidenced; and
- ✓ Given the high-profile nature of the Project, the Procurements' processes, and the competitive nature of the supplier markets, potential probity risks (including conflict of interest management, interactive respondent meetings, respondents' presentations, and evaluation team meetings) were identified by Kāinga Ora, planned for, and mitigating action initiated.

In determining our expectations of good practice probity principles in competitive procurement, we have taken into account the relevant public sector probity guidance promulgated by the Office of the Auditor-General ("OAG") and the Public Service Commission in respect of procurement, sensitive expenditure, and the management of conflicts of interest together with any relevant reports previously issued by external agencies, the New Zealand Government Procurement Rules and the five procurement principles, and the probity guidance issued by the Independent Commission Against Corruption ("ICAC") in New South Wales and the Australian National Audit Office, and other appropriate overseas jurisdictions, together with our significant experience of conducting probity audits of major public sector procurement processes.

We are not aware of any outstanding probity issues relating to the Procurements' processes.

### **Basis for Opinion**

We conducted our engagement in accordance with Standard on Assurance Engagements (SAE) 3100 (Revised) Compliance Engagements issued by the New Zealand Auditing and Assurance Standards Board. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Kāinga Ora's Responsibilities**

Kāinga Ora is responsible for compliance with the good practice probity principles in respect of the Procurements' processes.

### **Our Independence and Quality Control**

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

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In accordance with Professional and Ethical Standard 3 (Amended), McHale Group maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

### **Our Responsibilities**

McHale Group's responsibility is to express an opinion on Kāinga Ora's compliance, in all material respects, with good practice probity principles in respect of the Procurements' processes.

SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether Kāinga Ora has complied, in all material respects, with good practice probity principles in respect of the Procurements' processes throughout the procurements' processes.

An assurance engagement to report on Kāinga Ora's compliance with good practice probity principles in respect of the Procurements' processes involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the good practice probity principles in respect of the Procurement processes. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance as evaluated against the good practice probity principles in respect of the Procurement process.

Other than in our capacity as the independent assurance practitioners we have no relationship with, or interests in, Kāinga Ora.

### **Inherent Limitations**

Because of the inherent limitations of evidence gathering procedures and limitations in compliance systems, it is possible that fraud, error, or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the engagement and the procedures performed in respect of Kāinga Ora's compliance with good practice probity principles are undertaken on a test basis, our reasonable assurance engagement cannot be relied on to detect all instances where Kāinga Ora may not have complied with good practice probity principles.

### **Use of Report**

This report has been prepared for the management of Kāinga Ora. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the management of Kāinga Ora, or for any purpose other than that for which it was prepared.

### Way forward

The issuance of this report completes our real-time probity audit of the Procurements processes for the eleven separate Request for Proposals processes to replace the current eleven National Supply Agreements.

If you have any queries, please do not hesitate to contact me on s 9(2)(a) or your Client Relationship Manager for this engagement, s 9(2)(a)

Yours sincerely

s 9(2)(a)

McHale Group Limited

CC Jane Twentyman

Senior Advisor, Procurement – Supply Chain & Materials  
Kāinga Ora

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