



Australian Government

Department of Education, Employment and Workplace Relations

PSPPROC505A Manage procurement risk

Revision Number: 2

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Modification History

PSPPROC505A Release 2: Layout adjusted. No changes to content.

PSPPROC505A Release 1: Primary release.

Unit Descriptor

This unit covers the ability to manage risks associated with all stages of procurement. It includes assessing risk, and preparing, implementing and reviewing a risk management plan. In practice, managing procurement risk may overlap with other public sector and local government generalist and specialist work activities, such as promoting the values and ethos of public service or local government, undertaking negotiations, promoting compliance with legislation in the public sector, managing contract performance, finalising contracts, planning to manage a contract, planning for procurement outcomes and making procurement decisions. No licensing, legislative, regulatory or certification requirements apply to this unit at the time of endorsement.

Application of the Unit

The unit applies to those in specialist procurement who plan for procurement risks across all stages of the procurement cycle.

Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Not applicable.

Employability Skills Information

This unit contains employability skills.

Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.

Performance criteria describe the performance needed to demonstrate achievement of the element. Where ***bold italicised*** text is used, further information is detailed in the range statement. Assessment of performance is to be consistent with the evidence guide.

Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
1. Assess risk	1.1. <i>Legislation, policies</i> , business processes and resources impacting on the contract are identified. 1.2. Procurement outcomes and internal inputs necessary for effective performance are identified. 1.3. Critical success factors necessary for the achievement of procurement outcomes are identified and confirmed. 1.4. Non-trivial <i>procurement risks</i> relating to the procurement activity are identified. 1.5. Potential <i>probity risks</i> are identified. 1.6. Causes of risk are analysed and their potential impact is determined. 1.7. Likelihood and consequences of risks are determined and <i>risk assessments</i> are developed.
2. Prepare risk management plan	2.1. Preliminary <i>risk management</i> plan is developed that addresses risks identified in planning phase of procurement activity. 2.2. Risks that will be accepted and those requiring <i>treatment</i> are identified. 2.3. Treatments that reduce risks to an acceptable level are designed according to organisational requirements. 2.4. Plan for implementing new treatments, additional <i>risk controls</i> or modifications to existing controls is developed. 2.5. Risk level is re-checked at key points during procurement process, and risk management plan is reviewed and adjusted to cover procurement activity risks not already identified.
3. Implement and review risk management plan	3.1. Risk controls and treatments are implemented according to the treatment plan. 3.2. Risk management plan is implemented, and regularly reviewed and revised to include potential or emerging risks during the life of the procurement activity. 3.3. Review results are used to improve risk treatments and controls.

Required Skills and Knowledge

This section describes the skills and knowledge required for this unit.

Required skills

- communication skills to:
 - write risk management plans using templates or a recognised risk management methodology
 - interpret complex, formal documents
 - make verbal and written recommendations about the management of procurement and contracting risks
 - provide feedback
- teamwork skills to:
 - model effective team management approaches
 - respond to diversity
 - refer issues to the correct person
- problem-solving skills to analyse risks associated with procurement and contract using a recognised risk management methodology
- initiative and enterprise skills to identify procurement risks and opportunities using a recognised risk management methodology
- planning and organising skills to manage and update the risk management plan
- learning skills to keep up-to-date with:
 - best practice examples in procurement practice
 - relevant procurement legislation, policies and procedures
- technology skills to:
 - operate organisational IT systems
 - use electronic procurement templates

Required knowledge

- commonwealth, state or territory, and local government legislation, policies, practices and guidelines:
 - relating to contract risk management
 - such as OHS and equity and diversity
- organisational procurement policies, practices and approval processes
- risk management procedures
- probity principles and issues, particularly as they relate to probity risks
- codes of conduct, codes of practice and standards of individual behaviour relating to the procurement process
- risks associated with financial and accounting issues relevant to procurement and contract management
- supplier issues and supply chain management in the context of procurement risk management
- aspects of law of contracts, trade practices law and commercial law relevant to risk

management relating to complex procurement

- OHS requirements relevant to procurement and contract management
- equal employment opportunity relevant to procurement and contract management
- environmental, sustainability and corporate social responsibility principles relevant to procurement and contract management

Evidence Guide

The Evidence Guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.

Overview of assessment Competency must be demonstrated in the ability to manage procurement risk consistently in accordance with legislative and organisational requirements.

Critical aspects for assessment and evidence required to demonstrate competency in this unit

Assessment must confirm the ability to:

- use recognised risk management methodologies to identify and assess risks for all stages of a procurement activity
- prepare a risk management plan for a procurement activity, using templates where available
- implement risk management plans
- review and revise risk management plans to reflect the changing procurement context and environment during the procurement activity
- liaise and consult with stakeholders to ensure that risks are appropriately identified and managed
- make recommendations to higher management about options for the management of procurement risks.

Consistency in performance

Competency should be demonstrated by providing evidence of undertaking a range of relevant work tasks in an actual or simulated procurement environment on at least two separate occasions.

Context of and specific resources for assessment

The unit of competency is to be assessed in the workplace or a simulated workplace environment.

Access may be required to:

- legislation, policy, procedures and protocols relating to procuring goods and services and managing procurement risk
- codes of conduct and codes of practice
- workplace scenarios and case studies relating to a range of procurement activities associated with managing procurement risk
- case studies that incorporate dilemmas and probity requirements relating to managing procurement risk.

Method of assessment

The following assessment methods are suggested:

- questions to assess understanding of relevant legislation and procedures
- review of strategies and approaches adopted for managing

procurement risk

- review of risk assessments, risk management plans, contract management plans, contracts, probity plans, budgets, transition plans and other documentation prepared by the candidate in a range of contexts
- review of stakeholder engagement approaches adopted by the candidate.

In all cases, practical assessment should be supported by questions to assess underpinning knowledge and those aspects of competency which are difficult to assess directly. Questioning techniques should suit the language and literacy levels of the candidate.

Guidance information for assessment

Evidence must be gathered over time in a range of contexts to ensure the person can achieve the unit outcome and apply the competency in different situations or environments.

Holistic assessment with other units relevant to the industry sector, workplace and job role is recommended, for example:

- PSPETHC501B Promote the values and ethos of public service
- PSPGOV507A Undertake negotiations
- PSPLEGN501B Promote compliance with legislation in the public sector
- PSPPROC503B Manage contract performance
- PSPPROC504B Finalise contracts
- PSPPROC506A Plan to manage a contract
- PSPPROC507A Plan for procurement outcomes
- PSPPROC508A Make procurement decisions.

Range Statement

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

Legislation and policies may include:

- commonwealth or state and territory legislation, including equal employment opportunity and anti-discrimination law
- council rules and by-laws
- national and international codes of practice and risk management standards
- organisational policies and practices
- government policy
- codes of conduct and codes of practice
- national competition policy.

Procurement risks may include:

- contextual and environmental factors
- too many or too few potential suppliers
- unsophisticated marketplace
- timeframes for procurement too short
- inappropriate method of procurement used
- inadequate budget and other resources
- inappropriate form of contract selected
- supplier inability to meet obligations
- end user or buyer inability to meet obligations
- unclear contract terms and conditions
- contractual disputes
- factors outside the control of either party, such as global health pandemic, failure of third-party businesses or natural disasters
- implications if dependence on one supplier, versus risks in lack of continuity and consistency of services provided
- changes to government policy.

Probity risks may include:

- corruption
- fraud
- conflict of interest (actual, perceived or potential)
- unfair treatment of providers or potential providers
- misuse of resources
- misuse of information
- manipulation of the marketplace.

Risk assessments differentiate between risks that have:

- high impact/consequence/likelihood
- low impact/consequence/likelihood.

Risk management is often considered in relation to an organisation's:

- people
- assets and physical environment
- reputation and image
- legal issues
- business continuity
- finances
- stated outcomes.

Risk **treatments** may include those that:

- avoid risk
- transfer risk
- reduce likelihood
- reduce consequence
- partially reduce assessed risk level so that risk can be accepted.

Risk controls may include:

- legislation
- government policies and guidance
- organisational policies, processes and procedures
- standardised documentation and templates
- hierarchy of controls, such as fraud control plans and security plans
- staff skills and knowledge.

Unit Sector(s)

Not applicable.

Competency field

Procurement and Contract Management.