



Australian Government

Department of Education, Employment and Workplace Relations

PSPPROC501A Manage contract risk

Release: 1

PSPPROC501A Manage contract risk

Modification History

Unit Descriptor

This unit covers management of risks associated with contracts. It includes assessing risk, and preparing, implementing and reviewing a risk management plan.

In practice, managing contract risk may overlap with other public sector generalist and specialist work activities such as acting ethically, complying with legislation, providing client service, providing leadership, developing policy, undertaking negotiations etc.

This is one of 4 units of competency in the **Procurement&Contract Management** Competency field that address the requirements of contract management performed by specialist contract managers.

Related units are:

PSPPROC502A Establish contract management arrangements PSPPROC503A Manage contract performance PSPPROC504A Finalise contracts

This is a new unit of competency, added to the **Procurement&Contract Management** Competency field of the Training Package in 2004.

Application of the Unit

Licensing/Regulatory Information

Pre-Requisites

Employability Skills Information

This unit contains employability skills.

Elements and Performance Criteria Pre-Content

Elements are the essential outcomes of the unit of competency.

Together, performance criteria specify the requirements for competent performance. Text in **bold italics** is explained in the Range Statement following.

Elements and Performance Criteria

Elements and Performance Criteria

Element	Performance Criteria
1 Assess risk	1.1 Legislation, policies, business processes and resources impacting on the contract are identified 1.2 Contract deliverables and internal inputs necessary for effective contract performance are identified 1.3 Critical success factors necessary for the achievement of contract deliverables are identified and confirmed 1.4 Non-trivial business risks relating to the contract are identified 1.5 Causes of risk are analysed and their potential impact is determined 1.6 Likelihood of risks is determined and risk ratings are developed
2 Prepare risk management plan	2.1 A preliminary risk management plan is developed that addresses risks identified in the planning phase of the contract 2.2 Risks that will be accepted and those requiring treatment are identified 2.3 Treatments that reduce risks to an acceptable level are designed in accordance with organisational requirements 2.4 A plan for implementing new treatments, additional controls or modifications to existing controls is developed 2.5 Where risks relate to the business context, risk management policies and procedures are reviewed and developed/amended 2.6 Risk level is re-checked in the contract development phase, and the risk management plan is reviewed and adjusted to cover contract management risks not already identified

- 3 Implement and review risk management plan**
- 3.1 Risk controls** and treatments are implemented in accordance with the treatment plan
 - 3.2 The risk management plan is implemented, and regularly reviewed and revised to include potential or emerging risks during the life of the contract
 - 3.3 Review results are used to improve risk treatments and controls

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

This section describes the essential skills and knowledge and their level, required for this unit.

Skill requirements

Look for evidence that confirms skills in:

- analysing risks associated with procurement and contracting
- interpreting complex, formal documents
- writing plans requiring reasoning and precision of expression
- responding to diversity, including gender and disability
- applying occupational health and safety and environmental requirements in the context of contract risk management

Knowledge requirements

Look for evidence that confirms knowledge and understanding of:

- Commonwealth/State/Territory Government legislation, policies, practices and guidelines relating to contract risk management, including environmental purchasing guidance
- risk management procedures
- probity principles and issues
- risks associated with financial and accounting issues relevant to the contract
- public sector legislation including occupational health and safety and environment
- aspects of law of contracts, trade practices law and commercial law relevant to contract risk management relating to complex procurement
- equal employment opportunity, equity and diversity principles

Evidence Guide

The Evidence Guide specifies the evidence required to demonstrate achievement in the unit of competency as a whole. It must be read in conjunction with the Unit descriptor, Performance Criteria, the Range Statement and the Assessment Guidelines for the Public Sector Training Package.

Units to be assessed together

Pre-requisite units that **must** be achieved **prior** to this unit: **Nil**

Co-requisite units that **must** be assessed **with** this unit: **Nil**

Co-assessed units that **may** be assessed with this unit to increase the efficiency and realism of the assessment process include, but are not limited to:

PSPETHC501B Promote the values and ethos of public service

PSPGOV504B Undertake research and analysis

PSPGOV505A Promote diversity

PSPGOV511A Provide leadership

PSPGOV517A Coordinate risk management

PSPLEGN501B Promote compliance with legislation in the public sector

PSPPROC502A Establish contract management arrangements

PSPPROC503A Manage contract performance

PSPPROC504A Finalise contracts

Overview of evidence requirements

In addition to integrated demonstration of the elements and their related performance criteria, look for evidence that confirms:

the knowledge requirements of this unit

the skill requirements of this unit

application of the Employability Skills as they relate to this unit (see Employability Summaries in Qualifications Framework)

management of contract risk in a range of (3 or more) contexts (or occasions, over time)

Resources required to carry out assessment

These resources include:

legislation, policy, procedures and protocols relating to contract risk management

case studies and workplace scenarios to capture the range of contract risk situations likely to be encountered

Where and how to assess evidence

Valid assessment of this unit requires:

a workplace environment or one that closely resembles normal work practice and replicates the range of conditions likely to be encountered when managing contract risk, including coping with difficulties, irregularities and breakdowns in routine

management of contract risk in a range of (3 or more) contexts (or occasions, over time)

Assessment methods should reflect workplace demands, such as literacy, and the needs of particular groups, such as:

people with disabilities

people from culturally and linguistically diverse backgrounds

Aboriginal and Torres Strait Islander people
women

young people

older people

people in rural and remote locations

Assessment methods suitable for valid and reliable assessment of this competency may include, but are not limited to, a combination of 2 or more of:

case studies

portfolios

questioning

scenarios

authenticated evidence from the workplace and/or training courses

For consistency of 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

Range Statement

RANGE STATEMENT

The Range Statement provides information about the context in which the unit of competency is carried out. The variables cater for differences between States and Territories and the Commonwealth, and between organisations and workplaces. They allow for different work requirements, work practices and knowledge. The Range Statement also provides a focus for assessment. It relates to the unit as a whole. Text in **italics** in the Performance Criteria is explained here.

Information sources used to assess risk may include

computer modelling
sensitivity analysis
structured interviews
statistical data
questionnaires
fault trees
analysis of consequences - loss of money, time, labour, intangibles

Legislation and policies may include

Commonwealth and State/Territory legislation including equal employment opportunity and anti-discrimination law
national and international codes of practice and standards
the organisation's policies and practices
government policy
codes of conduct
national competition policy

Risk ratings

differentiate between risks that have:
high impact/consequence/likelihood and those having
low impact/consequence/likelihood

Risk management is

a logical and systematic process of identifying, analysing, assessing, treating, and monitoring risks related with any strategy, plan, process, program or procedure that will enable the organisation to minimise losses and maximise opportunities
often considered in relation to an

organisation's:

people

assets and physical environment

reputation and image

legal issues

business continuity

finances

stated outcomes

Risk controls may include

hierarchy of controls

aversion

risk mitigation

reduction in likelihood

reduction of consequences

transfer of responsibility

retention

Unit Sector(s)

Competency field

Procurement&Contract Management