Community Services Risk Workbook

TITLE:

[Insert Title]

REQUEST NUMBER:

[Insert Request Number]

AGENCY:

[Insert State Party Name]

[This workbook is intended to be used in two ways:

* To facilitate risk assessment discussions; and
* To document the risk assessment and planning that has been undertaken.

Please note: the text in this red font represents drafting instructions. Any areas that are highlighted in yellow require the State Party to input information. For further information about how to fill out this template, please contact Finance.]

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# Risk in the procurement context

[The key output from this workbook is Appendix A – the risk register. The rest of the content is optional to read/complete and is aimed at assisting with understanding and completing the risk register.]

## INTRODUCTION

Procurement processes are a central part of the commissioning cycle. Understanding and actively managing the risk involved is integral to good commissioning practices.

Service Agreements can be complex, high value and high risk. As a result, risks need to be actively managed.

Often procurement processes exist as part of a project and consequently the risk management process for the project may address procurement risks. However, where this is not the case, it is highly recommended that the principles of risk management be applied to procurement processes.

This workbook provides practical information and templates to assist government officers to identify and manage risks in community services procurement processes.

The Department of Finance, Community Services Procurement Policy Directorate and RiskCover, are available to support government agencies with their procurement planning and processes. It is recommended that the State Party initiates discussions with RiskCover as early in the procurement planning process as possible, to seek advice on appropriate risk management processes and other relevant considerations.

**RiskCover Contractual Liability Cover**

RiskCover provides contractual liability coverage to government agencies. In summary, RiskCover’s contractual liability cover applies automatically unless:

* + the State Party waives or limits its right of recovery (for example, agrees to cap liability) or indemnifies another party;
	+ the indemnity, liability and/or insurance clauses in the Department of Finance Request templates or the [*General Provisions for the Purchase of Community Services by Public Authorities*](http://www.finance.wa.gov.au/cms/content.aspx?id=17093)have been varied or departed from; or
	+ the Service Agreement establishes a joint venture or partnership in which the State is one party of the joint venture or partnership;

in which case the cover is voided. Government agencies should notify RiskCover if any of the above situations arises, and RiskCover will evaluate reinstating cover. RiskCover’s notification requirements are summarised as follows:

* + State Party provide:
	+ details of procurement
	+ a copy of the completed risk register (see Appendix A)
	+ an overview of the calculated Maximum Probable Loss;
	+ a copy of the draft Request and/or Service Agreement.

RiskCover will review the information provided and if complete, provide advice on suitable indemnities and insurances. Where necessary, RiskCover may request additional information to inform its advice.

Where further information is required about contractual liability coverage, government agencies should contact their RiskCover client service representative or visit the website at [www.riskcover.wa.gov.au](http://www.riskcover.wa.gov.au/).

### RISK TOOLS

The State Party, in consultation with RiskCover and the Community Services Procurement Policy team where appropriate, should choose a risk assessment tool that is suitable for the procurement process.

There are many available risk assessment tools. Examples include, but are not limited to:

* completing the risk register in Appendix A of this workbook;
* using the access database provided by RiskCover;
* using RiskCover’s online tool;
* running a risk workshop; and
* State Party approach to risk.

## RISK MANAGEMENT

### WHY MANAGE RISK

Reasons for managing risk include:

* the early identification of potential issues;
* increased probability of a successful procurement process;
* to enable more efficient use of resources;
* to promote teamwork by all stakeholders; and
* to make decisions based on priorities and quantified assessment of risks.

### PROCESS OVERVIEW

Implementing risk management involves a logical and structured way of thinking and it requires the development and use of a consistent language to support the process. It is important to use precise, common terminology to ensure the effective communication and unambiguous description of the risks within your State Party and across the whole of government.

See **Appendix B** for common risk terminology with detailed descriptions.

**The Risk Management Process:**



### USEFUL DEFINITIONS

The following terms may be useful:

* + **Risk**: the chance of something happening that will have an impact on objectives, e.g. a reduction in service delivery.
	+ **Residual** **risk**: risk remaining after implementation of risk controls and treatment, e.g. the risk of a reduction in service delivery after selecting the most appropriate Service Provider.
	+ **Consequence**: the outcome or impact of an event, e.g. reduction in service delivery causes significant disruption.
	+ **Likelihood**: used as a general description of probability or frequency of an event, e.g. probability of a reduction in service delivery that causes a significant disruption to service delivery.
	+ **Control**: an existing process, policy, device, practice or other action that acts to minimise negative risk or enhance positive opportunities.
	+ **Risk** **reduction**: actions taken to reduce either the likelihood of an occurrence or its consequences or both.
	+ **Risk** **transfer**: shifting responsibility or burden for loss to another party through legislation, service agreement, insurance or other means.
	+ **Risk acceptance**: an informed decision to accept the consequences and likelihood of a particular risk.
	+ **Risk register**: a tool used to record information derived from performing a risk management process (see Appendix A for an example).

## Risk management in the procurement context

### WHAT RISKS TO ASSESS

It may be useful to approach risk management in relation to procurement activities within the following contexts:

* **Procurement Process Risk Management**

Undertake a full procurement process risk assessment using appropriate tools involving key stakeholders (Refer Section 3.2).

* **Community Service Risk Management**

Undertake a risk assessment of the community services being purchased (Refer Section 3.3).

### PROCUREMENT PROCESS RISK MANAGEMENT

This risk management process will focus specifically on the procurement process and the service being purchased.

#### PROCESS

Step 1 Identify the key activities in each phase of the Procurement process (see 3.2.2).

Step 2 Think about what is critical to success in each activity in the Procurement process. For each activity, identify “what can go wrong” (the risk) and how that might happen (the causes).

Step 3 Identify what controls are in place to manage these risks, the quality of the controls and assess whether you are doing all things reasonable to manage the risk.

Step 4 Assess the risk in terms of the consequences and likelihood using your State Party’s “Risk Reference Tables” multiplying the consequence and likelihood to give you the “Level of Risk”.

Step 5 Decide whether the level of risk is acceptable and if not put in place actions to reduce the level of risk.

(Repeat Steps 2 – 5 for each phase of the procurement process, and refer to Appendix C for a list of sample risks which may be applicable to your procurement process).

#### AN OVERVIEW OF THE PROCUREMENT PROCESS

|  |  |  |
| --- | --- | --- |
| **Phase** | **Activity** | **Tasks** |
| 1. Service Agreement Planning | **Identify Need** | * Confirm that funding has been approved for the full term of the service agreement.
* Where applicable, develop and obtain approval of a business case.
 |
| **Liaise with or engage Department of Finance**  | * Liaise with Finance (if required).
 |
| **Plan Purchase** | * Rule C3 of the WA Procurement Rules requires agencies to develop procurement plans for all purchases valued at $5 million and above. The plan must be endorsed by the Community Services Procurement Review Committee (CSPRC). There is a 10 day lead time for processing of submissions to the CSPRC.
 |
| **Develop Request** | * Develop Request documentation including specifications, evaluation criteria and terms and conditions.
 |
|  |  |  |
| `2. Service Agreement Formation | **Advertise Request and Receive Offers** | * Advertise the Request and conduct a tender briefing.
* Close the Request allowing sufficient time for community services organisations to respond and to comply with the WA Procurement Rules and in a manner consistent with the Delivering Community Services in Partnership (DCSP) Policy.
 |
| **Evaluate Offers** | * Undertake a transparent assessment process based on the specified evaluation criteria for a best value for money outcome.
* Prepare an evaluation report for approval.
* If the purchase is valued at $5 million and above, the evaluation report must be endorsed by the CSPRC. There is a 10 day lead time for processing of submissions to the CSPRC.
 |
| **Negotiate and Apply Due Diligence** | * Complete due diligence and all negotiations (if applicable) with the Preferred Respondent.
 |
| **Finalise and Award Service Agreement** | * The letter of acceptance must be signed by the appropriate State Party delegate.
* Issue decline letter to unsuccessful respondents.
* If requested, a post tender debriefing shall be provided to the unsuccessful respondent/s.
 |

|  |  |  |
| --- | --- | --- |
| 3. Service Agreement Management | **Manage Transition** | * Develop a Service Agreement management plan. Rule EI of the WA Procurement Rules requires agencies to develop contract management plans for all purchases valued at $5 million and above.
* For purchases valued at under $5 million, agencies should consider a contract management plan for medium to high risk contracts
 |
| **Service Agreement Operation** | * Manage the Service Agreement, including price and scope variations, and monitor and record service provider performance.
 |
| **Review and Evaluate Service Agreement** | * Review any available Service Agreement extension options to determine whether the options should be exercised.
* Review and evaluate the overall impact and performance of the Service Agreement.
* Recommend whether expiring Service Agreements should be re-advertised.
 |

### COMMUNITY SERVICE RISK MANAGEMENT

The risk management process will focus on the service being procured and its transition into operation.

#### PROCESS

Step 1 Identify the services being sought based upon the specification in the Request.

Step 2 For each deliverable or requirement, identify “what can go wrong” (the risk) and how it might happen (the causes), keeping in mind that this might be during the delivery of the service or post-delivery once the service is in operation.

Step 3 Identify what controls are in place to manage these risks, the quality of the controls, and assess whether you are doing all things reasonable to manage the risk.

Step 4 Assess the risk in terms of the consequences and likelihood using your State Party’s “Risk Reference Tables” (see Appendix B for more information) multiplying the consequence and likelihood to give you the “Level of Risk”.

Step 5 Decide whether the level of risk is acceptable and if not put in place, actions to reduce the level of risk.

(Refer to Appendix C for a list of sample risks which may be applicable to your service).

### A NOTE ABOUT INDEMNITIES AND INSURANCE

Insurance is one way to mitigate risks. It is a recovery strategy, not a preventative strategy. When assessing risk in the procurement process and the delivery of community services (as described in section 3.1 and 3.2 above), identify which risks are insurable risks. Insurable risks include events that may cause:

* + injury;
	+ property loss or damage;
	+ financial loss (indirect or consequential losses); and
	+ other loss, e.g. breach of copy right, defamation.

Common insurable risk categories include:

* + public liability;
	+ professional indemnity; and
	+ Workers’ Compensation.

These insurable risk categories are the most generally applicable to community services procurement. There are other specialist insurances available that may cover some other categories of risk specific to particular industries or services (e.g. insurance specific to the Health Industry). When considering insurance as a risk mitigation strategy, consider who will be required to hold the insurance, and who will be the beneficiary in the event of a claim.

For these risks, consequences must be quantified in financial terms, in order to establish the maximum probable loss value. Including indemnity and insuranceclauses in the Service Agreement to cover these risks will ensure that the service provider is agreeing to indemnify the State Party for the types of risks relevant to the Service Agreement. The indemnity and insurance limits included in the service agreement should also reflect the risks and maximum probable loss values calculated for this service agreement. Ensuring that a service provider has liability for a risk and insurance to cover that liability does not mean the State Party shouldn’t consider other treatment actions to reduce the likelihood or consequence of the risk.

## Service Agreement AND RISK DETAILS

### SERVICE AGREEMENT DETAILS

List the Service Agreement details below:

|  |  |
| --- | --- |
| **Service Agreement Description** | [insert description of services] |
| **Service Agreement Number (if available)** | [insert number] |
| **State Party Name** | [insert State Party name] |
| **State Party Service Agreement Manager’s Name** | [insert name] |
| **Service Agreement Type** | [insert type of service agreement, e.g. term, panel arrangement, individualised funding etc] |

### RISK ASSESSMENT PARTICIPANTS

List the participants in the risk assessment process, including their roles:

|  |  |  |
| --- | --- | --- |
| **Name** | **Title** | **Role** |
| [insert name] | [insert title] | [insert role, e.g. facilitator, technical expert, community services sector representative, Finance representative, RiskCover representative] |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

# APPENDIX A – RISK REGISTER

## Risk REGISTER

This table may be used for a quick identification of risk. Rows can be added as required. See also:

* **Appendix B** – If more detailed analysis of each risk is required, a risk identification form is provided.
* **Appendix C** – Further guidance on how to complete this register.
* **Appendix D** – Examples of some of the potential procurement or service risks. This may assist as a starting point for the risk brainstorming process.

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Category of Risk (ie. Procurement or service risk)** | **Risk Ref No. \*** | 1. **Critical Success Factors**

*What needs to go right?* | **Risk***What can go wrong?* | **Causes***What could potentially cause that to happen?* | **Controls** *Mechanisms to prevent or mitigate the event occurring or limit its impact.* | Consequences*What are the potential results?* | **Risk Level***Refer to agencies risk ref tables & take existing controls into account* | **Max Probable Loss***A $ estimate of any costs / damages that could be incurred.* | **Actions***What action(s) if any will you take to treat the risk? Who is responsible and when should this occur?* | **Residual Risk***Predicted level of risk after actions* | **Type of Insurance** **(PL, PI, W/Cor Other, or N/A)** |
|  |  |  |  |  | Control: |  | Likelihood: Consequence: **Level of Risk:**  |  |  | Likelihood:Consequence:**Level of Risk:** |  |
|  |  |  |  |  | Control: |  | Likelihood: Consequence: **Level of Risk:** |  |  | Likelihood:Consequence:**Level of Risk:** |  |
|  |  |  |  |  | Control: |  | Likelihood: Consequence: **Level of Risk:**  |  |  | Likelihood:Consequence:**Level of Risk:** |  |

\*It is useful to make risk reference numbers indicative of the category of risk e.g. Procurement Planning Risk 1 = PPR1, Service Delivery Risk 1 = SDR1

# APPENDIX B - sample Risk identification form

|  |  |
| --- | --- |
| **Category of Risk (ie. Procurement or service risk)** |  |
| **Risk Ref No\*** |  |
| **Critical Success Factors** *(What needs to go right?)* |  |
| **Risk***(What can go wrong)?* |  |
| **Causes***(What would cause that to happen)* |  |
| **Controls***(Existing preventative measures or mitigative measures.)* |  |
| **Consequence if risk occurs***(consider the worst/largest $ impact as well as non-financial impacts)* | *(Maximum Probable Loss - $)* |
| **Consequence rating** |  | **Likelihood rating** |  | **Level of risk** |  |
| **Actions *(What can you do about it?)*** |
| 1. | **Due Date** |  | **Status***(In progress/**Completed)* |  |
| 2. | **Due Date** |  | **Status***(In progress/**Completed)* |  |
| 3. | **Due Date** |  | **Status***(In progress/**Completed)* |  |
| **Residual Risk (after actions):** |
| **Consequence** **rating** |  | **Likelihood** **rating** |  | **Level of risk** |  |
| **Name** |  | **Date** |  |
| **Type of Insurance (PL, PI, W/C or Other, or N/A)** |  |  |  |

\*It is useful to make risk reference numbers indicative of the category of risk e.g. Procurement Planning Risk 1 = PPR1, Service Delivery Risk 1 = SDR1

# APPENDIX C – FURTHER INFORMATION ABOUT RISK MANAGEMENT

## Risk Identification

### WHAT IS A RISK?

To ensure that all key risks within an organisation are being addressed, a structured, systematic approach to identifying risks is essential. The identification process considers each activity, as defined by the context established in Step 1 (sections 3.2.1 and 3.3.1), looks at what is critical to the success of that strategy, activity or function, and then considers what may go wrong. This is defined as the risk.

For each risk, you should identify possible causes of the risk event. Each risk may have one or more causal factors which can either directly or indirectly contribute to the risk event occurring. Identifying the range of causes will assist in understanding the risk, identifying controls, evaluating the adequacy of existing controls and designing effective risk treatments.

### CAUSES OF RISK

There are often a number of contributing factors which lead to a risk occurring. There may be both internal and external causes of a risk. Identified causes provide a better understanding of the risk and assist in the process of identifying controls later on in the risk management process. A well managed risk will have effective controls for each identified cause. The absence of controls for identified causes highlights gaps in management of the risk and thus areas for improvement.

### EXISTING CONTROLS & CONTROLS ASSURANCE

Controls are the measures that are currently in place i.e. at the time of the risk assessment, that reduce the consequences and/or likelihood of the risk.

***Hint:*** *It is useful to cross-reference your controls with the identified causes. Are there controls in place for each potential cause of a risk?*

### OVERALL CONTROL RATING

All controls are looked at as a whole in terms of their adequacy in managing the risk. The adequacy of the controls is assessed on a common sense, qualitative basis. This can be viewed as a reasonableness test: are you doing what is reasonable under the circumstances to manage i.e. prevent or minimise the risk? The recommended rating scale is as follows:

|  |  |
| --- | --- |
| **Excellent** | Doing more than what a reasonable person would be expected to do in the circumstances. |
| **Adequate** | Doing only what is a reasonable person would be expected to do in the circumstances. |
| **Inadequate** | Doing less than what a reasonable person would be expected to do in the circumstances. |

If it is reasonably foreseeable that a risk may impact on the State Party, then they should ensure controls are in place to manage the risk. These controls should be in line with what a reasonable person would do to avoid the unwanted effects of the risk. To assist in determining what is reasonable, the following should be considered:

1. The likelihood of the unwanted consequence/s occurring if no action was taken.
2. The likely severity of the consequence.
3. The availability, suitability and cost (financial and other) associated with implementing the control.
4. The overall need to engage in a risk creating activity.
5. The extent of knowledge about the risk, its elimination or mitigation.

The above five points should be equally considered and guide agencies in implementing controls that would be expected of a reasonable person.

It is important to remember that the adequacy of controls are considered in terms of doing “all things reasonable” to manage a risk rather than all things possible. If budgets, resources and time where unlimited then doing “all things possible” is achievable. However in reality, budgets are capped and resources are limited.

## Risk Analysis

Each State Party has a set of risk reference tables, which allocate descriptors to levels of likelihood and consequence. The risk reference tables will also contain a matrix that combines the likelihood and consequence to allocate an overall rating for each risk.

The risk reference tables are reviewed regularly.

Using a State Party’s specific risk reference tables allows the procurement risks to be seen in the context and language of the risks the State Party faces across its entire business. It is for this reason that generic risk reference tables and descriptors should be avoided.

Each State Party has a risk coordinator who will be able to provide a copy of the risk reference tables. The risk coordinator will often, though not always, be someone within the State Party’s corporate services area. If the State Party is unable to ascertain who their risk coordinator is, contact RiskCover for assistance.

### CONSEQUENCE RATING

A **risk** that eventuates may impact a State Party across a number of different areas, to a greater or lesser extent. When analysing the consequences of a risk event, the State Party needs to consider the level of impact (1 to 5) in relation to each of the consequence categories defined in the agency’s own Consequence Rating Table.

For example, a risk may have an impact of 5 for ‘financial loss’ and 4 for ‘reputation and image’ and little or no impact in the other areas. Both ratings may be recorded, as this demonstrates that your consideration of the risk has been thorough.

When selecting the consequence rating, this must be done taking into account the existing controls for the particular risk. For example, if considering the consequence of a fire in a building which has, and will continue to have, effective controls to stop fire spreading from one room to another, the maximum probable loss is the maximum value held within a single room, not the entire building.

For indemnity and insurance purposes, we need to ensure the consequences are quantified in financial terms to enable us to establish the maximum probable loss value which will be used for setting indemnity and insurance limits. The State Party representative, using their knowledge of the community service and the surrounding environment, must make its own estimate of the financial consequences to determine maximum probable loss.

### LIKELIHOOD RATING

Thelikelihood rating describes how likely it is that a risk will eventuate with the defined consequences. Likelihood can be defined in terms of probability or frequency, depending on what is most appropriate for the State Party’s purposes.

### CALCULATING THE LEVEL OF RISK

The level of risk, or risk rating, is calculated by multiplying the consequence and likelihood ratings. For any risk, there may be a number of different consequence/ likelihood scenarios. Within each category there may be multiple scenarios ranging from “minor but likely” to “catastrophic but rare”. It is important to rate what is the realistic worst-case scenario, which is the worst-case level of risk considering both consequences and likelihood. Where there are multiple ratings for a risk, the highest combination of consequence/likelihood is taken as the level of risk.

## RISK TREATMENT and monitoring

This phase of the process involves formulating and implementing treatment action plans. Treatment actions should be assessed from a cost/ benefit point of view to ensure that the cost of implementing the treatment does not exceed the likely benefits. The options should also be evaluated to ensure that the desired result is being achieved. For example, actions intended to transfer risk to other parties such as through insurances or service agreement conditions usually only succeed in sharing the risk.

Agencies should monitor the risks and take corrective action where appropriate. The risk monitoring step in the process ensures that you:

* + Review the risk management plan you developed at the planning and implementation stages;
	+ Monitor the performance of the Service Agreement against service outcomes and service requirements; and
	+ Meet your contractual obligations.

**Indemnity and Insurance**

The Risk and Maximum Probable Loss information in the risk register should be used as a basis for setting both limits and types of insurances required. These clauses in the service agreements are essential in agreeing with the Service Provider what they will indemnify the customer for and the limit of the indemnification. The insurance clause is then important to ensure the Service Provider has a funding mechanism in place to finance the agreed indemnity. There is a direct link between the level of risk, type and limit of the indemnity and insurances provided.

# APPENDIX D – Examples of Risks And TREATMENT ACTIONS

## Procurement planning

|  |
| --- |
| **Procurement Planning** |
| **Some of the risks that might be encountered are:** | **Some of the treatment actions that could be implemented are:** |
| * State Party does not have legal capacity or delegated authority to procure.
* Government procurement policies not followed.
* Proper procurement processes are not followed.
* Wrong procurement method selected.
* Delays in obtaining approvals.
* Lack of interest by service providers in providing the service.
* Service Agreement takes too much work away from small service providers.
* Conflict with existing Service Agreements.
* There is no established service provider capable of providing the services.
* Project promoted towards the wrong group of service providers.
* Perceptions of bias towards or against certain service providers.
* Resistance by peak bodies or other community groups.
* Adverse media interest.
* Resistance or opposition by other (central) government agencies.
* Conflict between different stakeholders.
* Unachievable time and cost targets set.
 | * Check the Service Agreement is consistent with the State Party’s business objectives and legal capacity of State Party to enter into the service agreement.
* Conduct wide-ranging community consultation to ensure market knowledge is up to date.
* Assess the level of market capability and adopt an appropriate procurement method.
* Develop procurement plan (at appropriate level of detail).
* Define the objectives, scope and expected outcomes of the procurement process.
* Identify government policies that apply to the service agreement and ensure compliance.
* Evaluate alternative procurement and delivery methods.
* Review approach used on previous/similar procurement projects.
* Identify, justify and document the procurement process.
* Confirm funding levels including ongoing obligations arising from the service agreement and check the scope against the allocated budget.
* Inform community services organisations as far in advance as possible and consider conducting a briefing if appropriate.
* Identify most effective means of communicating the service agreement opportunity to community services organisations.
* Determine community awareness and interest in the service agreement.
* Identify all existing Service Agreements that may be affected, assess the impact and manage appropriately.
* Identify and document the approvals required and give advanced notice to those giving the approvals.
* Assess the likely impact of the Service Agreement on existing providers.
* Identify likely interest and peak bodies.
* Keep corporate communications/public relations area informed about high-risk service agreements.
* Identify issues that may be sensitive or confidential.
* Identify likely interest and peak bodies.
* Identify potential conflicts between stakeholders.
* Develop a comprehensive communication plan for stakeholders.
* Keep relevant stakeholders informed.
* Check the adequacy of time and cost targets, obtain approval to adjust as necessary. Conduct regular review of targets.
 |

## SERvice agreement formation

|  |
| --- |
| **Service Agreement Formation** |
| **Some of the risks that might be encountered are:** | **Some of the treatment actions that could be implemented are:** |
| * Service provider selection process does not achieve value for money or equity.
* Wrong procurement method used.
* Procurement process lacks direction and control.
* Inexperienced or incapable team appointed.
* Instructions not correctly conveyed to team members.
* Vital tasks missed or poorly carried out by procurement team.
* Instructions not correctly conveyed to team members.
* Conflict between team members.
* Non-compliance with State Government policies.
* Lack of information or experience in procuring a unique or unconventional service means specification or selection criteria are inadequately drafted.
* Inability of service providers to resource the Service Agreement.
* Inter-agency relationships on joint projects function poorly.
 | * Ensure the proposed procurement process is ethical and delivers value for money.
* Ensure adequate time is allowed to conduct the procurement process, all actions and decisions are documented, and procurement officers trained.
* Develop, monitor and revise a risk treatment action plan that describes the controls not yet implemented by the State Party, but when implemented, would mitigate some procurement risks.
* Adopt an appropriate procurement project management structure.
* Develop appropriate team communication.
* Ensure appropriate resources allocated.
* Ensure procurement plan and progress is documented.
* Consider using an experienced procurement/project manager.
* Identify government policies (e.g. procurement policies) that apply to the Service Agreement and ensure compliance.
* Ensure that the size of the Service Agreement is compatible with the size and volume of service providers.
* Ensure that the appropriate type of specification (e.g. outcome based) is used.
* Release a draft Request for comment to provide stakeholders with a chance to provide feedback.
* Advertise the service agreement appropriately.
* Use appropriate benchmarks for qualitative aspects of selection process, e.g. industry standards.
* Check organisational structure and financial capability of preferred respondent(s) prior to awarding the Service Agreement.
* Request and check references from respondents.
* Ensure service provider selection process is transparent.
* Define and document required service levels.
* Identify and develop appropriate Service Agreement reporting requirements.
* Determine appropriate level of Service Agreement administration and management.
* Use Department of Finance templates to form a Service Agreement where applicable.
* Obtain legal advice when Department of Finance templates are not used.
* Ensure documents are concise, precise and unambiguous.
* Check the adequacy of retention, security and insurance.
* Assess the appropriate level of insurance required to protect the end users and ensure that the service provider has adequate coverage.
* Conduct financial due diligence checks when appropriate.
 |

## Service agreement MANAGEMENT

|  |
| --- |
| **Service Agreement Management** |
| **Some of the risks that might be encountered are:** | **Some of the treatment actions that could be implemented are:** |
| * Service Agreement is poorly managed.
* Poor performance of service provider.
* Lack of continuity in service delivery.
* Payment made for services that are not delivered.
* Service Agreement / Service does not meet expectations or deliver desired outcomes.
* Service provider unable to fund repairs to damaged work or claims for damages or injury.
* Difficulty coordinating the service.
* Difficulty integrating the service into existing environment.
* Difficulty or delay in transition from incumbent service provider to new service provider.
* Unsafe use of hazardous materials or practices.
* Difficulty delivering the service.
* Restrictions due to the nature of the service and surrounds.
* Restrictions due to the special needs of users.
* Unavailability of required services and resources.
* Injury or hazards caused by materials present or activities undertaken.
* Delays or damage due to natural events.
* Insolvency of service provider.
* Breach by the service provider.
* Breach by the State Party.
 | * Develop a Service Agreement management plan that includes information regarding the measurement of progress, timing of payments, key performance indicators, risk, meetings dates etc.
* Develop a partnership relationship with the service provider.
* Ensure the service provider is aware of their obligations.
* Ensure Service Agreement managers understand the process requirements and responsibilities associated with the Service Agreement manager’s role.
* Conduct a Service Agreement start-up meeting where key issues such as the services to be delivered, key dates, meeting schedules, timing of performance, key performance indicators and reporting requirements are discussed.
* Ask service providers to explain their understanding of the Service Agreement outcomes and deliverables.
* Develop Service Agreement key performance indicators. Establish and implement monitoring and review mechanisms.
* Ensure that proposed payment schedules are consistent with the value of work received from the service provider.
* Check certificates of currency for insurance.
* Ensure that the Service Agreement has provisions outlining the process undertaken that if the service is not delivered in accordance with the Service Agreement specifications.
* Select an appropriate Service Agreement team with the necessary experience.
* Identify hazardous materials or practices being used to deliver the service and ensure that appropriate handling procedures are used.
* Describe the service in a tangible and unambiguous way.
* Identify regional issues that may affect the delivery of the service such as seasonal weather patterns, remoteness, accessibility, availability of resources, services, etc and develop appropriate management plans.
* Ensure timeframes and budgets account for regional issues.
* Identify hazardous materials and activities on the site and develop management plans.
* Check that the budgets consider the predicted market situation.
* Conduct financial due diligence checks as appropriate.
* Develop a contingency plan should a natural event or service provider insolvency make service delivery cease for a period of time.
* Develop a contingency plan for service provider/State Party breach.
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