

JULY 2011

RISK INSIGHT

Procurement



Introduction

Investor, industrialist and philanthropist, Warren Buffet famously said that "risk comes from not knowing what you're doing".¹

Although this is certainly true, it falls short of explaining the range of risks and the risk management issues faced in procurement. As suppliers and supply chains can stretch globally, the ripple effects on supply chain management can be profound. Risk management in the process can be haphazard, improperly applied or miscommunicated.

While the basic tenet of public and private sector procurement does not vary wildly, public sector procurement executives operate in a different professional world to that of the private sector. Not only do they work under the glare of publicly accountable financial and fiduciary responsibilities, they face other unique challenges such as changing policy and political sensitivities; layers of regulation, compliance and governance; and the transparency/accountability demands of the media, industry, business and the general public. Risks and management of those risks, therefore, can compound.

“Government procurement is [especially] expected to achieve value for money through competitive, open, transparent, efficient and publicly-accountable processes. It is also used to support a range of social and economic policies of the Government.”

Penny Wong, Federal Minister for Finance and Deregulation.²

Writing in a CIPS Australasia publication in early March, Minister Penny Wong said that procurement practices, whether government or private sector, should be as straightforward, simple and cost-free as possible. "Procurement is where the 'rubber hits the road' in relation to the Australian Government's financial framework," she added.

International studies indicate that public sector procurement accounts for approximately 15 to 20% of GDP in many countries.³ In Victoria, during 2009-10, the Victorian Government Purchasing Board reported 589 process approvals valued at \$1,111.8 million.⁴

The Victorian Public Sector (VPS) employs a large number of Risk Officers, Procurement Officers and Quality/Compliance Officers. The processes they follow are, generally, tried and true.

So, why does it not always work? What are the seen and unseen risks of procurement in the public sector? What are the barriers to effective risk management in procurement?

Procurement: VMIA Roundtable Background

The VMIA's Risk Management Partnership Program aims to fund and help manage targeted, measurable and sustainable projects that are aligned to its Strategic Risk Management Strategy.

Projects are partnered with clients and key stakeholders and must address risk management priorities that align with the VMIA's strategic objectives. Projects are often pilots with potential for state-wide implementation. As part of this program, the VMIA started a Roundtable series based on priority risk areas to identify and prioritise emerging and current risks, insurance and claims management issues.

Roundtables offer an opportunity for eminent and senior professionals from both private and public sectors to be involved in discussions and debates on key risk issues. Previous Roundtable topics have included risk management culture, social media and mental health.

The VMIA identified procurement as a priority for the 2011 Risk Management Partnership Program. The Risk Management in Procurement Roundtable was held on Wednesday 13 April, 2011. Its objective was to examine how an effective risk management approach to procurement can ensure maximum project benefit and mitigation of potential risks.

The Procurement Risk Management Roundtable was facilitated by Gideon van der Westhuizen of Johnstaff Projects, and was attended by the following senior procurement professionals:

- Ms Alison Mower, Senior Category Manager, Health Purchasing Victoria
- Mr Michael Cornelius, Director, Major Procurement Program, Department of Justice
- Mr Jason Loos, Assistant Director, Department of Treasury and Finance
- Ms Sue Nolen, Assistant Victorian Government Solicitor, Victorian Government Solicitor's Office (VGSO)



Goran Mitrevski, Jason Loos, Michael Cornelius and Sue Nolen discuss the risks of procurement.

- Mr Ashley Collins, Managing Director, 3D Procurement Solutions Pty Ltd
- Ms Tracy Declerck, National Contracts Manager, Procurement Australia
- Mr Peter Noble, Project Director, Major Projects Victoria
- Mr Mark Berryman, Director, Supply, Alfred Health.

The following representatives attended from the VMIA:

- Mr Goran Mitrevski, Manager, Risk Services
- Mr Stephen Owen, Manager, Strategic Risk Management
- Mr George Triantafillou, Risk Management Adviser
- Ms Cath Newell, Communications Consultant.

The key messages from the roundtable have been captured in this Risk Insight for the benefit of the wider Victorian Public Sector.

We thank those participants who have graciously given their time, experience and intellect to this important topic.

Opening remarks – As procurers, how good are we at risk management?

Facilitator, Gideon van der Westhuizen, opened the roundtable proceedings by asking the group “As procurers, are we doing a good job in risk management across the State Government?”

In pre-roundtable interviews, interviewees agreed with the initial premise that risk management, as practiced in the Victorian public sector, is alive and well. In particular, “It’s something we do proactively,” “It’s a natural part of our business,” “In my group, risk management starts *before* the project starts,” “Risk management is an integral part of our tender process.”

At the Roundtable, however, certain barriers to ‘good risk management’ were identified and were best summed up by Peter Noble, Major Projects Victoria, who said “from a project perspective, I think it’s fairly lumpy.” He went on to explain that the effectiveness of risk management is due generally to the very public nature of Victorian Public Sector procurement projects. “There’s a moderate amount of publicity on projects which are having difficulty...and the ones that just go through quietly without any waves don’t really get much publicity at all.”

¹ Brainyquote.com: http://www.brainyquote.com/quotes/authors/w/warren_buffett_2.html

² CIPSA Public Sector Procurement Forum brochure

³ Jorge Claro, Claro & Associates, Inc, Maryland USA ICGFM Forum, March 2008

⁴ Victorian Government Purchasing Board Annual Report 2009-10

Q&A: Discussion Topics

1. The biggest risk in the procurement process is the **process**.

2. **Supply risk:** Operating in a relatively small global purchasing market, supply is subject to a plethora of uncontrollable, external vagaries and is not always controllable.

3. **Organisation and people:** It is difficult to recruit and retain good staff, especially in areas of contract and commercial management. Furthermore, is procurement recognised as a professional discipline?

4. **Probity and governance** are becoming more important to procurement, but do we actually have best practice?

5. **Demand risk:** Procurement processes face ever-increasing demands for higher levels of customer service and satisfaction.

“The procurement process has to be **fit for purpose**. One of the major process issues for me is expectation management around how much it’s going to cost or how long it will take . . .”

Michael Cornelius, Director, Major Procurement Program, Department of Justice.

1. The procurement process

In professional procurement, risk management represents the process of measuring or assessing risk and then developing the right strategies throughout the procurement lifecycle. Procurement needs to address risk management head on, incorporating it within corporate strategies, integrating it within the business and defining its importance across the organisation.

The procurement process needs to be defined first and foremost and then ensure that risk management is a partner all the way. The procurement process is an enabler to achieve the procurement goal of “value for money.”

“It’s about using the principles and fundamentals of risk management. The main one that comes to mind is “creates value”. Procurement activity must create value for the organisation which requires strategic thinking and should be implicit in our procurement decision making. It’s about establishing the context, understanding why you’re procuring, what it is you’re procuring and looking at it as a whole of life procurement decision.”

Goran Mitrevski, Manager, Risk Services VMIA.

Supply chain management is, generally, a straightforward business process and has been refined over many years (as one Roundtable participant explained, “It’s not rocket science”), but like any process, it is only as good as the links in the chain. The success of the procurement process is at risk if any component is deficient.

These are the ‘links’ where Roundtable participants said they had the most concern:

- The need to understand the procurement objectives of what represents “value for money”
- The requirement to set clear and unambiguous strategic and operational objectives and performance expectations for procurement activity up front
- The need for robust ‘water tight’ processes to be embedded in a procurement project from the outset and throughout the procurement lifecycle
- The need for effective identification and communication of risks within the procurement team, clients, stakeholders and suppliers throughout the procurement lifecycle
- The unreliability of supply available for strategic and effective procurement processes

- Unrealistic expectations and demands of stakeholders
- The capability of the procurement workforce is under-supported and under-recognised
- Longer term investment in procurement process capability is required. In particular, there is a need to improve strategies, policies and practices as well as organisational tools, workforce and technological support to achieve targeted levels of process performance and control.

"It's not the process that's the problem per se... it's people's understanding of the elements of the process to suit...the process of the particular procurement that's being undertaken, where and how it starts to go off the rails, or its inappropriate management or assessment."

Peter Noble, Project Director, Major Projects Victoria.

During the Roundtable, the group's agreed that procurement, as a process is established and documented. In particular, the Victorian Government Purchasing Board (VGPB) policies achieve the intention of reflecting the minimum standards for procurement of non-construction goods and services in Victorian Government departments and some agencies. The policy framework promotes value for money in Victorian Government procurement, while maintaining the highest standards of probity, minimising risk and maximising opportunities for local businesses.

Therefore, if we have established guidelines for procurement, "...what [exactly] are the problems with process?"

Interviewees and research suggests that:

- Process capability refers to contracting process steps, practices and work-flows and supporting procedures. Most interviewees said they had well practiced processes in place which included little variation from the set steps.
- It is vital that a set of aligned, current and executable policies are documented and implemented by management to help support the strategic objectives, targets, plans and expectations enabling procurement objectives to be achieved.
- "We have a very developed risk template which attempts to cover all the bases and develop appropriate risk management strategies, but the links don't always do what they are meant to do." "We spend significant time articulating procurement risks from the outset and our framework is so detailed, we stick to the process religiously."

Specific areas of focus:

- Know what your organisational procurement needs are and ensure the process is as robust as it needs to be and is fit for purpose
- Ensure the procurement scope meets all needs, is agreed, understood and is communicated to all parties over the procurement lifecycle
- When it comes to process, know how best to share 'process risk' experiences, taking into account what works and what doesn't
- Don't allow the process to "drive" the procurement decision. It is the enabler, not the master.

- The major step where interviewees reported most challenges, was not surprisingly, early in the process, *scoping* the project. "If you don't get the scope right from the outset, it could lead to project failure." "All parties have to agree and understand the brief from the get go." "A client might understand how they run their business, but don't understand project specifications and how they relate to their business – the result can be a heap of expensive variations down the track." "Scope, at the start of the process, must be clear and agreed."

Most interviewees concurred that once you get the scope right, then you get the raw costs right, then you get the pricing right.

"We have to acknowledge that complexity has a big impact on your ability to stick with the framework you've identified as your process...if you can ascertain up front what your scope will be and what your outcome will be...we don't have to look at it as a point by point process but look ahead, engage your customers [members] and also don't be too complex to confuse the market."

Tracy Declerck, National Contracts Manager, Procurement Australia.

External influences impact on the process at every point. For example, with financial market volatility and economic uncertainty comes problems as well as opportunities. The impact of \$A movement was cited by some interviewees as adding a further layer of complexity.

2. Supply risk

Victoria and Victorian Government procurement particularly, are affected by being such a relatively small purchasing market in the global economy. Therefore, a collapse of supply can be disastrous.

Reliable service and supply, that is sufficient to meet a procurement project's objectives, can be compromised by a range of issues. In particular, participants cited the following supply risk issues:

- Goods or services supplied do not provide value for money
- Supplier demonstrates lack of accountability for the goods or services supplied
- Lack of quality
- Poor corporate and social responsibilities demonstrated requiring us to question whether "our suppliers are good stewards for our brand?"
- The nature of highly specialised suppliers means vendors are disappearing and there is little or no competition in some markets
- Indirect suppliers in the chain can be invisible. Inter-relationships are vital to a supply chain, but we can't always see who we are "indirectly" reliant on
- Suppliers who "stitch up" intellectual property can result in exclusivity of supply
- Increased level of multi-sourcing. What we are experiencing is more specialist small suppliers rather than 'monolithic' single suppliers resulting in extra governance effort and added complexity to the process
- The size of our market. Procurement in the VPS is "tiny" and we have to realise that we are unable to affect global manufacture on our own
- The ripple effects on supply of macroeconomic and disaster situations, such as the Japanese earthquake/tsunami/nuclear fallout, are difficult to fully understand and prepare for.

"In my world, the Victorian health market represents something like 0.001% of the global market. One of the challenges we've had at the Alfred is to drive change with vendors, and because there's so much Intellectual Property in our market sometimes there's only one supplier that can provide you the product. For example, when swine flu hit the northern hemisphere, product got drawn there so that we actually had a short supply in the southern hemisphere." *Mark Berryman, Director, Supply, The Alfred Hospital.*

The group agreed that the procurement supply issue is concentrating on value and that 'short termism' is becoming a thing of the past. Today, we see the impact of the short-term

objective focus of getting the best transaction executed and assuming that sustainability is the supplier's issue. The trend for now and the future is concentrating on long-term value.

The issue of mergers and acquisitions of key suppliers was raised but seems to be mitigated by vendors having multiple teams pitching for the same work – while for players in the big procurement market (major capital works) like Major Projects Victoria, probity is such an important aspect. Alison Mower of Health Purchasing Victoria had the opposite view that "too much choice can be just as challenging...it creates confusion for the customer."

The fact that Victoria is such a small purchasing market affects relationships with vendors: "We deal with large multi-nationals that are generally headquartered overseas. What we deal with in Australia is the sales force – they need to make sales and margins but they actually have a lot less flexibility than the sales force in their home country. So yes, Australia is a smaller player globally, but overseas clients tend to get better deals than we do. That's why some larger organisations actually put their purchasing units overseas and they deal directly with the head office and they become a local player in that market, rather than just an offshore player. If you really want a strategic relationship with your vendors, you really need to go where they live." *Michael Cornelius, Director, Major Procurement Program, Department of Justice.*

The flow-on effects of the Japanese earthquake/tsunami/nuclear fallout crisis, as an example, will certainly impact on procurement practices in Victoria, although the extent is not yet quantified. One interviewee said that it wasn't so much primary suppliers which were affected, rather secondary and tertiary suppliers, often unknown to him, which could "very seriously" endanger supply.

The VMIA, for example, seeks reinsurance from overseas based businesses. "There is no Victorian, nor any Australian single insurance company that would take the risk we need for our VPS clients," explained Stephen Owen, Manager, Strategic Risk Management, VMIA. "We have to go to the international market"

"These days, we're trying to reverse consolidation of supply and increase competitiveness by awarding panels of suppliers and make the marketplace more competitive again."

Alison Mower, Senior Category Manager,
Health Purchasing Victoria

The VMIA's Goran Mitrevski continued the theme, "We go to where they live to get a better outcome. So we're making commercial decisions not just for the VMIA but for the greater good and what we believe is in the public interest"

"Up to 95% of our products come from overseas, so we need to choose a financial strategy and contracts to stop hedging, like suggesting perhaps a three-year fixed term." *Mark Berryman, Director, Supply, The Alfred Hospital.*

Specific areas of focus:

- We need to shore up supply
- Know the compromises you are able to make
- Understand the direct and indirect supply risks you face
- Know your role, as a buyer, to help suppliers help you
- Create an environment that ensures success, delivers value and meets expectations.

3. Organisation and people

"We only think when we are confronted with a problem."

John Dewey, American philosopher, psychologist and educational reformer.

Source, develop, deploy and retain appropriately qualified people. Sounds easy but, like many fields, it doesn't always happen.

Gideon van der Westhuizen moved onto the day's third topic to discuss the people side of procurement. "It's the old issues of recruitment and retention of good staff and knowledge. Do we agree that procurement is regarded as a profession in the VPS?" *Gideon van der Westhuizen, Head of Victoria Infrastructure Team, Johnstaff Projects Pty Ltd.*

"Reflecting on the procurements that have not gone well, nine times out of ten it comes down to the organisational culture and its people. We need to make sure that we attract and retain people with the right skill sets to successfully undertake major government procurements." *Jason Loos, Assistant Director, Department of Treasury and Finance.*

The competition for good staff is "stiff." One interviewee said that he thought the public sector might be particularly vulnerable, "because the salary scales vary significantly from the private sector."

When it comes to procurement professionals, "a person will work on a project then move on to the next project, rather than developing and making a proper career path for people. It's interesting work, but there's just not the money there." *Sue Nolen, Assistant Government Solicitor, Victorian Government Solicitor's Office.*



Most interviewees mentioned the need for training and further education. Procurement is not unique in facing talent and recruitment issues – "We need to keep good staff engaged and connected to retain them, especially Gen Y."

While all agreed that procurement requires an elevation in status, the consensus was that procurement positions generally required more support to win a seat at the table. As far as professional peer recognition is concerned, some interviewees said that they felt procurement didn't have the support of Boards or Senior Management. "Successful procurement risk management requires engagement of senior staff from the CEO down so that everyone understands the value." "Sometimes we face a disconnect – senior people who need to see but don't have the vision."

The challenges and opportunities within public procurement are endless for officials, vendors and consultants. The public performance landscape is bombarded with changes and developments but, by raising the profile of professional procurement personnel and the discipline itself, the results will be better run procurement projects and improved project results. "We're very good at getting the right people at the start of the transaction and executing a contract. Ultimately you are talking about delivering good value for money, which you can really only assess over a period of time, so long-term contract management is really important." *Jason Loos, Assistant Director, Department of Treasury and Finance.*

If this is the case, the question is then centred on the skill sets that best represent the procurement professional.

The group agreed that what would be good would be an all round professional project manager who had experience outside government. "Although it's important that private sector people have training around public sector and frameworks to teach them why the public sector is the way it is. The legislative issues, the political issues, the imperatives and the dynamics around why we must deliver value for money are different" "There's definitely a shortage of good people in the market. We have a number of staff at a lower level that are happy and eager, and we have a lot of senior people but there is a huge gap in the middle."

The group agreed that the ideal procurement officer must understand compliance, governance and risk as well as have 'traditional' procurement experience. The project management skill set is probably the best role model we have. "If you're going to have the A to Z of project management, including people in risk management roles, then you're going to be pretty good at procurement"

Specific areas of focus:

- Raise the profile of procurement staff and projects
- As an organisation, make it clear that procurement is an attractive career option and that you are seeking to recruit, engage and retain staff
- For organisations involved in "big" procurement activities, consider the appropriateness of having a CPO (Chief Procurement Officer)
- Knowing what you want from a procurement professional combined with a clear direction, support and education is the recipe for success.

4. Probity and governance

"Are probity and governance processes becoming more important than the procurement decision itself? What constitutes best practice? How do we benchmark our performance?"

The VPS is subject to a range of probity, compliance and governance processes which underpin procurement practice. Respondents said they were generally happy to work within governmental guidelines, ("Governance underpins VPS procurement, whichever way you look at it") but they were a little restrictive and don't encourage innovation ("You can't side-step the process"). They also agreed that probity and governance were related, but should be treated individually.

"The project has to run for probity and not the other way around. Probity is essentially a set of guidelines, morals and principles that guide conduct. It's no more and no less than that...If appropriate authority is not used, you're in trouble because the information goes backwards and forwards and is diluted, distracted, delayed." "Probity and governance come together but they are separate. Governance is extremely important for me in terms of the success of a procurement exercise...we have to get right what is the governance arrangement, the decision making, the accountability in terms of government? Projects where governance is clouded tend to be the ones that find themselves on the front page of the paper."

"Governance is the decision making process and needs to be robust and rigorous. There's a bit of crossover with probity, but they shouldn't be lumped together."

All VPS interviewees said they followed the appropriate governmental probity guidelines and they recognise that probity in the tender process was emerging as a legal issue. A recent case, *IPEX ITG v State of Victoria* [2010], in which the Supreme Court considered the obligations of a government party tendering for IT services to evaluate

tenders in accordance with the terms of the process contract arising from the terms of the request for tender (RFT).

In summary, IPEX tendered for a project to implement a new computer standard operating environment in Parliament House and across its 132 electoral offices. IPEX was not awarded the contract and one month after a de-brief with the project evaluation team, the company instituted proceedings, alleging that Parliament had acted in breach of the tender process contract. In the Supreme Court, Justice Sifris concluded that the Parliament managed the tender process as it said it would do and did not depart from the RFT in any of the respects identified.

The Victorian Government Solicitor's Office Client Newsletter March 2011, summarises that the case "is a salient reminder that there is always a risk that an unsuccessful tenderer will issue legal proceedings against a government agency for breach of the tender process, and that the best way to manage this risk is for government agencies to have clear and workable tender rules that are complied with by the evaluation team."

The group discussed impropriety as an ever-present issue of probity, saying that they, as procurers of often very expensive products and services, had to be "beyond reproach" and it has reached the point where a VPS procurement officer "can't even let a supplier buy them a cup of coffee."

The skills and disciplines around good governance are now being recognised as the key to sustainable relationships and the benefit they bring. This must be viewed as a key step in the maturity of both the discipline of sourcing and the way in which organisations manage important service relationships. Good governance, and its importance, were stressed as key to any successful procurement exercise and were 'factored in' to any risk or project management strategy from the outset.

Specific areas of focus:

- There is a strong need to balance the need for sound probity practices with the flexibility required to achieve the "best" procurement outcome
- Achievement of the "best" procurement outcome must involve application of the baseline standards for probity and governance.



The Procurement Roundtable participants consider their views.

5. Demand risk

Demand risk is centred on the level of customer expectation.

Baseline expectations. Many public sector procurement programs are invoked to support high profile, labour intensive and expensive projects. It is therefore, legislatively, technically and societally expected that senior public sector risk or procurement managers have the strategies, policies, processes, organisational skills, management and control mechanisms and practical tools to deliver procurement results that are above reproach. Compliance is inherent in baseline expectations.

"If we're running a tender, it's a given that respondents will have all of their insurance, ASX, APRA stuff sorted." At tender, however, the level of financial checking is not consistent. Some interviewees did "exhaustive" checks of financial bona fides, some did nothing.

"Extra" expectations. Procurement projects can be vulnerable to issues that might not accord with best procurement practice. For example, they don't necessarily assist with the project's bottom line or deliver best product/service quality e.g. procurement, especially in the public sector, may be skewed to support the growth of SMEs, maintain supplier diversity or 'buy green'. One participant said that with the best professional will in the world, some of his internal clients were notoriously 'selective' and had their own very strong views about products they would and would not use.

"Customers demand appropriate service and satisfaction from us at all times. It is a question of balance between how much of it should be about managing expectations and how much should be about actually meeting expectations." The group agreed they could always have a 'better handle on demand' and some of them outlined their strategies for doing so. "When you run procurement projects for internal customers, the business unit you're acting for shouldn't see it as being done to them (but) rather for them...you need to help them along the journey."

"Where you do a lot of work pre-tender, through workshops, collaboration, communication and bringing people together on a project to establish where they were all comfortable. Then, inevitably you reduce your risk down the track." The same line of thinking has been applied where "We've tried to tackle that issue by aligning personnel and procurement areas with key stakeholders through regular meetings to better understand their business areas. Most of the stuff we buy is highly technical so the expertise sits with the stakeholder. The only way we can get a better understanding is to spend more time with them." "HPV do a similar thing but from two angles. One is project specific to develop relationships with a group in terms of a requirement; the other is to have ongoing communications with hospitals and health services."

The group agreed they have continual requests to make things like tenders and documentation more efficient and user friendly. "I think one of the most obvious demand gaps is financial pressure and operating costs, so that sometimes stakeholder expectations might be unrealistic." The group agreed that successful 'demand management' often came back to communication. "Communication is a win-win, because we can learn from our customers about what they need but we can also to educate them commercially from the demand side - the vendor's got to be happy with the arrangement and make some money."

"The underlying message for customers has to be that value for money is no longer just the lowest price, it's a lot more." The lowest price is not necessarily going to deliver the best procurement outcome. "The procurement role and function in articulating demand means that you are the corporate custodian on how to best to enact with the market to procure ensure your customers are along for the ride with you while meeting other broader government objectives."

Specific areas of focus:

- The need to understand both the baseline and "extra" stakeholder expectations and how they affect the procurement activity risk
- Keeping the customers and masters satisfied and balancing that with the need to deliver the "best" procurement outcome.

Summary

The procurement environment is such that:

- Risk and procurement staff face increased pressure to reduce total costs and increase profitability
- The complexities of outsourcing, supply and sourcing are only increasing
- Not only are there 'baseline' customer service expectations to meet – the sector has growing 'extra' expectations – especially in the public sector – such as environmental, regulatory and compliance requirements
- Market drivers can be volatile e.g. exchange exposure
- Probity and governance, while separate issues, are becoming more demanding and legally challenging
- Workforce requirements mean that a variety of skills, competencies and qualifications are required for people involved in procurement, contract management and through the lifecycle of a contractual arrangement. Training and education are important enablers.

In such an environment, the following core themes were identified:

- Organisations must have a clear strategic direction and clearly articulated scope for their procurement activities. The organisational strategic procurement strategy should be communicated and understood by all staff involved in procurement
- Establishment of the business need is one of the key drivers of the entire procurement process. Procurement processes should link to the organisational strategic procurement strategy
- There is a need to develop procurement capability across government by increasing the focus on professional procurement. Raising the professional capabilities of procurement practitioners is being further championed by the VGPB through its collaboration with the tertiary education sector and procurement education bodies including the Australasian Procurement and Construction Council and the Chartered Institute of Purchasing and Supply. The VGPB continues to move towards a system of more formal tertiary qualifications, giving departments access to a range of accredited procurement modules and allowing them to build capability in line with their requirements
- Organisations must continue to balance the need to meet customer and stakeholder demands with the need to deliver the "best" procurement outcome.

As a result of the Procurement Roundtable and forum, key priority areas of risk management in procurement have been identified.

The VMIA is keen to support clients to better manage procurement risks across the Victorian Public Sector.

How can you be involved?

Clients can get involved through the VMIA Risk Management Partnership Program. This program enables clients to co-develop targeted, sustainable and measurable risk management projects that have the potential to be implemented state-wide.

For more information on how you can apply for funding and project management support through the VMIA Risk Management Partnership Program, contact a VMIA Risk Management Adviser or visit

www.vmia.vic.gov.au/riskpartnershipprogram

References

BrainyQuote website: http://www.brainyquote.com/quotes/authors/w/warren_buffett_2.html

The 6th CIPSA Public Sector Procurement Forum (May 2011) brochure

Jorge Claro, Claro & Associates, Inc, Maryland USA ICGFM Forum, March 2008

Victorian Government Purchasing Board Annual Report 2009-10

The Victorian Government Solicitor's Office Client Newsletter March 2011

APICS and Protiviti: 'Procurement Contract Risk Management: A Study'

IHS newsletter – March 2011 (IHS is a global information company with world class experts in areas such as energy, economics, geopolitical risk, sustainability and supply chain management.)

Professional associations

APICS, Society for Supply Chain professionals
www.apics.org.au

Australian Institute of Project Management
www.aipm.com.au

Project Management Institute (PMI) - Australian Chapters
www.pmichapters-australia.org.au

The Chartered Institute of Purchasing & Supply Australia (CIPSA) (formerly AIPMM). Peak body for procurement professional specialists in Australia. Wholly owned by the UK's Chartered Institute of Purchasing & Supply (CIPS) which has over 40,000 members in 120 countries, including over 2,000 in Australia
www.cipsa.com.au

The Chartered Institute of Purchasing & Supply (CIPS) UK-based www.cips.org

Logistics Association of Australia
www.laa.asn.au

Further Reading



- i) Better Practice in Procurement, Case Studies



- ii) Queensland Government Enterprise Architecture, Guideline



- iii) Procurement Principles and Management

Available online at www.vmia.gov.au

Websites

www.vgpb.vic.gov.au

www.hpv.org.au

www.partnerships.vic.gov.au

www.majorprojects.vic.gov.au

www.dtf.vic.gov.au

www.audit.vic.gov.au

www.anao.gov.au

www.supplymanagement.com

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