Procurement Capability Standards

Definition

Procurement is the process of acquiring goods and/or services. It can include:

- identifying a procurement need and deciding to fill that need
- researching the market to determine availability of goods or services to meet the required need, as well as identifying potential suppliers across the supply chain
- assessing and managing the risks associated with the procurement
- planning the procurement strategy based on the scale, scope and risk of the procurement
- drafting request documentation, seeking tender responses and evaluating responses, including alternate solutions
- negotiating and awarding a procurement contract
- ongoing contract management to maintain or improve delivered value
- confirming that goods and services delivered meet the identified need and comply with the contracted standards
- enabling payments for the goods and services
- as appropriate:
  - managing contract closure, including post contract obligations
  - reviewing the procurement activity and identifying lessons learnt
  - managing transition to new or more innovative arrangements
  - managing the disposal of goods

Procurement can be as simple as buying a pen for a single public sector agency to as complex as establishing a long term arrangement to buy a range of highly technical goods and services for collective agencies or jurisdictions.

Broadly the process of establishing a new arrangement is known as a procurement activity, whilst acquiring a good or service from an existing arrangement is known as a purchasing activity.

The process and procedures to procure goods and services vary according to the legislative context, compliance obligations, organisational risk appetite, market availability and complexity of requirements. Therefore the procurement knowledge, skills, behaviour and experience also vary.

Professional Role

Procurement professionals in the public sector work within a governance
framework to develop and implement strategies, tools and systems that deliver high quality, best practice, compliant value for money solutions.

Procurement professionals also have skills to identify opportunities to lead procurement and reform initiatives both within their organisations and across the public sector.

For this Procurement Capability Standard three procurement capability levels have been identified:

- procurement professionals (who lead the profession)
- procurement practitioners (who manage procurement outcomes) and
- procurement delegates (who identify and require delivery of a procurement need)

Each of these capability levels would understand the range of procurement capability domain knowledge and skill requirements which are detailed below, but at different levels of expertise. These three capability levels are dealt with in further detail below.

Note: those staff engaged in operative or transactional purchasing of low cost, low risk, easily-sourced goods or services are not dealt with in this standard.

### Procurement Capability Domains and Sub-Domains

#### Legislative and Regulatory Environment

- plan and deliver procurement outcomes
  - that are consistent with the public sector legislative and policy frameworks, including public and administrative law, and obligations under Australia’s free trade agreements
  - that are appropriate to the structures and organisation of the public sector, including the Constitution, the Parliament and Executive responsibility, the roles and responsibilities of different layers of government, and any Machinery of Government requirements

#### Public Sector Context

- deliver procurement outcomes that are consistent with relevant procurement related legislation and within procurement policy frameworks, including procurement connected mandatory policy, rules and guidelines. This may include processes for the development of related legislation and legislative instruments and management of their requirements
- contribute to and influence government and agency procurement strategy whilst taking into account ministerial, chief executive’s instructions or broader public sector considerations
- model public sector values and uphold relevant security requirements
- undertake decision making responsibilities, authorities, indemnities and delegation requirements to achieve proper use, including undertaking
due diligence activities and maintaining appropriate records
- perform as a model litigant

Laws and Policies covering Agreements
- deliver procurement outcomes that appropriately apply a range of legislative and common law requirements, including the laws relating to:
  - anti-discrimination
  - bribery and anti-corruption
  - consumer protection
  - contracts
  - corporations
  - employment
  - environmental requirements
  - equity
  - information and privacy
  - insurance
  - intellectual property and confidentiality
  - property
  - torts
  - workplace health and safety
- consistent with agency goals and priorities, advise on and support the delivery of the most appropriate procurement arrangement and agreement types relevant to the procurement goals, including where relevant contracts and deeds, memorandums of understanding, and legal and quasi-legal instruments
- interpret and apply agreement terms and conditions to achieve procurement outcomes

Ethics and Probity
- provide advice, design and deliver procurement processes and outcomes:
  - that are in accordance with public sector ethical values. This includes: officers not making improper use of their position, such as accepting gifts or benefits; and managing real, perceived or potential conflicts of interest
  - that are ethical, transparent, consistent, accountable and auditable
  - where tender participants are treated fairly and equitably
  - that ensure contractor and supply chain practices are not illegal, dishonest, unethical or unsafe
– where confidential information is treated appropriately
– where options and potential consequences are understood and appropriate action is taken if ethics and probity issues arise

**Strategic Organisational**

- contribute to and influence the organisation’s strategy, culture and drivers, and utilise strategic procurement to support organisational objectives
- ensure effective service delivery is aligned with business improvement strategies

**Manage Risk**

- commensurate with the scale and scope, establish processes for systematically identifying, analysing, allocating and managing risk when conducting procurement activities. This may include managing a continuously updated Risk Management Plan that integrates organisational risk strategies and policies with those applying to a particular procurement activity

**Commercial Risk**

- manage commercial risk, including:
  – exercise commercial business acumen across the procurement lifecycle, with a particular focus on achieving successful negotiations, dispute resolution and contracting outcomes. This would include structuring arrangements to promote or maintain competition, competitive tension, performance and innovation
  – being cognisant of and managing the impact of tender requirements on tenderers, including the value of reducing costs of tendering
  – ensure contractual certainty and enforceability
  – ensure appropriate intellectual property rights are obtained
  – ensure the commercial risk assessment addresses key contracting issues such as: payment on value transfer, management of government furnished equipment and quality assurance processes and standards

**Financial Risk**

- manage financial risk, including:
  – limitation of liabilities, indemnities and warranties, liquidated damages and performance securities, and how these may be impacted by the availability, type and amount of insurance
  – analyse the risks and benefits, as well as the direct and indirect costs,
of supply chain design and management

– understand investment appraisal and financing options applicable to the supply chain

– support viable procurement outcomes through an understanding and detailed analysis of the financial health of potential suppliers and their viability, including the impact of mobilisation and performance payments

– support cost effective procurement outcomes through an understanding of pricing options and mechanisms, including the management of the impacts of foreign currency and pricing adjustment clauses

– support sound procurement outcomes through an understanding of complex financial and management information, including demand and spend analysis, and where appropriate, provide a standard pricing approach in request documentation

**Strategic Procurement Planning**

- develop strategies that deliver compliant value for money procurement outcomes consistent with organisational objectives through:
  
  – ensuring available procurement officers have the appropriate knowledge, skills and experience to deliver procurement outcomes
  
  – developing a sound business case
  
  – linking the procurement requirement with the best model for engagement and approach to the market, including where appropriate in conjunction with other agencies or jurisdictions
  
  – analysing and applying as appropriate different contracting and partnership options, including staged procurements, panels and multi-use lists, leasing, alliances and public private partnerships
  
  – determining the most appropriate contractual terms and conditions when approaching the market, during negotiations and contract signature, and where contract changes are proposed
  
  – establishing contractual arrangements and options that support the monitoring, achievement and improvement of value delivered under a contract, including through supplier relationship management, dispute resolution, performance metrics, capturing lessons learned and when to re-approach the market
  
  – applying innovation to deliver ongoing improvements to procurement outcomes and productivity

- assess the risks and benefits of procurement aggregation through a category management framework supported by appropriate arrangements (such as multi-use lists and panels)

- understand the role and value of e-business, vendor management, logistics and distribution systems to improve the efficiency and
effectiveness of transactional processes

- plan, manage and develop effective internal supply chain competencies
- work effectively with integrated teams, which may include commercial and technical specialists and subject matter experts, to deliver procurement outcomes

**Market Analysis**

- understand how the relationship between an organisation’s procurement requirements and what is available in the market environment will impact on the procurement outcome, and take appropriate steps to respond to and shape market dynamics
- know how issues and strategies for achieving procurement objectives may vary with the category of good or service being sourced and apply the appropriate strategy
- conduct need and market analysis which takes account of:
  - likely supplier strategy and competitive advantage
  - the structure and depth of the available supply chain
  - promoting a viable, competitive market which supports certainty of delivery
  - supporting sustainable procurement outcomes (including economic, social, environmental and ethical requirements)
- anticipate the impact of market change (including broader environmental and technological impacts) on procurement and supply chain management consistent with strategic business requirements, and take appropriate steps

**Contract Management**

- recognise and manage contracts and their obligations on parties
- engage the contractor through appropriate supplier relationship management practices (for example a Contract Management Plan) and work to resolve any issues as soon as possible
- ensure that any contract changes are reviewed and agreed through a consistent mechanism and that a current and complete contract is maintained across the contract lifecycle for effective risk and supply management
- monitor, report and manage performance through established measures and benchmarking, including that the delivered goods and services meet contracted standards. This may include a performance based contracting methodology which seeks to incentivise the contractor to deliver to agreed Key Performance Indicators
- pro-actively assess, apply and manage the different options for remediating non-performance (such as schedule delay) through
incentives, disincentives or termination rights

- ensure comprehensive records of contractor communications are kept, including regular updates to the Risk Management Plan
- ensure the contractor meets all of its obligations and that underperformance is managed through the application of appropriate risk management practices
- optimise the delivery of value through the contract by effective engagement with the contractor to maintain or improve delivered value

**Operational**

- behave in a professional, productive and ethical manner in order to deliver compliant value for money procurement outcomes
- achieve effective stakeholder management both within the organisation and with the contractor, their supply chain, and broader industry
- support understanding and delivery of effective procurement through effective communication which reduces ambiguity and risk, including through:
  - well written clear and concise plans, documentation and contracts
  - timely and effective verbal and written communication
  - strong influencing and negotiating capability
- effective time management
- apply good project management principles and practices to the conduct of a procurement
- develop innovative ways to improve the delivery of procurement outcomes

**Continuous Professional Development**

- All procurement professionals carry the responsibility for their own ongoing professional development. They must:
  - recognise and ensure the development of their own personal leadership and procurement knowledge, skills and experience
  - support investment in procurement professionalisation, whether on-the-job training, provision of advice and feedback through coaching and mentoring, or attainment of appropriate vocational, university or professional qualifications
  - work to ensure senior management commitment to organisational upskilling to deliver an improved procurement capability
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<td><strong>Procurement Professional</strong></td>
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A procurement professional, such as a Chief Procurement Officer, leads major procurement activities and processes, including establishing an organisation’s procurement policy framework. Alternatively, they may provide high level oversight or specialist support.

They will have significant procurement experience and/or high level vocational or university strategic procurement qualifications. They will also have high level commercial acumen, communication and negotiation skills, and ethical standards. Procurement is generally their key responsibility if not their sole function.

A procurement professional uses a strategic approach to foster innovation to deliver public sector, organisational and/or business unit procurement objectives. They integrate whole-of-government procurement and contract management strategies into their organisation’s policies and practices. They will also develop strategies for specialist procurement categories, for example, information and communication technologies, construction or particular strategic capabilities.

A procurement professional makes certain that procurement outcomes are clearly defined and that the strategic procurement and contracting model are appropriate and applied in a standard manner. Typically they lead a major procurement change initiative in either the senior managerial role or as the prime decision-maker. They may also manage procurement activities at a range of levels, including whole of category, whole of agency, whole of portfolio, whole of government, or coordinating multiple organisations or jurisdictions procuring together.

A procurement professional often manages high value, high risk or complex procurements, or an inter-dependent range of individual contracts to support the delivery of a major procurement capability. Their focus is on identifying and delivering the required value for money business outcomes across the procurement lifecycle. To deliver these outcomes, they also have a key role in ensuring their procurement workforce have the appropriate knowledge and skills.

A procurement professional may lead multi-disciplinary and integrated procurement teams. If so, they apply highly developed program and project management skills to monitor and control the entire procurement activity, including potentially: enterprise risk management, organisational demand and spend modelling, strategic category management activities, leading contract
negotiations, resolving contract management disputes, and leveraging strategic relationships and sustainable supplier value.

In a whole of public sector context, the procurement professional may control and be accountable for delivering the organisation’s annual procurement plan, monitored through establishing and meeting a suite of agreed program and project Key Performance Indicators. This may also involve monitoring and evaluating both compliance and effectiveness of procurement and contract management within the organisation.

Those aspiring to become a procurement professional may seek to achieve a post-graduate qualification in Strategic Procurement.

**Procurement Practitioner**

**Procurement Practitioner – manages, participates, facilitates and delivers**

A procurement practitioner typically has extensive experience in procurement complemented by relevant vocational or university qualifications; and has a sound understanding of, and ability to apply, procurement legislation, policy and administrative frameworks for public sector procurement. Procurement is generally either their primary function or a key responsibility of their role.

A procurement practitioner typically understands required procurement outcomes and works with or assists procurement team members to deliver those outcomes consistent with their procurement frameworks.

The practitioner is capable of undertaking all procurement lifecycle processes to achieve the desired outcomes. Typically a practitioner is a skilled communicator and negotiator, and models a high standard of ethical behaviour.

A procurement practitioner may work as part of a team on high value, high risk procurements or may lead a range of lower value, lower risk procurements. A procurement practitioner may supervise other procurement officers as well as directly developing, managing and achieving agreed procurement outcomes.

The procurement practitioner is typically responsible for monitoring and providing reports to managers and stakeholders (such as procurement delegates) on progress against a variety of agreed Key Performance Indicators.

The procurement practitioner may be expected to identify and lead innovation to leverage better value for money outcomes through, for example, improved category management or enhanced contract management.

Those aspiring to become a procurement practitioner may seek to achieve a vocational Diploma of Government (Procurement and Contracting) or a relevant
Procurement Delegate – exercises delegation, seeks expert guidance and works with procurement officers to define procurement need

Public sector procurement delegates are responsible for initiating and approving procurement activities in order to meet their broader organisational requirements. They may only engage in procurement activities occasionally. They may also be referred to by procurement officers as the ‘buyer’, and often represent the needs of the end-users.

Where the procurement delegate is the senior executive member who exercises the value for money procurement delegation, often for a major procurement, the delegate would draw on appropriate professional guidance and support, for example from commercial and technical advisors, but primarily procurement.

A procurement delegate would work with a procurement team in order to deliver high value, more complex procurements. Depending on the complexity of the procurement activity, a procurement delegate may participate in procurement activities as a member of a steering committee to monitor progress, risk management activities, and the application of project management principles.

A procurement delegate would understand governance requirements and apply legal, policy and organisational guidelines and procedures in relation to procurement, including performance and quality control processes.

university qualification, for example in strategic procurement or business.