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| NSWGOVERNMENT ICT SERVICES SCHEME |
|  |  | Risk Assessment Toolkit |
| This document provides guidelines to assist Agencies navigate risk when using the *NSW Government ICT Services Scheme*. |

# **RISK ASSESSMENT TOOLKIT**

## **CONTEXT**

Risk management, like other management systems, should be designed to meet a Agency’s specific needs. All Agencies have the onus of conducting a risk assessment for each procurement. The Department of Customer Service (DCS) has developed this Risk Management Toolkit to support Agencies to develop and implement their risk management framework and processes.

NOTE: ICT Services Scheme Risk Assessment Toolkit offers a guide only. It has been developed specifically for the services component of the ICT Services Scheme and designed to assist Agencies select the most appropriate Supplier Listing with consideration to value and risk profile of individual ICT service contracts. It does not replace existing agency-specific or NSW Government policies, procedures or guidelines relating to identification, mitigation or management of project risks.

## **WHEN TO USE THIS TOOLKIT?**

This Risk Assessment Toolkit aims to assist you in assessing the level of risk associated with the procurement of ICT/Digital goods and services in order to determine whether to use either of the following:

* **Advanced Registered Supplier List:**Suppliers that are approved to supply **HIGH** risk contracts or contracts valued over $150,000 (ex GST); or
* **Registered Supplier List*:*** Suppliers that are registered to supply **LOW** risk contracts valued up to $150,000 (ex GST).

## **HOW SHOULD RISK BE ASSESED WHEN PROCURING FROM THE SCHEME?**

ICT/Digital Projects are characterised by:

* a defined start and end date
* specific deliverables in terms of time, cost, quality and scope

TIP: What might be considered a high risk project?

When undertaking a risk assessment, Agencies should consider these following scenarios which may indicate a higher risk profile. ICT/Digital projects may be high risk if they:

* are critical inputs to other projects with a higher risk profile.
* could severely or critically affect an Agency's functions or service delivery
* involve “Personal Information” being stored or transferred off-shore, or being accessed remotely from offshore by persons who are not authorised.
* involve the performance of services or access to classified environments which require security or police clearances.
* involve multiple specialists from different Suppliers, increasing risks around coordination and the provision of deliverables within a budget.
* could attract publicity or media attention, increasing the likelihood of additional probity or risk management requirements or political scrutiny.

NOTE: These examples are provided as a guide only

The objective of risk management at the project level is to increase the likelihood and impact of positive events and mitigate the likelihood and impact of negative events, to enhance the project’s chance of success. There are industry-standard frameworks and methodologies such as the Project Management Book of Knowledge (PMBOK) and PRINCE2 that integrate risk management with project management. Alternatively, your Agency may have its own project management methodology in place that fulfils the same purpose. If so, Agencies are encouraged to follow their internal policies and methodologies. The below chart offers a guideline of identifying risks when procuring from the scheme:

Complete questionnaire by answering “Yes” or “No” to the questions

Determine the “Impact” (Table 7) and “Likelihood” (Table 6) of the risk occurring after implementing mitigation strategies

Develop appropriate risk mitigation strategies

Low Risk – No further actions required

Procurement rated as High risk

Procurement rated as Low risk

Use Suppliers from the Advanced Registered Supplier Listing

Use Suppliers from the Registered Supplier Listing

**NSW Procurement ICT – Guidelines for Assessing Risk**

Step 1 – Complete Questionnaire

Step 2 – Develop risk mitigating strategies

Step 3 – Risk assessment

Step 4 – Determine which Supplier List to use

Assess the risk rating using the matrix in Table 8 based on the “Likelihood" and "Impact” of a Risk occurring after implementing mitigation strategies

Start

Risk identified

Yes

Yes

No

End

No

Is risk rated “Moderate” and below?

Yes

End

End

## **QUESTIONNAIRE**

## To identify potential risks in an ICT/Digital project the first step is to fill the following questionnaire andanswer “Yes” or “No” to each question. Where the response to a question is “No” then no further action is required. If the response is “Yes” please follow instructions in section 5 below, “Mitigation Strategies and Risk Assessment”.

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| PROCUREMENT OF ICT |
| Q. | **Contract Value** | Yes/No\* |
| 1 | Is there a risk that the costs of the intended procured deliverables (contract value) do not include all the whole-of-life requirements e.g. maintenance and other costs etc? |  |
| 2 | Is it likely the procured deliverables will exceed $150,000 (ex GST), given the size of the budget, extended delivery timeframe or historical issues with the delivery of similar products, services or outputs? |  |
| 3 | Would the procurement lead to additional “flow-on” contracts, with either the same or a different Supplier that would exceed $150,000 (ex GST)? |  |
|  | **Nature of Deliverables** |  |
| 4 | Do the deliverables relate to major system or software implementation projects, Outsourced IT operations or the implementation of complex Networking and Telecommunication devices that could exceed $150,000 (ex GST) or increase the risk to the provision of the procured deliverables? |  |
| 5 | Are the procured deliverables expected to be complex thereby increasing the risks to delivery within Agency specifications? |  |
| 6 | Is there a risk that key requirements of the procured deliverables have not been clearly identified or documented so they can be formally communicated to the Supplier? |  |
| 7 | Is there any ambiguity or concern over the objectives and deliverables that may result in delays insufficient deliverables and/or budget overruns? |  |
| 8 | Do the procured deliverables relate to the customisation of software, which increases the risk to the timely and successful provision of the deliverables? |  |
| 9 | Does the procurement involve multiple specialists from different Suppliers, increasing risks around coordination and the provision of the deliverables within the budget? |  |
|  | **Governance** |  |
| 10 | Is there a risk that existing governance mechanisms are not sufficient to minimise unplanned or unapproved scope changes, thereby increasing the cost of the deliverables over $150,000 (ex GST)? |  |
| 11 | Are any restructures or potential staff changes planned or in the process of being implemented by the specific Agency business team requiring the procured deliverables?  |  |
| 12 | Will the failure or inability to adequately complete or receive the procured deliverables have an adverse impact on/or delay the implementation of major government policy(s) or legislation? |  |
| 13 | Are the outcomes of the procured deliverables intended to integrate into other projects, Agency(s), systems or processes that may require additional work effort or Ministerial clearances? |  |
| 14 | Could the nature of the procured deliverables attract negative media attention and therefore result in increased probity or political scrutiny? |  |
| Supplier |  |
| 15 | Is there a concern over the financial viability of a Supplier and therefore its capability and capacity to deliver the procurement? |  |
| 16 | Are there any indications that the Supplier’s team does not have the required experience in providing the deliverables for this type of procurement based on referee reports? |  |
| 17 | Does the Supplier need to outsource or use sub-contractors for the provision of deliverables that may result in quality issues or the risk of non-delivery to agreed specifications? |  |
| Other Risks (Agency Specific) |  |
| A |  |
| B |  |

1. **MIGRATING STRATEGIES AND RISK ASSESSMENT TABLE**

## If you answered “Yes” to any of the questions in the questionnaire above, please complete the table below. The mitigation strategy to minimize the risk in ICT/Digital procurement should be firstly identified. This should be followed by a risk assessment, which will allocate an overall rating to the risk (Table 8) depending on its likelihood (Table 6) and impact (Table 7). Once the overall risk rating is allocated, the specific procurement risk will be assessed as HIGH/LOW and will determine which Supplier Listing you must use (Table 9).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Number** | **Mitigating Strategy***To be conducted first.* | **Likelihood***(Refer to Table 7* *Likelihood Table definitions)* | **Impact***(Refer to Table 8 Impact Table definitions* | **Risk Rating***(Refer to Table 9 Risk Rating Table)* |
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|  |  |  |  |  |
|  | (Add additional rows as required) |  |  |  |

**Note: if any Risk Ratings in the above table are ‘HIGH’ then the project should be rated ‘HIGH’.**

1. **LIKELIHOOD TABLE DEFINITIONS**

**\*Note:** This table is provided as a guide only

1. **IMPACT TABLE DEFINITIONS**

|  |  |
| --- | --- |
| **Likelihood** | **Description** |
| **Almost Certain** | High likelihood of risk events occurring during the project (in most circumstances). |
| **Probable** | A risk event is likely to occur during the project (to be expected). |
| **Possible** | Would not be surprised if risk event occurred during the life of the project (foreseeable/capable of happening at least once). |
| **Unlikely** | The risk event could occur at some time but is unlikely (not to be expected). |
| **Rare** | Within the realms of possibility but extremely unlikely to occur (exceptional circumstances only). |

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| **Impact** | **Description** |
| **Very High** | The consequences would create severe problems both financially and politically to the procurement organisation and its client/s. |
| **High** | The consequences would create major problems both financially and politically to the procurement organisation and its client/s. |
| **Moderate** | The consequences would create moderate problems to the procurement organisation and its client/s. This would mean that the administration of the procurement project could be subject to significant review or changed ways of operating. |
| **Minor** | The consequences would threaten the efficiency or effectiveness of some aspects of the program but would be dealt with internally. A budget overrun of monthly/project budget would be of low consequence. |
| **Negligible** | The consequences are dealt with by routine operations. A budget overrun of monthly/project budget would be of negligible consequence. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Likelihood score** | **Likelihood** |  |  |  |  |  |  | **Risk Rating** |
| **5** | **Almost Certain** | Minor (5) | Moderate (15) | High (25) | Extreme (35) | Extreme (45) | (26-45) | Very High |
| **4** | **Probable** | Minor (4) | Moderate (12) | High (20) | Extreme (28) | Extreme (36) | (18-25) | High |
| **3** | **Possible** | Minor (3) | Moderate (9) | Moderate (15) | High (21) | Extreme (27) | (7-15) | Moderate |
| **2** | **Unlikely** | Minor (2) | Minor (6) | Moderate (10) | Moderate (14) | High (18) | (2-6) | Minor |
| **1** | **Rare** | Negligible (1) | Minor (3) | Minor (5) | Moderate (7) | Moderate (9) | (1) | Negligible |
|  |  | **Negligible** | **Minor** | **Moderate** | **High** | **Very High** |  |  |
|  | **Impact Score** | **1** | **3** | **5** | **7** | **9** |  |  |
|  |  |  |  | **Impact** |  |  |  |  |

**\*Note: This matrix is provided as a guide only**

1. **RISK ASSESSMENT RESULT**

**Based on the above assessment the procurement is rated Risk (HIGH / LOW)**

The Risk Rating Table below is based on the assessment of MITIGATION STRATEGIES AND RISK ASSESSMENT (above). In the Example provided in section 10, a Moderate risk rating results in a **LOW RISK**.

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| --- | --- | --- |
| **Overall Rating** | **Procurement Risk Rating** | **Supplier List (Contract Type)** |
| **Very High** | **HIGH RISK** | **High Risk but <$150K or High Risk & >$150K – *Refer to Advanced Registered Supplier List*** (Suppliers that are approved to supply high risk contracts or contracts valued over $150,000) |
| **High** |
| **Moderate** | **LOW RISK** | **Low Risk & <$150K – *Refer to Registered Supplier List*** (Suppliers that are registered to supply low risk contracts valued up to$150,000 ex GST) |
| **Minor** |
| **Negligible** |

1. **EXAMPLE**

*The table below has been provided as an example of mitigating strategies to reduce the risk below HIGH.*

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| **No.** | **Question (refer Questionnaire)** | **Yes/No** |
| *5* | *Are the procured services expected to be complex thereby increasing the risks to delivery within Agency specifications?* | *Yes* |

**Mitigating Strategies and Risk Assessment (Example)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **No.** | **Mitigating Strategy***To be conducted first.*  | **Likelihood** *(Refer to Table 6* *Likelihood Table definitions)* | **Impact** *Refer to Table 7 Impact Table definitions)* | **Risk Rating***(Refer to Table 8 Risk Rating Table)*  |
| *5(a)* | *Project plan is finalised, all tasks have been allocated a budget, deadline, and deliverables and assigned an owner.* | *Unlikely* | *Moderate* | *Moderate (****LOW RISK****)* |
| *5(b)* | *Assign an experienced Project Manager and Project Team.* | *Unlikely* | *Moderate* | *Moderate (****LOW RISK****)* |