

## WHAT GOOD LOOKS LIKE

# Contract Management

### What is contract management?

We use the term *contract management* to describe activities that take place once goods and services have been sourced and the final delivery of those goods and services. It covers contract creation, execution, and analysis. Contract management is undertaken with the strategic intent of maximising operational and financial performance whilst minimising risk.

### Why does good contract management matter?

Effective contract management helps achieve strategic intent by ensuring that:

- expected business benefits arising from entering into a contract are realised;
- interactions with your suppliers enable all parties to the contract to meet their respective obligations;
- issues and risks are identified in sufficient time to be resolved or mitigated in an appropriate manner;
- the likelihood of disputes with suppliers is minimised; and
- suppliers are happy to enter into future contracts, which generates competition and value for money.

### About this guide

This guide is for governors and senior managers. It poses questions and suggests some indicators that tell us whether your organisation meets our definition of what good looks like. We have designed this guide to help you work out whether you are managing contracts effectively.

### Effective contract management

A good approach to contract management comprises four elements:

- having a **framework** in place to control your approach – policies, procedures, tools, and templates;
- having the right **infrastructure** to support the function – the right number of staff, with the right skills, knowledge, and experience, with access to the right information;
- being able to **apply** your policies in practice consistently and well; and
- ensuring that senior managers and governors have the information they need to **monitor and review** your organisation's spending.

### Where to find out more

[www.procurement.govt.nz](http://www.procurement.govt.nz)

[www.auditnz.parliament.nz/  
assurance-services](http://www.auditnz.parliament.nz/assurance-services)

[www.oag.parliament.nz/good-practice/  
procurement](http://www.oag.parliament.nz/good-practice/procurement)

[www.oag.parliament.nz/2008/  
procurement-guide](http://www.oag.parliament.nz/2008/procurement-guide)

10 questions		Indicators of what good looks like
Framework	1. Do you take a strategic approach to managing your suppliers?	<ul style="list-style-type: none"> <li>Supplier categorisation is used to differentiate between the relative importance of suppliers and how they are managed.</li> <li>Contract management plans are prepared for high-risk/high-value contracts.</li> </ul>
	2. Are your policy, procedures, and guidance up to date and reflect good practice.	<ul style="list-style-type: none"> <li>Policy and guidance covers transition planning, contract management plans, monitoring contract performance, contract completion, and review processes.</li> </ul>
Infrastructure	3. Have you got the right number of staff, with the necessary expertise, and in the right structure?	<ul style="list-style-type: none"> <li>A contract manager is assigned to each contract.</li> <li>All staff receive training and support that enables them to understand and apply the policy.</li> <li>There is good oversight and co-ordination of staff involved with contract management in a devolved structure.</li> </ul>
	4. Do you have a contract or supplier relationship management system?	<ul style="list-style-type: none"> <li>The complexity of any system corresponds with the number and nature of contracts being managed.</li> <li>Data is accurate, up to date, stored securely and electronically, and is readily accessible.</li> </ul>
Application	5. Is planning done to ensure a smooth start to, or transition between contracts?	<ul style="list-style-type: none"> <li>Clear, planned processes are used to establish and begin contracts.</li> <li>A transition plan is prepared when service delivery could be affected by the changeover.</li> <li>Transition planning reflects the scale, complexity, and risk involved.</li> </ul>
	6. Do you have a robust approach to contract financial control?	<ul style="list-style-type: none"> <li>It is clear who has delegated responsibility for signing contracts, authorising variations, and approving payments.</li> <li>It is clear how contingencies, variations, penalty clauses, and damages are used.</li> </ul>
	7. Do you have a robust approach for monitoring supplier performance?	<ul style="list-style-type: none"> <li>There is regular reporting by contractors, monitoring of suppliers, and evaluation of delivery.</li> <li>Contract managers understand what actions to take when a contractor or supplier is not performing well.</li> </ul>
	8. Is there a structured approach when contracts are completed?	<ul style="list-style-type: none"> <li>Planning for the completion of contracts is scheduled so that there is adequate time to plan future procurement processes.</li> <li>Formal close-out processes are in place, with clearly defined hand-over and commissioning activities.</li> </ul>
Monitor and review	9. Do you review your approach? What have you learnt?	<ul style="list-style-type: none"> <li>Reviews provide confidence that contracts are being managed in line with policy and good practice.</li> <li>Recommendations from reviews are actioned in a timely manner.</li> </ul>
	10. Are governors informed enough to assess whether contracts are being effectively managed?	<ul style="list-style-type: none"> <li>Senior managers and governors set the right tone through their commitment to good policy and practices.</li> <li>Senior managers and governors are provided with regular reporting about contract spending.</li> <li>Contract risks and issues are escalated to an appropriate level.</li> </ul>