

Contract management procedure

This is a mandated procedure under the operational policy framework. Any edits to this page must follow the process outlined on the [creating, updating and deleting operational policies](#) page.

Overview

This procedure outlines the requirements to manage contracts effectively and efficiently following contract execution, in accordance with [Treasurer's Instruction 18](#) and the Department of Treasury and Finance's (DTF) [contract management policy \(PDF 168KB\)](#).

Scope

The procedure applies to all corporate employees, education offices and public authorities operating within the department's procurement framework.

This procedure should be read in conjunction with the [procurement governance policy](#) and [procurement procedure \(PDF 231KB\)](#).

School and preschool employees, school governing councils, school councils and preschool management committees should refer to the [schools and preschools procurement procedure \(PDF 246KB\)](#).



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Detail

The procedure provides direction for effective contract management to support the achievement of [value for money](#) outcomes and objectives by holding all parties accountable to meet their contractual obligations and ensure risk to the department is minimised throughout the life of the contract.

Benefits of effective contract management

Contract management is an important component of the procurement process as it enables a clear set of contract requirements and objectives to be managed and monitored throughout the contract term. Good contract management includes:

- managing relationships between the supplier and department
- managing governance, probity, and compliance in all stages of the procurement cycle
- managing and monitoring the performance of both parties, including any goods and services, to ensure objectives are met
- understanding stakeholder requirements.

Effective contract management contributes to achieving value for money throughout the life of the contract. Managing a clear set of requirements and objectives ensures that all parties to the contract fulfil their obligations in line with the performance measures, timeframes and expected deliverables.

Contract management minimises risk to the department, government, and end users. It promotes innovation and improvement in supplier performance and assists in developing the capability of both the supplier and the department.

Contract classification

Any engagement of a supplier to provide a good or service with either of the following conditions requires a written contract:

- where a supplier and its employees are required to comply with child protection obligations
- where there is intellectual property (including indigenous cultural intellectual property), insurance, confidentiality, or disclosure requirements.

During the initiation phase of all procurements, a procurement complexity assessment is completed to assess the procurement. This is based on its value and risk profile, and classifies the procurement as transactional, routine, complex or strategic.

Prior to contract execution, a [contract complexity assessment](#) must be completed to assess the contract as transactional, routine, complex or strategic. The contract complexity assessment is based on the value and risk profile and determines the level of resources required to effectively manage the contract.

The contract complexity assessment will be completed by Procurement and Contracting, approved by the Chief Procurement Officer, and will form part of the contract handover documentation.

Initiation phase

Contract Manager

All contracts valued above \$55,000 (GST inclusive) are required to have a designated and documented Contract Manager.

All contracts must be managed by an adequately resourced and skilled Contract Manager appointed by the contract owner. Employees managing a transactional contract must have undertaken [procurement for corporate staff](#) training on plink. Employees managing a routine contract are required to have completed DTF's Principles of Contract Management training course. In addition to the Principles of Contract Management training, employees assigned to manage complex and strategic contracts must have also completed DTF's Advanced Contract Management training course within the last two-year period.

The Contract Manager should be appointed prior to the execution of the contract. Moreover, where it is practical to do so, the Contract Manager should be involved at the earliest stage of the procurement process and in the writing of the specification. Contract management arrangements should be identified and planned to include responsibilities, delegations, reporting requirements and relationships.

The Contract Manager's duties and responsibilities are governed by the conditions of contract, the [contract management plan \(DOCX 487KB\)](#) and DTF's [contract management policy \(PDF 168KB\)](#). The Contract Manager may be required to form opinions and make decisions, and in doing so is expected to comply with ethical standards outlined in the [Code of Ethics for the South Australian Public Sector](#) when engaging with suppliers and stakeholders.

The Contract Manager's role includes the following:

- building and maintaining an effective professional working relationship with the supplier
- managing and measuring performance
- managing delivery and acceptance
- ensuring deliverables are achieved
- managing contract risks at all stages of the life of the agreement
- ensuring contract reviews and reporting requirements completed
- ensuring the supplier holds valid insurances, accreditations, and licenses across the life of the contract
- ensuring compliance with Industry Participation Policy requirements, if relevant
- managing complaints, disagreements, and disputes
- managing variations and extensions
- behaving ethically, and ensuring transparency and accountability
- ensuring cultural responsiveness in line with the department's [Culturally Responsive Framework \(PDF 6.7MB\)](#)

- regular reporting to the contract owner and senior executives
- maintaining accurate records of contract management activities and meetings.

The Contract Manager must review the entire contract to understand the contractual obligations of both the department and the supplier and the deliverables and outcomes the contract was established to achieve.

Where required, the Contract Manager is responsible for developing and finalising a [contract management plan \(DOCX 487KB\)](#) as part of the preparation phase to manage a contract.

If there is a change to the Contract Manager during the contract period, Procurement and Contracting must be notified, and appropriate records updated to reflect the change.

Contract owner

A contract owner is the responsible officer for appointing an adequately skilled Contract Manager. The contract owner oversees the contract and any major contractual changes and strategies and is generally a senior employee or executive. The contract owner is also responsible for directing strategies and executing key decisions that ensure good governance of the contract and its financial performance.

Contract oversight committee

A contract oversight committee may be established for complex and strategic contracts. The committee may operate as an alternative or in addition to the contract owner and supervises the performance of the Contract Manager. It is ultimately responsible for directing strategies and executing key decisions that ensure good governance of the contract and its performance in achieving value for money.

The need for a contract oversight committee will be determined on a case-by-case basis by Procurement and Contracting, the Contract Manager and contract owner. The Procurement Governance Committee (PGC) can instruct an oversight committee to be established.

Where the contract is with an Aboriginal service provider, consider the importance of including Aboriginal representation on the contract oversight committee.

Contract management plan

A [contract management plan \(DOCX 487KB\)](#) must be completed for all complex and strategic contracts, and approved by the Chief Procurement Officer prior to the contract commencement date.

The contract management plan contains key information about how the contract will be managed over its life to ensure that value for money is achieved. The amount of detail should reflect the level of complexity and risk associated with the contract. In particular, the contract management plan:

- defines the role, responsibilities, and obligations of each party
- identifies the strategic objectives and key deliverables of the contract
- defines contract governance and oversight, including the process for escalation of issues or disputes
- outlines the frequency and content of reporting and timeframes for acceptance of reports
- details how performance will be managed, including reporting of KPIs

- details payment arrangements, including terms
- outlines the systems and processes in place to ensure all parties comply with the terms and conditions of the contract
- outlines the approach for dealing with variations to contract scope and extensions
- identifies risks and how and by whom they will be managed.

At a minimum, the Contract Manager must monitor and review the contract management plan annually to ensure it reflects important information and documents key changes.

For contracts which do not require the completion of a contract management plan, refer to the key tasks required of the Contract Manager for contract management responsibilities.

Assessing and managing risk

Planning for and managing risks are essential to effective contract management, including those identified through the acquisition planning, market approach or evaluation and contract formation process.

The Contract Manager should complete a risk assessment commensurate with the cost and complexity of the procurement. This must identify, analyse, evaluate and propose the treatment of any identified risks. For contracts that require the completion of a contract management plan, this will form a key component of the plan.

Common risks associated with managing a contract include:

- failure of either party to fulfil the conditions of the contract
- poor performance
- inadequate administration of the contract
- unauthorised changes to the contract
- failure to meet the strategic objectives of the procurement
- loss of intellectual property
- changing scope
- changing technology
- fraud
- breaches of confidentiality, intellectual property and security and privacy provisions
- unethical behaviour or conflicts of interest
- specific risks which may impact the department's operational and strategic objectives (for example child protection).

Appropriate professional advice should be sought at an early stage where a legal or governance issue arises. Contact Legal Services for advice: [Legal Services – how we can help you](#). Further information is available in the [managing risk in procurement procedure \(PDF 224 KB\)](#).

Transition in

Service transition

If the contract is for the supply of a good or service similar to one that has been supplied previously, it may be necessary to plan the transition from one contract to another. The transition period may occur over an extended period of time.

If the contract transition is a complex or extended process, it may be assisted by completing a transition plan, considering the contractual obligations under both the old and the new contracts. A transition plan is useful when there are complex or essential contracts in place, significant assets or intellectual property, or security or safety issues.

Contract handover checklist

The Procurement Officer will complete a contract handover checklist for all routine, complex and strategic contracts. This will ensure an effective handover has taken place between Procurement and Contracting and the Contract Manager.

The checklist will include information regarding:

- contract complexity and management requirements
- scope and expected outcomes
- coordinating execution, disclosure and recording of contract
- development and seeking approval for contract management plan
- providing access to procurement documentation and risk assessment
- discussing post sourcing review

The handover process supports the efficient and effective sharing of information and handover of responsibility.

Contract start-up phase

Contract administration

Clear administrative processes assist all parties in understanding who will do what, when it must be done and how.

The Contract Manager will ensure that all stakeholders are aware of:

- the goods and/or services to be provided under the contract
- the requirements and key performance indicators attached to the contract
- each party's roles and responsibilities to deliver the contract
- record keeping systems in place to manage contract requirements.

Implementing the contract

Contract implementation begins when the contract is executed and may last up to 6 months before ongoing contract management and administration comes into effect. Effective implementation ensures that the contract is established and operational to deliver the required goods and services to the performance standards.

The Contract Manager must arrange a contract start-up meeting with the supplier for all complex and strategic contracts as soon as is practically possible, after the contract has been awarded. The Contract Manager can exercise judgement to determine whether a start-up meeting is required for routine and transactional contracts.

A start-up meeting is a good way to begin a contract. It allows the Contract Manager to establish open channels of communication with the supplier and develop a shared understanding of key aspects of the contract. These include the roles and expectations of both parties including reporting requirements, performance measures and the agreed process to manage issues. Ensure that all discussion during a start-up meeting is documented and reflects the contract terms and conditions.

Records maintenance and reporting

Contract managers must maintain comprehensive and accurate records in relation to:

- responsibilities of both parties
- invoices and payments (contract payments are governed by [Treasurer's instruction 11: payment of creditors' accounts](#))
- negotiations (and agreed changes)
- identified risks and risk management plan
- contract variations and extensions
- performance reports, assessments, feedback, or non-compliance
- contract management meetings
- other significant events and activities.

Appropriate records must be established and maintained to ensure an audit trail and to assist others involved in the contract to understand the arrangements that have been put in place and how they have progressed.

Maintaining records is also important to enable compliance with reporting and legislative requirements. The Procurement Governance Committee and DTF may require regular or ad hoc reports on various aspects of contracts, including supplier information, contract value, savings, performance and improvement opportunities.

The [information and records management policy](#) provides guidance to effective records management.

Performance phase

Monitor and manage performance

Performance measures within the contract must be linked to the procurement objectives outlined in the acquisition plan. Effective performance measures must be outcomes focused, as far as practical, able to be measured objectively, easily understood by both parties and reflect the key components of the contract.

The Contract Manager must collect information related to the objectives and key performance indicators of the contract, as documented in the contract and contract management plan. Data can be collected through various methods including stakeholder and user feedback.

Supplier underperformance must be addressed immediately by the Contract Manager in accordance with the processes set out in the Contract. A mutual action plan can be developed, to be completed within an agreed timeframe, to allow the supplier an opportunity to rectify the issues prior to escalation to a formal complaint or dispute resolution process.

Contract management meetings with the supplier, with a formal agenda and preparation of minutes, are an important tool to monitor contract activities. They provide a dedicated time to discuss current performance, and potential improvement and supplier development opportunities.

Contract reviews and reporting

Contract reviews are important to effective contract management and should be undertaken on a periodic basis to ensure that the contract continues to deliver its key objectives, including value-for-money. Reviews ensure that the responsibilities of both parties are being met and identify opportunities for improvement and innovation.

An [annual contract review \(DOCX 390KB\)](#) must be prepared by the Contract Manager for all complex and strategic contracts. This must be approved by the contract owner or contract oversight committee, where established, and occur annually for contracts with a term longer than 12 months. A copy of the approved annual contract review must be submitted to the Chief Procurement Officer through [edProcure](#).

The contract review must include details on the following:

- contract expenditure
- allocated resources
- contract outcomes and supplier performance
- contract variations
- result of efforts to mitigate risks throughout the life of the contract
- performance issues, problems, or contractual matters
- continuous improvement opportunities and lessons learnt.

Manage complaints and disputes

Effective contract management can minimise the likelihood of complaints and disputes. If a complaint is raised, the Contract Manager should follow any processes set out in the contract regarding complaints handling. This includes keeping records of all communications with the supplier and all actions taken to resolve any complaint.

Most complaints can be resolved through communication with all parties involved and jointly agreeing on corrective action where appropriate. Procurement and Contracting, Legal Services or Crown Solicitor's Office (via Legal Services) advice should be sought as required.

The Contract Manager should:

- communicate the issue to the supplier in writing, promoting open, transparent, and constructive dialogue
- provide the supplier an opportunity to respond
- work with the supplier to develop a mutually agreeable solution, and seek approval to implement the proposed solution
- escalate the issue, if necessary
- seek termination and legal action as a last resort after all reasonable attempts to resolve the issue have been made.

A complaint or disagreement may become a formal dispute when those involved cannot resolve the issue without a formal resolution process. The contract will contain a formal dispute resolution process that must be followed.

Accurate records must be maintained for all complaints or disputes, conversations and the actions taken to resolve them.

Contract extension, variation, and renewal

The Contract Manager, in consultation with the contract owner and [business unit](#), must determine whether a proposed variation or exercising an extension option is necessary to achieve value for money and deliver the required outcomes of the contract. Variations and extensions must be referred to Procurement and Contracting for advice and/or to undertake the process. Varying a contract or exercising an extension option should be formally agreed to in writing by both parties in accordance with the terms of the contract.

See the [contract extensions and variations procedure](#) for more information.

Deed of Novation

A deed of novation must be completed when a contract is required to be transferred from one supplier to another. This may be in the case that a supplier sells its business to a third party during the life of a contract. By novating the contract, the original contract, including all rights and obligations, are transferred to the new business owner. The deed of novation is a formal legal agreement between the retiring supplier, the new supplier, and the department, and requires the consent of all parties to the original agreement as well as consent of the new party.

Contract closure

Transition out

Transition planning takes place prior to contract expiry and approaching the market for a new contract. If required, the Contract Manager must review the contract and consider the requirements to ensure service continuity when transitioning from one supplier to another or from one contract to another. Tasks include:

- identifying potential transition issues and risks as well as an appropriate strategy to manage them
- developing a contract transition plan outlining tasks, timeframes, and resources
- establishing a communication strategy to advise key stakeholders of any changes
- ensuring all outstanding deliverables, reports and financial obligations are actioned
- organising the return of relevant goods and equipment and return or cancellation of access arrangement and security passes
- organising the return of files, records, and documents to maintain effective record management processes and manage privacy and confidentiality.

Contract closure report

A [contract closure report \(DOCX 387KB\)](#) must be prepared for all routine, complex and strategic contracts. The report must be approved by the contract owner or contract oversight committee, where established, and a copy of the approved report submitted to Procurement and Contracting to capture lessons learnt and opportunities for future procurements.

The [contract closure report \(DOCX 387KB\)](#) should review and assess the performance of the contract and any valuable lessons that can be used for future procurements. The contract closure report is conducted at the final end date of the contract period, including extension options. Key considerations include:

- what was the supplier's overall performance?
- did the contract achieve value for money?
- what were the main benefits delivered by the contract?
- Were there any performance issues, problems, or contractual matters with the supplier? And how were they addressed?
- what are the learnings and opportunities for future procurements?

Gathering lessons learnt during a contract and when closing a contract helps contract managers to apply learnings and improve contract management processes and future procurement activities.

Contract closure activities

At the end of the contract, the Contract Manager should ensure:

- all deliverables have been completed

- payments and financial obligations have been reconciled
- reports and documentation have been submitted
- outstanding complaints and disputes have been resolved
- access arrangements have been terminated
- all documentation has been filed and stored securely.

Disposal

Any surplus goods must be disposed and approved in accordance with the department's [disposal of goods and equipment procedure](#) and [disposal authorisations register \(XLSX 361KB\)](#).

Contracts register

The Procurement Unit will maintain a contracts register to record:

- goods and services contracts valued above \$55,000 (GST inclusive), including secondary contracts under established panel contracts
- construction work contracts valued above \$55,000 and up to \$165,000 (GST inclusive). Construction contracts above \$165,000 (GST inclusive) are managed by the Department for Infrastructure and Transport (DIT)

At a minimum, the following information is required to be recorded for all contracts that match the above criteria:

- contract number and title
- contract description
- contract complexity
- contract manager and contact details
- supplier
- location of supplier (metropolitan, regional, Australian state or New Zealand, overseas)
- contract execution date, commencement date and expiry or completion date
- contract term including extension options
- total estimated value including all options and GST
- contract type, market approach used, and number of suppliers approached
- category (goods, services, or construction)
- consultancy (yes or no)
- lead agency (yes or no)

All relevant data for corporate goods and services contracts valued above \$55,000 will be captured by the

Procurement and Contracting Unit. Appropriate information for all school and preschool contracts valued above \$550,000 (GST inclusive) will be captured by the Procurement and Contracting Unit.

Roles and responsibilities

Contract owner

Appoint an appropriately skilled Contract Manager, endorse the contract management plan, and oversee the contract and any major contractual changes and strategies.

Accountable for the budget/cost centre that funds the contract and has the authority to commit funds for the contract and approve contract payments and minor variations.

Direct strategies and execute key decisions that ensure good governance of the contract and its financial performance.

The person sponsoring the project and charged with overseeing the contract and any major contractual changes and strategies.

Contract Manager

Manage contracts (in accordance with value and complexity) to ensure the department obtains maximum value for money through effective contractor performance.

Monitor supplier compliance against all legislative requirements set out in the contract.

Procurement Officer

Responsible for leading the procurement process including planning and sourcing strategies. This is usually the procurement contact named in the acquisition plan or may also be the Contract Manager.

Responsible for providing the contract handover, where appropriate.

Procurement and Contracting Unit

Implement this procedure and ensure that communication channels are maintained for education employees to be informed of their responsibilities in relation to contract management.

Monitor and evaluate the effectiveness of the procedure and conduct periodical reviews as required.

Definitions

business unit

Is a catch-all term to refer to all non-school, corporate, and ancillary functions within the department.

contract

A legally binding agreement between two or more parties for the supply of goods and services for an agreed value. A document describing the terms of an agreement.

complexity assessment

An assessment undertaken prior to the contract handover stage to determine the category of the contract and the department's requirements to effectively manage the contract.

contract manager

The person charged with the administrative management of the contract. Primary duties are to plan activities, manage risk, monitor contractor performance, exercise delegated authority, manage relationships and ensure compliance with terms and conditions.

Procurement Governance Committee

A committee consisting of senior department executives who are responsible for the oversight of procurement activity and reform within the department.

specification

A detailed description of the goods and services.

value for money

The achievement of a desired procurement outcome based on the optimal balance of whole-of-life costs and qualitative factors.

Supporting information

[Contract management plan \(DOCX 487KB\)](#)

[Annual contract review report \(DOCX 391KB\)](#)

[Contract closure report \(DOCX 387KB\)](#)

Related legislation

[Public Finance & Audit Act 1987](#)

[Treasurer's Instruction 18](#)

[Treasurer's Instruction 8: Financial Authorisations](#)

Related policies

[Procurement governance policy](#)

[Procurement procedure \(PDF 231KB\)](#)

[Managing risk in procurement procedure \(PDF 224KB\)](#)

[Contract extensions and variations procedure \(PDF 167KB\)](#)

[DTF procurement governance policy](#)

[DTF procurement planning policy](#)

[DTF sourcing policy](#)

[DTF contract management policy](#)

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Contact

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[Ask your question or lodge a request through edProcure.](#)