Contract management

Please note this procedure is mandatory and staff are required to adhere to the content.

Procedure overview
To assist worksites (including schools, preschools and corporate) to manage contracts effectively and efficiently follow the contract execution process, in accordance with the State Procurement Board’s (SPB) guideline.

Scope
The procedure applies to all education staff, members of school governing councils / school councils, preschool management committees and ministerial committees that have elected to operate within the department’s procurement authority.

This procedure should be read in conjunction with the Procurement governance policy, the agency’s underpinning procurement policy.

<table>
<thead>
<tr>
<th>File number:</th>
<th>Status:</th>
<th>Version:</th>
</tr>
</thead>
<tbody>
<tr>
<td>14/6504</td>
<td>Approved</td>
<td>9.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Policy officer:</th>
<th>Policy sponsor:</th>
<th>Responsible executive director:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Project Officer – Procurement/Fleet</td>
<td>Chief Procurement Officer/Director, Procurement and Transport</td>
<td>Executive Director, Infrastructure</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Approved by:</th>
<th>Approval date:</th>
<th>Review date:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director, Procurement and Transport</td>
<td>18/01/2019</td>
<td>07/08/2021</td>
</tr>
</tbody>
</table>
1. Procedure detail

The procedure aims to provide:

- an overview of contract management principles and tools in order to manage procurement risk and ensure probity, transparency, accountability and value for money
- an understanding of the benefits of undertaking effective contract management
- an understanding of the key tasks to be undertaken by a contract manager during a contract management period.

1.1 Significant contract management requirements

For contracts valued at or above $4.4m and contracts below $4.4m which have an ‘extreme’ risk rating:

- an adequately resourced and skilled contract manager must be appointed to manage the contract
- the contract manager must have completed SPBs contract management training program and undergo refresher training every three years
- a Contract management plan must be completed
- an Annual contract review report must be completed for consideration by the Contract Oversight committee, where established, or senior management
- a Contract closure report must be prepared for the Contract Oversight committee, where established, or senior management.

A contract is considered ‘significant’ below $4.4m when the risk rating is classified as extreme. Information regarding the identification of risks and the risk rating of contracts is available in the Managing risk in procurement procedure.

In addition, all contract variations, regardless of the original value of the contract, must be approved in accordance with the contract terms and conditions and SPBs Contract management policy.

1.2 Benefits of effective contract management

Written agreements should be established for the engagement of a supplier to provide goods and/or services to a worksite. A written agreement must be established where the supplier and/or its personnel are required to comply with child protection obligations and where there are intellectual property, insurance, confidentiality or disclosure requirements. The value and conditions of the agreement impact the level of contract management required.

Effective contract management ensures the objectives of the procurement are met.

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 customer
- managing governance, probity and compliance issues throughout all stages of the procurement cycle
• managing and monitoring the performance of both parties, including any goods and/or services, to ensure objectives are met
• understanding stakeholder requirements.

Effective contract management can benefit the department by:
• realising lower costs/savings
• ensuring compliance with contract requirements
• providing easy access to accurate contract information
• building solid stakeholder relationships
• providing an overview of key learnings to be built into future contracts for goods and/or services.

1.3 Contract manager
For contracts valued at or above $4.4m and contracts below $4.4m which have an ‘extreme’ risk rating:
• an adequately resourced and skilled contract manager must be appointed to manage the contract
• the contract manager must have completed SPBs contract management training program and undergo refresher training every three years.

1.3.1. Contract manager role and responsibilities
The contract manager’s role is important in ensuring that:
• the department obtains value for money through satisfactory contractor performance, including the achievement of contract milestones
• relationships between internal and external stakeholders are managed effectively
• both parties meet their contractual obligations
• the department only pays for services and products specified in the contract
• the desired outputs are achieved
• disputes are avoided by regular monitoring of performance and open communication
• risks are effectively managed. This may be an ongoing process, with risks identified at different stages of the life of an agreement.

The responsibilities of the contract manager can be many and varied depending on the complexity of the contract. Responsibilities may include:
• establishing a Contract management plan for the project (refer section 1.7)
• reviewing the contract management process (including the Contract management plan) on a regular basis
• providing liaison between internal managers, users, and the contractor to identify and resolve issues as they arise
• monitoring the contractor’s performance against contract obligations
• providing the contractor with advice and information regarding developments within the department, where such developments are likely to affect the products/services provided

• determining if staged projects should continue, and undertaking a procurement process for additional stages which meet the principle of obtaining value for money

• facilitating and negotiating contract variations and amendments in line with approved delegations (in consultation with the Procurement unit)

• providing accurate and timely reporting to senior management responsible for the project, highlighting significant performance issues or problems

• ensuring insurance policy(s) terms and conditions provide adequate protection for the department and that policies are maintained throughout the contract period

• evidence key documentation including the supplier’s insurance certificates, child related employment screening clearances and any licencing requirements

• reminding contractors of their obligations in any sub-contracting arrangements in relation to compliance with relevant industry standards and requirements including, but not limited to, payment with award rates and the requirement to have up to date screening clearances, insurance and licencing

• ensuring all products provided are certified as meeting the specifications before the supplier is paid

• maintaining adequate records (paper and/or electronic) in sufficient detail to provide an audit trail

• managing contract change procedures

• resolving disputes as they arise

• initiating remedial action in the event of contract breach

• conducting post contract reviews

• panel contracts must be appropriately managed, with the assigned contract manager responsible for ensuring the individual panel members are meeting the requirements of the panel contract.

Individual contracts created under the panel must be managed appropriately by the worksite. The contract manager of the panel contract may request the worksite to undertake certain contract management tasks to ensure the effective management of the panel.

1.3.2. Appointing a contract manager

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 including responsibilities, delegations, report requirements and relationships.

The appointment of a contract manager needs to be carefully considered, as the contract management functions of a major project require a broad range of personal and technical skills that the contract manager is required to exercise.

In some cases whereby a contract is quite complex or a number of contracts are being managed, the role of the contract manager may be undertaken by more than one individual.

The contract manager’s duties and responsibilities are governed by the conditions of contract, the Contract management plan and common law. In addition, the contract manager may be required to form
opinions and make decisions, and in doing so is expected to comply with ethical procurement practices when dealing with suppliers and stakeholders.

1.3.3. Contract manager skills

The contract manager must be adequately resourced and skilled to manage contracts valued at or above $4.4m and contracts below $4.4m which have an ‘extreme’ risk rating. The skills of the contract manager need to be matched to the particular requirements of the contract. Some of the skills that may be required in undertaking contract management include:

- strategic skills (understanding government policies and directions and organisational goals)
- project management
- communication and liaison, including the ability to network within the organisation and with industry peers
- people management
- negotiation
- conflict resolution
- record keeping and file management
- decision-making (and ability to exercise delegated authority)
- research and analytical skills
- professionalism
- accounting, reporting, legal and/or technical knowledge
- completing SPB contract management training including refresher training every three years.

1.3.4. Authority to manage the contract

The contract manager needs to have a level of authority to manage the contract to ensure the project runs smoothly and that services are not interrupted. Exercising this authority requires judgement to ensure all parties are treated fairly. The contract manager will generally have limited or no delegation to approve variations that involve extra cost. Financial variations must be managed in accordance with the contract and the SPBs guidance on managing contract variations, and approved by departmental delegations.

1.3.5. Ethics and fair dealing

The contract manager must maintain the ethical standards outlined in the Code of Ethics for the South Australian Public Sector.

1.4 Contract director

The contract director is the responsible officer for overseeing the contract and any major contractual changes and strategies. The contract director is also responsible for directing strategies and executing key decisions that ensure good governance of the contract and its financial performance.
1.5 Contract Oversight committee

A Contract Oversight committee may be established for contracts valued at or above $4.4m and contracts below $4.4m which have an ‘extreme’ risk rating. The committee may operate as an alternative or adjunct to the contract director 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 financial performance.

1.6 Contract management risk

Planning for and managing risks are essential tasks of the contract manager. The risk management process should be initiated early in the procurement process so that the final contractual arrangements reflect the risk management strategies adopted for the project.

Risks related to the procurement should be identified and documented through the acquisition planning, tendering/evaluation and contract formation process. Some of the more common risks associated with managing a contract includes:

- the failure of either party to fulfil the conditions of the contract
- inadequate administration of the contract
- unauthorised changes to the contract
- the failure to meet the strategic objectives of the procurement
- the 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 (eg child protection).

These risks should be monitored and minimised where possible throughout the contract management period. New risks may also be identified and documented during this period. The contract manager should prepare a risk management plan commensurate with the cost and complexity of the procurement that identifies, analyses, evaluates and proposes treatment of the risks. This will form a key component of the Contract management plan (refer section 1.7).

Appropriate professional advice should be sought at an early stage where a legal or government issue arises.

Further information is available from the SPBs Risk management guideline and/or the department’s Managing risk in procurement procedure. Alternatively, contact the Procurement unit on (08) 8226 1610 for guidance from a contracts officer.

1.7 Contract management plan

A Contract management plan (CMP) must be completed for contracts that are valued at or above $4.4m and contracts below $4.4m which have an ‘extreme’ risk rating.
The department has developed a CMP template to enable worksites to meet the abovementioned requirements. The CMP template includes mandated sections along with a number of optional sections that may be amended/deleted depending on the nature of the goods or services being purchased and the value and complexity of the contract.

The Manager, Strategic Contracts, will assign a contracts officer to guide worksites in developing the CMP during the acquisition planning phase, with the final plan to be endorsed by the contract director or appropriate delegate and submitted to the Chief Procurement Officer for approval.

The CMP is an essential document which details how the contract is to be managed to achieve the contract objectives and outcomes. In particular, the CMP:

- outlines the objectives and outcomes of the contract and how the contract should be managed/complied with
- defines the role, responsibilities and obligations of each party
- identifies the strategic objectives of the contract and the key success factors
- outlines the approach for dealing with variations to contract scope
- addresses the tasks necessary to ensure a successful contract outcome and to minimise risk.

In order to develop an effective CMP, a thorough knowledge of the contract and its objectives is required. It is therefore necessary for the contract manager to read and understand all available documents, which may include:

- acquisition plans
- tender documents
- specifications
- evaluation plans
- purchase recommendations
- records and negotiations
- the contracts
- file notes.

The contract manager should regularly refer to the CMP and ensure that it is amended where circumstances change.

1.8 Records maintenance and reporting

For contracts valued at or above $4.4m and contracts below $4.4m which have an ‘extreme’ risk rating:

- an annual contract review report must be completed for consideration by the Contract Oversight committee, where established, or senior management
- a post-contract review report must be prepared for the Contract Oversight committee, where established, or senior management.
When undertaking the annual contract review, contract manager should target important questions, including:

- have the contract key performance indicators been met?
- what is the status in completing contract milestones?
- what is the status of the risk management strategies?
- are there any performance issues, problems or contractual matters which need to be addressed?
- what are the key learnings to date?
- are there any opportunities to improve contract outcomes?
- are there any relevant issues for future procurements?
- a contract closure report is conducted at the conclusion of the contract period, including extension options, to review how the contract has performed. 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?
  - what are the learnings and opportunities for future procurements?

An important component of contract management is the maintenance of comprehensive and accurate records in relation to:

- responsibilities of both parties
- claims
- payments
- negotiations (and agreed changes)
- poor/incorrect service delivery
- other significant events/activities
- contract variations.

As outlined in SPBs Procurement policy framework, 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.

Records maintenance is also important to enable compliance with reporting requirements. The Procurement Governance committee and the SPB may require regular or ad-hoc reports on various aspects of department contracts, including:

- supplier information
- contract value
- usage
- savings
- performance
- improvement opportunities
- service delivery.
1.9 Contract variations
A contract variation is an addition or alteration to the original contract. This may include any change to:

- the scope of the contract
- pricing
- quantity
- specifications
- the value of the contract.

Important considerations in the assessment of a proposed variation include the impact of the contract’s key deliverables, pricing and identified timeframes while maintaining value for money, probity, transparency and accountability.

For any contract variation or adjustment that would increase the total value of the contract, appropriate approval must be sought in line with Treasurer’s Instruction 8: Financial Authorisations, as follows:

- For an amendment which, when aggregated with any previous amendments, does not increase the total value of the contract by more than 5% of the original contract value, the amendment may be approved by the appropriate delegate.
- For an amendment which, when aggregated with any previous amendments, increases the total value of the contract by more than 5% of the original contract value, the amendment must be approved as if the total value of the amendment and the original contract was a new contract.

Material variations to contracts must be referred to the Chief Procurement Officer.

All contract variations must be approved in accordance with the procedures set out in the contract and SPBs Contract management policy.

Worksites are encouraged to contact the Procurement unit for advice regarding all contract variations and amendments.

1.10 Contracts register
To comply with the State Procurement Act 2004 and SPBs Contract register policy, a contracts register must be maintained to record:

- goods and services contracts valued above $33,000 (GST inclusive), including secondary contracts under established panel contracts
- construction work contracts valued above $33,000 (GST inclusive) and up to $165,000 (GST inclusive). Construction contracts above $165,000 are managed by the Department of Planning, Transport and Infrastructure (DPTI)
- as a minimum, the following information will be required to be recorded for all contracts that match the above criteria:
  - contract number and title
  - contract manager and contact details
  - supplier, supplier address and supplier contact details
  - contract execution date, commencement date and expiry/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 (good, services or construction)
- consultancy (yes/no)
- lead agency (yes/no)
- location of supplier (metropolitan, regional, Australian state or New Zealand, overseas).

**Corporate/education offices and ministerial committees:**

Information regarding goods and services contracts valued at above $33,000 will be captured by the Procurement unit.

**Schools and preschools:**

The information regarding goods and services contracts valued above $33,000 and up to and including $550,000 must be maintained at site level and be readily available upon request. For any contracts above $550,000 the appropriate information will be captured by the Procurement unit.
2. Roles and responsibilities

<table>
<thead>
<tr>
<th>Role</th>
<th>Authority/responsibility for</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worksite managers</td>
<td>Managers are responsible for selecting an appropriately skilled team member to oversee contract management for relevant projects.</td>
</tr>
<tr>
<td>Contract manager(s)</td>
<td>Contract managers are responsible for managing contracts (commensurate with value and complexity) to ensure the department obtains value for money through satisfactory contractor performance.</td>
</tr>
<tr>
<td>Procurement unit</td>
<td>The Procurement unit is responsible for implementation of this procedure and for ensuring that communication channels are maintained for education personnel 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.</td>
</tr>
</tbody>
</table>

3. Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract</td>
<td>A legally binding agreement between two or more parties for the supply of goods and / or services for an agreed value. A document describing the terms of a contract.</td>
</tr>
<tr>
<td>Significant contract below $4.4m</td>
<td>A contract below $4.4m which has an ‘extreme’ risk rating.</td>
</tr>
<tr>
<td>Contract manager</td>
<td>The person charged with the administrative management of the contract. Primary duties are to plan activities, manage risk, monitor contractor performance, exercise delegated authority, relationship management and ensure compliance with terms and conditions.</td>
</tr>
<tr>
<td>Contract director</td>
<td>The person charged with overseeing the contract and any major contractual changes and strategies.</td>
</tr>
<tr>
<td>Procurement Governance committee</td>
<td>A committee consisting of senior departmental executives who are responsible for the oversight of procurement activity and reform within the Department for Education.</td>
</tr>
<tr>
<td>Specification</td>
<td>A detailed description of the goods and / or services.</td>
</tr>
<tr>
<td><strong>State Procurement Board (SPB)</strong></td>
<td>A statutory authority responsible for overseeing government procurement of goods and services.</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Tender process</strong></td>
<td>The process required for calling tenders and arranging contracts for the supply of goods and / or services.</td>
</tr>
<tr>
<td><strong>CMP</strong></td>
<td>Contract management plan</td>
</tr>
</tbody>
</table>
## SUPPORTING INFORMATION

**Published**
January 2019

**Related legislation**

State Procurement Act 2004

**Related policy and other documents**

- Procurement governance policy
- Managing risk in procurement procedure
- Contract management plan
- Annual contract review report
- Contract closure report
- Treasurer’s Instruction 8: Financial Authorisations
- State Procurement Board Contract management policy
- State Procurement Board Acquisition planning policy
- State Procurement Board Procurement policy framework
- State Procurement Board Contract register policy
- Code of Ethics for the South Australian Public Sector

**Keywords**

Contract management, contract manager, Contract Oversight committee, Contract management plan

## REVISION RECORD

<table>
<thead>
<tr>
<th>Version</th>
<th>Approved by</th>
<th>Approved date</th>
<th>Review date</th>
<th>Amendments</th>
</tr>
</thead>
</table>
| v8.0    |             | November 2014 |             | Included SPB’s Contract management matrix.  
Updated contract manager requirements.  
Included reference to contract director and Contract Oversight committee. |
| v9.0    |             | April 2016    |             | Updated to reflect SPB Contract management guideline.  
Changed from a guideline to a procedure. |
| v9.1    |             | December 2016 |             | Removal of reference to the contract management matrix due to rescinding |
by SPB.
Include definition of a ‘significant’ contract.

<table>
<thead>
<tr>
<th>Version</th>
<th>Date</th>
<th>New Date</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>v9.2</td>
<td>7/08/2018</td>
<td>7/08/2021</td>
<td>Minor edit - machinery of government changes and review date.</td>
</tr>
<tr>
<td>v9.3</td>
<td>18/01/2019</td>
<td>7/08/2021</td>
<td>Transfer to new template and update hyperlinks.</td>
</tr>
</tbody>
</table>