

# PROCEDURES

## CONTRACT MANAGEMENT PROCEDURES

### PURPOSE

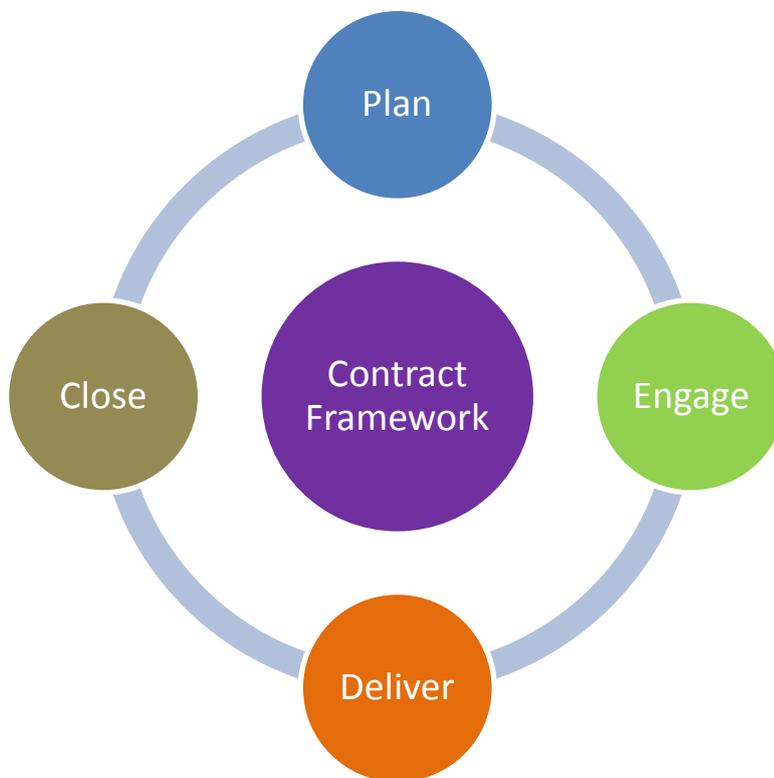
The intent of these procedures is to establish sound and consistent management practices with respect to University contracts and to ensure that:

- the University enters into and manages contracts in a manner which facilitates University business and minimises risk;
- University staff who are appointed as Contract Managers understand the University's responsibilities under a contract;
- obligations under a contract are performed; and
- the University receives the benefit of the contract.

### PROCEDURES

#### 1 FRAMEWORK

The contract framework to be adopted across the university will have the following four key steps:



## A. Plan

*Contract planning is critical to success and ease of delivery. Planning is necessary to consider and identify the need, contract objectives, strategy, risks, approvals, and nominate suitable staff to manage the contract.*

Time required for planning would normally be between 1 – 4 weeks.

Typical actions within the planning step are outlined below. Depending on the contract to be developed an assessment will need to be made by suitably experienced staff for which actions need to be included.

ACTION	BRIEF DESCRIPTION
Identify Need	The actual requirement needs to be clearly defined and clarified in enough detail to allow stakeholders and suppliers to understand what is required.
Contract Objectives/Strategy	Depending on the requirements of the University, consideration must be made with respect to the type of contract required and the strategy to approach market. More common contract types are discussed later in this document. The Contract Manager will need to understand the terms and conditions of the contract to be used. For more complex items a plan will need to be developed.
Contract Manager	A suitable Contract Manager must be appointed at this stage and will be the responsible person for the ongoing management of the contracted services until contract closure.
Risks	A risk analysis must be undertaken. This will generally help inform the strategy and contract type. Risks could include items such as risk to CQU reputation, interruption of business, loss of business, quality of service, ability to deliver on time, storage and transportation, contractor performance, safety, and conflicts of interest.
Costs	All costs need to be considered including the initial purchase costs as well as the ongoing Life Cycle Costs (operations and maintenance).
Schedule	Consideration of delivery needs must include both the delivery time to meet the required end date and the time to undertake the necessary steps to establish the contract.
Communication	Appropriate communication with stakeholders and other business units as required to ensure a smooth and informed process.
Approvals	Suitable approval to proceed must be obtained. This could be provided through an approved project, budget line approval, basic purchase order, and a memo or business case.
Administration	Proper contract administration commences early in the process. Once approval is provided the details should be entered in to the contract register. Other relevant documents and records should be maintained.

## B. Engage

*Develop documentation to enable an approach to the market in a fair and transparent manner to gain competition from qualified and suitable suppliers to provide a value for money solution. Evaluation and selection of contractors capable of delivering the contract in line with the range of requirements of the University.*

Time required for engaging would normally be between 2 – 26 weeks.

Typical actions required contained within the engage step are outlined below. Depending on the contract to be developed an assessment will need to be made by suitably experienced staff for which actions need to be included.

ACTION	BRIEF DESCRIPTION
Prepare requirement documents	In order to gain suitable quotations most of the time it is necessary to develop a clear scope of works. The clearer we can be to the suppliers means we get a more accurate quotation and avoid any later conflicts. A poorly developed brief can lead to numerous justified time and cost variations. Clearly outlined requirements ensure consistency of message to potential suppliers and a written record that can be used in case of any later dispute. Documentation can range from a well develop email, to a fully developed project specification and scope of works.
Liaise with procurement team	For any significant procurement activities (above \$50,000) advice should be gained from the procurement team. They can provide support where required. Procurement policy and procedures must be followed.
Finalise strategy	Now is the time to finalise the strategy and review risks.
Check and finalise contract	A final review of the contract type and documentation should be performed to ensure it addresses the identified risks and provides protection to the university while enabling delivery of the required goods or services from the market.
Approach to market	This can be undertaken in many ways in compliance with the university procurement policy and procedures. Again advice should be sought by the procurement team. For major purchases and contracts a tender evaluation is required.
Evaluation	Proper evaluation of the responses must be undertaken in a fair and transparent manner. Records of evaluation and any communications must be kept. No provider is to be disadvantaged during this process, so any clarification or information must be provided to all. Due diligence of the supplier as far as financial situation should be undertaken for significant contracts. Liaison with the University's Finance Division is required for this. Again for significant contracts a recommendation report is developed by the chair of the evaluation panel and obtains the necessary approvals prior to any further progress.
Contract award	Following suitable approval the contract may be awarded. <b>This must be done in writing.</b> For large contracts a signed version of the contract by both parties is required. The contract document should contain the relevant scope, departures, agreed outcomes, schedule and costs contained in the submission.

Cost codes	Suitable cost codes should be established to track and manage the approved budget accordingly.
Administration	Update the contract register, properly record the evaluation and report, correspondence, submissions, and final contract. Raise purchase order.
Review risks	Again review and update the risk register to include any items that may have reduced risk, or new items introduced by the contractor.

### C. Deliver

*Delivery and day to day management and administration of the contract in line with the contracted obligations.*

Time required is determined by the contract schedule.

Typical actions required contained within the deliver step are outlined below. Depending on the contract to be developed an assessment will need to be made by suitably experienced staff for which actions need to be included.

ACTION	BRIEF DESCRIPTION
Contract start up	Where suitable a contractor meeting and formal induction is advised. This is generally required whenever a contractor undertakes physical work on a university campus, apart from just delivering goods and services.
Reporting	Regular reporting by the contract manager should be provided for any contracts lasting over 3 months. Shorter contracts will depend on the actual contract. Annual reporting to the University Council, via its Audit, Compliance and Risk Committee, is required for all contracts which exceed \$100,000 in value.
Financial management	The Contract Manager is responsible for managing the approved budget, reviewing invoices and ensuring payments are made as required. Please note that for any building and construction works the Building Construction Industry Payment Act applies. This requires additional actions to be undertaken by the Contract Manager. The University's Facilities Management Directorate will provide advice on these matters.
Contractor management	The Contract Manager is responsible for the behavior of the contractor during the life of the contract. This includes general performance and compliance to university policies and rules, as well as performance management of the contract. Any concerns should be raised and addressed with the contractor as soon as possible to rectify and ensure a shared understanding of the contracts requirements.
EHS	Both the contractor and the Contract Manager have certain responsibilities in relation to environmental, health and safety matters. It is important to note that some risks cannot be "contracted out" and the University will still have some responsibility. This relates to a range of items from making sure a piece of equipment purchased overseas is fit for use in Australia (compliant) to full building construction safety.
Variations	The Project Manager is responsible for the management of

	variations which may impact time, quality, finish, costs, ongoing business, reputation, etc. All variations need to be addressed formally and raised formally by the contractor for consideration and responded to in writing. If required advice can be provided by the procurement team, other Contract Managers or legal advice may be needed. Variations must be approved by a person with suitable financial delegation.
Disputes	Disputes need to be dealt with quickly to ensure delivery is maintained. In formal contracts there must be a dispute clause contained for when communications and relationships breakdown. Again the Contract Manager has responsibility for addressing any disputes.
Risk review	Again review and update the risk register to include any items that may have reduced risk, or new items introduced by the contractor.
Acceptance	Once the goods or services have been delivered as required by the contract, they should be formally accepted. This normally requires inspection and testing of the goods and any necessary documentation, warranties, training.
Administration	Update the contract register if required. Ensure all items are actioned and records maintained. Key communications and meeting minutes to be filed and available. These records must be filed on the University's online central recordkeeping system. They are important to the University and need to be available in case of dispute or emergency.

#### D. Close

*Effectively closing out the contract in a formal manner with the contractor, completing all administration functions, finalising budgets and accounting details, and completing records management. Close project on contract register. Conduct lessons learned if needed.*

Typical actions required contained within the engage step are outlined below. Depending on the contract to be developed an assessment will need to be made by suitably experienced staff for which actions need to be included.

ACTION	BRIEF DESCRIPTION
Goods and Services delivered	Have the goods or services been delivered in line with the contract requirements, including variations? Have relevant stakeholders reviewed and approved delivery. Are the goods or services in good condition?
Financial	Have all payments been made? If funding security was provided this can be returned in line with the contract. Close out purchase orders and close account as required.
Documentation/Training	Has all relevant documentation, certificates, licenses, warranties, and training been provided and reviewed?
University property	Return of all university property such as keys.
Administration	Close contract and risk register. Provide formal notification of contract completion to the contractor as required. Ensure all documents are filed and recorded in line with University policies. Undertake a lessons learned exercise or contract review as necessary.

## **2 CONTRACT TYPES**

### **2.1 Purchase Orders**

Purchase orders are a standard form of contract to all the simple purchase of most items for the University. A purchase order has set terms and conditions which have been developed to support the University. Often when requesting quotes for goods and services it would be advisable to attach a copy of the purchase order terms and conditions to allow suppliers an opportunity to review.

When obtaining goods and services under a purchase order many of the actions outlined above do not need to be applied, however it is important that consideration be given to them during the process.

Many suppliers when providing a quotation provide their own terms and conditions. These need to be carefully reviewed, because if the quotation is accepted on the supplier's terms and conditions without any further clarification, then the University terms and conditions do not apply.

Purchase Orders should be used where possible to simplify effort. However, there are many cases where a purchase order is not suitable. An example could be where a specialised piece of medical equipment is needed to be supplied and installed and fully operational by a critical date. A purchase order does not provide the necessary contract conditions to support and protect the university in such a case. In this case a standard minor works contract would be more suitable.

Where purchase orders are used to engage for the provision of goods or services, they do not need to be captured on the contracts register.

### **2.2 Standard Contracts**

The University has a number of standard contracts for use for the provision of goods and services which must be used wherever possible:

- Consultancy Agreement – to be used when engaging any external consultancy
- Minor Works contract conditions – AS4906 2002. To be used for minor works and majority of service delivery contracts such as corporate contracts.
- General Conditions of Contract - AS4000 1997. Lump Sum construction contract.
- General Conditions of contract for design and construct – AS4902 2000.
- General conditions of contract for the supply of equipment and installation – AS4910 2002.
- GITC

## **3 CONTRACT MANAGEMENT**

### **3.1 Appointment of a Contract Manager**

A person shall be nominated as a Contract Manager for a particular contract by that person's supervisor on behalf of a member of the University's executive leadership team, who have overall responsibility for the management of contracts within the University.

Supervisors will ensure that Contract Managers have the necessary skills, expertise and training to undertake contract management. Supervisors will ensure that training will be provided as required.

### **3.2 Ethical Behaviour**

The Contract Manager and other staff associated in the process of contract management cannot show favoritism towards any contractor. Staff must not accept gifts, or any other benefits (including dinner or

travel expenses) from potential suppliers. Even if the contractor already provides services to the University it can be seen as future favoritism when those services may be re contracted.

Any conflicts of interest must be declared.

Staff should not act in any way that calls into question standards of ethical behaviour.

### **3.3 General Contract Management Rules and Guidelines**

- Do not make any verbal agreements with suppliers. Only written contracts should be entered into.
- Contracts can be complex and raise different issues, so it is important that staff seek advice and help where needed.
- Don't automatically assume through discussion there is a shared understanding. It is always best to discuss and back it up in writing to confirm.
- All formal directions, approvals, requests for variation etc., shall be in writing.
- Always commence contract negotiations in a formal and strict manner with the contractor. It is easier to allow a level of informality if the contractor demonstrates high performance rather than attempting to bring about a formal relationship after a period of time.
- Address any concerns or performance issues as soon as they become known and make formal notes for recordkeeping purposes.
- DFM, ITD and the Procurement Advisory Team have good contract knowledge and experience. Please contact them for advice if needed.
- Nominated Contract Managers should be suitably experienced. Formal qualifications are not essential but supervisors of Contract Managers are required to ensure that regularly training is provided to Contract Managers to ensure their knowledge and skills are up to date and commensurate with the level of contract being managed.
- All other University policies must be followed and complied with. Contract Managers must become familiar with the relevant University policies, including, but not limited to:
  - Financial Delegation and Authorities Schedule
  - Procurement Policy and Procedures
  - Safety, Health, Environment and Workcover Policies
  - Financial Management Practice Manual (FMPM)

## **4 CONTRACTS REGISTER AND RECORDKEEPING REQUIREMENTS**

As required by the Contracts Policy, each business group, Division and Directorate must maintain its own contracts register, as outlined by the attached template. The template provides a guide of the minimum information that must be maintained on the register. Registers can be further developed with additional information to help suit the individual business group needs.

The register should be used to help manage and plan for contracts and ensure adequate attention and resourcing is applied.

On an annual basis when requested by the University Secretary, business groups will provide an up to date copy of the contract register for review and records to enable reporting to the University Council, via its Audit, Compliance and Risk Committee.

## 5 PROPERTY LEASES

Property leases are a special form of contract managed for the University by the Directorate of Facilities Management (DFM). DFM maintains a property register which contains details of leased and owned properties for the University.

These contracts (leases) are formed using standard lease agreements with negotiated terms and conditions. In most cases the leases are either developed by, or reviewed by a suitably qualified solicitor prior to formal agreement.

Lease agreements are signed by the Vice Chancellor or their nominated delegate.

### DEFINITIONS

**Contract** - includes an agreement, exchange of letters, heads of agreement, binding memorandum of understanding, response to tender, grant application, trust deed and any other document which creates or which may create legally binding obligations on the University.

**Due diligence** – part of the risk management process by which the University assesses the suitability of a contract and the other party's insurances and evaluates the business opportunity before signing a binding contract.

All terminology used within this policy is consistent with definitions in the [CQUniversity Glossary](#).

### RESPONSIBILITIES

The delegated University Executive member has overall responsibility for ensuring that these procedures are followed.

The Contract Manager is responsible for the implementation of these procedures.

### RECORDS

All records relevant to these procedures are to be maintained in a recognised University recordkeeping system.

Approval Authority	Council
Administrator	University Secretary
Original Approval Date	12 May 2014
Amendment History	
Date of Next Review	12 May 2015
Related Documents	<a href="#">Contract Management Policy</a>

## Contract Management Checklist:

This checklist is a guide to help Contract Managers to gain assurance that the necessary governance arrangements are in place at the commencement of the contract.

The ongoing management section of the checklist is for use as required to ensure necessary actions are being taken to manage the contract.

**Contract Details:** (provide a brief summary of contract description)

**Delegated University Executive Member Name:**

**Position Title:**

**Extension Number:**

**Email Address:**

**Contract Manager Name:**

**Position Title:**

**Extension Number:**

**Email Address:**

Checklist items	Yes / No If Not, reason why not	Provide details of documentary evidence
<b>PLAN</b>		
1. Does the Contract Manager have the required skills and experience?		
2. Does the Contract Manager have a satisfactory level of understanding of the contract and the subject matter?		
3. Purchasing Policy followed? Yes / No		
4. Legal advice obtained? Yes / No - If not, then why not?		
5. If legal advice obtained, how were the risks addressed?		
6. Financial advice obtained? Yes / No - If not, then why not?		

7.	If financial advice was obtained, what advice was provided and how has it been addressed?		
8.	Is this contract one which requires a risk management plan? Yes / No		
9.	If a risk management plan is required, what are the details of the plan?		
10.	Provide details of the due diligence and credit check conducted on the other party, or explain why these were not necessary.		
11.	Provide insurance details of the other party, or explain why insurance was not necessary.		
12.	Have all stakeholders been identified and arrangements agreed to obtain feedback/input during contract?		
13.	Provide certification that the documents are considered by the Contract Manager to be in order for signing.		
<b>DELIVER</b>			
14.	Are contract payments linked to satisfactory contract performance?		
15.	Are all invoices checked to ensure they are in accordance with contract requirements and approved for payment?		
16.	Is timely action taken when contract performance is unsatisfactory?		
17.	Are all variations to the contract agreed on value-for-money grounds?		
18.	Are all amendments to the contract subjected to formal contract variations? Is a record maintained of contract variations?		
19.	Where the contract does not meet agreed levels of performance, are any actions taken adequately documented? Where it is decided not to take action, is this decision		

	properly approved and documented?		
20.	For longer term contracts, is the contract subject to periodic review?		
21.	Is the contract being actively managed so that there is reasonable assurance that the contract outcomes are being achieved?		
22.	Do systems/procedures enable the timely consideration of the need for contracts to be extended or renewed?		
23.	Are all contract extensions justified on value for money grounds?		
24.	Are there arrangements in place designed to ensure that probity issues are identified and addressed during contract extension and re-tender processes?		
<b>CLOSE</b>			
25.	Has the contractor delivered all the required contract outcomes and obligations?		
26.	Has the contractor returned any University material, equipment or other resources used or generated during the life of the contract?		
27.	Have all access arrangements been terminated?		
28.	Has an evaluation of the contract been undertaken and, when appropriate, lessons learned been built into future contracting activities?		
29.	Has the contractor's performance been evaluated, properly documented and feedback provided to the contractor?		

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**Contract Manager Signature**

**Dated:** \_\_\_\_\_