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Procurement

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Contract management

Procurement and contract management

A contract is a legally enforceable agreement between two or more parties that details each party's rights and obligations in performance of that contract.

Contract management refers to all the activities undertaken by an entity, after the contract has been signed or commenced, to manage the performance of the contract (including any corrective action) and to achieve the agreed outcomes.

Contract management overview

Contract Management is critical in ensuring the AEC achieves value for money in the procurement process as defined in the [Commonwealth Procurement Rules \(CPRs\)](#). Effective contract management requires actively engaging with the supplier to achieve the outcomes or deliverables negotiated in the agreement. The key to successful contract management is:

- monitoring the performance and obligations of both parties to an agreement;
- managing the contractual relationship;
- identifying and managing risks; and
- identifying issues early to ensure they are managed proactively to limit their effect.

Contract management plan and risk assessment

A Contract Management Plan is an essential tool that assists contract managers to develop a good understanding of the contract, the responsibilities and obligations of each party to the agreement, and to identify the processes that will be used to monitor and manage the agreement.

A Contract Management Plan and Risk Assessment is **mandatory** for;


- all significant election related contracts (including MOU's and Deeds of Standing Offer);
- contracts valued at or above \$80,000; or,
- contracts considered complex or high risk.

A Procurement and Contract Risk Assessment template and a Contract Management Plan template are available in the resources section below. **Note:** that the Risk Assessment has been incorporated into the Contract Management Plan template.

A Contract Management Overview template is also available below and may be used in lieu of a Contract Management Plan for procurements valued between \$10,000 and \$80,000

(GST inclusive). This document is not mandatory, but it may be useful for contract managers to have all essential contract information available in one short document.

Best practice contract management

A summary of basic AEC contract management procedures is outlined below, with further guidance provided in the [AEC Procurement Procedures](#) .

Contract managers may also refer to the Commonwealth Contract Management Guide (the Guide) for reference. This Guide provides practical process guidance to support effective contract management at a practitioner level for Commonwealth entities and is general advice.

AEC Officials are required to record all procurements and contracts valued at or above \$10,000 (GST incl.) All contracts must be recorded in AECs FMIS, **s22**

AEC contract managers are responsible for ensuring that all relevant documents are uploaded to **s22** (e.g. the signed contract). If an arrangement is amended, extended or varied this must be actioned through **s22**

Depending on the value/risk associated with a contract, contract managers should consider the following tasks/activities:

Managing contract start up

- Use the relevant Contract Management Checklist at start up.
- Complete a Contract Management Plan and Risk Assessment (see Resources below).
- Identify how the Services or Deliverables will be measured under the terms of the contract will be measured.
- Establish payment arrangements, including: any links between payment and performance; application of any fee credits; validation of invoices; and consequences if invoices are not paid on time.
- Establish systems for monitoring and reporting on the performance of the contractor in relation to the key performance indicators.
- Establish roles and responsibilities for internal stakeholders.
- Develop a Communication Plan to ensure clear communication of the contract for all stakeholders.

Administering the contract

- Regularly review and update the Contract Management Plan and Risk Assessment.
- Schedule any regular meetings throughout the life of the contract in advance, giving the time, place and purpose of the meeting as well as any planned reviews or other key actions.
- Inspect goods or services on delivery to ensure they meet the specified standards.
- Ensure payments are made only in accordance with the terms of the contract.
- Report to senior management and stakeholders on the status of the contract at appropriate intervals.
- Develop and maintain an effective relationship with the contractor.
- Develop a mechanism to obtain feedback from end users on the contract deliverables (if appropriate).


Performance Management

Effective management of a contract is the most efficient means of ensuring performance is in line with contractual obligations. Contract managers must undertake performance management over the life of the contract in accordance with the provisions of the contract, including non performance provisions.

Performance management involves:

1. Monitoring to ensure that progress is being made in line with agreed time frames, and that the contractor is performing in accordance with the contract.
2. Determining whether performance meets the AEC's needs through performance assessments.
3. Taking appropriate action such as correcting areas of underperformance through contract management mechanisms or amending the contract requirements to meet changing needs.

Contract managers should address any problems with the contractor promptly, in accordance with the terms of the contract. While there is no set procedure for managing under performance, it is essential to clearly address poor performance as soon as the problem is identified, including providing timeframes for resolution if appropriate.

Contract managers must follow formal escalation procedures as identified in the contract where necessary. Contract managers should contact [Strategic Sourcing](#)  for advice when dealing with formal under performance.

Contract extensions and variations

A variation is a change to a contract that amends the contract's original terms or conditions. It may be simple or complex, for example, you may need to vary a contract if there is a change to the services required, personnel or pricing, ensuring that the variation does not materially alter the original scope of work.

A contract extension is the exercise of a contract option to extend the agreed terms for a further period. Negotiations for contract extensions must be agreed before the expiry date of the contract. These cannot be indefinite and should be clearly defined, e.g. "2 x 6 months".

The Contract Management Checklist (see Resources section below) provide the process that must be followed to vary or extend a contract.

To exercise an option to extend the contract, you must complete a Variation Request Form which includes the detail of the proposed variation. Any additional services required should not materially alter the original scope of the procurement.

A contract option may include additional services that the supplier quoted for at the time of responding to the approach to market. This kind of option is explicitly referenced in the Request for Quote. The options would therefore have been evaluated at the time of the original evaluation. There would be no need to request an additional quote for this work as it would already form part of the contract, e.g. rates for additional services may mean the inclusion of an hourly or daily rates table for the different specified personnel specialisations in the contract. This pricing would then be used when the contract was varied to exercise the option.

The Variation Request Form and Contract Management Checklists are available in the Resource section below.


The Contract Management Checklist (see Resources section below) provide the process that must be followed to vary or extend a contract.

Contract completion and evaluation


The Contract Management Checklists outline the tasks required at the completion of a contract, including the steps on **s22**

An end of contract evaluation is best practice and should be done at the completion of the contract.

Contract management resources

- [AEC Procurement Procedures](#) 
- [Contract Management Checklist](#) (includes guidance for variations and extensions)
- [Contract Management Plan](#)
- [End of Contract Evaluation](#)
- [Variation Request Form](#)
- [Procurement and Contract Risk Assessment template](#) 
- [Contract management expenditure tracker](#) 

Contact

For advice and assistance on a range of procurement and contract management matters, please contact [Strategic Sourcing](#) .

Acknowledgement of Country

The AEC acknowledges the Traditional Owners of country throughout Australia and recognises their continuing connection to land, waters, culture and community.

We pay our respects to Elders past, present and emerging.

