

# FMPM 713 Procurement Contract Management Procedure

## Intent

This procedure provides a guide to the contract management process along with tools and templates to assist JCU staff in effectively managing procurement contracts.

## Scope

This procedure focuses on procurement contract management related to post-award activities. That is, once a procurement contract has been established through the sourcing process.

The procedure does not cover:

- whether a contract is required for the goods or services which are being procured. This [knowledge article](#) provides more guidance on when a contract is required. Any queries should be referred to the [Strategic Procurement Group via Service Now](#).
- sourcing activities – strategic sourcing, contract negotiation, contract development and contract award (refer to [FMPM 711](#))
- procure to pay – process to raise requisitions, purchase orders and process payments (refer to [FMPM 711](#)).

This procedure applies to all JCU staff, students and contractors that are involved in the management of procurement contracts, including standing offer arrangements, but excluding building construction contracts.

**Note: The Estate Directorate operates a stand-alone process for managing major building construction projects, please refer to the Estate Directorate for further information.**

## Definitions

**Consultant and/or Consultancy** – A consultant provides advice and preliminary guidance in accordance with JCU needs, often to a specific project.

**Contractors** – are engaged to complete a certain service or perform tasks delegated to them. They usually retain more control over their tasks and methods in completing a job. Contractors can help complete tasks that require specialised skills. All are termed as the party in the Contract Management System.

**Contract or Agreement** – a legally enforceable promise to which all parties agree, which creates a mutual set of obligations to do certain things that the parties are bound, at law, to carry out.

**Contract Amendment** - a change, correction, clarification, or deletion to an agreement that is already in place. An amendment leaves the original agreement substantially intact.

**Contract Administrator (CA)** – the person nominated by JCU to assist the Project Manager with administrative activities over the contract management lifecycle (e.g., processing contract claims).

**Contract Management System (CMS)** – JCU's enterprise-wide system for recording and monitoring contracts.

**Contract Manager (CM)** - the person nominated by JCU to manage the day-to-day matters of the contract. Termed as a **Project Manager** in this document and in the Contract Management System.

**Contract Owner (CO)** – the head of the organisational unit responsible for the contract. Either a Dean or Director or Deputy Vice Chancellor.

**Contract Variations** - are changes in the scope or cost of works stated in the contract. These can be either an increase or decrease in value of the work, the work needed to be completed or changing the scope of work.

**Financial Delegate** – refers to JCU staff authorised by a valid instrument delegating the authority of the University Council to sign a contract or document within a financial limit on behalf of JCU as set out in the [Financial Sub-delegations Register](#).

**Focussed Contract** - a type of contract which is of low value but carries a higher risk. A higher level of active contract management is required compared to a routine contract, but judgement must be exercised as to which aspects of the contract require more rigour. The focus should be on contract management activities that will help minimise risk (e.g., closely monitoring performance against KPIs, regular reporting and meetings with the supplier etc. to pro-actively address any issues about performance).

**Goods** – a commodity or a physical, tangible item that satisfies some human want or need, or something that people find useful or desirable and try to acquire it.

**Key Performance Indicators (KPI's)** - are specific measurable metrics that are used to evaluate the success or effectiveness of a contract between two or more parties.

**Leveraged Contract** – a type of contract which is low risk but of high value. A higher level of active contract management is required compared to a routine contract, but judgement must be exercised as to which aspects of the contract require more rigour. The focus should be on contract management activities that will help leverage the value as much as possible (e.g., monitoring spend, leakage, application of rebates, volume discounts etc.).

**Party** – a person or entity who takes part in a contract. Often termed as vendor or supplier or contractor.

**Procurement** – the act of obtaining or buying goods and services. This process includes planning, preparation and processing of a demand as well as the end receipt and approval of payment.

**Procurement/Finance Representative** – the SPG team member responsible for managing the contract life cycle, including the invitation to offer, contract formation, set-up and administration.

**Procurement Contract** – a type of contract which involves the procurement of goods and services and will lead to incurring expenditure.

**Project Manager (PM)** – the person nominated by JCU to manage the day-to-day matters of the contract. May also be termed as a **Contract Manager**.

**Purchase** – a form of 'supply' including goods and services, and the receipt of advice or information, in exchange for money or value; also called buy.

**Purchaser** - a relevant staff member or work unit making a purchase acting on behalf of JCU.

**Routine Contract** – a contract of low value and low risk and usually transactional in nature. A 'light touch' approach to contract management is recommended (i.e., doing the minimum). Most contracts with a dollar value of less than \$200k and have low levels of legal, WHS, financial and reputational risks will be classed as routine.

**Service Now** – the JCU system used to automate enterprise service requests.

**Services** - are paid tasks or activities provided by other people or businesses, such as plumbers, carpenters, lawn care workers etc.

**Specification/Scope of Work** - a comprehensive description of the contract requirements.

**Strategic Contract** - a contract of high value and high risk to the organisation. These contracts require the most amount of rigour and attention to manage the contract. Experienced contract

managers should be allocated to these contracts. A detailed contract management plan is required.

**Strategic Procurement Group (SPG)** – the Strategic Procurement Group within the Financial & Business Services Directorate.

**Supplier** – supplies goods or service to JCU and includes a contractor or consultant. Also termed as party in the CMS.

**University or JCU** - refers to James Cook University ABN 46 253 211 955 a body corporate constituted under the James Cook University Act 1997 (Qld) and where the context permits, includes persons and companies to whom this procedure applies.

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## Introduction

The procedure describes the responsibilities associated with the four major phases.

### **1. Pre-award activities**

Classify the contract risk and establish KPIs

### **2. Contract set-up**

Initiate and plan the contract management process

### **3. Contract management**

Administer and manage contract

### **4. Contract close-out**

Close and transition out of contracts

Knowledge articles have been written under the category “Procurement Contracts and Agreements” which provide more detail on the contract management steps and procedures and links have been provided throughout this document.

The steps required varies depending on the [contract value/risk classification](#) and are detailed in the table below. Each [hyperlink](#) in the table leads to the relevant section in this procedure.

Phase	Contract Management Step	Contract Classification		
		Routine	Leveraged or Focussed	Strategic
<b>1. Pre-Award</b>	<a href="#">1.1 Assess the contract based on value and risk</a>	Required	Required	Required
	<a href="#">1.2 Establish KPIs and contract reviews</a>	Recommended	Required	Required
<b>2. Contract Set-Up</b>	<a href="#">2.1 Confirm contract roles</a>	Required	Required	Required
	<a href="#">2.2 Set-up in the Contract Management System (CMS)</a>	Required	Required	Required
	<a href="#">2.3 Handover to Project Manager</a>	Required	Required	Required
	<a href="#">2.4 Conduct a kick-off meeting</a>	Optional	Recommended	Required
<b>3. Contract Management</b>	<a href="#">3.1 Contract management</a>	Recommended	Required	Required
	<a href="#">3.2 Manage contract amendments, variations and extensions</a>	Recommended	Required	Required
	<a href="#">3.3 Manage the performance of the contract</a>	Required	Required	Required
	<a href="#">3.4 Manage complaints</a>	Required	Required	Required
<b>4. Contract Close Out</b>	<a href="#">4.1 Final performance review</a>	Optional	Recommended	Required
	<a href="#">4.2 Contract close out</a>	Required	Required	Required

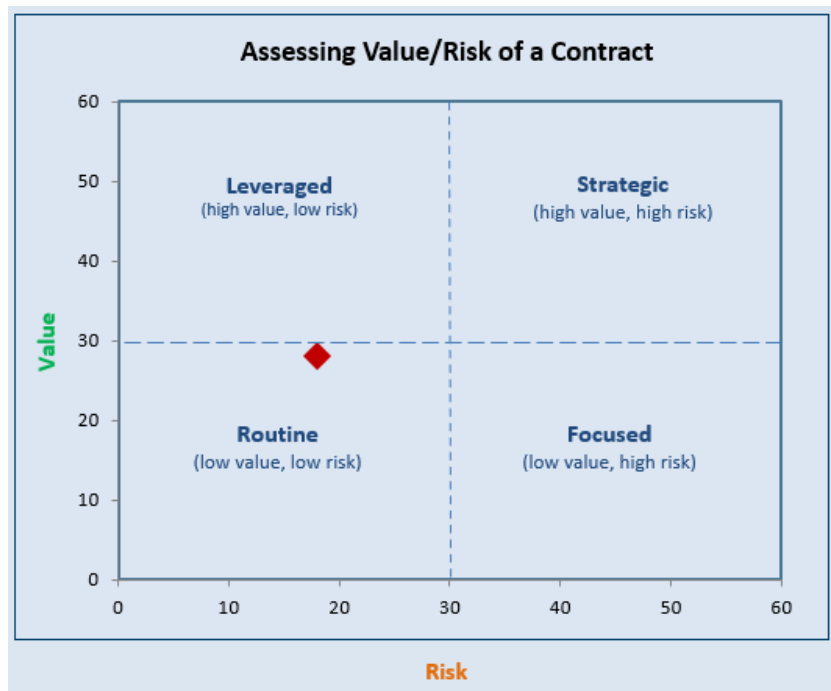
## 1. Pre-Award Activities

Activities performed prior to contract award have a strong impact on the contract management process. Ensuring that key requirements are fulfilled before the contract starts is fundamental for effective contract management. These requirements are as follows:

- Contract terms and conditions developed and agreed by all parties; and
- Performance management activities and reporting, including agreed KPIs.

### 1.1 Assess the Contract Based on Value and Risk

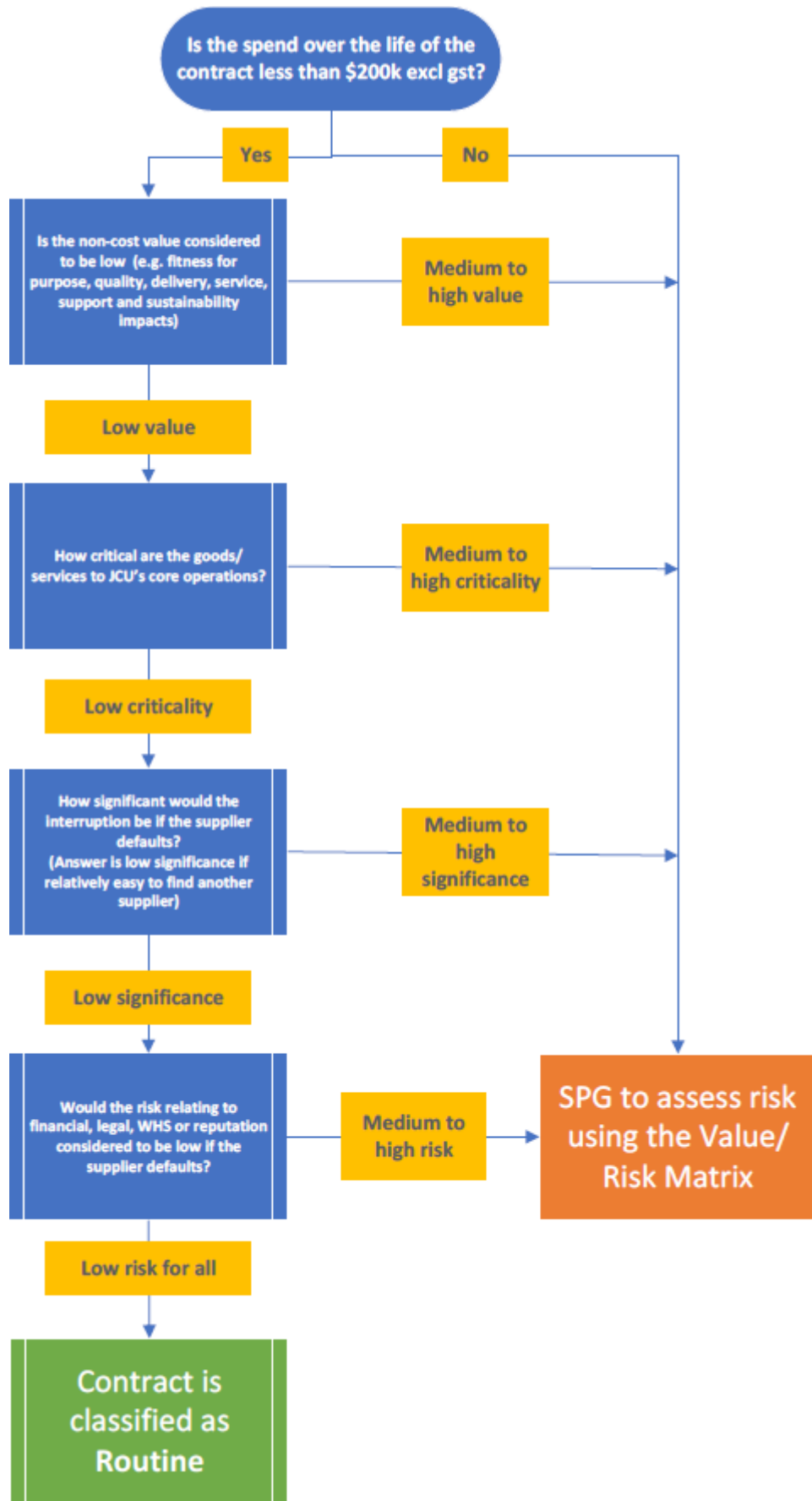
All contracts are to be assessed based on their value and risk to inform how much focus is required in managing each contract. This task is completed by the Procurement/Finance Representative responsible for entering the contract into the Contract Management System (CMS) using the [Value Risk Matrix](#) to classify contracts into one of four categories (refer to definitions section for more information):



#### Principles

- **Generally**, contracts with a value of less than \$200,000 will be classed as routine.
- All contracts greater than \$200,000 must be referred to SPG [via a Service Now request](#) to properly assess the value/risk classification.
- Contracts that are of the same nature but utilise different suppliers (e.g., External Clinical Teaching (ECT) for GP Training) need only be assessed once as a group and the appropriate management applied to all.

The decision tree overleaf can be used as a guide to assess the value/risk classification of a contract.



## 1.2 Establish KPIs and Contract Reviews

Establishing Key Performance Indicators (KPIs) is a fundamental element of delivering the expected value from contracts.

It is **optional for routine contracts** but an important **requirement for strategic, leveraged and focussed contracts**.

KPI's including the frequency and method of review are usually developed during the sourcing stage and agreed with the supplier as part of the negotiation and contracting process.

Refer to the following knowledge articles for further information:

- [Setting key performance indicators \(KPIs\)](#)
- [Monitoring procurement contract KPIs](#)
- [Performance review meetings](#)

## 2. Contract Set-Up

### 2.1 Confirm Contract Roles

The following roles must be assigned to appropriate staff members and recorded in the Contract Management System:

- **Contract Owner (CO)**
  - Person accountable for the budget/cost centre that funds the contract.
  - Appoints contract management roles.
  - A senior employee (Dean, Director or Deputy Vice Chancellor) from the business who is accountable for the contract outcomes (e.g., Director Estate).
- **Project Manager (PM)**
  - The employee from within the organisational unit who is responsible for the day-to-day operational matters relating to the contract.
  - Manages the contract throughout the post-award lifecycle as the single point of contact for suppliers on all contract matters.
  - Monitors contract performance and compliance.
  - Can view contracts and initiate minor amendments in the CMS if desired.
- **Contract Administrator (CA)**
  - An employee from within the organisational unit who can assist the Project Manager with administrative activities (such as budget monitoring, arranging meetings, recording risks, dealing with diarised reminders, assisting with invoices) if required.
  - Can view contracts and initiate minor amendments in the CMS if desired.
- **Procurement/Finance Representative (P/FR)**
  - An employee from the procurement team who is responsible for managing the contract lifecycle including invitation to offer, contract formation and contract set-up.
  - Responsible for administrative tasks such as arranging contract variations and closing the contract in the CMS.
  - Able to make any amendments in the CMS if unable to be performed by the Contract Administrator.

Refer to this [knowledge article](#) for more information on contract role responsibilities.

### 2.2 Set-up in the Contract Management System (CMS)

All JCU procurement contracts must be entered into the CMS by the Procurement/Finance Representative. A minimum amount of basic information is required for all contracts (e.g., title, contract type, contract classification, contract roles, start date, end date, value etc.). The amount of information required varies depending on the value/risk classification of contract and the contract type.

Refer to this [knowledge article](#) for instructions on how to initiate a request to create a contract via the SPG team.



## 2.3 Handover to Project Manager

Once the contract is set up, the Procurement/Finance Representative will handover the contract to the Project Manager in the organisational unit. This can be done in person or via email.

This handover includes explaining the functions of the CMS and the various roles and responsibilities. This must include explaining where to find:

- Key contractual documents
- Parties to the contract
- Schedules (if required)
- Reviews (if required)
- Key dates
- Amendments and variations

## 2.4 Conduct a Kick-off Meeting

Kick-off meetings **are not required for routine contracts** and judgement should be exercised to determine if a meeting **maybe worthwhile for leveraged and focussed contracts**.

Kick-off meetings **are required for strategic contracts**.

The purpose of the meeting is to ensure that everyone involved in managing the contract is clear on the contract objectives and expectations and to establish and agree communication, reporting, delegation of authorities, performance measurement, operational and commercial issues and escalation pathways under the contract.

Refer to this [knowledge article](#) for further information.

# 3. Contract Management

## 3.1 Contract Management

Contract management is the function of ensuring that a contract is executed in accordance with the terms and conditions of the contract, it covers financial management, risk management and records management and is a **requirement for leveraged, focussed and strategic contracts**.

### 3.1.1 Financial Monitoring

The Procurement/Finance Representative and/or the Contract Administrator is responsible for monitoring contract spend throughout the contract lifecycle, raising any issues with the Project Manager on a timely basis. This can be tracked in the CMS.

### 3.1.2 Risk Management

The Project Manager should actively compile and manage risks throughout the life of the contract.

It is recommended (not mandatory) that a contract risk register template be maintained and updated when necessary and new risks added as the contract progresses. This [knowledge article](#) has further information including a risk register template that can be used.

### 3.1.3 Records Management

Accurate records must be maintained and accessible for all contracts.

Documentation relating to contracts will be retained for periods specified in the Queensland State Archives schedule: General Records Disposal Schedule for Administration Records or for a longer period to be determined by the Manager Strategic Procurement.

It is the responsibility of the Project Manager and Procurement/Finance Representative to ensure that all contract documentation and records are kept in the CMS.

## 3.2 Manage Contract Amendments, Variations and Extensions

Circumstances may require a contract to be amended, varied or extended. Examples include:

- Technology changes or improvements
- Changes in legislation that impact on the contract and specification (e.g., changes in industrial relations legislation)
- Demand fluctuations
- Specification revisions and adjustments
- Requests for additional goods or services outside the original contract scope
- Exchange rate fluctuations
- Delays caused by latent conditions or force majeure
- Changes in external pricing drivers (e.g., commodity prices or labour rates)

A formal contract **variation** is required if either the **scope of works or price changes**. The Procurement/Finance Representative must be contacted to initiate all contract variations.

All variations must be approved by a financial delegate and a formal document sent to the contractor.

A contract **amendment** is required if the change is of a **minor** nature for example:

- A change to KPIs or monitoring methods
- An extension of time or milestone dates with no change in price or scope
- A change in contract roles

A formal document signed by both parties is not required for an amendment, although some form of documentation confirming the change (email or file note) should be attached in the CMS.

**If an extension of time results in either a change in scope or price, then this must be processed as a contract variation, not a minor amendment.**

The process for managing and approving variations to contract schedules and pricing should be determined during the sourcing process. All variations, amendments, and extensions must be processed in the CMS.

### **3.3 Manage the Performance of the Contract**

Whilst it is **not** a requirement to actively manage the performance of a **routine contract**, it is recommended. Routine contracts will require some level of management, however a formal contract management process is not required.

Performance management **is required** for contracts classified as **leveraged, focussed and strategic**.

The Project Manager is responsible for managing the day-to-day matters of the contract, including monitoring and reviewing performance, and managing the relationship. The Procurement/Finance Representative records all key performance indicators (KPIs) and contract reviews specified in the contract in the CMS.

The Project Manager monitors performance against these KPIs and documents the performance review in the CMS. The Procurement/Finance Representative keeps track of the status of performance monitoring for procurement contracts JCU have entered into.

Implementing performance management activities is a fundamental element for delivering the expected value from contracts. Capturing and reporting relevant performance metrics can deliver greater value for JCU. The following knowledge articles cover the main requirements of managing and monitoring performance:

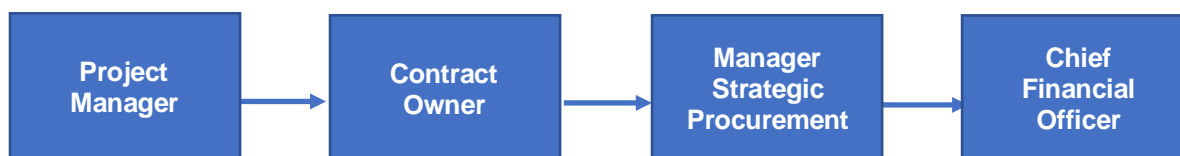
- [Monitoring procurement contract KPIs](#)
- [Performance review meetings](#)
- [Dealing with performance issues on a Procurement Contract](#)

- [Reviewing Performance Measures \(KPIs\)](#)

### 3.4 Manage Complaints, Non-Performance and Non-Compliance

The Project Manager is the first point of contact for any complaints, non-performance, and non-compliance issues and must follow the process defined in the contract for addressing complaints, managing disputes and contract breaches.

In the circumstances where the Project Manager is unable to resolve the issue, the issue should be escalated in accordance with the terms and conditions of the contract. Where there is no clear process outlined in the contract the Project Manager should follow the escalation represented in diagram below:



Refer to this [knowledge article](#) for more information on managing complaints.

## 4. Contract Close Out

### 4.1 Final Performance Review

The depth and detail of the final review process will vary depending on the contract.

A final performance review **must be carried out for contracts classified as strategic.**

This step is **optional for routine contracts** and **recommended for leveraged and focussed contracts.**

The objective of this activity is to evaluate the supplier's performance and to provide feedback that can be used as a reference for future work. The following should be considered:

- Whether the contract achieved its objectives
- The supplier's performance
- JCU's performance
- Satisfaction of the users
- Contract variations
- Disputes that arose during the contract
- Budgeted versus actual costs
- Identification and analysis of processes that worked well, areas that did not go well and potential areas for improvement for future contracts
- Audit reports
- A "lessons learned" meeting to understand how future contracts can be delivered more efficiently by uncovering what contract stakeholders believe was done well and what could have been done better.

Where appropriate, the Project Manager should provide all or part of the feedback from the final review to the contracted party/parties. This will enable any future arrangements to better meet the needs of the University.

### 4.2 Contract Close Out

Broadly, a check to ensure that all contracted activities have been delivered as agreed must be carried out before the contract is considered complete.

At the conclusion/expiry of the contract, the Project Manager assisted by the Contract Administrator and the Procurement/Finance Representative must formally close the contract according to the

agreed terms and conditions, making sure that the contract is closed in the CMS.

This [knowledge article](#) provides further information.

## Related policy instruments

[Code of Conduct](#)

[Competition and Consumer Act 2010 \(Cth\)](#)

[FMPM 710 – Procurement Policy](#)

[FMPM 711 – Procurement Procedure](#)

[Financial Sub-delegations Register](#)

## Related documents and legislation

[Crime and Misconduct Act 2001 \(Qld\)](#)

[Financial Accountability Act 2009 \(Qld\)](#)

[Financial and Performance Management Standard 2009 \(Qld\)](#)

[Queensland Information Technology Contracting \(QITC\) Framework \(Qld\)](#)

[Integrity Act 2009 \(Qld\)](#)

[James Cook University Act 1997 \(Qld\)](#)

[JCU Enterprise Agreement](#)

[Public Sector Ethics Act 1994 \(Qld\)](#)

[National Construction Code 2015 32](#)

[Queensland Code of Practice for the Building and Construction Industry](#)

[Queensland Charter for Local Content](#)

[Queensland Government Sustainable Procurement Roadmap](#)

[Queensland Procurement Policy 2021](#)

[Right to Information Act 2009 \(Qld\)](#)

[Workplace Health & Safety Regulations 2011 \(Cth\)](#)

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## Administration

NOTE: Printed copies of this procedure are uncontrolled, and currency can only be assured at the time of printing.

### Approval Details

Policy Domain	Financial Management
Policy Sponsor	Vice-Chancellor
Approval Authority	Finance Committee
Date for next Major Review	24/08/2027

### Revision History

Version	Approval date	Implementation date	Details	Author
23-1	18/05/2023	06/07/2023	Amendments to incorporate recommendations from Internal Audit Report 22-C-4 Procurement Contract	Chief Financial Officer

			Management Framework Follow Up Audit. The performance management roles and processes have been clarified to improve contract management practices.	
22-1	24/08/2022	01/09/2022	Procedure established.	Deputy Director, Financial and Business Services

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