



Government of **Western Australia**
Department of **Finance**

Western Australian Contract Management Framework Principles



Foreword



Good practice contract management is at the core of successful program delivery. It ensures the distribution of cost effective services and ultimately delivers better outcomes for the community.

As the procurement functional lead for the WA public sector, the Department of Finance is committed to providing advice and support to ensure good practice procurement.

Contract management is a vital aspect of procurement that, in the past, has suffered from under-investment and poor practice.

The creation of the Western Australian Contract Management Framework (WACMF) Principles responds to these issues and brings a renewed focus to good practice contract management.

The WACMF Principles focus on five key areas: People, Governance, Practice, Strategy and Performance and, importantly, improvements across all five areas are measurable.

The Department of Finance has liaised closely with agencies across government to develop the WACMF Principles and will continue to do so to progress and implement the tools and resources that drive consistent application of good practice contract management.

I thank the public sector employees who have been involved in the development of the WACMF Principles. Your contribution has ensured they are relevant and robust.

The introduction of the WACMF Principles is the first step in responding to the recommendations in the Special Inquiry into Government Programs and Projects and the Government's Service Priority Review around contract management, and aligns with the Government's broader Public Sector Reform Program. They will help build greater procurement maturity throughout the sector, and drive the cultural change that sees the public sector consistently strive to maximise outcomes and value for Western Australians.

Jodi Cant

Director General

Department of Finance

Overview

The Western Australian Contract Management Framework (WACMF) Principles identify the different elements required to ensure good practice contract management within existing WA public sector guidelines. They focus on what is required of an agency and of contract managers.

For agencies, the WACMF Principles are intended to help guide the whole-of-agency approach to contract management. This includes guidance on the appropriate level of governance, integration within the agency, what strategies to use when managing contracts and ensuring contractor performance.

For contract managers, the WACMF Principles provide guidance on applying the appropriate effort, adopting good practice and actively managing contracts. They are applicable to full time contract managers and officers for whom contract management is only part of their role.

The WACMF Principles detail the five overarching themes of contract management that together enable good practice to occur. All elements included within the principles work towards ensuring active contract management is undertaken by public sector agencies and contract managers.

The WACMF Principles recommend the following is essential for good practice contract management.

People – the technical expertise, competencies and experience within the agency that are appropriate for the contract management function to perform its role effectively.

Governance – robust internal controls and systems support strong contract management which manages risk and complies with internal and external policies and the procurement rules.

Practice – suitable tools, guiding resources and defined processes drive the consistent application of good practice contract management.

Strategy – ensuring the approach to contract management aligns with agency and wider Government objectives.

Performance – contract performance is continuously evaluated and actively managed to deliver value for money outcomes to the Western Australian community.

The WACMF Principles were developed in collaboration with a range of agencies across the WA public sector ensuring they are relevant and practical. The WACMF Principles have been designed to be a sector wide resource and will likely need adapting to suit individual agency needs. This adaptation will need to take into account factors such as the size and organisation of the agency, and the types, complexity and risk of the contracts they manage.

The WACMF Principles are part of a suite of supporting tools, resources and initiatives that will create a comprehensive and good practice Contract Management Framework for the WA public sector. The Framework will support both agencies and contract managers in achieving good practice contract management and securing value for money outcomes for Government.

For further information regarding the WACMF please visit www.finance.wa.gov.au.

Agency

Agency focuses on the contract management requirements of an agency as a whole, not on individual contracts. For good practice contract management to occur, it is vital that agencies recognise the importance of their contract management activities, allocate the correct resources and provide the support and guidance required.

Contract Manager focuses on those people who manage contracts on behalf of their agency. For good practice contract management to occur contract managers need to feel supported by their agency and have the capability and confidence to manage contracts effectively.

Contract Manager

Agency

The Agency:

- defines the contract management role and ensures there are accurate job descriptions and levels for all contract management staff;
- resources contract management adequately, with the appropriate range of skills to meet current needs and flexibility to meet changing needs;
- is proactive in recognising the development needs of contract management staff and uses the Procurement Competency Matrix to assist in their development;
- ensures there are clear and appropriate reporting lines for contract managers and that performance of contract managers is actively managed; and
- facilitates and encourages contract managers to share knowledge and experience and build a culture of best practice.

People

The technical expertise, competencies and experience within the agency are appropriate for the contract management function to perform its role effectively.

The Contract Manager:

- has a sound understanding of their role and recognises how they contribute to broader agency initiatives and community outcomes;
- has the skills, expertise and contractual knowledge required to manage the contracts assigned and feels supported to further develop these skills;
- uses the Procurement Competency Matrix to guide their professional development;
- is involved as early as possible in the procurement process, to ensure continuity across all phases of the procurement lifecycle; and
- is empowered and has the appropriate delegated authority to manage their contract effectively and consults internally with key stakeholders when needed e.g. audit, risk, procurement and finance.

Contract Manager

Agency

The Agency:

- ensures there is clear ownership of the contracts within the agency, including definition of the accountable authority, budget holder and contract manager with continuity of ownership where possible;
- has a clear delegation matrix, that details who is allowed to approve contract variations. The matrix takes into account both value and risk of the contract;
- ensures there is senior executive oversight for all contracts, especially high value and/or high risk contracts with contract managers able to easily report any contract issues in a timely manner;
- has clear payment processes, which are efficient and include appropriate checks and authorisation points such as, tracking payments against contract rates, identifying duplicate and non-payments and ensuring a contract is in place; and
- ensures all staff act in an accountable and ethical manner and comply with the procurement rules and relevant policy and practice requirements.

Governance

Robust internal controls and systems support strong contract management which manages risk and complies with internal and external policies and the procurement rules.

The Contract Manager:

- understands the governance structures and responsibilities that relate to their role and allocated contracts;
- is supported to access assistance and to develop their understanding of processes, procedures and systems supporting the contract management function. This could include internal governance structures, contract management systems and risk governance;
- is empowered to manage risk and other contractual issues and is supported by clear escalation processes if needed;
- behaves ethically and looks to identify where a potential, perceived or actual conflict of interest occurs; and
- is aware of and follows all internal and external policies, the procurement rules, and practice guidance which influences the management of contracts.

Contract Manager

Agency

The Agency:

- recognises the importance of contract management when planning for the procurement process and secures sufficient budget and resourcing;
- allows sufficient time in procurement processes to ensure that contract scope and deliverables are designed with contract management requirements taken into account;
- ensures that the administration and reporting requirements are relevant and focused and are not overly burdensome for the contract manager or suppliers;
- ensures there is a planned transition from the tendering phase to the contract management phase, including a clear and documented contract handover; and
- requires regular reviews of all contracts, with both performance and ongoing needs of the agency assessed.

Practice

Suitable tools, guiding resources and defined processes drive the consistent application of good practice contract management.

The Contract Manager:

- receives a contract handover for any new contract assigned and ensures that all contract documentation is current and stored in a secure and easily accessible location;
- is aware of all contractual terms and conditions, including those relating to their obligations, and ensures these are actively monitored over the course of the contract;
- uses any tools and resources (e.g. software, templates, policies, procurement rules) provided by the agency to assist in contract management. This includes developing and maintaining a formal Contract Management Plan if required;
- ensures that all administration requirements, including statutory record keeping, are undertaken routinely and as required; and
- includes end users and other stakeholders in consultation as and when needed.

Contract Manager

Agency

The Agency:

- has an overarching procurement strategy, which includes a strategic approach to the full procurement lifecycle, planning for future contractual requirements and mapping total procurement costs, including contract management, against future budgets;
- aligns contract management processes with whole of agency processes and wider government initiatives (employment, sustainability and use of local businesses);
- analyses market intelligence and agency strategy to determine procurement and contract management strategies. Relevant contract management strategies for the Agency's contracting mix (e.g. category management) are then developed based on these findings;
- has a structured supplier relationship management program for key suppliers to develop these relationships, maximise value and reduce associated risk; and
- encourages innovation from both contract management staff and contracted suppliers, in an effort to improve value for money outcomes.

Strategy

Ensuring the approach to contract management aligns with agency and wider Government objectives.

The Contract Manager:

- is aware of the procurement rules, strategies, policies and plans in place within their agency and for each of their contracts, and has the support required to realise these strategies;

has the opportunity to contribute to strategies relating to their contracts and the

- broader team; considers contract issues and the broader impacts both internal and external before implementing solutions;
- proactively encourages innovation and continuous improvement from all suppliers, and negotiates with suppliers to embed contractual changes throughout the life of the contract; and
- understands the supplier(s) business strategy and motivation, and leverages this to ensure supplier performance meets the contract requirements.

Contract Manager

Agency

The Agency:

- has clear and consistent guidelines for supplier performance management, which are available to all staff for reference;
- is aware of issues impacting the industries which they work with on a regular basis and uses this information to negotiate and drive value for money outcomes;
- has guidelines regarding incentive based terms (both financial and non-financial), and empowers staff to use these to drive improved contracting performance; and
- undertakes a performance review of its contract management capabilities on an annual basis (at a minimum), and actively addresses capability gaps.

Performance

Contract performance is continuously evaluated and actively managed to deliver value for money outcomes to the Western Australian community.

The Contract Manager:

- allocates suitable time and resources to develop relationships with the supplier(s) and ensures there are defined roles and responsibilities for all parties;
- understands and monitors the service level agreements and key performance indicators as part of their day to day contract management requirements;
- regularly provides both written and verbal performance feedback to the supplier(s) and feels empowered to address performance issues when they first emerge. The contract manager is aware of dispute resolution processes, and is supported by senior staff to use these if required;
- assesses all applications to vary the contract in an objective way, and ensures variations are only accepted when they demonstrate value for money;
- is aware of any changes to end user requirements, and works with the suppliers to address these changes; and
- undertakes actions to identify, monitor and inform buying behaviour to align performance to intended contract outcomes.

Contract Manager

**Enquiries:**

Department of Finance
Procurement Advice
Optima Centre, 16 Parkland Road, OSBORNE PARK WA 6017
Email: ProcurementAdvice@finance.wa.gov.au
Website: www.finance.wa.gov.au

© State of Western Australia 2019-2021

There is no objection to this publication being copied in whole or part, provided there is due acknowledgment of any material quoted or reproduced.

Originally Published by the Department of Finance, August 2019. Republished June 2021.

A copy of this publication is available on the Department of Finance website at www.finance.wa.gov.au

Disclaimer

The Western Australian Government is committed to quality service to its customers and makes every attempt to ensure accuracy, currency and reliability of the information contained in this publication. However, changes in circumstances over time may impact on the veracity of this information.

Accessibility

Copies of this document are available in alternative formats upon request.