

ARF012 Contract Management Risks

Risk Status Progress Report for April 2022

Prepared 07/03/2022

Description of risk and impact

Contract management risk can arise due to contract wording, contract breaches, contract performance and relationship management.

Contract management risks have the potential to negatively impact on financial, legal, reputational, service delivery and create long term issues for the Far North District. If not managed correctly we could see delays and interruptions with lengthy, drawn out disruption. Commercial and legal resource demand could be impacted.

Existing Treatments

Treatments established:

- A. Two specialists are in place:
 1. Contract Management Specialist, PMO (Currently covering the Procurement Specialist)
 2. Contract Specialist, District Facilities Operations.
- B. Key IAM leadership roles have incumbents with highly developed contract management competencies
- C. A FNDC-wide Contracts Register is available in TK2.

High level treatment plan and progress up-date:

High level treatment plan:	Progress update:
Develop a Contract Management Framework. The Contracts Framework will cover three main contractual arrangements with the addition of AOG (All of Government) and syndicated contracts.	Completed. Waiting on endorsement by Risk Owner and SLT. Phase 1 of the roll out to IAM has commenced. No further action has taken place as the Contract Management Specialist is covering the Procurement Specialist vacancy.
Develop policy, process and templates.	Completed.
Develop process to manage "Small" contractors contract management risk (health and safety, delivery and financial risk); and contract concentration risk.	In progress. PMO is developing a new process for small contractors. The process to manage contract concentration risk has been developed and published.
Building capability	
Increase internal commercial expertise.	Ongoing.

	<p>Targeted training, in contract management, will be delivered to contract owners. Contract managers will be identified through the new contract register.</p> <p>Training, to develop contract management capability in the IAM Infrastructure & Asset Management team, continues.</p> <p>The Contract Management Specialist is providing project specific advice.</p>
<p>New treatment May 2021: Refresh of the contract register.</p>	<p>In progress.</p> <ul style="list-style-type: none"> • The new Contract Register has been established (a page on the PMO SharePoint site) and is now being populated • Currently completing a search for documentation to complete the register • Working to determine secure locations to hold hard and soft copies of crucial contract documents such as the contract, bonds and warranties and insurance certificates. <p>No further action has taken place as the Contract Management Specialist is covering the Procurement Specialist vacancy.</p>
<p>District Facilitates Assurance Review</p>	<p>This is in the internal audit pipeline for scheduling. This audit will identify potential risks associated with the large contract renewal programme and ensure they are well managed.</p>
<p>LGA Section17A reviews Local authorities are obliged to review the cost-effectiveness of current arrangements for meeting community needs for good quality infrastructure, local public services and local regulation. Where a review is undertaken local authorities must consider options for the governance, funding and delivery of infrastructure, local public services and local regulation.</p>	<p>Scheduled reviews:</p> <ol style="list-style-type: none"> 1. Solid Waste – Steering Group to meet 10/03/2022, terms of reference have been agreed, draft terms of reference for project to be agreed at the first Steering Group meeting, members of the working group have been appointed, Procurement Plan (for professional services) being drafted. Solid Waste contracts are in the process of being renewed for one year. 2. Security of Council buildings – to be scheduled 3. Town, parks and reserves maintenance, delayed to 2023 with the RSL contract extended for two year (to June 24)

Where are the gaps? / what more could we be doing?

Council's Waste Management Strategy is due for renewal in 2023. There is a reputational risk that we will be perceived to be reviewing our solid waste contracts without consideration of our climate change obligations which would be captured in the 2023 review of the Waste Management Strategy.

Current environment:

Within the evolving contract scene Council is engaging with an increasing number of "small" contractors. It is anticipated that this trend will continue as we implement our Sustainable Procurement Policy. This is changing the contract management risk profile.

Understanding how lease commitments will be managed (over the lease term).

The plan is to continue to make progress against treatment solutions as identified in the table above.

Inherent Risk:	Trend of risk rating	Residual Risk:	Accountable:	CEO	Date raised:	29/11/18	Report frequency:
	Stable		Responsible:	GM IAM	Date accepted:	30/05/19	3 monthly
