

## ARF012 Contract Management Risks

### Risk Status Progress Report for May 2021

Prepared: 01/04/2021

#### 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 resource demand could be impacted.

#### Existing Treatments

##### Treatments established:

A. Two specialists are in place:

1. Contract Management Specialist whose focus is to build capability and address risk treatments; and
2. Contract Specialist whose focus is the operational contract management in District Facilities with the primary focus on the swimming pool contracts.

B. A FNDC-wide Contracts Register is available in TK2 system.

##### High level treatment plan and progress up-date:

High level treatment plan:	Progress update:
<p>Develop a Contract Management Framework.</p> <p>The Contracts Framework will cover three main contractual arrangements with the addition of AOG (All of Government) and syndicated contracts.</p>	<p>Completed.</p> <p>Progress is not to plan due to the delay in completing the Contract Framework peer review. The peer review is expected to be completed by end of Q4 20/21.</p> <p>The Contract Framework peer review delay has delayed the roll out. Phase 1 of the roll out (to IAMS) will commence immediately the review has been completed.</p>
<p>Develop Policy, process and templates.</p>	<p>In progress.</p> <p>Delivery planned for Q4 20/21.</p> <ul style="list-style-type: none"> <li>• Templates for contracts completed.</li> <li>• Draft Policy is currently with SLT for review</li> <li>• The process is contained within the framework.</li> </ul>
<p>Building capability</p>	
<p>Increase internal commercial expertise.</p>	<p>In progress.</p>

	<p>Weekly training to develop contract management capability in the IAMs Infrastructure &amp; Asset Management team continues. Currently working through the New Zealand standard construction contract, NZS3910.</p> <p>The Contract Management Specialist is providing project specific advice.</p>
<p>Contract Management training.</p> <p>Training plan to support contract management framework roll-out to be developed.</p>	<p>Underway.</p> <p>One training session delivered to Facilities Operation Team.</p> <p>Further training needs will be determined via a survey which will ask participants “if they would benefit from contract management training?”</p>
<p>New treatment:</p> <p>Refresh of the contract register.</p>	<ul style="list-style-type: none"> <li>• a survey is planned to identify who manages contracts, how many and what contracts they manage. This survey will also contain the training question referenced in the above treatment</li> <li>• migration of the contract register from TK2 to TK3</li> <li>• inclusion of an additional field to identify which contracts contain business continuity arrangements</li> <li>• determine secure locations to hold hard and soft copies of crucial contract documents such as the contract, bonds and warranties and insurance certificates.</li> </ul>
District Facilitates Assurance Review	This is with the Assurance and Audit Specialist for programming into the assurance schedule.
17A reviews	<p>Scheduled to commence July 21:</p> <ol style="list-style-type: none"> <li>1. Solid Waste</li> <li>2. Town, parks and reserves maintenance.</li> </ol>

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

### 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 when we implement our Sustainable Procurement Policy. This will change the contract management risk profile.

Contract concentration risk – there is a large financial exposure (in FNDC terms) to a number of providers. FNDC complete due diligence prior to entering a contract and contract manage these providers. The risk is the ongoing maintenance e.g. insurance certificates so that the provider does not become a liability to Council.

Current gaps identified are:

- “Small” contractors contract management risk (health and safety, delivery and financial risk)
- “Larger” contractors where we have a contract concentration risk and a large financial exposure

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 IAMs	Date accepted:	30/05/19	3 monthly