

Contract management guide

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Contact us

We are committed to continuous improvement. If you have any suggestions about how we can improve this document, or if you have any questions, contact us at ProcurementPolicy@qld.gov.au.

Disclaimer

This document is intended as a guide only for the internal use and benefit of government agencies. It may not be relied on by any other party. It should be read in conjunction with the Queensland Procurement Policy, your agency's procurement policies and procedures, and any other relevant documents.

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Administration

Version 2.0 of this document replaces previous versions of the Contract Management Framework guidance material and takes effect immediately.

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Purpose

This guide aims to provide general information, including links to tools and templates, to support anyone who manages contracts for goods and/or services on behalf of the Queensland Government.

How to use this guide?

Please read this guide in conjunction with, and apply subject to, your **agency's procurement policies and procedures, category-specific guidance and templates, whole-of-government procurement guides and the [Queensland Procurement Policy \(QPP\)](#)**.

Important

This guide is intended to provide general guidance that is applicable to all categories of goods and/or services, acknowledging there may be procedural nuances specific to categories and agencies.

It is not intended to contain detailed information, rather, it will flag key steps and considerations across the contract management lifecycle and reference other procurement guidance resources for further information about a particular topic.

Contract management

Contract management is the implementation of processes and activities to monitor, manage and ensure the effective delivery and performance of a contract, to achieve its intended objectives and outcomes. While contract management focuses on activities after a contract has been signed or commenced, these activities are planned before the contract is signed (i.e. during the category management and sourcing stage).

A contract is an agreement between a customer and supplier, made up of specified documents, terms and conditions, that outline the expectations for the provision of goods and/or services.

For the purpose of this guide, a common-use supply arrangement is not a contract – it is a standing offer that sets out the pre-negotiated terms and conditions for future contracts or purchase orders by government buyers. While it does not require government to buy, suppliers are legally bound to honour its terms if purchases are made. Generally, the establishment and management of common-use supply arrangements are significant procurement activities and should be managed accordingly with reference to the key steps and information in this guide.

The aim of contract management is to ensure contracted commitments from buyers and suppliers are effectively met, by delivering value for money outcomes and appropriately managing risk.

Contract management lifecycle

There are three phases involved in the contract management lifecycle as illustrated in **Figure 1** below:

- Phase 1: Contract set-up – how to initiate and plan the contract management process.
- Phase 2: Contract management – how to administer and manage contracts.
- Phase 3: Contract close-out – how to close and transition contracts.

Figure 1: Contract management lifecycle



Process summary

Table 1 below summarises the key steps in each contract management phase applicable to routine (i.e. corporate card transactions, low value and low risk) and significant (i.e. leveraged, focused or strategic) contracts.

Depending on the value and risk of the contract, the nature of activities and level of detail and effort required can vary for each step. For example, strategic procurement contracts require a lot more rigour, and experienced resources, to manage than a routine procurement contract.

Table 1: Contract management process summary

Phase	Phase Purpose	Key step	Templates and tools
1 Contract set-up	To deliver: <ul style="list-style-type: none"> clear contract management roles and responsibilities a tailored and effective contract management approach 	1.1 Classify contract based on value/risk assessment	Refer to contract management resources to access the following: <ul style="list-style-type: none"> Value/risk matrix Contract management checklist template Contract management plan template Contract kick-off meeting template Contract key performance indicator development template
		1.2 Confirm contract management roles	
		1.3 Conduct contract handover	
		1.4 Finalise contract management plan (Note: It is mandatory to prepare a contract management plan for significant procurement contracts)	
		1.5 Set-up enabling processes and information management	
		1.6 Conduct kick-off meeting	
2 Contract management	To deliver: <ul style="list-style-type: none"> contracted commitments made by supplier and buyer reporting on contract performance mechanisms to make changes to the contract and resolve disputes 	2.1 Monitor and manage performance	Refer to contract management resources to access the following: <ul style="list-style-type: none"> Contract performance review meeting template Risk register template Checklist for contract extensions/renewals template Contract review report template
		2.2 Manage financial and records administration	
		2.3 Manage risk	
		2.4 Manage complaints/disputes	
		2.5 Manage contract variations, extensions and renewals	
3 Contract close-out	To deliver: <ul style="list-style-type: none"> an effective close-out of a contract a smooth transition to any new or alternative suppliers 	3.1 Conduct final performance review	Refer to contract management resources to access the following: <ul style="list-style-type: none"> Close-out checklist template Lessons learnt log template
		3.2 Close out contract once all obligations met	
		3.3 Conduct lessons learnt	

Phase 1: Contract set-up

1.1 Classify contract based on value/risk assessment

Assess the value and risk of your contract to determine its classification. This will support you to identify the nature of activities and level of detail and effort required for each subsequent step of the contract management process.

You may refer to the [value/risk matrix](#) to help classify your contract. Alternatively, you may document your assessment separately informed by any value/risk assessments undertaken during the sourcing stage, research, input from consultation and/or professional judgement.

Retain a copy of the value/risk assessment with the contract records.

Table 2 below provides a brief overview of the different contract classifications and key contract management considerations.

Table 2: Contract classifications and key contract management considerations

Classification	Features	Key contract management considerations
Routine	<ul style="list-style-type: none"> Low value and low risk Transactional (e.g. corporate card) Short-term duration 	Recommend 'light touch' approach involving streamlined processes (e.g. use of templates such as Contract management checklist template) given the less complex nature of these contracts
Leveraged or focused	<ul style="list-style-type: none"> Any contract that is not 'routine' or 'strategic': <ul style="list-style-type: none"> Leveraged – high value, low risk Focused – low value, high risk Also known as a 'significant procurement contract' Longer-term duration 	<ul style="list-style-type: none"> Mandatory QPP requirement to prepare contract management plan For leveraged contracts, recommend drive cost savings (e.g. monitoring spend and addressing any lost savings due to inefficiencies or non-compliance, application of rebates, reduced pricing from bulk orders etc.) For focused contracts, recommend minimise risks (e.g. closely monitoring performance, regular reporting and supplier performance meetings)
Strategic	<ul style="list-style-type: none"> High value and high risk Also known as a 'significant procurement contract' Longer-term duration 	<ul style="list-style-type: none"> Mandatory QPP requirement to prepare contract management plan High level of rigour and attention required to manage Recommend allocate experienced resources to manage

1.2 Confirm contract management roles

Important
<p>It is acknowledged that agencies may take different approaches to establishing and assigning contract management roles and functions (e.g. use of different role titles, consolidated roles whereby an officer may assume multiple roles, roles with differing functions).</p> <p>The information in this section should be read as general guidance only, and applied subject to your agency's procurement policies and procedures, delegations and governance structures.</p> <p>It is also acknowledged that the contract management roles outlined in this section may not align with terminology in the Queensland Procurement Solution (QPS) or other procurement systems used across the Queensland Government. Agencies are encouraged to consider adopting the terminology below, or that which directly aligns with their system. Note that future work will be completed to align the terminology in this guide and the QPS.</p>

Assign contract management roles to personnel based on capacity and capability. Generally, these roles include:

- contract owner – accountable for the contract's overall performance and budget/cost centre, ensuring it aligns with organisational objectives and delivers intended outcomes
- contract manager – oversees day-to-day contract operations, monitors supplier performance, manages risks and ensures contract compliance

- contract administrator – handles administrative tasks like record-keeping, reporting and facilitating communication between contract parties to support the contract manager.

In assigning roles, consider the following:

- do you need specialist skills and experience (e.g. supplier relationship management, negotiation, legal, commercial)? If so, you may need to look outside your agency for this expertise.
- what are the authorisations or delegations assigned to each role?
- do they have enough time to undertake this role?
- can an individual assume multiple roles?
- is the individual willing to take accountability for this role?

It is also important to ensure the transfer of corporate knowledge and records between those involved in contract management occurs in a coordinated manner.

A roles and responsibilities matrix should be used to clarify accountability for each key contract management step. Refer to the example Responsible, Accountable, Consulted and Informed (RACI) matrix in **Table 3** below.

Table 3: Example RACI for contract management roles and functions

Phase	Key step	Sourcing lead	Contract owner	Contract manager	Contract administrator	Supplier	Key users
1 Contract set-up	1.1 Classify contract based on value/risk assessment	R	I	A	-	-	-
	1.2 Confirm contract management roles	-	A	R	I	-	I
	1.3 Conduct contract handover	R/A	C	I	-	-	I
	1.4 Finalise contract management plan	R	I	A	-	C	C
	1.5 Set-up enabling processes and information management	-	-	I	R/A	-	-
	1.6 Conduct kick-off meeting	C	C	R/A	I	C	C
2 Contract management	2.1 Monitor and manage performance	-	I	R/A	-	C	C
	2.2 Manage financial and records administration	-	-	C	R/A	-	-
	2.3 Manage risk	-	A	R	I	C	C
	2.4 Manage complaints/disputes	-	A	R	-	C	C
	2.5 Manage contract variations, extensions and renewals	-	A	R	I	C	C/I
3	3.1 Conduct final performance review	-	A	R	-	C	C

Contract close-out	3.2 Close out contract once all obligations met	-	-	A	R	I	I
	3.3 Conduct lessons learnt	C	C	R/A	C	C	C

1.3 Conduct contract handover

A properly conducted contract handover helps ensure a seamless transition from sourcing through to contract management, increasing the likelihood of successful contract delivery.

Seek relevant information and documents from the procurement sourcing lead through a handover and store in an appropriate contract management system (outlined in the [‘Set-up enabling processes and information management’](#) section below). This helps you to effectively plan an approach to contract management.

Consider:

- reviewing and documenting contract scope and expected outcomes
- ensuring the contract is registered in a contract management system (e.g. the [QPS](#))
- obtaining access to key documents, such as:
 - invitation documents
 - signed contract (including scope of works, agreed performance measures, reporting mechanisms)
 - health and safety requirements
 - successful supplier’s offer
 - draft contract management checklist or plan
 - risk assessment
 - contract implementation plan
 - evidence of contract award
 - evidence of insurance coverage
 - other relevant documents (e.g. warranties, securities, bank guarantees).

1.4 Finalise contract management plan

A Contract management plan:

- must be prepared for all significant procurement contracts
- does not need to be prepared for routine procurement contracts, however you should document how you plan to approach managing the same (e.g. use the [Contract management checklist template](#) instead).

Planning to manage a contract helps to:

- establish systems and processes to ensure that the supplier and buyer complies with contracted commitments
- establish a framework against which the performance of both parties can be monitored and problems easily identified and addressed
- manage risks and provides an audit trail of documentation to support important decisions made during the life of the contract (e.g. if decisions need to be made about a supplier that is failing to meet expected standards of performance).

In preparing the plan, consider referring to the draft that should have been developed during the procurement sourcing stage. This draft would be informed by:

- detailed information of the goods and/or services to be delivered under the contract and objectives of both parties
- issues raised by the supplier that were negotiated as part of the contract
- performance measures and governance frameworks developed and agreed with the supplier
- any identified risks that need to be managed under the contract
- any savings or benefits that are expected to be achieved under the contract.

Note there are no format requirements when documenting your plan to manage a contract, you may use a template (e.g. [Contract management plan template](#), [Contract management checklist template](#)) or another medium (e.g. contract management system).

Important

- When preparing the contract management plan, ensure contracted commitments are noted and tracked. These commitments should cover requirements as mandated in the [QPP](#) (including, but not limited to, adherence to the [Queensland Government Supplier Code of Conduct](#) and management of information and cyber security risks), as well as others as made by the supplier.
- Update your plan as you manage the contract to reflect any changed circumstances. If necessary, amend the current contract through the contract variation process to include mandated [QPP](#) requirements and/or additional performance measures.
- Refer to [online guidance](#) from the Office of the Information Commissioner Queensland for more information about the protection of personal information as this is relevant when managing contracts
- Refer to the [Managing Cyber Security in Procurement Guideline](#) for more information about managing cyber security risks in contracts

Establishing performance measures

In planning to manage the contract, determine if any performance measures (in addition to those identified from the procurement sourcing stage) are necessary to track performance. These performance measures may be called key performance indicators (KPIs) or service level agreements (SLAs).

In setting performance measures, consider:

- the nature, value and risk of the contract – e.g. more detailed performance measures for significant procurement contracts versus routine procurement contracts
- defining baselines, thresholds and corrective action triggers
- their alignment with contract objectives, contract remedies, escalation pathways and, where applicable, payment structures
- ensuring they are ‘SMART’ – i.e. specific, measurable, actionable, realistic and time-based
- who is responsible for reporting, ease of reporting and reporting frequency
- process for addressing underperformance against the measure.

Examples of performance measures are as follows:

- Cost – Invoiced amounts match contracted prices (e.g. 99% invoice pricing accuracy, based on a review of at least 20 invoices per quarter)
- Savings – Total savings delivered by the supplier to deliver the contract.
- Productivity – Measures the output produced/delivered per unit of input (e.g. number of services performed per day/week).
- Quality – Level of quality of the goods and/or services delivered.
- Outputs – Total output delivered by the supplier to deliver the contract.
- Responsiveness – That the supplier is responding to customer requests in a timely manner (e.g. 98% of customer queries are responded to within 30 minutes during business hours)
- Customer delivery – Percentage of orders delivered on time.
- Other examples include:
 - Contractor meets minimum service standards.
 - Number of customer complaints.
 - Reporting against key criteria as required by the contract.
 - Benchmarking of performance with other providers and other comparative performance activities.
 - Quality of regular stakeholder meetings.
 - Financial management aspects.
 - Information technology aspects.
 - Other performance measures specifically applicable to the procurement.

Managing and monitoring the supplier’s performance against these measures helps you to assess whether you are receiving value for money. It also helps with controlling risk and costs associated with the contract. An option that may

be considered is to contractually set minimum performance measures and if these are not met that it can be taken as a breach of contract.

Refer to the [Contract key performance indicator development template](#) to assist in developing performance measures.

1.5 Set-up enabling processes and information management

Set-up enabling processes and information management by:

- developing workflow solutions (e.g. business rules, processes and procedures)
- establishing a contract information record structure in your agency's contract management system (or the [QPS](#) if used) with the appropriate access controls. Secure evidence of how you plan to approach managing the contract, in addition to the key documents listed under '[Conduct contract handover](#)', against the information record structure.

Tip

- Wherever possible, agencies are encouraged to manage contracts via use of the 'Contracts Standard' module of the [QPS](#) to make it easier for suppliers to do business with government and drive consistency in practice across agencies. For further technical support enquiries, please email bsu@epw.qld.gov.au or call (07) 3215 3588.
- Consider also a mechanism and/or process to track any contract variations, extensions or renewals to provide a clear audit trail, help prevent disputes and enable better decision-making.

Developing workflow solutions is intended to ensure a standardised approach to managing the contract. Establishing an information record structure at the outset makes it easier to secure, locate and retrieve relevant information in the course of managing the contract, helps establish an audit trail for transparency, and enables contract performance to be monitored and measured, and benefits tracked.

The benefits from accessing quality procurement information include:

- identifying and forecasting new savings opportunities
- better contract negotiations
- placing more expenditure under management
- identifying and prioritising categories of expenditure
- tracking off-contract expenditure
- influencing policies and program for categories of expenditure already under management
- continually leveraging spend intelligence to enable adoption of category management programs.

1.6 Conduct kick-off meeting

As soon as practically possible after the contract is signed, schedule a contract kick-off meeting with the successful supplier. Refer to the [Contract kick-off meeting template](#) to assist in preparing for the meeting.

The contract kick-off meeting should be attended by the contract manager, supplier representatives and other stakeholders directly impacted by the contract (e.g. end-user, contract administrator).

Ensure key discussion points and outcomes are documented, distributed to the parties and secured against the information record structure.

Kick-off meetings are a good way to start a relationship with the successful supplier on a positive note, and they help to ensure everyone is on the same page about contract objectives and expectations (e.g. communication, reporting, delegation, performance measurement, operational and commercial issues, escalation pathways).

Note that some contracts (e.g. routine procurement contracts) do not warrant having a kick-off meeting – exercise professional judgment as to when a kick-off meeting will be a useful, depending on the classification of the contract (refer to '[Classify contract based on value/risk assessment](#)' above).

Phase 2: Contract management

2.1 Monitor and manage performance

Monitor and report

Apply appropriate performance monitoring techniques to objectively assess the supplier's performance against the agreed performance measures. What is appropriate depends on the risk, value and nature of goods and/or services provided.

These monitoring techniques include, but are not limited to, those outlined in **Table 4** below.

Table 4: Example monitoring techniques

Monitoring technique	Advantages	Disadvantages
Direct monitoring by agency	<ul style="list-style-type: none"> Agency is in control of monitoring Allow timely resolution of issues 	<ul style="list-style-type: none"> Increased agency costs involved with monitoring Potentially limited opportunity to establish meaningful measures given information imbalance between agency and supplier
Regular reporting by supplier	Decreased agency costs involved with monitoring	<ul style="list-style-type: none"> Accountability remains with agency – may be necessary to test accuracy of supplier reports through follow-up, site visits, spot checks or other forms of audit Increased agency costs
Monitoring by customer	Provides an accurate perception of quality of supplier's performance under actual service delivery conditions	<ul style="list-style-type: none"> Can be costly and time-consuming to apply Relies on support from multiple end-users who may have competing priorities
Independent monitoring (through external monitoring body or through accreditation)	Independent assessment of supplier performance provides a level of assurance of supplier performance	Can be costly and time-consuming to apply
Combination of monitoring techniques (e.g. use of accreditation supplemented by ongoing monitoring by agency)	Greater level of assurance of supplier performance	

Collect performance data against the agreed performance measures by establishing a reporting process that is appropriate for the contract. **Table 5** below provides an example of reporting processes tiered to the classification of a contract.

Table 5: Example reporting processes tiered to contract classification

Reporting process	Routine	Leveraged or focused	Strategic
Frequency	By exception	Quarterly	Monthly/Bi-monthly
Audience	<ul style="list-style-type: none"> Key users Supplier 	<ul style="list-style-type: none"> Contract owner Supplier Contract users 	<ul style="list-style-type: none"> Contract owner Supplier Contract users

In addition to regular supplier contract performance reports, contract performance reviews will also provide insight to any risks or issues that might be impacting the supplier's performance.

Table 6 below provides an example of a tiered approach to conducting contract performance reviews (formal and informal).

Table 6: Example contract performance reviews tiered to contract classification

Performance review process	Routine	Leveraged or focused	Strategic
Informal meetings – frequency	As required	Quarterly	Monthly
Formal meetings - frequency	As required	Annually/Bi-annually	Quarterly/Bi-annually
Recommended attendees	<ul style="list-style-type: none"> Contract manager Contract administrator Key users Supplier 	<ul style="list-style-type: none"> Contract manager Contract administrator Key users Supplier 	<ul style="list-style-type: none"> Contract owner Contract manager Contract administrator Key users Supplier

These review meetings should:

- be conducted face-to-face or electronically
- be chaired by either the contract owner or contract manager
- discuss issues openly and honestly
- be based on facts and data
- avoid hidden agendas
- be recorded and meeting results, measures and actions communicated to key stakeholders.

In preparing for a review meeting, consider:

- using the [Contract performance review meeting template](#), which contains an example agenda
- collect performance measure information
- review previous review meeting actions
- confirming meeting frequency, date and location
- setting meeting objectives
- developing meeting attendee list and agenda
- developing meeting materials (e.g. presentations).

Other methods to collect performance data include random inspections such as audits and site visits. While random inspections are a powerful supplier performance monitoring tool, it is important to not overuse this tool as it is likely to damage relationships with the supplier and make it difficult to build a business relationship based on trust and mutual commitment to excellence through continuous improvement.

Generally, it is important to verify and document that agreed contract milestones and deliverables have been met, before payment is made. Collecting performance data will assist in this regard.

Review performance measures

As part of managing the contract, periodically review the validity of performance measures with reference to the considerations outlined in the [‘Establishing performance measures’](#) section above.

Performance measures may require updating due to a number of reasons, for example:

- a greater understanding of how the contract works (refer to performance data collected)
- significant organisational change from either parties to the contract
- a change in government (including direction and focus)
- modification or introduction of new legislation or government policy.

If necessary, amend the current contract through the contract variation process to include the updated performance measures.

Managing underperformance

Where there are contract performance issues, no matter how small, it is important to engage with the supplier as soon as possible to identify the cause and work towards a resolution. Clear, solution-focused communication that leads to improved performance will support the professional working relationship between the parties.

By addressing small issues promptly, this helps to stop a pattern of supplier default from developing, which if it occurs would make it difficult to resolve later disputes as well as potentially reducing the remedies available at law.

Consider the following questions once a problem is identified with the supplier's performance:

- Is the supplier aware of the problem?
- Is there a clear failure to perform?
- Has the agency contributed to the failure in any material way?
- How important is this supplier?
- Have the goods and/or services been accepted?
- Has the contract been substantially completed?
- What are the conditions of contract?
- Does the contract provide for a dispute resolution mechanism?
- Can a solution be negotiated?
- What is the cost of resolution?

Note that sometimes a supplier's apparent underperformance can be caused by the agency (e.g. if the supplier does not get required inputs at agreed times, if the supplier's employees cannot access the government building, if there are changes to the agency's requirements).

Formal performance management process

Where there is a possibility that the performance issues may result in unsatisfactory outcomes for users, a formal performance management process should be undertaken in accordance with the contract.

Generally, this will involve formal discussions between relevant agency personnel and the supplier to:

- discuss the specific non-compliance and/or performance issues
- allow the underperforming party an opportunity to discuss their performance
- agree on measures to address performance issues, including timeframes for implementation and document a performance improvement plan (if required)
- agree dates for performance review
- discuss the need for sending a formal warning letter to the supplier.

Ensure key discussion points and outcomes are documented, distributed to the parties and secured against the information record structure. This will provide necessary evidence for potential contract disputes and contract termination.

Performance monitoring activities should increase during the period agreed for performance improvement, and communication with the supplier and key stakeholders should be maintained on a regular basis to address any issues or concerns at the operational level. This may necessitate renegotiation of some elements of the contract.

If the supplier continues to underperform, the supplier should be informed that termination of the contract may be considered and they must be made fully aware of any changes in their performance that they are required to make if they wish to avoid having their contract terminated. Legal advice should be sought prior to acting on any breaches of the conditions of contract.

2.2 Manage financial and records administration

Financial administration

Monitor contract spend throughout the contract lifecycle. This involves:

- updating contract information in the contract management system to reflect any changes in the Approved Contract Value (ACV)
- conducting frequent financial reconciliations between purchase orders/work orders approved, invoices paid against the contract and ACV.

Once the actual contract spend reaches the ACV, no additional purchase orders/work orders should be issued unless the ACV is revised.

Table 7 below provides an example of a tiered approach to financial administration of contracts.

Table 7: Example financial administration activities tiered to contract classification

Financial administration activities	Routine	Leveraged or focused	Strategic
Update contract cost control frequency	N/A	Quarterly	Monthly
Report contract cost control to	N/A	<ul style="list-style-type: none"> • Contract manager • Contract owner 	<ul style="list-style-type: none"> • Contract manager • Contract owner

Records administration

Keep key contract information in the contract management system in accordance with the established information record structure (outlined in the '[Set-up enabling processes and information management](#)' section above) to enable a single source of truth, provide an audit trail and demonstrate transparency. Examples of key contract information include:

- contract number
- contract title
- supplier entity name
- contract date
- contract duration
- contract milestones
- contract value
- contract governance for the customer and supplier, and key contacts

Potential records that may be required to be maintained and controlled include, but are not limited to, the following:

- contract documents
- insurances, bank guarantees and indemnities
- sourcing documents
- plans and schedules
- safety management plans
- variation schedules and support information
- project correspondence (in and out)
- performance reviews (including contract performance reviews, performance reports)
- meeting minutes and other records
- financial control (including financial management spreadsheet, invoices, purchase orders and work orders)
- plant and equipment schedules
- employee records
- supplier issues
- claims communication
- formal letters to suppliers (e.g. performance issues letters and complaints).

2.3 Manage risk

Compile and manage risks throughout the life of the contract, updating your risk assessment when necessary. Refer to the [Risk register template](#) to assist with documenting your risk assessment.

Risk reviews can be incorporated into regular performance review meetings to ensure they remain up-to-date.

An escalation process should be put in place, with all high to extreme risks reported to the contract owner for action.

2.4 Manage complaints/disputes

Follow the process defined in the contract for managing complaints and disputes.

As part of the contract kick-off meeting, inform all key stakeholders that complaints should be sent to the contract manager as the first point of contact.

Where the contract manager is not able to resolve the complaint, escalate according to the terms and conditions of the contract. Where there is no clear definition, consider escalating as per the example pathway in **Table 8** below.

Table 8: Example escalation pathway

Escalation level	Customer	Supplier
1	Contract manager	Supplier representative
2	Contract owner or Supplier relationship manager	Account manager
3	Procurement director (or equivalent)	Supplier executive
4	Procurement executive (e.g. Chief Procurement Officer or equivalent)	Supplier Chief Executive

Remember that taking a proactive and planned approach to managing the contract can prevent disputes from occurring. Formal dispute resolution (e.g. mediation, arbitration or taking formal legal action) is a last resort – ideally, issues arising throughout the contract should be dealt with without relying on these mechanisms. This can be done through:

- engaging the supplier in an open, transparent and constructive conversation outlining the issue(s) or potential issue(s)
- giving the supplier an opportunity to explain the cause or nature of the non-performance
- working with the supplier to collectively develop a mutually agreeable solution to address the issue(s)
- seeking assistance from subject matter experts to ensure the agreed plan is suitable
- escalating the issue(s) if the scope of the issue is outside your authority.

2.5 Manage contract variations, extensions and renewals

Tip

As the process to vary, extend or renew a contract may involve a range of activities, including seeking relevant approvals such as your agency's financial and/or procurement delegates, ensure you allocate adequate time to undertake these activities, or re-approach the market if required.

It is better practice to address extensions and renewals as soon as possible, particularly to support sustainable workforces for suppliers with long-term agreements. This helps to minimise disruption to supplier workforces and service delivery.

Follow the process for managing and approving contract variations, extensions and renewals as determined during the sourcing process, and in accordance with your agency's procurement procedures and delegations.

A contract variation occurs when, after a contract is signed, there is a need to make changes to the contract. A contract extension occurs when an existing contract is continued for a period of time. Often, this will occur via the extension options in the contract. A contract renewal occurs when an existing contract ends – by, for example, expiring – and the parties agree to enter into a new contract (usually for the same or very similar services). For more information on contract extensions and renewals, refer to the [Extend and renew contracts ForGov webpage](#).

Before a contract is extended or renewed, assess and document that supplier performance met contractual requirements, that value for money had been achieved and that the extension or renewal offers ongoing value for money.

Contracts may be varied, extended or renewed due to a number of reasons including, but not limited to:

- technology changes or improvements
- changes in legislation that impact on the contract and specification

- demand fluctuations
- specification revisions and adjustments
- requests for additional goods or services outside the original contract scope
- exchange rate fluctuations
- changes in external pricing drivers (e.g. commodity prices or labour rates).

You may refer to the following templates to assist in guiding and documenting your decision to vary or renew a contract:

- For routine procurement contracts: [Checklist for contract extensions/renewals template](#).
- For significant procurement contracts: [Contract review report template](#).

Keep any relevant documentation related to varying or renewing the contract in accordance with your agency's record-keeping procedures. This includes signed letters, records of conversations and emails, checklists and contract review reports.

Important

Where a decision is made to vary or renew a contract, consider implications for contract disclosure. For further details, please refer to the [Contract disclosure guide](#).

Phase 3: Contract close-out

3.1 Conduct final performance review

Conduct a final performance review of the contract, tailoring the depth and detail according to the contract size, value and risk. Consider the following as part of the review:

- whether the contract achieved its objectives
- the supplier's performance
- customer performance
- satisfaction of the users
- adherence to contract timeframes, including administrative aspects of performance
- contract variations
- disputes that arose during the contract
- budgeted versus actual costs
- weaknesses in planning, management and procedures
- identification and analysis of processes that went well, areas that did not go well and potential areas for improvement for future contracts
- audit reports.

On completion of the review, document your findings and share with the supplier to help with continuous improvement.

The aim of this activity is to evaluate supplier performance to provide feedback that can be used as a reference for future work. It also allows agencies to better predict the quality and likely degree of customer satisfaction with future work. It is important that due regard be given to a supplier's right to commercial-in-confidence dealings, fair process and any *Competition and Consumer Act 2010* requirements that trade not be restricted. Supplier performance information should be handled sensitively to avoid the potential for disputes over its collection and use.

3.2 Close out contract once all obligations met

Managing transition

Where a decision is made to engage a different supplier to provide the goods and/or services, develop a transition plan. Consider the following when developing the transition plan:

- preparing the plan at least three months prior to contract expiry
- include information related to exit responsibilities, data and asset return processes, and continuity planning
- identify any specific differences between the current and future contract

- develop a new communication plan, identify stakeholders, both internally and externally who may be impacted by the change
- update internal processes or procedures with any changes required under the new contract.

Depending on the size and complexity of the contract, the transition period can be a high-risk period for the customer – it may take several months and require ongoing management by the contract manager.

Managing warranties or defects

On completion of the contract, conduct inspection or testing to check for any defects where appropriate. This is about identifying if there is a fault or non-conformance in the goods and/or services supplied, resulting in failure to meet the requirements outlined in the contract.

Where defects are identified, this should be managed in accordance with the terms and conditions of the contract. Generally, this involves:

- issuing a correction notice to the supplier detailing what rectification action is required
- the supplier submitting a defect correction plan detailing the plans to rectify the defect
- following customer acceptance of the defect correction plan, the supplier undertaking rectification work in accordance with the plan
- following satisfactory correction of the defect, the contract manager issuing a defect acceptance certificate confirming that the defects have been rectified.

Formal close out of contract

At the conclusion or expiry of the contract, formally document the close out of the contract according to the agreed terms and conditions. You may refer to the [Close-out checklist template](#) to assist with this task.

3.3 Conduct lessons learnt

Capturing lessons learnt helps to identify what worked well and what could be improved in the contract management process. This information can be used to refine policies, procedures and practices, ensuring that future contracts are managed more effectively and efficiently.

On conclusion of the contract, gather the contract management team and supplier together to undertake a lessons learnt session to capture what went well and areas for improvement when managing the contract.

You may refer to the [Lessons learned log template](#) to assist with this task.

Reference list

Commonwealth of Australia, 2025, 'Australian Government Contract Management Guide August 2025', <https://www.finance.gov.au/government/procurement/contract-management-guide>, accessed November 2025.