

Contract management – extensions and variations

From report 20: 2019/20 – Local Government Contract Extensions and Variations

The following table shows control principles on which our audit focused. They are not intended to be an exhaustive list.

Management of contract extensions and variations	Focus area	What we expected to see
Policy	Policies and procedures	<ul style="list-style-type: none"> Contract management policies and procedures are regularly reviewed to ensure compliance with current legislation and relevance to current operations. Policies or procedures include a requirement to maintain a comprehensive register or database of all contracts, including: <ul style="list-style-type: none"> the dollar value above which contracts are to be included in the register, and the custodian of the register with responsibility for regular review and update of the contract register or database. Policies include clear guidance on what constitutes a contract variation and when a separate procurement process is required. The policies or procedures provide guidance on the key processes for contract extensions, including timely and documented assessments of contractor performance prior to exercising an extension option.
	Delegations	<ul style="list-style-type: none"> There are appropriate delegations and authorisations in place for procurement as well as for contract extensions and variations.
Records	Comprehensive register of contracts	<ul style="list-style-type: none"> A comprehensive register of all contracts is maintained, with all key contract information.
Contract extensions	Contract terms	<ul style="list-style-type: none"> Contracts are extended only if the original contract includes extension options.
	Approval	<ul style="list-style-type: none"> Contract extensions are approved by an appropriate officer, in accordance with delegated authorisation limits. Extensions are approved before the expiration date of the original contract or previously extended term, for continuity in the provision of services.

Management of contract extensions and variations	Focus area	What we expected to see
	Contractor performance review	<ul style="list-style-type: none"> • There is documented evidence that contractor performance has been assessed before a contract extension is approved.
	Recordkeeping	<ul style="list-style-type: none"> • There is documented evidence that the terms of the contract extension have been mutually agreed by the entity and the contractor. • Documents for approval of contract extensions are retained in accordance with recordkeeping plans, to promote accountability and transparency in decision making.
Contract variations	Approval	<ul style="list-style-type: none"> • Contract variations are approved by an appropriate officer, in accordance with delegated authorisation limits. • Consideration is given to the cumulative impact of variations, to ensure that the scope of the original contract is not significantly altered, and that a separate procurement process is not required.
	Proposal for variation	<ul style="list-style-type: none"> • Contract variations are supported by proposals with detailed description of the nature of the variation, with associated cost, time and scope implications.
	Recordkeeping	<ul style="list-style-type: none"> • The variation proposals and approval documents are retained in accordance with recordkeeping plans, to promote accountability and transparency in decision making.

Source: OAG

