

## CONTRACT COMPLIANCE & AUDITING

### Procurement compliance is needed to ensure realized savings from sourced contracts



Years ago, a client negotiated a contract with a real-estate firm in a faraway land. The lease was expensive, costing the company millions every year to rent a large office in one of the world's most expensive cities.

Because of local staff changes, no one knew that the contract was due to expire, and would roll-on for another three years unless someone decided to inform the supplier.

Fortunately, the client's centralized procurement team, who had registered all contracts centrally, was alerted to the expiring contract and took immediate action to re-negotiate it – saving more than a million dollars in the process.

Poor contract visibility puts companies at risk over lost revenue and added costs. Not surprisingly, procurement professionals are increasingly taking contract management seriously.

Contract compliance management can embrace many different aspects and phases of contract management. It is an important area of business performance which in theory will raise efficiency and reduce risks.

The best practice takes on two forms – one of which is ensuring that there are controls over non-compliance and the other is ensuring that the definitions of compliance are monitored and necessary adjustments are made for changing business or market conditions.

At a strategic level, it might be responsibility for thinks like:

- ensuring integrity of the contract management process and monitoring compliance

- aligning available contract terms with corporate policies and approved practices
- developing or overseeing availability of standard contract templates and monitoring compliance

At a transactional level, it might include:

- review and approval of proposed variations from standard process, policy or terms
- monitoring of contract and obligation performance to ensure compliance with specified terms

At both levels, it might include:

- input of relevant compliance data to control systems
- identification of compliance variations and / or exposures, including frequencies
- recommendations for changes in compliance rules, policies or terms to reflect changing trends, market conditions or opportunities
- Management reporting and change initiatives.

**Gain greater control of your supplier contracts isn't a big project but it does have big rewards – simply by looking at your data and the contextual information you can rest assured there are no costly issues waiting to emerge when you least expect them.**