

Contract Audit

Having worked extensively in the financial services sector, we know that there are particular pressures on financial information institutions to understand where their data goes and how it's used. Here, we talk to Jonjo Hobbs about how Capita Procurement Solutions' contract review process has created multiple benefits for clients.



Jonjo Hobbs

Managing Director



First, can you tell us a bit more about what the contract review process means in relation to financial information organisations?

I think everyone recognises the benefits of regularly reviewing existing contracts to make sure service delivery is aligned to specifications and pricing is consistent. Our experience of assessing many hundreds of contracts (both client facing and with suppliers) has demonstrated that although contractual constructs might vary, the underlying themes still prevail. In particular, contract reviews reach far wider into the realms of risk management, compliance issues such as GDPR, and provide the opportunity to mitigate these risks.

This is particularly true in the financial information sector, where in amongst the thousands of data feeds flowing in and out of an organisation, there is a key challenge in understanding where the data is going and what it's used for. In this case, the contract review process is focused on commercial opportunities and liability threats in contract arrangements with customers and partners.

So what is the starting point?

As always, the starting point for us is understanding the data maps. In this case, our first focus is on identifying the myriad of existing contracts both on the supply side (in bound data used to create products) and client side, which (if there is no central

contract repository) we can do through a mix of engagement with sales leads and looking at invoice data to see who the organisation has been providing services to. Having identified relevant contracts, we review each one so we have a baseline understanding of the obligations / service that should be provided.

After that, we do a further review, this time of the information and services that are actually being delivered, so we can understand the delta between the contract and delivery.

How does this create commercial opportunities or reduce risk?

Contract reviews on existing sales deliver multiple benefits. For a start it creates a full picture of all the activity with a client, not just the contracted activity. It brings all the contracts into one place, so they are easier to manage and you can see any variations between different agreements. It creates an opportunity to simplify the contracted relationship. It allows you to see deviations from standard terms and conditions, which may need to be managed differently. This inherently reduces your risks, which can be further reduced by working with partners to standardise any 'quirky' contracts.

The commercial opportunities come from ensuring all entitlements are being realised: volume-based pricing, capturing un-charged services and giving visibility to enable cross-selling of key products.

What happens at the end of the review process?

Clearly the contract review is only really the beginning of the process. In order to deliver benefits, you need to be working with customers and partners to amend contracts and agree new pricing arrangements to reflect services being delivered. It also offers an opportunity to do some 'housekeeping' and put in place standard approaches to sales and customer management that help the sales team contract and manage new work going forward.

So a contract audit isn't an end-point in itself?

Absolutely not, in fact it is a key first step on the cycle of contract management, putting in place the foundation for the day-to-day activity that will ensure clarity, control, manage risk and develop better relationships on both the supply and client side.

Find out more...



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