



1,207
STAFF 
10 OFFICES 
153 PARTNERS
AS AT JULY 2016 NATIONAL TOTAL 1,360





MANAGING CONTRACT RISK

Third Party Audits

ANDREW HILLBECK

19 August 2016



"\$1.2 billion Perth Stadium to cost almost double 2011 projections"

WA TODAY, 2015

"Gorgon LNG cost blows out to \$52bn"

AUSTRALIAN FINANCIAL REVIEW, 2012

"Multimillion-dollar cost blowout in Education Department (Victoria) IT project"

HERALD SUN, MAY 2016

"Perth company expected to record a net loss of up to \$6 million from contract cost blowouts"

BUSINESS NEWS WA, APRIL 2016



MANAGING CONTRACT RISK

Common Theme

Reliance on third parties to deliver organisation's objectives.



MANAGING CONTRACT RISK

Risk Factors

Scope definition





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Risk Factors

Organisation and third party governance structure and procedures





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Risk Factors

Payment verification





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Risk Factors

Realistic schedules





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Risk Factors

Schedule - “just get it done”





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Risk Factors

Third Party oversight





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Risk Factors

Contractor requirements





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Risk Factors

Project v Functions





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Risk Factors

Contract type





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Risk Factors

Compensation structure





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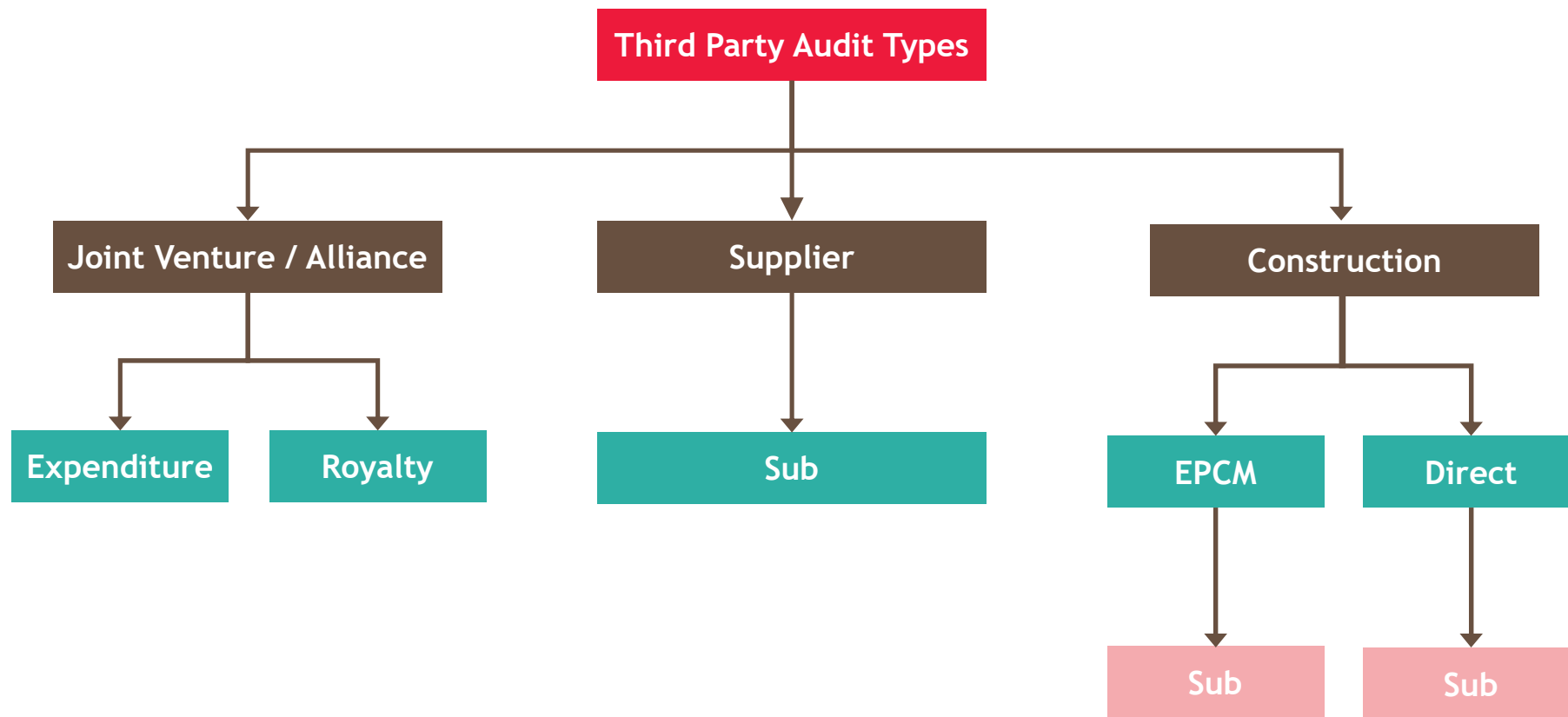
Risk Factors

Variations and change orders



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Types of Third Party Audits





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Typical Audit Outcomes

Improvements to governance and process frameworks

- Organisation
- Third party

Cost savings

Cost recoveries



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Success Factors

A well drafted contract





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Success Factors

Thorough scope definition





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Success Factors

Define governance structure





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Success Factors

Organisation accountabilities and responsibilities





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Success Factors

Payment verification





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Success Factors

Right to audit and exercise it





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Success Factors

Third party record keeping and internal controls



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Success Factors

Define information provided by third party





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Success Factors

Transparency with third party





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Success Factors

Focus on the third party





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