



Contract management for revenue & spend control compliance

Increasing regulation and oversight by the authorities means companies need to ensure that their existing business processes and systems are robust enough to obtain real time access to, or generate the information they need to report. In many cases this will mean new efforts to integrate financial and operational IT systems and to formalise contract management processes and systems.

Contract management provides an important part of the complete solution for organisations to comply with reporting requirements for management controls since contracts contain the information needed to provide the required visibility into trade relationships and a consolidated view into the operations and financial reporting systems. In general, "material changes" will involve a contractual change of some sort as well, whether it is a new contract, change to an existing contract, or a change in performance, compliance or risk element associated with delivery under a contract.

Business Challenges

Today's challenge is to provide a flexible, scalable workflow process with a workable architecture - one that is both adaptable and usable by business managers. The architecture should be extensible and customisable on every level, for every process definition and at every process instance:

- Multiple Contracts
- Visibility Across Departments
- Tracking Metrics
- Access control
- Contract approval and signature authority
- Control Maverick Spend

By ensuring that contracts and procurement and contracting activities are consistent, organisations can effectively compare agreements, making identification of issues simple, and do cross-contract reporting that provides a consolidated view of agreements across the organisation. Consistency in contracts also enables more effective validation of financial transactions against those contracts.

A contract management process must also be able to provide centralised control over contracts so that senior management can dictate the general terms and conditions of all agreements, ensure they have the ability to review and approve any high-risk items, and that they can effectively consolidate information for contracts across their organisations.

Details

To provide the required level of consistency a contract management process must be able to support corporate templates, provide a mechanism for those templates to be localised for use in different jurisdictions and languages, support active control of the contract content, and provide effective workflow to ensure the proper governance rules are applied.

Most organisations have multiple departments writing contracts and following various contracting procedures. Many struggle with implementing a standard contracting process. Mencius Business Solutions' consultants can help by identifying processes for consistent contract creation, based on boilerplate templates, sanctioned by the organisation's legal department. It can embed contract governance rules so that each type of contract follows a pre-defined or dynamic workflow but always stays within the organisation's established process flows.

Studies show at least 10% of contracts are lost in many organisations. Visibility of contracts and other related documents is critical for the ability to monitor contracts, minimise corporate risk and achieve compliance. This visibility requires that key contract metrics are monitored, including automatic renewal dates and contract tolerances, such as spend amounts, minimum and/or limit quantities, pricing and other factors. In addition to expiring contracts, renewals and certificates of insurance, price adjustments and escalator clauses may also come into play and require monitoring.

Contract approval and signature authority is also an Important element of the process. Having the right level of control prevents delay, controls management spend, whilst facilitating the governance required to protect the business from maverick spend.

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Process

Mencius Business Solutions follows a structured process, based on established project management principles, when working with clients evaluating either their existing contracts management processes:

- **1 - Discovery and Planning:** Mencius Business Solutions' experts work with the client, via a series of interviews with the stakeholders to assemble a complete picture of the contract management processes which exist across the affected departments.
- **2 – Creation of process descriptions:** Mencius Business Solutions then creates a template of processes to: Establish internal controls; Ensure correct delegation of authority; Communicate the processes; Enforce the processes; Establish corrective processes; Facilitate risk assessment and management; and provide for adequate reporting and alerting.
- **3 - Deployment:** Once the overall business & process requirements of the client have been documented, Mencius Business Solutions can work with the client to design the appropriate architecture (including selection of software & technology) to support the processes. Mencius Business Solutions' consultants are available to work with the client's staff throughout the entire deployment lifecycle.
- **4 –Acceptance, sign-off, and Knowledge Transfer:** Throughout the project, Mencius Business Solutions continues to work with the client to ensure, via standard reporting templates, that progress is monitored and that knowledge is transferred via a comprehensive set of documentation.

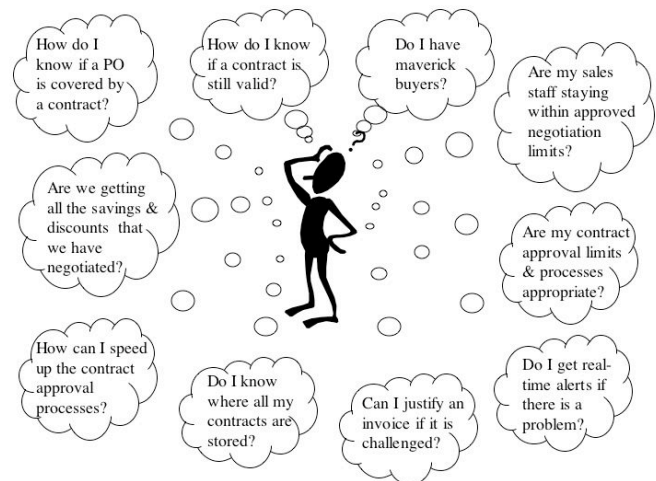
Added Value

The Mencius Business Solutions contract management services exist to add value to customer organisations:

- **Help customers** understand the existing processes and resultant inherent risk exposure to the organisation
- **Assist customers** with the concept creation of streamlined processes and architecture, including vendor selection and IT design
- **Ensure customer success** by providing regular status reports highlighting any potential issues or pitfalls.
- **Assure** Quality of Service by providing benchmark data for similar environments
- **Improves** Contract creation lifecycle times, spend management controls, revenue recognition processes.

Summary

Regulations are being constantly created and updated to address declining confidence of investors in the financial markets, and more specifically, in the public companies that trade in these markets. While these regulations establish significant new reporting requirements, value can be realised in the actions of senior management in establishing better business controls and reporting. Much of the effort is focused on contracts, improving mechanisms for tracking and managing contracts and the activities and transactions that relate to contracts. Effective contract management controls and reporting capabilities provide the collateral benefit of cost savings, revenue maximisation and other significant business benefits.



Find out more

To find out more about how to benefit from Mencius Business Solutions' negotiation and audit services for your existing or future ERP systems, please contact us on +32 2 375 6018, or via our website at: www.mencius.be.