

## Contract Risk and Compliance

### Maximising value from third party relationships within the public sector



---

Your business partners' actions inevitably have an impact on your reputation, costs, compliance, operational controls and ability to deliver your objectives. Are you comfortable that your business partners are truly delivering the service you are paying for?

The concept of an extended enterprise is highly relevant for the public sector. Public bodies are reliant on external third party organisations in the achievement of their objectives and Public Service Agreements (PSAs). Third party relationships are therefore integral to an efficient and effective public sector organisation.

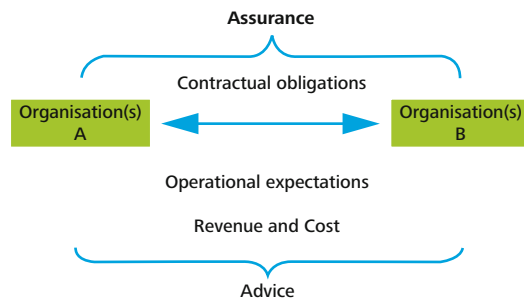
Public bodies interact with and rely on a range of third parties including outsource service providers, delivery partners and joint venture partners. These relationships are governed by a variety of contracts and commissioning models. Often, these partners self-report their performance or finances to you.

Even with detailed contract management processes, failure to obtain assurance over the operations of third parties and specifically the accuracy and completeness of self-reported metrics can lead to:

- poor service delivery not identified and remedied;
- excessive or unnecessary cost;
- costs incurred for services not delivered in line with expectations;
- revenue due not being received;
- reduction in service quality without application of contracted penalties;
- an inability to evaluate contract performance; and
- non compliance with regulatory or legislative requirements.

**How we can help**

Our Contract Risk and Compliance team is dedicated to helping organisations maximise the value from their third party relationships through an effective contract compliance programme. Our contract compliance services can also improve business relationships, drive greater visibility of partner activity and improve processes and controls.



Contract Risk and Compliance (CRC) activities can lead to:

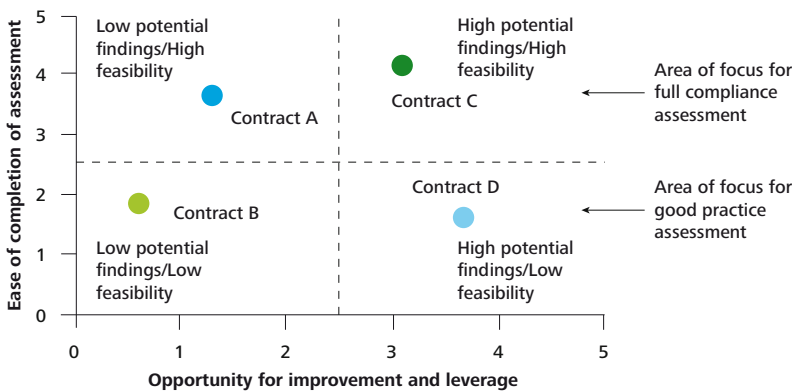
- increased visibility of obligations upon your third party and upon your organisation;
- direct cost recoveries;
- enhanced visibility and certainty of operational performance;
- assurance over compliance with regulatory and legislative requirements e.g. Health & Safety and Data Protection;
- identification of unclaimed or unidentified service credits;
- a view of organisational contract management capability; and
- information for negotiation and assistance with strategic options for entering and exiting contracts.

**Our approach**

Third party relationships pose differing degrees of risk to an organisation. Selecting the most appropriate contracts or relationships for assessment is key to maximising the value delivered from a contract compliance evaluation. Factors that can be considered when understanding whether to assess a third party's compliance with their contract can include:

- spend;
- maturity of the relationship;
- criticality of the service;
- pricing structure;
- degree of self reporting;
- visibility of process and transaction flow;
- robustness of contract monitoring processes; and
- extent and strength of SLAs.

# Selecting the most appropriate contracts or relationships for assessment is key to maximising the value delivered from a contract compliance evaluation.



Understanding and mapping your third party relationships can help ensure you obtain maximum assurance over your strategic, high risk or highest value relationships, thus maximising the benefit of the compliance activities.

Our wealth of experience has allowed us to identify the key success factors in delivering value added third party review projects and programmes, some of which include:

- clarity between all parties as to the purpose of the exercise;
- in-depth understanding of the terms and conditions governing the relationship;
- designing an approach which minimises the impact on the party under review; and
- agreeing factual accuracy of all our findings with the third party.

Each of these factors and many other key elements have been incorporated into our five stage methodology.



### Why Deloitte?

Assessing the compliance of any third party against the contractual terms and conditions can be a complex activity, however doing so whilst maintaining and possibly building a strategic relationship requires a wealth of experience and a series of specific skills, including:

- in depth understanding of contract terms and conditions and the areas of highest risk;
- experience managing third parties' expectations and concerns;
- deep data analysis skills;
- a tool set developed specifically for assessing contract compliance;
- a global team who can access sites and data wherever the third party is based; and
- a team of experienced professionals dedicated to Contract Risk and Compliance.

Deloitte's Contract Risk and Compliance practice brings all of these facets to assist you to unlock the value of your third party relationships.

### Contacts

#### David Noon

Partner  
020 7007 3660  
dnoon@deloitte.co.uk

#### Kristian Park

Director  
020 7303 4110  
krpark@deloitte.co.uk

Or visit us at:  
[www.deloitte.co.uk](http://www.deloitte.co.uk)

---

Our wealth of experience has allowed us to identify the key success factors in delivering value added third party review projects and programmes

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte LLP would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte LLP accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2011 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. 11660A

**Member of Deloitte Touche Tohmatsu Limited**