



MindGrove Ltd
 PO Box 729
 Warrington
 CHESHIRE
 WA4 4WZ

Tel: +44 1925 732 757
 Fax: +44 1925 732 756

Email: enquiries@mindgrove.co.uk
 Website: <http://www.mindgrove.co.uk>

Note: The MindGrove website has additional useful working and training materials on its resource pages.

| Document | | | |
|--|--------------|-----------------|------------|
| Document | | Template | Size |
| MindGrove Checklists for Auditors - Project Risk | | Manual 2005.dot | 145920 |
| Status | Final | Version | Format |
| Issue | 1 | 26 | A4 |
| Change History | | | |
| Author | Component | | Date |
| MnD | This version | | January 06 |
| <p>If you find this checklist useful then please tell others about this website and why not send one of your checklists to MindGrove at checklists@mindgrove.co.uk and we will publish it for the good of all.</p> | | | |

Contracts – 12 Top Risks...

Many contracts go wrong and result in angry recriminations between parties.. use this checklist to help make sure you’ve considered and covered at least these 12 top risks. Review each area against the contract that you are working with. Each of the twelve points contains a substantial amount of detail, make sure each of these areas are covered in your control and governance structure.

There may of course be other risks that are specific to your contract, so regard this as a starting point, not as an exhaustive list of all possible risks.

| | |
|--|---|
| <p>A contract that is deficient in any the following respects may lead to a risk of dispute between parties.</p> | <p>We will manage these issues by putting in place these countermeasures and controls and use them to ensure that we operate good governance over our contracts</p> |
| <ol style="list-style-type: none"> 1. Failure to understand, agree, and define unambiguously¹ the contract content, specification or requirement, timing, working locations and working contexts. 2. Failure to identify, scope, agree and map out each party’s responsibilities. 3. Failure to define, agree, use, manage and maintain open communications between all parties. 4. Failure to articulate and identify, agree and specify, detailed payment formulae to cover all circumstances – normal, extra to normal and exceptional – related to: fixed price programmes; call-off programmes; time and material programmes; ad-hoc charges; discounts and discounting; penalties, liquidated damages and recoverable costs; allowable profit margins and mark-ups; and tariff-volume structures. 5. Failure to articulate and identify, agree and specify, deliver and manage: timely and robust invoicing and payment mechanisms that deal with normal, abnormal and out-of-contract payments. 6. Failure to articulate, define, agree, document, manage and monitor: stages; phases; steps; milestones; gateway review points; critical success factors; and key performance indicators. | |

¹ Fuzzy requirement specifications inevitably lead to dispute or disagreement

| | |
|--|---|
| <p>A contract that is deficient in any the following respects may lead to a risk of dispute between parties.</p> | <p>We will manage these issues by putting in place these countermeasures and controls and use them to ensure that we operate good governance over our contracts</p> |
| <ul style="list-style-type: none"> 7. Failure to define, agree, and manage escalation mechanisms to identify, correct and/or invoke compensation/recovery for failures to meet agree service or programme delivery criteria and performance thresholds, and to deal with chronic or repetitive service or programme failure. 8. Failure to scope contract lawfully, unambiguously and fairly within the limits of national, international, employment or contract law. 9. Failure to protect and retain intellectual, ownership and property rights and to plan for escrow/copyright/license/trading rights and agreements. 10. Failure to define operational remedies and rights to cover: partner unilateral withdrawal or unwillingness to co-operate; partner inability to perform due to sub-contract litigation, trade or staff dispute; partner restraint occasioned by force-majeure, the law, or close of dependent business. 11. Failure to include a right and the means to revoke the agreement prior to normal contract renewal dates in defined circumstances. 12. Failure to define mechanism for dispute resolution, arbitration, pre-contract, post-contract or in-contract peer or audit review. | |

If you have found this checklist useful then tell others about this website and why not send one of your checklists to MindGrove at checklists@mindgrove.co.uk and we will publish it for the good of all.