

PROJECT MANAGEMENT



Contract Risk Management & Compliance Master class

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Introduction:

Minimizing contract risk and increasing contract compliance used to be one of those topics that elicited mild interest at best from oil and gas executives. While it is true that internal audit groups have always spot checked contracts for compliance, most of these groups simply have not had the resources or the compelling motivation to focus on contract compliance as a thorough and ongoing discipline.

The recent oil price collapse, however, has revitalized interest in this characteristically staid subject: companies must cut costs, and reduce erroneous and/or excessive contractor charges as an effective way to save substantial sums. But there is a catch. Oil and gas companies routinely deal with hundreds of contractual relationships across a vastly extended enterprise. Can such complexity be managed in a way that will not overwhelm internal resources? Is overall contract stability even possible in an environment characterized by difficult financial conditions and complicated operating models?

One of the major functions of contracting is to ensure that risks to owners and contractor are identified and managed in a way that both parties are satisfied with the project outcome. While a contract cannot, of itself, make risk go away, it can, and should, identify the risks, determine who is responsible for managing each individual risk, and for the consequences should the risk occur. We have developed this interesting and fast paced seminar to provide participants with:

- Critical understandings of the risk mitigation process
- Knowledge to move contracts from the tactical to a more important strategic focus
- Ability to identify risks that can arise
- Skills in allocating contract and procurement risk
- Examples of contract terms and conditions which allocate risk

Who Should Attend?

Procurement Managers, Purchasing Staff, Engineering, Operational and Maintenance Personnel, Contracts Engineers, Administrators, and Managers, Commercial, Financial and Insurance Professionals, Project and General Management, Contracts & Contracting Unit Professionals, Project Professionals, Procurement & Purchasing Staff, Purchasing Professionals and Procurement Officers, Commercial Professionals, Contract Administrators, Contract Administration Professionals, Contract Managers and Contract Professionals, Supply officers, Buyers, Project Coordinator's, Project Managers and other Project Professionals, Claims Personnel, Legal Advisers, Contract Strategists, Business Audit Officers, Engineers, Project Construction Professionals, Contract Administrators, Contract Professionals and Project Coordinators, Buyers, Purchasing Professionals and Procurement Officers, Contracts Managers, Project Managers, Tenders, Contracts, Buyers, Purchasing, Financial Personnel, Tendering, Purchasing, Project Management Professionals, Engineering, Operational, Trade, Finance, and Maintenance Professionals, all others who are involved in the planning, evaluation, preparation and management of tenders, specifications, awards, and contracts that cover the acquisition of materials, equipment, and services and who are in organizations whose leadership want high levels of competency in those involved in these activities, those from a Project Management or General Management background who do not think they have sufficient understanding of contract issues, those new to the function, preparing for a major project, or experienced managers looking for a refresher, anyone involved in the management of risk, those involved in implementing and administering contracts and handling claims and change orders; also those involved in any conflict or dispute with a contracting party and interested to learn how to avoid or resolve these contractual issues, those involved in contract and business related negotiations, those involved in any aspect of implementing, managing or administering contracts in the post-award phase.

Course Objectives:

By the end of this course, delegates will be able to:

- Provide an understanding of how risk arises
- Compare different methods of identifying and assessing risk
- Review the impacts of different approaches to risk allocation
- Explore different contract types to transfer risks
- Consider the contractual techniques to ensure effective risk allocation
- Review risk management techniques during the life of a contract

Course Outline:

Types and Management of Risk

- The need for contractual relationships
- Defining risk
- Categories of R for both sides of a contract
- Risk assessment process
- Managing risk
- Qualifying suppliers
- Defining internal control
- Proportionality of control

Minimizing and Transferring Risks

- Transferring risk through contract types
- Firm fixed price or lump sum contracts
- Cost reimbursable contracts
- Incentive contracts
- Award-fee pricing arrangements
- Indemnities
- Cross indemnities
- Insurance

Risk Related Terms & Conditions

- External events

- Force majeure
- Strikes and other labor disputes
- Risk and title
- Use of ICC incoterms
- Assignment and novation
- Clauses that flow down to sub-contractors
- Risks associated with sub-contractors

Dealing with Financial Risks

- Controlling risk associated with payments
- Currency risk
- Economic risk
- Fraud and corruption
- Limiting or excluding liability
- Distinctions between liability in contract, and the general law
- Gross negligence
- A review of some sample clauses from standard contracts, and other real documents

Remedies When Bad Stuff Happens

- Mistakes and misrepresentations
- Impracticability of performance
- Remedies generally
- Types & remedies
- Liquidated damages
- Warranties
- Cover