

# Contract cost optimisation and efficiency

## From an Internal Audit lens: identifying savings and value creation opportunities



### A familiar audit moment

Many Internal Auditors will recognise this scenario. An audit identifies cost overruns or inefficiencies linked to a major supplier. When asked why the issue was not identified earlier, the response is often, “The contract was approved properly, the problem emerged over time.”

That response highlights a recurring challenge. While organisations invest significant effort in getting contracts right at the award stage, far less attention is paid to what happens once contracts go live.

Contracts are often treated as point-in-time transactions rather than continuous performance mechanisms. Value is rarely lost at negotiation; it is lost in how consistently contracts are tracked and enforced after signature.

### Where contract value is lost

Contracts represent a significant proportion of organisational spend. They define how services are delivered, how pricing is applied, and how risk is allocated between organisations and their suppliers. Strong governance usually exists around supplier selection, contract approval, and procurement compliance.

Once contracts move into delivery, however, oversight often weakens. Contract management responsibilities may be unclear, skills and capacity limited, and expectations of effective post award management poorly defined. In practice, contracts change hands, people move on, and the commercial commitments negotiated at the award stage are no longer actively monitored.

Experience across sectors shows that 15–40% of expected business value can be lost when contracts are not actively managed post-award – not because of poor negotiation, but because value is not consistently tracked, enforced, or realised.

At an executive level, this is less a control issue and more a visibility gap. Organisations often lack a clear line of sight between what was negotiated and what is actually delivered over time. For Internal Audit, this presents a clear opportunity to support cost optimisation and value creation – not through renegotiation, but through assurance that contracted value is being delivered.

### Reframing cost optimisation as an assurance outcome

Cost optimisation is often viewed as a procurement-led activity focused on renegotiating pricing or consolidating suppliers. Internal Audit approaches the issue from a different angle. The role of Internal Audit is to provide independent assurance that:

- Contracted costs are applied accurately and consistently
- Services delivered align with the agreed scope
- Supplier commitments made at the award stage are being met
- Contractual controls and governance arrangements operate as intended

When these conditions are absent, inefficiencies tend to become embedded into day-to-day operations. In this context, savings are often a by-product of effective assurance rather than a separate objective.

“Internal Audit supports value creation – not through renegotiation, but through assurance that contracted value is being delivered.”

# How Internal Audit unlocks value

Across organisations, Internal Audit reviews highlight recurring post-award contract risks. By focusing on post-award contract performance, Internal Audit can support both cost optimisation and value creation.

## Where cost and efficiency risks commonly arise

One consistent observation is that contract and commercial management is rarely treated as a distinct risk area within audit plans. Where reviews do occur, they are often functional rather than end-to-end, reflecting fragmented ownership across procurement, legal, finance, and operations.

Common patterns include:

- Invoices that do not fully align with agreed pricing structures or adjustment mechanisms
- Scope expansion driven by operational needs without formal approval
- Contractual protections, such as service credits or rebates, that exist but are not enforced
- Diluted accountability once contracts move into delivery

Individually, these issues may appear minor. Collectively, they drive sustained cost inefficiency and value erosion. What makes these risks difficult is not their complexity, but their persistence – over time, they become accepted ways of working rather than exceptions requiring challenge.

Beyond cost, these weaknesses also increase commercial and contractual risk. During periods of uncertainty such as supply chain disruption or market volatility, organisations often lack clarity over supplier dependencies, obligations, and risk allocation. Internal Audit plays an important role in bringing visibility to these exposures.

## Commercial assurance is the key

Commercial assurance is one of the most effective and often underused levers available to Internal Audit. It focuses on whether contracts are working as intended in practice and whether controls genuinely protect value.



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From an Internal Audit perspective, this means asking:

- Are contractual risks understood and actively managed post-award?
- Is the organisation consistently receiving the value it contracted for?
- Are control weaknesses allowing avoidable cost or inefficiency to persist?

Applied well, this approach reveals two types of opportunity:

1. **Tactical cost impact**, where contracts are not applied as intended
2. **Structural efficiency improvement**, where weak controls drive manual effort and rework

The greatest value comes not from isolated findings, but from identifying systemic weaknesses and preventing recurrence.

## A value-focused role for Internal Audit

In environments where organisations are potentially losing close to a tenth of revenue through contract inefficiencies, strengthening post-award assurance becomes a financial priority rather than a purely control-driven exercise. Internal Audit has a clear role to play by providing assurance that contracts deliver what was agreed, costs are applied correctly, and value is protected.

By focusing on post-award contract performance, Internal Audit can support both cost optimisation and value creation, while strengthening governance and accountability and reinforcing its relevance as a function that protects value and helps organisations use resources more effectively.

## Connect with us

This perspective has been developed in collaboration with the UAE Institute of Internal Auditors (IIA) as part of International Audit Awareness Month in May 2026, aligning with the direction set by recent internal audit frameworks in Abu Dhabi Government entities.

At Grant Thornton UAE, we support Internal Audit functions through contract reviews that identify opportunities to realise savings and strengthen value delivery across supplier arrangements.



To discuss how this approach can support your organisation, please connect with our team.



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