

# Session 4

## Contract Administration Process: Post-Award Preliminary Tasks



1

## Learning Objectives

By the end of the Session, Participants will be able to:

- Plan how to administer a contract
- Check the existence of documents required for effective execution of contracts
- Carry out the verification of documents provided
- Importance of Kick-off interactions
- Access to and Possession of Site



2

## CA PLANNING

A Contract Administration (CA) Plan is a document that contains all the details of the contract necessary for monitoring a Contractor's/Consultant's performance over the life of the contract.

- A Contract Administration Plan also identifies all deliverables due over the life of the contract and how inspection and reporting on the contract will be carried out and by whom.
- CA Plan is to be implemented and used throughout the contract duration, reviewed periodically to keep it relevant throughout the contract period
- Time for preparation of the CA Plan may vary but must be FINALIZED for implementation before commencement of Works



Public Procurement Authority, Ghana

3

## CA Planning

Head of Entity must assign an individual or a team to be responsible for the Contract Administration process

**The Contract Administrator must be familiar with:**

- Object of contract;
- all contract milestones and terms and conditions in order to properly monitor and evaluate performance; and
- instances of non-compliance as they may arise.

**Scope of activities include but not limited to reporting on:**

- Performance of Parties to contract
- Work progress as it relates to Schedule/Programme of Works
- Payments
- Deliverables
- Compliance with requirements
- Test results



4

## CA Planning

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### TYPICAL CONTENTS OF PLAN

1. Purpose of Plan
2. Audience for Reports
3. Source of information/inputs for Reports
4. Reporting Schedule
5. Reporting on Activities of Contractor/Consultant/Entity



5

## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION

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SPECIFICATIONS  
DRAWINGS  
BILLS OF QUANTITIES/PRICED SCHEDULES  
CONDITIONS OF CONTRACT  
PROGRAMME OF WORKS  
PERFORMANCE SECURITY  
INSURANCE POLICIES  
ADVANCE PAYMENT SECURITY



6

## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

### SPECIFICATIONS

A detailed description of the type of methods, materials, dimensions, quantities etc. that are used in the construction, manufacture, building, planning etc. of something.

#### TYPES OF SPECIFICATIONS

- Prescriptive or Conformance Specifications;
- Performance or Output Specifications;
- Reference Standards; and
- Proprietary Specifications.



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

### SPECIFICATIONS (Cont'd)

#### PRESCRIPTIVE SPECIFICATIONS

- Detailed description of the characteristics, physical properties, and workmanship required for the installation of a product or material; and
- Specifies properties of materials and methods of installation without using proprietary names.

#### PERFORMANCE SPECIFICATIONS

- Description of the required end result of a product or system and includes the criteria to be used for verification of proper installation; and
- Generally written to encourage the use of innovative techniques.



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

### SPECIFICATIONS (Cont'd) REFERENCE STANDARDS

- Documents established by consensus that provide rules, guidelines, or characteristics for activities or their results as defined in International Standards or as published by Trade Organizations;
- Standardized Specifications are used based on the standards applicable in the jurisdiction such as BSI, ISO, GSA, etc.; and
- Standards are incorporated into Specifications by stating a Number, Title or other designation.

### PROPRIETARY SPECIFICATIONS

- Proprietary Specifications identify the desired products by manufacturer's name, brand name, model number, type designation, or other unique characteristics; and
- Closed Proprietary Specifications do not allow for substitutions, but Open Proprietary Specifications allow for alternative products.



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

### DRAWINGS

- Drawings are graphic and textual information organized on a two-dimensional surface for the purpose of conveying data about a specific portion of a project;
- may be presented in hard or soft copies (can be presented in three dimensions);
- convey design intent and may show multiple views, either of the whole project or of its parts; indicate relationships between elements and may show the following for each material, assembly, component, and accessory:
  - location,
  - identification,
  - dimension and size,
  - details, and diagrams of connections,
  - shape, and form.



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

### DRAWINGS (Cont'd)

#### PROFESSIONAL

- Architectural;
- Civil/Structural Engineering
- Mechanical Engineering
- Electrical Engineering
- Survey/Geodetic/Geomatics
- Geological
- Proprietary

#### STAGE

- Preliminary/Sketch Designs
- Developed/Detailed Designs
- Construction/Working Drawings
- As-built Drawings



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

### Bills of Quantities/Schedule of Prices/Schedule of Rates

- Document that provides project specific measured quantities of the items of the Works identified from the Drawings and Specifications in the Contract Documentation
- The BoQ breaks down further, all the information captured in the Drawings into a priced format
- The Works included in each BoQ item is defined in detail by the rules in the appropriate Method of Measurement.
- The Unit of measure may be;
  - a single item or number
  - dimension (linear metre, square metre, or cubic metre)
  - time (hours, days, weeks, months, year)
  - Weight (kilogram, Tonne)



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

### ❑ Bills of Quantities (Cont'd)

- ❑ The Bills of Quantities may serve a number of functions as:
- Provides a basis for the financial control of a project in accordance with the Conditions of Contract;
  - Assist with the agreement of the quantum and value of Work done at any time during the execution of the Contract;
  - Provide a basis for the valuation of Interim Payment Certificates;
  - Provide a Schedule of Rates assisting with the valuation of Variations; and
  - Provide a basis for the preparation of the Final Account for a project.



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

### CONDITIONS OF CONTRACT:

- The Conditions of Contract are written text that define the basic rights, responsibilities and relationships of the parties associated in the construction of a project.

### MAIN CHARACTERISTICS:

- GENERAL CONDITIONS
- SPECIAL/PARTICULAR/SUPPLEMENTARY CONDITIONS



**DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION  
(Cont'd)**

**CONDITIONS OF CONTRACT:**

**GENERAL**

- Usually in the form of Published Standard Documents
- Content is the same wherever you meet document
- Have broad application
- Time-tested Provisions
- Serve as a Reference Point to which all Changes will be compared
- Numbering and Contents/Text of Clauses can only be modified by issuing Special/Particular Conditions of Contract



**DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION  
(Cont'd)**

**CONDITIONS OF CONTRACT (Cont'd):**

**SPECIAL/PARTICULAR CONDITIONS OF CONTRACT**

- Unique as prepared to suit particular Project
- Spell out Procurement Entity's Obligations and Policies
- Adapt General Conditions of Contract with care as each change has legal consequences
- Contents must be approved by Procurement Entity/Client/Employer before issue
- Follow numbering Format/Sequence of General Conditions
- Avoid conflict with other Documents
- Do not develop "STANDARD" Particular Conditions
- Whenever there is a conflict, the provisions in the Special/Particular/Conditions of Contract shall prevail over the General Conditions of Contract



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

**PROGRAMMES OF WORK** describe the sequence in which tasks must be carried out so that a contract (or part thereof) can be completed on time.

Programmes will often identify:

- Dates and durations allocated to tasks.
- The sequence of critical tasks upon which the overall duration of the contract is dependent).
- Tasks which can only be carried out after other tasks have been completed
- Tasks which can be carried out simultaneously.

From the Programme it is possible to determine and monitor when specific resources such as plant and equipment, labour and materials are needed on site.

**IT IS IMPORTANT TO CONFIRM THAT THE PROGRAMME BEFORE YOU RELATES TO YOUR CONTRACT**



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

**INSURANCE** provides third-party protection against risks. Risks on construction projects can be significant, and so insurance is very common, providing protection both for the insured and for the party to whom the insured has a liability.

Contractors' all-risk insurance (sometimes referred to as 'contract works insurance') is a policy that covers all risks normally associated with a construction project.

It issued commonly under the joint names of a Contractor and the Entity and it must protect against:

- The cost of unforeseen loss or damage to works.
- Machinery movement.
- Public liability.
- Tools.
- Plant owned by the Policy Holder.
- Plant hired or leased.
- Business interruption.
- Equipment erection.



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

**Insurance policies** need to be checked because they are even more prone to deviations and conditions that can render them useless and Employers should carefully check the following:

- Issuing company – credibility including foreign insurance companies,
- Amount – insured amount and coverage of the whole of the works as required,
- Amount – check if premium has been paid and renewed as required
- Coverage – for general and specific risks
- Validity – for the entire period requested and proof of payment of premiums,
- Insured parties – policy and express names of parties
- Exclusions – basically events (risks) that are not insured and mostly overlooked,
- Deductibles – higher deductibles translate in cheaper insurance but also in higher risks, Entity/Employer should check and set a ceiling.
- Terms and conditions that may render the policies invalid under certain circumstances or events



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

A **PERFORMANCE SECURITY** is commonly used in the construction industry as a means of insuring an Entity against the risk of a Contractor failing to fulfil contractual obligations to the Entity.

Performance Securities can be 'On Demand' or 'Conditional', with conditional Securities requiring that the Entity provides evidence that the Contractor has not performed their obligations under the contract and that the Entity has suffered a loss as a consequence.

Security can be issued either by an Insurance Company or by a Bank.

The Contractor sends the Security to the Entity, who holds it until the end of the Defects Liability Period.



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

### VERIFICATION

- Practice has shown that many Employers are mere depositories of Securities submitted by the Contractor and no actual verification is done,
- An often forgotten issue is the extension of the Performance Security whenever an extension of time is granted and/or the Contract Price is increased.
- The Performance Security should be in the format that accompanied the Tender Documents



## DOCUMENTS REQUIRED FOR EFFECTIVE CONTRACT ADMINISTRATION (Cont'd)

An **ADVANCE PAYMENT** occurs when part of a contractual sum is paid in advance i.e. before any work has been done or goods supplied.

On a construction project, a Contractor may request an Advance Payment to:

- to help them meet significant start up or procurement costs that may have to be incurred before construction begins
- purchase high-value plant, equipment or materials specifically for the project

In these instances, the Entity should require an Advanced Payment Security.

An Advance Payment Security is a security required to secure the payment against default by the Contractor.



## KICK-OFF ACTIVITIES

- Kick-off meeting with the Contractor is necessary at the start of the project with the Consultant present, since Consultant would take over much of Employer's contract supervision responsibilities,
- Issues for discussions include commencement certificate, agenda for Pre-commencement and commencement meetings, establish the need for initial meeting(s), timings and other critical issues to be established
- Recommended to hold separate meetings with all other stakeholders – the parties responsible for the design and engineering (if different from the Consultant), local authorities, state agencies (works inspection, environmental, labour etc.), end users and beneficiaries etc.
- Kick-off meeting between the Employer, Consultant and Contractor should normally take place as soon as the Letter of Acceptance is issued and should also include a site visit,



## KICK-OFF ACTIVITIES (Cont'd)

### CRITICAL ISSUES TO BE ESTABLISHED DURING THE KICK-OFF MEETING(S):

- Introducing the Parties, their roles and responsibilities - Contractor's representatives; Employer's staff; the Consultant and the staff of the Supervising Consultant;
- Establishing the communication procedures - (mechanisms, frequency etc.).
- Review of contract documents - Conditions of Contract; Technical Specifications; Payment Schedules and Covenants; Implementation Milestones, etc.;
- Review of applicable legislation and any obligations deriving in connection to the execution of the contract in the Employer's country (e.g. contract registration; fiscal registration of Contractor in the Employer's country; tax regime, reporting obligations; permits and licenses etc.);



### KICK-OFF ACTIVITIES (Cont'd)

- Establish a comprehensive reporting system between the parties (level, frequency, templates for reports for each party involved);
- Define escalation procedures to unblock critical situations or bottlenecks (delays in performance or in obtaining permits and approvals; abuses of power from the Consultant; non-performance of Contractor's staff etc.),
- Ensuring that all parties share the same understanding of rights, roles, expectations, timeframe and any constraints,
- Setting the circumstances/conditions of the Employer giving the Contractor right of access to and possession of the Site,
- Establishing a tentative commencement date, by which all conditions required by the Contract would be met



### ACCESS TO AND POSSESSION OF SITE

As soon as practicable and usually after:

- signing of the Contract Agreement, and
- submission by the Contractor of the Performance Security and Insurance Policies;
- Employer, Contractor and Consultant shall have another formal meeting on Site by which the Employer gives the Contractor access to and possession of the Site.
- Contractor shall proceed to commence Works on the agreed date.



# Questions and Discussion

