

# Topic 4 Section 1

# Introduction to Contract Administration

## Contents

The Contract System and Organisation .....	2
Organising the Works Site .....	2
Administering a Contract .....	6
Definitions .....	7
Section 1 – Assessment Activities .....	8

# The Contract System and Organisation

There are two main systems under which civil engineering work is carried out:

- Day labour (or direct labour), where an owner or principal carries out the work with his or her own organisation and pays all the costs as a direct commitment.
- Contract, where an owner or principal engages a contractor to carry out the work at a mutually agreed price under the terms and conditions agreed to and recorded in the contract. The adopted form of contract depends on the type of work that will be undertaken.

## Organising the Works Site

The type of organisation set up on site to control construction work depends on whether the project is carried out by day labour or contract.

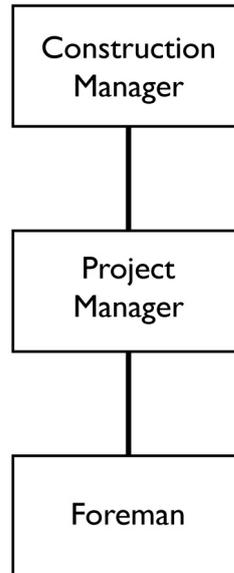
Under the day labour system, the principal's organisation manages the entire works.

Under the contract system there are two independent, but related, spheres of responsibility and control:

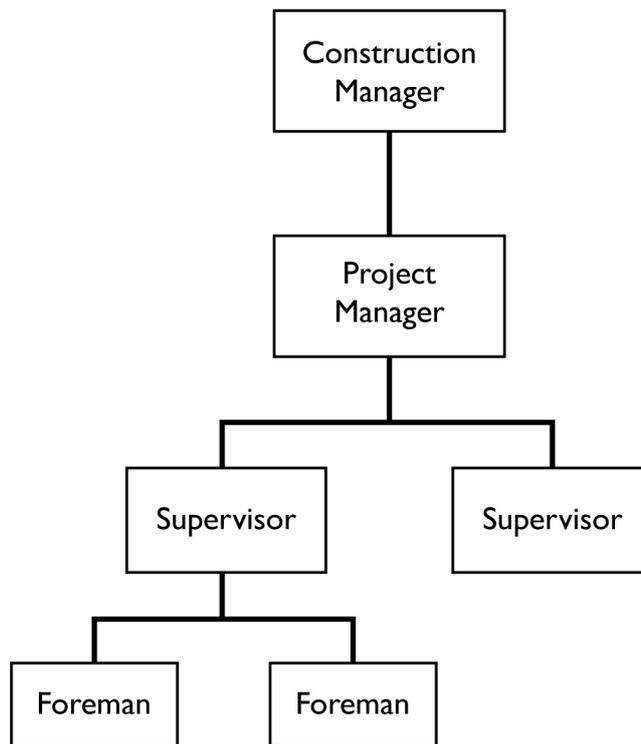
- A contractor's representative who acts for the contractor on site; and
- A resident engineer who acts as the superintendent's representative (SR) on site. The superintendent's job is to represent the owner or principal.

Each of these people has a site organisation to assist them in the daily administration and construction of the works. However, the numbers of people and positions involved depends on the size and the type of work being undertaken.

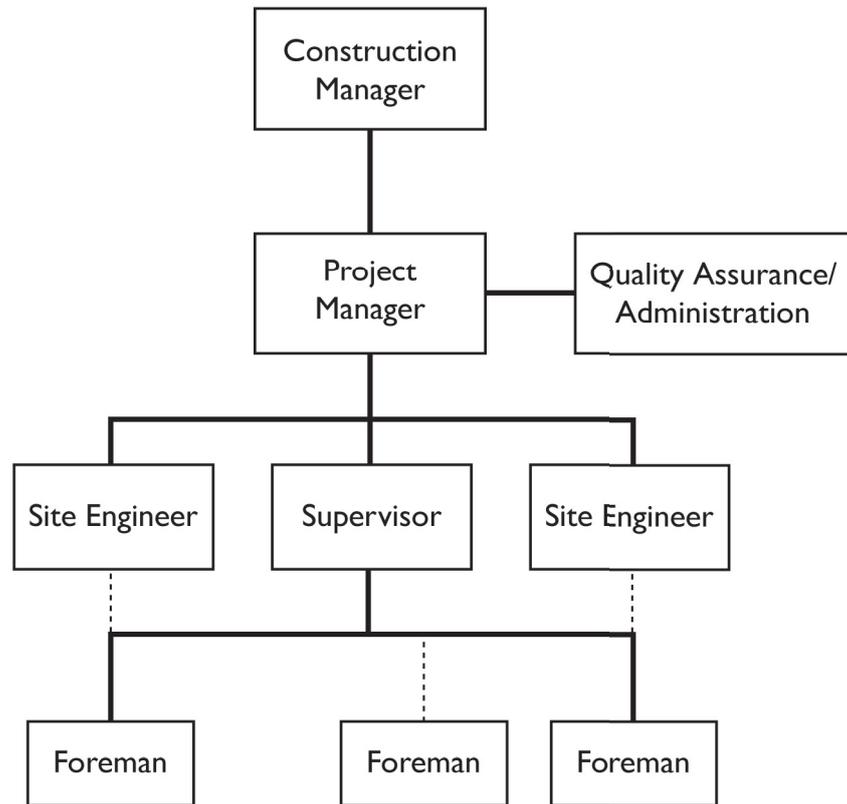
The drawings on the next page show typical site organisations that a contractor might use for a small, a medium and a large project. The site organisation is simplest on small projects, e.g. local government work; on larger contracts, it involves more people and more working relationships.



**Simple Contractor's Organisation**



**Organisation for Medium Range Contract**



### Large-scale Organisation

The first of the drawings represents the organisation set up for a small local government project; the second is for a medium-sized project; the third is for two large projects running simultaneously.

---

#### Note!

*The actual value in dollars of a 'small', medium and "large" project changes with time. The meaning of 'small', medium and "large" may also change according to the type of work a contractor normally performs.*

---

On large projects each of the main positions in the site organisation will be occupied by one person. On small projects, the positions may be combined and the duties assigned to one person.

Accountancy, purchasing and office functions are often centralised at the head offices of the controlling organisations.

## Roles of the Main Players

When a construction organisation is set up at a works site, both the principal and contractor want to set up chains of command that are as direct as practicable. The two organizations can only work if each member of the staff understands his or her duties and responsibilities.

Both the resident engineer and the contractor's representative (or the equivalent positions) usually have complete control of the work within their respective areas of responsibility. They have wide discretionary powers and authority, to enable decisions to be made quickly and to minimise delays in the works program. If they do, employees on site can get on with the business of constructing the work in accordance with contractual obligations. This means using the specification and drawings, and good engineering and construction practices in all stages.

The respective site organisations are therefore arranged to ensure that these two people are as free as possible from matters of daily routine. This approach allows them to consider problems with an impartial approach to contract issues, as well as managing their own staff and organisations.

## Staff Roles and Responsibilities

Staff employed by both the principal and the contractor— who are the main parties to the construction contract— must have the necessary knowledge and experience to enable them to carry out the required duties effectively and efficiently. Two examples illustrate the point.

### *Project Supervisor*

A project supervisor employed by a principal contractor would be expected to:

- Organise and schedule the works so that they are completed as efficiently as possible
- Establish good relations with the resident engineer or equivalent
- Supervise the work of subcontractors
- Establish good relations with union officials, neighbours and the travelling public
- Maintain a high standard of workplace health and safety
- Ensure compliance with environmental conditions
- Write and implement appropriate plans, such as those for public consultation, environmental protection, workplace health and safety, and emergency procedures.

## *Inspector*

If the resident engineer employs an inspector on a large, state government contract, the inspector would be required to:

- Arrange and carry out the measurement of works for payment purposes
- Prepare reports as required
- Keep a diary of daily events
- Be familiar with project specifications
- Have the ability to critically assess construction practices to achieve specification requirements
- Be able to inspect, accept or reject work undertaken by the contractor.

## Administering a Contract

The administration of a contract is a compromise between the meeting the requirements stated in the contract and addressing the practical realities imposed by site conditions and the relationships between the parties.

The contractor is entitled to negotiate on any of the requirements stated in the contract. He may do this for a number of reasons, including:

- A discrepancy between the conditions anticipated when the contract was written and actual conditions on site
- Errors or omissions in the contract documents
- The possibility of legitimately using terms and conditions in the contract to increase profits.

If a contractor makes a profit from completing the requirements of a contract, it cannot be said he has done anything illegal or immoral. It is simply a normal expectation of any person undertaking contract work, and a requirement of staying in business.

Effective administration of a contract requires both parties to recognise that:

- Work is primarily undertaken within the requirements stated in the contract
- No-one can be inflexible when applying the requirements
- There is room for negotiation within the requirements.

Some other principles that usually apply when administering a contract include:

- The need to be fair when dealing with representatives of the other party to the contract.
- Maintaining a spirit of friendly co-operation between the people on site.

- Making a written record of everything of significance that occurs on site and the date on which it occurred (e.g. correspondence, progress reports, test results, weather conditions).
- Dealing only in facts.
- Performing measurements and calculations as a matter of routine (e.g. levels, slumps of concrete, measurements for payment).

*Concrete Slump Test*

## Definitions

Definitions related to civil construction contracts and generally understood and accepted within the industry are shown in the Glossary at the end of this manual. It is important for trainees to have an appreciation of the definitions before proceeding with the remainder of this course. (Other definitions will be added in later sections).

## Section 1 – Assessment Activities

For information on how these assessment activities may be used as part of the learning process, see the section on ‘Assessment’ in the ‘Topic Descriptor’ section at the front of this topic.

### Theory Questions

The following questions allow you to assess your progress in understanding the material presented in Section 1. The questions may be of any of the following types:

- multiple choice (identify correct answer or answers)
- multiple choice (identify incorrect answer or answers)
- fill in the gaps in a sentence or statement
- identify a sentence or statement as TRUE or FALSE
- write a few sentences or a short paragraph.

Answers to the question are shown in the separate ‘Answer’ section.

#### Question 1

A contract is an agreement between two parties. What are the names given to the two parties and what are their roles within the contract?

---



---

#### Question 2

What is the title of the person nominated in the contract who must impartially ensure that both the principal and the contractor properly perform their respective obligations under the contract?

---

#### Question 3

Name the three main functions of resident engineer’s staff to ensure contractor is fulfilling his/her contractual obligations.

---



---



---

*Question 4*

Inspectors are responsible for contributing to the team administering the contract. Name four of these responsibilities:

---

---

---

---