

CAPITAL & ASSET MANAGEMENT BUILDING CONTRACT DIRECTIVE

DATE: October 2012

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REFERENCE

FINAL ACCOUNT DOCUMENTATION AND AUDIT

1. **Scope of the directive:**

This directive applies to the preparation and audit of final accounts for all County Council building works. It is mainly intended to provide guidance on the documentation which is required to be provided when accounts are submitted for audit and also on the procedures to be followed. In addition the directive also provides more specific guidance in particular areas where problems have been encountered in the past. No doubt those professionals who deal with final accounts on a regular basis will be aware of the points raised but the highlighting of them may enable those less familiar with the preparation of accounts to avoid the most common pitfalls.

2. **Responsibilities:**

Any final account relating to a building contract let by the County Council may be subject to audit. The auditors at their discretion elect to examine some accounts in detail and not others but nonetheless any account may become the subject of scrutiny as part of the spot checking procedures to ensure that proper accounting procedures are followed and that the interests of the County Council are safeguarded. Irrespective of any detailed checking which may be carried out by the auditor(s) the onus for ensuring that accounts are prepared and settled in accordance with the contract conditions rests with the Consultant for each contract and his support consultants (if any).

It should be noted that auditors now adopt a wider role in auditing the adequacy of management and procedures and may undertake visits to construction sites to examine any records that are required to be maintained in accordance with the Authority's instructions.

3. **Final account documentation:**

All accounts must be comprehensive and be prepared in a logical manner so that the need for the provision of additional explanations during the audit or requests for missing information can be avoided. Dealing with queries and obtaining missing documentation takes up valuable time not only for the Auditor but also for the Consultant and leads to frustration all round. Final account documentation must include where relevant all of the following:

- A. A clear summary showing the Contract Sum followed by the values of omissions and additions from/to that sum related to the various elements of the accounts referred to below.
- B. Copies of all Instructions where not previously provided to the Council's Representative.
- C. A detailed variation account setting out the adjustments with

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NOTE:

THIS DIRECTIVE IS APPLICABLE TO THE MAJORITY OF SCHEMES BUT IT WILL NOT NECESSARILY BE APPROPRIATE TO ALL WORKS AND THEREFORE ON EACH SCHEME IT WILL BE NECESSARY TO CHECK THE SPECIFIC REQUIREMENTS.

measurements where appropriate and referenced to supporting documents.

- D. Documents relating to the adjustments of PC or provisional sums and provisional quantities.
- E. Daywork Sheets.
- F. Documents used in the calculation of loss and expense reimbursement.
- G. Any relevant sundry correspondence, quotations, etc
- H. Copies of any certificates of extension of time and the contractor's written applications.
- I. Copy of the certificate(s) of practical completion.
- J. Copy of the original form of tender.

4. **Adjustments for variations:**

The variation account must show separate adjustment values for each instruction. Where several separate instructions are included on one instruction document they should be accounted for separately unless of course two or more deal with closely related and inextricable variations. It is important to list in the account all instructions issued and clearly indicate where appropriate if no adjustment is necessary. All adjustments in the account for variations must be supported by an appropriate written instruction issued under the terms of the contract. There are no exceptions to this rule. The variation account must use the same method of preparation as that used for the same or similar work in the original contract documentation, i.e. fully measured quantities, scheduled items or lump sum quotations against specification items. Care should be taken to ensure that where appropriate variations are priced at the same or similar rates to those included in the contract documents and that where the work is not related to work contained in the original documentation fair and reasonable rates are applied.

5. **Adjustment of P.C. Sums**

All P.C. sums must be omitted in the final account. All additions to the account for work which has been the subject of Nominated Sub-Contracts or for goods supplied by Nominated suppliers must be supported by copies of the accepted tenders or quotations. If variations from the works included in the tender or quotation have been ordered these must be supported by formal written instructions.

6. **Adjustment of provisional sums, items and quantities:**

All provisional sums, items and quantities must be omitted in the adjustment of the account. Special care should be taken to ensure that none of those included in various parts of the contract documents are overlooked particularly contingency and daywork sums. In most cases there will of course be costs to be added into the account to cover works carried out against the sums, items or quantities and these costs must be supported by measurements, schedules, quotations, invoices or other documents as appropriate.

7. **Work carried out on a daywork basis:**

Amounts included in the final account for work on a daywork basis must be supported by formal written instructions ordering the work and authorising

payment on this basis. Daywork sheets that have been carefully checked and validated must be provided to support any amounts included in the final account.

Care needs to be taken with dayworks to ensure that there is no overlap in the labour times or material quantities with work already included in the contract or other variations.

8. **Claims for Loss and Expense:**

Where the contract provides for the reimbursement of loss and expense suffered by the contractor, this will need to be carefully assessed and in the majority of cases will require the services of a quantity surveyor to either advise on the liability or make the assessment and ensure that the claim is properly documented.

9. **Supporting documents:**

It is most important to ensure that where documents such as letters, quotations, invoices, etc, are referred to in the account, copies of the documents are attached.

10. **Agreement of the final account with the Contractor:**

In accordance with good practice, confirmation of the contractor's agreement to the final account figure should be obtained in writing, and a copy provided with the documentation for audit.

11. **Submission of account to Capital & Asset Management:**

When the final account has been agreed with the contractor send it, together with all the necessary supporting documents, to Capital & Asset Management for a decision as to whether the account is to be selected for audit inspection or for storage. This must be done prior to the issue of the Final Valuation/Certificate.

12. **Final Valuation/Certificate**

When the Certificate of Making Good Defects has been issued and there are no other outstanding matters for which the County Council may require reimbursement, issue the final valuation/Certificate to the Capital & Asset Management representative along with a copy of the Certificate of Making Good Defects.

13. **Reports on the final cost of projects**

On projects in the County Council's major capital works programme with a value over £75,000, a report of the final cost as compared with monies previously approved will be required upon final settlement. The Consultant is to assist in providing the information required during the preparation of reports on final cost.

CONCLUSION

REFERENCE

**See BCD13
and Form
D241**