

contract review

CMR & LLR PROGRAMMES



NZ TRANSPORT AGENCY
WAKA KOTAHI

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Programme nears completion

The Contract Management Review (CMR) programme for the 2009/10 financial year is approaching completion, with 29 of the 36 scheduled reviews carried out to date.

The programme, which reviews a range of NZ Transport Agency (NZTA) contracts nationwide, is focused on determining compliance with contract requirements and identifying areas for improvement.

The contracts reviewed so far include:

- 12 physical works contracts
- 6 maintenance contracts
- 11 professional services contracts.

The programme aims to review a selected range of large and small NZTA contracts throughout the country. So far this year, they have ranged from a \$150,000 design and project development (professional services) contract through to a \$100m+ construction (physical works) contract.

As this year's programme comes to a close, the process for calling for nominations for next year's (2010/11) programme is underway. Requests are made to each NZTA regional office to nominate contracts for review, with input from NZTA national office. Typically, 4-6 contracts are reviewed per region each year. Additional reviews may be initiated during the course of the year in response to identified areas of concern or performance issues, where provision for this to occur exists in the contract.

The CMR and LLR programme for next year (2010/11) will be finalised by mid-June, with the majority of suppliers involved advised by their NZTA project manager at the same time.

Positive improvements

A review of the findings from CMRs conducted this year continues to demonstrate significant improvements in the development and use of management plans, and a continued high level of awareness and compliance by suppliers to health and safety requirements.

Traffic and safety management are clearly seen as key issues. Supplier systems for monitoring and reporting systems of safety issues on the contracts reviewed were found to be well established and maintained, although on occasion formal audits are not always being routinely undertaken or fully recorded.

Suppliers are also more aware of the need to report to the client any incidents and near-misses that occur, as well as the results of incident investigations and any remedial actions. Safety in the workplace, whether it is on a construction site or contractors and consultants working on the network, is of paramount importance to the NZTA.

The CMR findings identified that the most common non-compliance issues are:

- deliverables and reports - insufficient or late provision
- performance reporting - inadequate frequency and format
- programmes - not being regularly reviewed and updated.

We have two new issues that have appeared in the 'top 5' for professional services and maintenance contracts. In an increasing number of professional services contracts, formal risk analysis and/or management plans are not being developed or maintained, while in a number of maintenance contracts construction and material testing requirements have not been met.

Many of the issues identified relate to suppliers being unfamiliar with contract requirements. In many instances, suppliers are awarded a new contract and continue the same management practices as on the previous contract, without reviewing new requirements and/or updated NZTA standards and specifications. Requirements can change, and suppliers need to be aware of this, particularly when they start a new contract.

Further details are provided in the following 'top issues reports'. Suppliers are encouraged to focus on compliance in these key areas.

Sharing the lessons

Through this newsletter, we aim to provide feedback to the industry on common issues and trends. Reports on trends, issues and improvements are also provided to industry associations and best-practice groups.

The findings from CMRs and Lesson-Learnt Reviews (LLRs) also continue to provide input into the development of NZTA specifications and contract documentation.

While recognising the need to protect supplier confidentiality, we are continually looking for ways to share the information collected from these reviews, both within the NZTA and to our suppliers.

Top issues reports

The tables below illustrate the top CMR compliance issues and LLR findings for capital projects, network operations and professional services for the 2009/10 year through to the end of April 2010.

CMR programme

Trend indicator key ↑ increasing trend ↓ reducing trend ↔ same as previous period blue text = added/changed this period
NC = non-compliance

Top five CMR issues: Capital projects, February 2010 – April 2010*

Top five issues - type	Trend	Description of issue
1. Provision of deliverables (POD)	↓	All deliverables and reports, as specified (or referenced) in the contract specification, are either not being provided or provided late
2. Programme management (PRM)	↔	Programme not provided / not updated / no baseline established or maintained and/or critical path identified
3. QA testing and inspections (QAS)	↑	Records of testing not available / non-conformance procedures not initiated / management of hold and witness points
4. Project audits and inspections (PAI)	↓	Project and site audits (against EMP or CQP) not being planned or undertaken / frequency of audits not specified
5. Health and safety management (OSH)	↔	Not undertaking formal site audits or inspections not conducted / management of subcontractor health and safety

Top five issues - specific	NCs Of 12 CMRs identified in	Background to issue
1. Provision of deliverables and reports	6	Deliverables or reports not provided (2) / late provision (2) / unclear if client still has requirement (1)
2. Undertaking of site audits (TMP/Safety)	5	TMP audits of site not undertaken (2) / site safety inspections not undertaken (2) / TMP needs updating (1)
3. Programme content and management	5	Programme not being updated monthly / programmes (consultant and contractor) do not comply with spec
4. Testing of materials and/or construction	7	Contractor not obtaining or submitting records / not verifying frequency of testing complies to NZTA spec
5. Management of hold and witness points	4	No record of inspection or approval to continue past hold or witness point (ie internal or by engineer)

Top five CMR issues: Network operations, February 2010 – April 2010*

Top five issues - type	Trend	Description of issue
1. Performance management (PRM)	↓	Contractor not measuring, monitoring and/or reporting against performance indicators specified in the contract specification
2. Management reporting (MRP)	↔	Management reports do not contain all items of information and/or commentary required in the specification
3. Network inspections and audits (PAI)	↓	Inspections and audits of the network, and in particular cyclic maintenance inspections, are not planned or undertaken
4. Project management plans (PMP)	↔	Content of project management plans do not comply with NZTA specifications / not being reviewed and updated
5. QA testing and inspections (QAS)	↑	Requirements of specification for construction and material testing not met / construction methodology for repairs not verified

Top five issues - specific	NCs Of 11 CMRs identified in	Background to issue
1. Monitoring and reporting performance	8	Monitoring and/or reporting of achievement of performance indicators contained in the contract specification
2. Management reports not complying to spec	5	Management reports often 'roll-over' from previous contract and are not updated to new contract specifications
3. Planning and recording of cyclic inspections	5	Some contractors are not ensuring that maintenance inspections are planned, performed and/or recorded
4. PMPs not complying to spec / updated	6	PMPs not being review and updated / PMPs signed off by the PSC that do not fully comply to the contract spec
5. Construction and material testing / QA	3	Min material tests not undertaken (3) / Min construction test frequency (1) / Methodology repairs not verified (1)

* Reflects approximately 80 percent completion of CMRs programmed for the 2009/10 financial year.

Top issues reports continued

The tables below illustrate the top CMR compliance issues and LLR findings for capital projects, network operations and professional services for the 2009/10 year through to the end of April 2010.

CMR programme

Trend indicator key ↑ increasing trend ↓ reducing trend ↔ same as previous period NC = non-compliance

Top five CMR issues: Professional services, February 2010 – April 2010*

Top five issues - type	Trend	Description of issue
1. Provision of deliverables (POD)	↑	Not providing all deliverables and reports, as specified in the contract spec / late provision of deliverables
2. QA testing and inspections (QAS)	↑	Consultant management of hold and witness points, ie coordination with contractor, site instructions, records
3. Risk management (RMP)	↓	Development and use of a risk analysis and/or RMP as a tool for the formal identification and management of risk
4. Health and safety management (OSH)	↓	Acceptance of contractor management plans / surveillance of contractor activities (MSQA) / investigation of incidents
5. Project audits and inspections (PAI)	↑	Planning and performing site inspections / management of site instructions / audits of contractor compliance to plans

Top five issues - by description	NCs Of 11 CMRs identified in	Background to issue
1. Provision of deliverables and reports	9	Deliverables specified in standard spec but not provided / content does not comply with requirements of spec
2. Programme content and management	2	Not updated monthly / spec states programme required in all phases by often not provided in MSQA phase
3. Risk analysis and/or RMP not provided	3	Formal risk analysis and or RMP not prepared and/or updated during the contract
4. Management of hold and witness points	4	Hold points often clearly specified; however consultant not managing or recording inspections or approvals
5. Site surveillance activities (MSQA)	3	Site instructions not formally issued or managed / not auditing health and safety plan compliance when onsite

LLR programme

Top five lessons learnt report, February 2010 – April 2010*

Top five issues - type	Description of issue
1. Interactive tendering	Important to provide sufficient time for the interactive tendering period to allow full consideration of project risks and evaluation of design and constructability issues, ie taking into account the nature and complexity of particular projects.
2. Programme management	Project programmes need to take into account the nature and extent of design activities, connection between activities and (where applicable) impact of design delays on the critical path.
3. Functionality requirements	Important in contracts where there is a significant technical component that all functionality requirements are clearly defined in the principal's requirements and/or resolved and fully understood during the interactive tendering process.
4. Testing and commissioning	Impact on the programme from testing and commissioning activity can be reduced by running elements of testing and commissioning in parallel with construction. For this to occur, however, test requirements and sequencing need to be clearly defined and adequately resourced by the contractor.
5. Design management	Important to recognise the potential impact of design changes on design resources and the potential for changes to distract resources and delay the development of core elements of design.

* Reflects approximately 80 percent completion of CMRs programmed for the 2009/10 financial year.



For more information

We welcome your feedback or questions on the NZTA's Contract Management Review Programme or this newsletter. Please contact:

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