

# OVERSIGHT OF CAPITAL PROJECT PLANNING & PROCUREMENT



**Key Considerations for  
Local Government Council  
and Board Members**



**AUDITOR GENERAL FOR  
LOCAL GOVERNMENT**

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# THE AGLG PERSPECTIVES SERIES

The office of the Auditor General for Local Government (AGLG) was created through a law passed by the British Columbia Legislature in 2012. The AGLG was created to carry out performance audits of local government operations and provide them with information and advice.

Our goal is to help local governments be accountable to their communities for how well they take care of public assets and achieve value for money in their operations.

The AGLG Perspectives series of booklets is designed to help achieve this. These booklets complement our performance audit reports by providing local governments across the province with useful information relating to the topics we examine through our audits.

Some AGLG Perspectives booklets will be written mainly for elected council and board members, others will be directed more to local government staff and some may be directed at the full range of people who take an interest in local government in British Columbia.

# THIS BOOKLET

We have written this booklet mainly for council and board members of British Columbia's local governments. Our goal is to help you carry out your oversight responsibilities in the area of capital project planning and procurement.

This booklet highlights the kinds of information you should expect to receive for decision-making and monitoring in this area. It is not a comprehensive guide. Instead, it is a starting point for elected council and board members, especially those who have relatively little experience in dealing with local government capital project planning and procurement.

This booklet is the first in a series to be informed by lessons learned in our performance audit work, in this case work to date on the topic "Learnings from Local Government Capital Procurement Projects and Asset Management Programs." We will publish later installments dealing with other aspects of this topic.

## How to Use this Booklet

This booklet presents questions you can ask yourself, fellow elected officials and staff to help carry out your oversight responsibilities. It summarizes good practices in the area of capital project planning and procurement. We have drawn these from our audit work to date and authoritative sources that are listed at the back of this booklet.

# THIS BOOKLET

## Capital Procurement

**Capital procurement** occurs when a local government pays someone from outside the organization to supply, build or improve a physical asset of lasting value, such as a building, vehicle, road or water system.

Capital procurement follows from **capital planning**, which looks at the community's needs and compares them to the assets the local government already has in place and their condition. By comparing needs to the resources available, your local government can decide what capital procurement to undertake.

Both capital planning and **capital procurement** are parts of capital asset management, the overall process of taking care of your local government's capital assets through their entire lifecycle, from their initial planning through to decommissioning at the end of their useful lives.

The chart on the following page summarizes the types of information contained in this booklet.

## Why Capital Procurement Matters

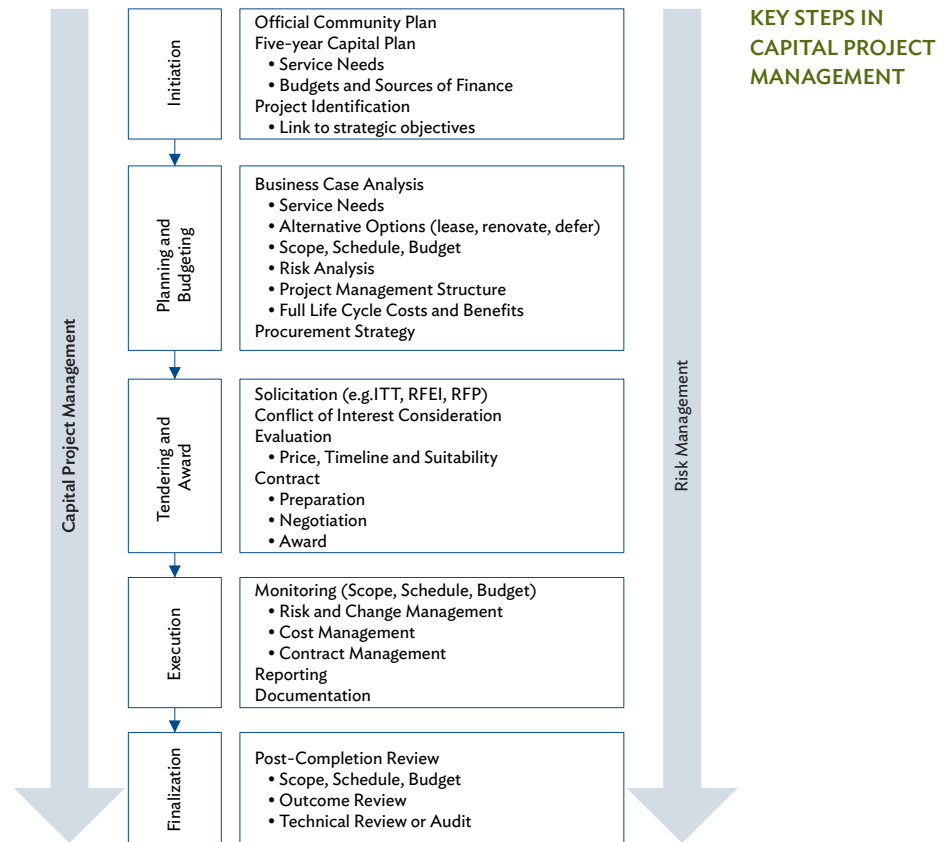
Capital procurement is important because the capital items local governments invest in are essential to providing vital services to the public and because local governments spend significant amounts of tax dollars on them.

According to their annual financial reports, B.C. local governments owned \$34 billion worth of assets in 2012<sup>1</sup>. Because of the high value and importance of these assets, it is important for local governments to have controls in place to make sure they are purchased or constructed, delivered and managed cost effectively and that local governments receive value for the tax dollars invested in them.

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<sup>1</sup> [http://www.cscd.gov.bc.ca/lgd/infra/municipal\\_stats/municipal\\_stats2012.htm](http://www.cscd.gov.bc.ca/lgd/infra/municipal_stats/municipal_stats2012.htm)

# THIS BOOKLET



## What this Booklet Doesn't Cover

This booklet focuses on capital procurement and the capital project planning directly related to it. It does not cover local governments' overall capital planning and approaches to its management of capital assets.

As a result, some issues that are important in local government capital asset management and capital planning are not covered here, including consultation with the public and stakeholders in the development of capital plans.

# THE 26 QUESTIONS

- 1 What is the “tone at the top”?
- 2 How do council/board members participate in capital procurement?
- 3 What level of delegation of council/board powers to local government staff is appropriate?
- 4 What information should we as a council/board expect to see?
- 5 What comes to us for our review and approval?
- 6 What do we do if our staff doesn’t have enough time or expertise to effectively manage a capital project?
- 7 Do our policies and procedures support sound practices by staff?
- 8 Is the project included within our five year financial plan?
- 9 Should staff provide a business case for the project?
- 10 How accurate does a project budget need to be?
- 11 How might trade agreements affect our project?
- 12 How do we contract for outside resources?
- 13 Why do we need a written contract?
- 14 How does our local government assess project risks?
- 15 How do we protect against staff not following our policies?
- 16 How do we manage ethical requirements and the potential for conflict of interest?
- 17 What are our legal responsibilities relating to conflict of interest?



# THE 26 QUESTIONS

- 18 Do we have adequate conflict of interest and other ethical requirements for staff?
- 19 How do we hold contractors accountable for potential conflicts of interest?
- 20 Does our local government carry out a post-completion assessment of capital projects?
- 21 How can we make sure our capital projects are successful and provide good value for money?
- 22 How does our local government monitor and report on progress and changes?
- 23 How do we know expenditures are accurately reported?
- 24 Are project documents complete, accurate and readily available?
- 25 What happens if a project goes off the rails?
- 26 What do we do if our ethical rules are broken?

# THE ROLE OF COUNCIL/BOARD MEMBERS IN CAPITAL PROJECT PLANNING AND PROCUREMENT

## 1 What is the “tone at the top?”

Councils/boards and your senior staff set the tone for your local government. Your professionalism, integrity and ethical values establish a standard across the organization. These values allow you to lead by example and can guide and inform decision-making across all levels of your organization.

Integrity in public procurement is built on the four pillars of:

- transparency
- good management
- compliance, monitoring and prevention of misconduct
- accountability and control

You should ask yourself and your chief administrative officer what you are doing to support this commitment and how a local government’s policies and practices address this. What are your senior managers doing on a daily basis to set an ethical and professional tone for the organization?

# THE ROLE OF COUNCIL/BOARD MEMBERS IN CAPITAL PROJECT PLANNING & PROCUREMENT

## 2 How do council/board members participate in capital procurement?

Among other responsibilities, local governments must take care of their community's public assets. In doing this and other things, your council/board carries out the powers, duties and functions of your local government.

Under the *Community Charter*, local governments may hire a chief administrative officer to be responsible for overall management and for reporting back to your council/board on your local government's operations.

The *Community Charter* also provides for councils to delegate functions to staff. As a result, council and board members are generally not involved in the day-to-day operations of the local government.

In capital procurement, this means your council/ board should approve all capital plans, including decisions on what capital projects your local government will undertake, overall budgets, schedules and sources of financing.

Staff has responsibility for carrying out these projects consistent with your decisions and policies. Your policies should require staff to report back to you on their progress, so you can monitor how projects are going.

You are responsible for the policies used to identify, procure and deliver these projects. In creating policies and monitoring how they are carried out, it is important that your board/ council account for the governance and oversight of these capital projects throughout their lifecycle.

# DECISION-MAKING IN CAPITAL PROJECT PLANNING AND PROCUREMENT

## 3 What level of delegation of council/board powers to local government staff is appropriate?

Ultimately, this is for your council/board to decide based on the relative importance and risk associated with various local government operations.

From a legal perspective, your staff can only spend public money if your council/board first gives them the authority to do so. This is called delegation. Delegation is done through a bylaw approved by your council/board.

Delegation usually includes a dollar limit above which staff must come to your council/board for approval for a financial commitment.

## 4 What information should we as a council/board expect to see?

To carry out your oversight responsibilities effectively, you need information. At the same time, it is important for you to allow staff to carry out their responsibilities efficiently. To balance these two priorities, your council/board will want to clearly identify your requirements for review, approval and other reporting in your procurement and capital project management policies. These policies should require staff to provide you with written information at key points throughout a capital project such as:

- initiation
- planning and budgeting
- tendering and award
- execution
- finalization

Depending on the project size, there may be several points during each project where staff will bring you information and seek your approval. Over the life of the project, such reporting ought to include, at a minimum, periodic reports on project risks, key results achieved and actual costs compared to budget, vendor performance and overall contract management.

# DECISION-MAKING IN CAPITAL PROJECT PLANNING AND PROCUREMENT

## 5 What comes to us for our review and approval?

Your council/board should set out clear oversight requirements for staff to follow for all phases of a capital project.

Staff should provide information to you in writing and include key decision points. These may include project budgets and sources of funds, initial requests, requests to proceed to tender, recommendations for contract awards, significant scope changes, budget increases above an identified amount and financial and non-financial progress reports.

Your council/board should be responsible for approving the budget for all capital projects, requiring your staff to bring forward any proposed changes to the budget, scope or schedule for your consideration and approval.

In addition, you may require council/board approval for all individual contracts above a certain value, consistent with your procurement policies.

## 6 What do we do if our staff doesn't have enough time or expertise to effectively manage a capital project?

Capital projects can be challenging and complex and they are inherently risky. Riskier projects require more project management expertise and other specialized areas of expertise such as contracting, scheduling, budgeting and cost control.

Before approving any project, your council/board should be satisfied that it can be effectively managed. When your staff does not have the technical expertise and/or capacity to manage a project effectively, you should consider hiring a well-qualified project manager to help ensure the local government's interests are addressed throughout the project execution.

It is often useful for staff to write a project charter that sets out the roles and responsibilities of all key players, including the role of staff in overseeing any outside project managers while the project is underway.

# DECISION-MAKING IN CAPITAL PROJECT PLANNING AND PROCUREMENT

## 7 Do our policies and procedures support sound practices by staff?

Your local government should have up-to-date procurement and capital project management policies and procedures. These should be reviewed on a regular basis to make sure they reflect current conditions and priorities. You should also have supporting tools and templates to guide your staff in these activities.

Having strong policies and procedures is important; equally important is ensuring that staff understand and implement them in a consistent manner.

A policy and procedures manual, based on clear strategic and procurement goals, should consider the following:

### **Governance:**

- relevant legislation and bylaws
- roles and responsibilities of elected officials, staff (including those with program, procurement and finance responsibilities) and contractors
- approval and authorization levels
- conflict of interest guidelines

### **Risk Management:**

- how to identify key financial and non-financial risks to the project through project planning, procurement and execution
- how to assess these risks
- how to manage these risks

### **Planning:**

- the process used to identify capital needs
- how to analyze delivery options
- business case development and analysis
- requirements for an implementation plan

### **Procurement:**

- requirements for open, fair and competitive public solicitation
- how a procurement option is to be selected
- tendering processes
- evaluation and award practices

### **Contract Management:**

- types of contracts
- preparation of contract documents
- supplementary conditions and schedules (insurance, performance bonds)
- legal considerations
- billings and payments
- use of contract amendments and change orders

# DECISION-MAKING IN CAPITAL PROJECT PLANNING AND PROCUREMENT

## 7 (cont'd)

### **Budget and Cost Management:**

- requirement for project budget estimates at various phases in the project lifecycle
- cost-management mechanisms

### **Monitoring and Reporting:**

- standards for routine project monitoring and reporting
- reporting requirements, including financial, performance and risk-based reporting
- approval standards, including levels of authority, accountability and responsibility

### **Project Evaluation:**

- contractor evaluation
- requirements for post-completion assessment of project performance
- long-term performance of the asset, including the extent to which value for money was achieved

# CAPITAL PROJECT PLANNING

## 8 Is the project included within our five year financial plan?

The *Community Charter* and *Local Government Act* both require that your local government prepare a five year financial plan each year, which includes the amount of money required for capital purposes.

This rolling multi-year capital plan should be closely linked to your local government's operational plans and

priorities. Generally, any capital requests from staff will need to be included in the plan.

## 9 Should staff provide a business case for the project?

A business case sets the foundation for the project plan. It addresses the entire lifecycle of the asset, from the need being identified through to its ongoing operational costs.

Business cases are key tools for accountability. Your policies should require your staff to provide one with every request for capital funding. The business case should be scaled to the size, value and complexity of the project and clearly show the link between the proposed expenditure and your local government's strategic objectives.

A business case should include the service need, objectives, other alternatives considered (such as lease,

renovate, defer, cancel), project risks, project management structure, schedule, monitoring and reporting, procurement strategy, performance measures and a budget that considers full lifecycle costs, including operations and maintenance.

Business cases should also show the proposed sources of funding for the project and all associated costs, along with any conditions that may be attached to outside funding.



# CAPITAL PROJECT PLANNING

## 10 How accurate does a project budget need to be?

As the project becomes better defined, budget estimates can become increasingly accurate. The greater the accuracy of the project budget, the greater the opportunity for your local government to manage the project within your fiscal limits.

Project budgets generally cover the costs of planning, design, engineering, construction and commissioning.

Until a project is actually constructed, a cost estimate always represents the best judgment available at the time. Quantity surveyors, professional engineers, design consultants and the development of detailed specifications can all help develop a “hard” project budget. In addition, the use of contingency amounts can minimize the potential for cost overruns, if they are managed properly.

You should require your staff to update project budgets and report this information to you when better or more current information becomes available. If there are cost savings from original estimates, your council/board will then be able to reallocate resources to other priorities. Similarly, where project costs are expected to increase, you should be aware of the implications of this for your capital plan and other capital projects.

## 11 How might trade agreements affect our project?

Our provincial and federal governments have entered into several domestic and international trade agreements that could affect local governments.

Some of these agreements include procurement-related obligations based on the principles of non-discrimination, openness and transparency and reflect a commitment to the effective management of public resources.

You will want to make sure your staff gets legal advice on how trade agreements may affect your procurement planning and make sure your procurement policies reflect these requirements.

# PROCUREMENT

## 12 How do we contract for outside resources?

Hiring architectural, engineering, construction and other project management services can be critical to project success. The process of selecting a contractor is usually managed by staff, consistent with council/board decisions and procurement policies. Often, your council/board's involvement includes reviewing the results of the process and authorizing staff to enter into a contract.

For major or complex projects, your council/board may ask staff to prepare a procurement strategy. This can include the timing, procurement method, evaluation and award processes and the key players to be involved.

To ensure best value, procurement should be fair, open and transparent, using competitive processes such as tendering as much as is feasible. [BC Bid](#) is a useful tool to post local government procurement opportunities online.

A public solicitation process involves advertising for vendors to submit bids or other information. Depending on the project, this might involve invitations to tender (ITT), requests for qualifications (RFQ) or requests for proposals (RFP). More complex projects may require a separate stage involving a request for expressions of interest (RFEI).

Your policies should require staff to evaluate bids against the published requirements using clear criteria outlined in your policies. Criteria may include

price, timeline and suitability and should result in best value for money for the local government. Your policies should require that staff fully document the evaluation process and its outcome in your local government's files.

The evaluation process usually results in a staff recommendation to award the contract to the highest-ranked bidder.

There are several different project delivery methods available, ranging from traditional design-bid-build to design-build and public private partnership (P3) as well as the construction management approach.

Typically, your local government would select a method based on factors such as complexity, capacity, urgency, risk tolerance and risk sharing. You should require your staff to show that they have done an analysis of the various options and the recommended solution is the one that best meets your needs and requirements.

# PROCUREMENT

## 13 Why do we need a written contract?

Contracts form the legal basis for work to be performed and payments to be made. A written contract is critical because it describes clearly what you are going to get and at what cost.

Written contracts spell out the responsibilities of both your local government and the contractor you are dealing with. They help limit your risks and hold all parties accountable for their commitments. For example, risk can be allocated, through transfer and sharing, to a third party through a contract. The use of hold-backs through a contract can help assure resolution of deficiencies and completion within set timelines.

The use of verbal contracts should not be permitted, as they leave your local government vulnerable to increased risk and liability.

Your council/board should authorize staff to enter into contracts with successful bidders and require a written contract to be the outcome of all capital procurement processes.

Your council/board may require staff to bring contracts above a certain dollar value for your approval before they are entered into. This should be covered in your procurement policies.

You will want your lawyer to review written contracts – including templates for routine contracts – before they are signed. Contracts must be administered consistently with their terms and conditions.

# MANAGING RISKS

## 14 How does our local government assess project risks?

Every capital project carries some level of risk that needs to be managed in order to protect against unexpected impacts on the project's scope, schedule and budget. Risks range from general to stakeholder interests to specific project management and construction risks, as well as risks to your reputation. As part of planning, your staff should develop a detailed risk assessment and risk mitigation plan.

Your council/board should require your staff to carry out ongoing risk management activities as a project takes place.

One useful risk management tool is a risk register outlining project risks and how they will be treated.

## 15 How do we protect against staff not following our policies?

There is always a risk that capital project management might happen differently from how your local government's policies say it should happen. This is called an 'exception'.

Exceptions can sometimes be justified by the unique circumstances of a situation, such as in emergencies. This is acceptable, as long as it is provided for in your local government's policies and procedures or is brought to your council/board in advance for approval.

It is important for your local government to have policy and procedures in place covering situations where it might be necessary to vary from your policies.

Your policies should require staff to document cases where exceptions occur and report this to your council/board.

At other times, exceptions may indicate fraud or deliberate failure to record transactions in order to conceal inappropriate activities. Your council/board must be aware of the risks associated with this and – to prevent abuse – should make sure no one individual can control all key aspects of a transaction or event.

# MANAGING RISKS

## 15 (cont'd)

Ways of doing this may include:

- maintaining a log of instances of exceptions
- requiring that exceptions be explained and reported to next level of authority
- preparing an action plan for resolution/remediation, approved by an individual with the appropriate level of authority
- reporting a summary of exceptions to the chief administrative officer and council
- periodically conducting a thorough audit of exceptions

Examples of inappropriate management overrides may include:

- a manager requests that a payment be made to a vendor without adequate supporting documentation
- a manager approves the purchase of goods or services in the absence of a contract
- a manager approves a contract value exceeding the amount they are authorized to approve

# CONFLICT OF INTEREST

## 16 How do we manage ethical requirements and the potential for conflict of interest?

A conflict of interest in capital procurement occurs when a member of the procurement team, or an advisor to the process, has either a personal or business relationship or interest that could be seen to bias their judgement or impartiality.

Conflicts of interest, whether actual or perceived, are relatively common and can often be managed effectively. To do this, it is important to identify any potential conflicts of interest early in the procurement process and take timely and appropriate steps to address them.

Your local government should include ethical requirements and conflict of interest provisions in your policies. You will also want to be certain that you have processes in place to ensure procurement team members and any advisors declare and resolve any actual or perceived conflicts of interest throughout the process.

# CONFLICT OF INTEREST

## 17 What are our legal responsibilities relating to conflict of interest?

Under British Columbia's *Community Charter*, council members are responsible for developing and evaluating your local government's policies and programs. You are also responsible for considering the well-being and interests of the community.

Your local government should have policies, procedures and guidelines in place to help ensure council/board members act ethically. As a starting point, the *Community Charter* includes several requirements:

Section 100 – a requirement to declare a conflict of interest where they have a direct or indirect pecuniary interest in a matter under consideration.

Section 101 – a requirement to not participate in a meeting where a matter in which they have a direct or indirect pecuniary interest is under consideration.

Section 102 – a requirement to not attempt to use their office to unduly influence a decision of the municipality where they have a direct or indirect financial interest in a matter under consideration.

Section 103 – a requirement to not attempt to use their office to unduly influence a decision in which they have a direct or indirect financial interest.

Section 105 – restrictions on accepting gifts, fees or personal benefits connected in some way to their office.

Section 106 – a requirement to disclose any gift or benefit exceeding \$250 or combined value of gifts over a 12 month period exceeding \$250.

Section 107 – a requirement to disclose any contract where they have a direct or indirect financial interest.

Section 108 – a restriction from using insider information obtained during time on council for furthering a direct or indirect financial interest.

In addition, the *Financial Disclosure Act* requires both elected officials and those employees designated by a local government to submit an annual Statement of Disclosure form identifying related parties and assets.

# CONFLICT OF INTEREST

## 18 Do we have adequate conflict of interest and other ethical requirements for staff?

It is important for your council/board to make sure you have effective policies and procedures to help ensure ethical conduct by staff. This includes a code of conduct addressing conflict of interest, illegal or improper payments, anti-competitive guidelines, insider information and fraud.

Your policies and procedures will usually require training on these matters for new staff members and periodic acknowledgement by all employees (usually annually) of their awareness of and compliance with these requirements. In addition, you will want to make sure your local government has post-employment rules covering employees who have high levels of procurement responsibility. Such rules reduce the risk of former employees using confidential information they gained through their local government position for personal or commercial benefit.

Post-employment rules usually prohibit employment with outside contractors and suppliers, with whom they have had substantial involvement, for a period after leaving the local government, typically one year.

Your senior management should consistently communicate a commitment to integrity and ethics. This can be done through directives, training or other methods. Strong policies, procedures and leadership will

help make sure all staff members have a clear understanding of ethical behaviour relating to vendors and suppliers, both for themselves and immediate family members.

Your local government should have a system of controls in place to prevent and detect any violations of ethical behavior. Such a system could include:

- segregation of duties (the person receiving goods or services should be different from the person approving payment)
- clear written processes for authorizing and approving:
  - > projects
  - > contracts
  - > payments
  - > project deliverables
  - > satisfactory project completion
- post-employment conditions for senior staff
- other control activities relating to:
  - > reconciliation
  - > verification
- mechanisms to resolve any real or perceived conflicts



# CONFLICT OF INTEREST

## 19 How do we hold contractors accountable for potential conflicts of interest?

In addition to elected officials and staff, it is also important for you to be aware of real or perceived conflicts of interest involving your contractors. This includes contractors involved in managing the procurement function for you and those that submit proposals to you through a procurement process.

Useful tools for this may include disclosure requirements, vendor checks, performance bonds, insurance, clear documentation of contractual deliverables, contractor management and monitoring.

In addition, a vendor complaint process can help identify unfair advantages during the bid process, as well as manage ongoing vendor relationships. Such a process allows your local government to track complaints and resolve issues related to conflict of interest and other unfair advantages.

## ENSURING VALUE FOR MONEY

### 20 Does our local government carry out a post-completion assessment of capital projects?

When your local government completes a capital project, a post-completion assessment can be useful in determining whether the project was carried out successfully, how contractors performed, the effectiveness of staff involved and whether you have achieved overall project objectives.

Your staff should carry out post completion reviews of all major capital projects and document the results. These should be used to inform or fine-tune future decisions. At a minimum, such a review should look at scope, schedule and budget results and may also be expanded to include program outcomes.

On a high-risk project, it may be advisable to contract for an independent technical review or audit to be done for the project. The results of such an assessment should, as a matter of course, be presented to Council.

### 21 How can we make sure our capital projects are successful and provide good value for money?

The points covered in this booklet provide a foundation for successful capital projects. Your council/board can help ensure success by making sure your policies adequately cover the points described here and by diligently carrying out your oversight function.

# MONITORING AND REPORTING

## 22 How does our local government monitor and report on progress and changes?

Monitoring and reporting are key accountability mechanisms and are essential to sound financial and non-financial capital project management.

As a key component of project planning, you will want to ensure that your local government has developed both a monitoring strategy and a reporting strategy focused on scope, schedule and budget as well as other critical information such as change orders, performance measures and risks unique to the project.

Your senior staff should carry out project monitoring consistently and provide your council/board with routine progress reports as well as reports at key milestones, such as at the time of procurement decisions. You will want your staff to monitor budgets to compare actual costs to what was budgeted and the reasonableness of budget forecast assumptions.

You will want reporting to be at the right level of detail for decision-making. Your council/board should require project summary reports from staff on a routine basis, such as monthly or quarterly.

## 23 How do we know expenditures are accurately reported?

Sound financial management requires that staff track and report all project expenditures against the original estimated budget and any revisions to it that your council/board has approved.

Your local government should have financial policies in place and identify and agree on reporting tools as part of project planning.

You should require staff to provide financial updates to your council/board on a monthly basis. It is also important for a financial update to accompany any request for a budget increase, along with proper change orders or other written rationale. In all cases, your policies should only permit budget increases if they are approved in advance by your council/board.

## MONITORING AND REPORTING

### 24 Are project documents complete, accurate and readily available?

Strong documentation of processes, transactions, decisions and actions taken reduces risks of potential problems and of projects unfolding differently from original plans without good reason for doing so.

Good documentation practices also promote accountability and make it easier to achieve value for money. Your council/board should ensure your chief administrative officer has strong documentation practices in place and that all key documents are kept on file and can be easily found.

# WHEN SOMETHING GOES WRONG

## 25 What happens if a project goes off the rails?

Capital projects can be large and complex, with many moving parts, and problems can occur for many different reasons.

When a breakdown of internal controls – such as a conflict of interest, unauthorized contracts or lack of contracts, or inappropriate payments – occurs, your local government will need to react quickly.

You should make sure your staff undertake several key steps immediately:

- ensure that any problem events are no longer occurring
- undertake an in-depth examination of what happened
- identify the cause of the breakdown
- determine the actions required to best address the problem, contain its impact and prevent the problem from happening again

Your policies should require the chief administrative officer to report fully to your council/board on the issues, causes and actions associated with any such breakdown.

When external forces affect a project, typically leading to unexpected changes to its scope, schedule and/or budget, you need to be confident that your staff is making sure the issues are addressed effectively. You should require your staff to bring any significant changes to scope, schedule or budget to your council/board for approval.

## 26 What do we do if our ethical rules are broken?

You should ensure that your chief administrative officer deals with situations where ethical standards are violated effectively and swiftly through remedial action or other intervention.

Your policies should require your chief administrative officer to immediately provide your council/board with information, advice and guidance on situations where ethical standards have been violated.

# INFORMATION SOURCES AND RESOURCES

## Documents

BC Capital Asset Management Framework, State of Asset Management in B.C.  
BC Public Service Agency – Human Resource Policies  
Capital assets held by B.C. local governments, 2012  
*Community Charter*  
Guidelines to the Procurement Obligations of Domestic and International Trade Agreements  
*Local Government Act*  
Organisation for Economic Co-Operation and Development Principles for Integrity in Public Procurement

## Organizations

Asset Management BC  
Association of Consulting Engineering Companies BC  
Association of Consulting Engineering Companies - Canada  
Association of Professional Engineers and Geoscientists of BC  
BC Bid  
Canadian Construction Association  
Canadian Construction Documents Committee  
CivicInfoBC  
Committee of Sponsoring Organizations of the Treadway Commission (COSO)  
Construction Specifications Canada  
Government Finance Officers Association of B.C.  
Local Government Infrastructure and Finance Branch, BC Ministry of Community, Sport and Cultural Development  
Local Government Management Association of B.C.  
Master Municipal Construction Documents Association  
Royal Architectural Institute of Canada

# DEFINITIONS AND MORE DETAILED INFORMATION

## Asset Management

### ISO 55000

Asset management is the coordinated activity of an organization to realize value from its assets, which involves balancing costs, risks, opportunities and performance benefits.

### Asset Management BC – The State of Asset Management in B.C.

An integrated approach involving planning, finance, engineering and operations to effectively manage existing and new infrastructure to maximize benefits, reduce risks and provide satisfactory levels of service to community users in a socially, environmentally, and economically sustainable manner.

## Public Solicitation Processes

### Request for Information (RFI)

Used where the municipality has an idea and is looking for the best approach to execute it. The intent is to source technical or commercial data to possibly include in a follow-up process; this process does not lead directly to a contract.

### Request for Proposal (RFP)

Used where the vendor is considered the expert, a high degree of flexibility is necessary and negotiations may be required. Evaluation is based on a set of agreed to evaluation criteria. This process usually leads to a written contract.

### Request for Qualification (RFQ)

Used to establish the technical abilities of vendors and to determine whether they will be capable of providing the required goods or services. Used to create bid lists when the requirement is expected to be repetitive. This process does not result directly in a contract.

### Request for Expression of Interest (RFEOI, RFEI)

Used to develop a list of potential bidders by gauging public interest in an expected future procurement. This process does not result directly in a contract.

# DEFINITIONS AND MORE DETAILED INFORMATION

## **Request for Standing Offer**

Used to solicit offers to provide goods and/or services as required at pre-arranged prices, under set terms and conditions. This process does not result directly in a contract.

## **Request for Tender (RFT), Invitation to Tender (ITT)**

Used where goods or services are of high value and/or high risk, requirements and specifications are clearly defined, the local government is the expert and award criteria are heavily weighted to price. This process usually leads to a written contract.

## **Trade Agreements**

### **New West Partnership Trade Agreement**

The New West Partnership Trade Agreement is an agreement signed in 2010 between the provincial governments of British Columbia, Alberta and Saskatchewan to provide access by vendors in each province to business opportunities across all three provinces. It is based on the principles of free movement of goods, services, investment and people within Canada.

[www.newwestpartnershiptrade.ca](http://www.newwestpartnershiptrade.ca)

### **Agreement on Internal Trade**

The Agreement on Internal Trade (AIT) is an agreement that has been in force since 1995, intended to encourage interprovincial trade by addressing obstacles to the free movement of goods, services, investment and people within Canada. A significant part of the agreement relates to procurement and the elimination of local bias which may restrict equal access to business opportunities for all interested Canadian suppliers.

[www.ait-aci.ca/index\\_en/ait.htm](http://www.ait-aci.ca/index_en/ait.htm)

## **Referenced Good Practices**

### **Master Municipal Construction Documents (MMCD)**

Master Municipal Construction Documents provide a framework for municipal infrastructure projects. MMCD Standard Specifications and Drawings have become widely accepted across British Columbia as tendering and contract administration tools for these projects.



# DEFINITIONS AND MORE DETAILED INFORMATION

The collective perspectives of government, consultants, contractors and owners have combined to create a fair, equitable solution to this often complex part of getting things done.

The MMCD has been built on three primary principles:

- the language was developed through consensus among owners, contractors and consultants
- the documents were created under a mandate for fairness
- the documents are easy to understand and to use

## **Canadian Construction Documents Committee (CCDC)**

The Canadian Construction Documents Committee is a national joint committee responsible for the development, production and review of standard Canadian construction contracts, forms and guides.

Formed in 1974, the CCDC includes two owner representatives from each of the public and private sectors, as well as appointed volunteer members of the following four national organizations:

[Canadian Construction Association \(CCA\)](#)

[Association of Consulting Engineering Companies–Canada \(ACEC\)](#)

[Construction Specifications Canada \(CSC\)](#)

[Royal Architectural Institute of Canada \(RAIC\)](#)

## **Cost Estimate Classifications**

The following definitions are derived from the Association of Consulting Engineering Companies BC and the Association of Professional Engineers and Geoscientists of BC.

Until a project is actually constructed, a cost estimate represents the best judgement of the person preparing the estimate, drawing on their experience and knowledge and the information available at the time. Its completeness and accuracy is influenced by many factors, including the project status and development stage. Estimates have a limited life, and are subject to inflation and fluctuating market conditions.

# DEFINITIONS AND MORE DETAILED INFORMATION

The following estimates and their classification definitions are suggested for engineering projects.

## **Class A estimate ( $\pm 10-15\%$ )**

A detailed estimate based on final drawings and specifications. It is used to evaluate tenders or as a basis of cost control during construction.

## **Class B estimate ( $\pm 15-25\%$ )**

An estimate prepared after site investigations and studies have been completed and the major systems defined. It is based on a project brief and preliminary design and is used for obtaining project approval and for budgetary control.

## **Class C estimate ( $\pm 25-40\%$ )**

An estimate prepared with limited site information and based on probable conditions affecting the project. It represents the total of all identifiable project costs and is used for program planning, to establish a more specific definition of client needs and to obtain preliminary project approval.

## **Class D estimate ( $\pm 50\%$ )**

A preliminary estimate which, due to little or no site information, indicates the approximate cost of the proposed project, based on the client's broad requirements. This overall cost estimate may be derived from the costs of similar projects. It may be used in developing long term capital plans and for preliminary discussion of proposed capital projects.

# DEFINITIONS AND MORE DETAILED INFORMATION

## Contracts

Contracts impersonalize the relationship between the parties and provide a mechanism for anyone, on the local government side or the contractor side, to get an understanding of what was agreed to.

In addition to scope and payments, the most important points to consider in a construction contract are:

### **Insolvency**

what happens in the event that there is insolvency, either of the developer or the contractor?

### **Risk**

who is to bear the risk of any delay or costs of actions that are either unforeseen or due to one party or the other? Ideally, risks should be allocated to the party best placed to manage the risk.

### **Change Orders**

in what circumstances can the scope, budget or schedule be changed?

### **Insurance**

what insurance needs to be in place to protect the parties?

### **Dispute**

what are the mechanisms for dispute resolution?

### **Warranty**

from the local government perspective, any warranty provisions should be included in the contract, as they could be needed ten years after completion.

## AGLG CONTACT INFORMATION

The AGLG welcomes your feedback and comments. Contact us electronically using our website contact form on [www.aglg.ca](http://www.aglg.ca) or email [info@aglg.ca](mailto:info@aglg.ca) to share your questions or comments.

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LOCAL GOVERNMENT**

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