



INCREASE COMPLIANCE ON VARIATION ORDER

Sandra Low, Ler Sock Hoon
SCM

1. Introduction

For construction projects, variation costs are finalised after the work is completed/towards the end of project. Approval for additional work/scope was often not sought in time prior to commencement of variation work. Project team may potentially lose sight of progress of variation work/cost at site.

2. Aim



To align Variation process with organisation's procurement policy to reduce non compliance and performance risk to the organisation

3. Methodology

A two Part variation order process flow was established to guide and ensure User seeks approval prior to commencement of variation work.

Variation order required

- Fill in VO Part 1 form
- Seek Approval based on Approval limit

Approval attained

- Instruct vendor to proceed with variation work
- Contractor bill actual VO cost, Consultant/Project team to certify work

Put up VO Part 2 form for approval

- VO form approved by approvers
- SCM issue PO to vendor

VO form Part 1 -

- ✓ With the interim quotation from vendor, User put up a Part 1 approval form and seek their HOD approval before instructing vendor to commence work on site.
- ✓ Only after approval attained, commencement of work on site may proceed.

CHANGI GENERAL HOSPITAL APPROVAL FOR VARIATION (UTILISATION OF APPROVED CONTINGENCY SUM)	
Date	: CD to fill up
Department	: Campus Development (CD)
VO no:	1
ePR no. of VO:	C000XXX
Part 1: Approval before works are carried out on site	
Description and Details of the Main Contract	
ePR No. of the Main Contract	: CD to fill up
LOA No.	: CD to fill up
Project Title	: CD to fill up
Awarded Contractor	: CD to fill up
Contractual Contract Period	: CD to fill up
Revised Contract Period	: CD to fill up
Description and Details of Variation Required	
Description of Variation	: Refer to Annex A for detail breakdown
Reasons for Variation	: Refer to Annex A for detail breakdown
Variation Cost Implication	: xxxx (refer to Annex B for quotation)
Cost reasonableness	: This is an estimate amount only. The final amount will be assessed and evaluated by <u>Consultant / CD Department</u> (Delete if not applicable) upon completion of works
Time implications	: No or Yes. There will be extension of time.* (Delete if not applicable)
Availability of Funds	
Approved Contingency Sum	\$ xxxxx
Less: Previous Approved Utilisation	\$ xxxxx
Balance of Contingency Sum	\$ xxxxx
Awarded Contract Sum	\$ xxxx
Estimated Final Contract Sum	\$ xxxxx
Prepared by:	Verified by:
CD PM Designation Date:	SCM Buyer Designation Date:
Approved by:	
xxxxx Approver 1 Date:	xxxxxxx Approver 2 Date:

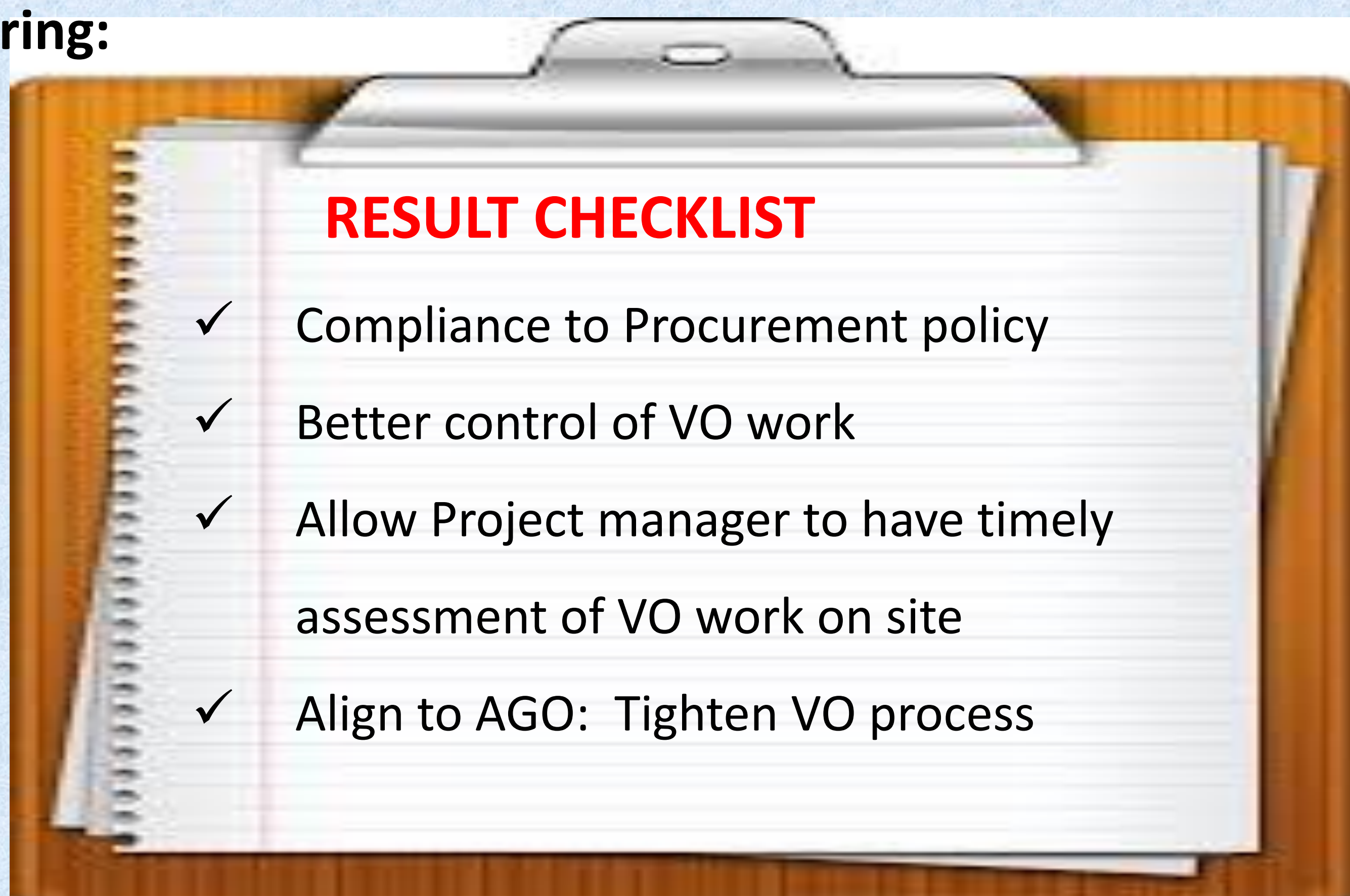
VO form Part 2 -

- ✓ After work completed, Project manager will verify and certify the variation work on site and attained Contractor's agreement on the amount certified.
- ✓ With this confirmation, User will submit Part 2 approval form, seek Management approval based on Financial approval limit with the finalised cost.

CHANGI GENERAL HOSPITAL APPROVAL FOR VARIATION (UTILISATION OF APPROVED CONTINGENCY SUM)	
Date	: CD to fill up
Department	: Campus Development (CD)
VO no:	1
ePR no. of VO:	C000XXX
Part 2: Final Evaluation after works are completed on site	
Description and Details of the Main Contract	
ePR No. of the Main Contract	: CD to fill up
LOA No.	: CD to fill up
Project Title	: CD to fill up
Awarded Contractor	: CD to fill up
Contractual Contract Period	: CD to fill up
Revised Contract Period	: CD to fill up
Evaluation of VO works	
Approved VO amount	: XXXX (Estimate only. Refer to VO approval form - Part 1)
Final actual VO amount**	: XXXX (Agreed with contractor. Refer to VO approval form - Part 2)
The final actual VO amount is <u>within or exceeded</u> (delete one of them) the approved VO amount.	
CD to explain why the final cost has exceeded the approved amount. (delete if not applicable)	
**Cost has been assessed by the <u>Campus Development (CD) Specialist or Consultant</u> (to delete one of them) and it is reasonable and acceptable which is within market rate and unit rate.	
Prepare by:	Verified by:
CD PM Designation Date:	SCM Buyer name Designation (SCM) Date:
Approved by:	
xxxxxxx Approver 1 Date:	xxxxxxxxx Approver 2 Date:

4. Results

With this process introduced, Supply Chain Management(SCM) has achieved intangible benefits of ensuring:



RESULT CHECKLIST

- ✓ Compliance to Procurement policy
- ✓ Better control of VO work
- ✓ Allow Project manager to have timely assessment of VO work on site
- ✓ Align to AGO: Tighten VO process

5. Conclusion

The Variation order procurement process was successfully introduced and it achieved the following:

- ❖ Allow both the Project team and Management to have a better visibility of the progress of work.
- ❖ More accurate assessment of the variation work