



Effective accounting for construction projects

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Introduction

Today the webinar will be exploring

- factors and
- behaviours

that are needed to ensure effective design, contracts, management and reporting of complex projects.



Topic 1 - Prediction

What leads to uncertainty over cost (and time) at the inception of a project?

Difficulties arise from

- An unclear brief
- Poor estimation of contract costs for the original proposal
- Inappropriate assumptions and incorrect contract type
- Contractors 'buying the job'
- Insufficient time allowed to negotiate the contract





How can accountants and QS's work together to avoid these problems?

Gaining assurance that a project has been set up to deliver cost certainty

- Upfront discussions between client and advisers – accountants, QS and lawyers
- Ensure there is a clear brief and design
- Put in place robust procedures to underpin estimates supporting the proposal
- Assess the appropriateness of assumptions made as part of the contract award (using the appropriate contract form)
- Ensure parties have identified risks and agree allocation to the parties
- Risk assess consequences if contractors appear to be “buying the job”
- Ensure adequate time available to set up a contract (issues arise when too constrained)
- Ongoing dialogue between client and advisers



Topic 2 – Controls

How can projects be controlled to deliver cost and margin certainty?

Issues to consider

- The impact of the contract type – open book v fixed cost etc...
- The status of the work – valued earned to date
- The status of sub-contracts
- The status of change
- Assessing costs to completion

Gaining assurance that a project is being controlled to deliver cost certainty

- Assess the appropriateness (number and competence) of the resources available to administer the contract
- Review the existence of robust and realistic reporting to show the status of the work including cost value reconciliations and earned value valued reporting
- Assess the management of sub-contracts and their status
- Gain assurance that change is being managed in line with the contract
- Test the assumptions made in assessing costs to completion
- Ongoing dialogue between client and advisers



Topic 3 - Forensics

What are the common underlying causes of disputes?

Key difficulties arise from

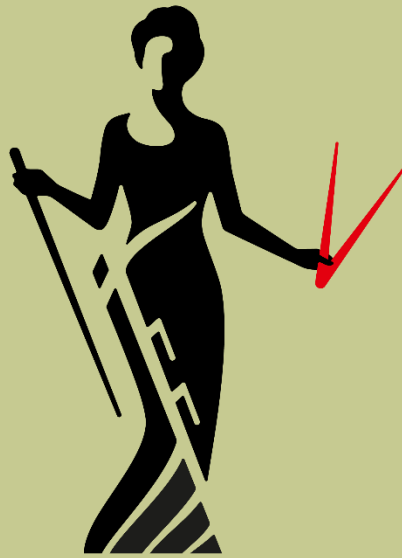
- Inappropriate assumptions
- Badly written contracts
- Departing from the contract
- Non-compliance with the Contract
- Disputed change
- Lack of dialogue between client, contractor and advisers

How accountants and QS's work together to avoid disputes

- Make sure the assumptions (ground conditions etc...) remain valid
- Review contracts to make sure they are well written and easily interpreted
- Stick to the contract
- Manage change in line with the contract
- Maintain a dialogue with client, contractors and other advisers



Q&A



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