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DEPARTMENT OF BUILDING  
FACULTY OF ARCHITECTURE, PLANNING AND SURVEYING  
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PRACTICAL REPORT  
CONTRACT ADMINISTRATION IN CONSTRUCTION

Accepted as a part of requirement to acquire Diploma in Building

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**STUDENT'S DECLARATION**

I hereby declare that this report is my own work, except for extract and summaries for which the original references stated herein, prepared during a practical training session that I underwent at Perbadanan Kemajuan Negeri Selangor (PKNS) for duration of 5 months starting from 12 May and ended 29 September 2014. It is submitted as one of the prerequisite requirements of DBN 307 and accepted as a partial fulfilment of the requirements for obtaining the Diploma in Building

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## ABSTRACT

This report covers about the administration contract in construction by explaining the procedure, method , regulations , objectives and responsibilities to keep the contract is follow up by the parties whether the client ,consultant, or contractor. The information in addition was gained through almost 5 months industrial practical training at Perbadanan Kemajuan Negeri Selangor (PKNS). The content has been arranged by introducing the company follow by the main concept of administration contract in construction. The management and administration of contract is simple and easy to understand about the rule and necessary in contract but if the contracts have been breach by the contractor or client the act from law will to taking. This report is related with the document contract and document tender as information. The problem in contract should be referring to client or agent so that the problem is cannot to be bigger. Overall, this report focuses on core information related to administration of contract in administration.

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## LIST OF ABBREVIATIONS

<b>UITM</b>	Universiti Teknologi MARA
<b>V.O</b>	Variation Order
<b>E.O.T</b>	Extension of Time
<b>S.O</b>	Supritending Officer
<b>JKR</b>	Jabatan Kerja Raya
<b>LPIP</b>	Life Principal Integration Process
<b>OSHA</b>	Organization Safety and Health Assossiation
<b>CAR</b>	Contractor All Risk
<b>PERKESO</b>	Pertubuhan Keselamatan Sosial
<b>W.C</b>	Compensation Works Insurance
<b>CPC</b>	Cooperative Patent Classification
<b>CNC</b>	Certificate of Non Completion
<b>PKNS</b>	Perbadanan Kemajuan Negeri Selangor

## CHAPTER 1 :Introduction

### 1.1 Introduction

The contract administration is the contract that between 2 parties client and contractor. The contract that contains the direction and regulation that must be complying to precede the project that have been agreement until the contract can to release. Client and contractor are the main character to make sure the project is complete so that operation of development in can be advance widely.

Perbadanan Kemajuan Negeri Selangor (PKNS) as a client is responsibilities to deal the contract with contractor. The contractor has been appointed by PKNS will responsible to manage the construction project in site that subjected in the contract. The parties are together in successfully to complete the project construction that follow-up in contract.

The contract is have 2 types in PKNS, it is document tender and contract. Document tender is the document that before the project is on-going. It is to choose the contractor that has been ability to execute the project with the price have been budget by contractor to complete the project. The document tender it's to document for the contractor has been chosen to comply regulation an period of time complete the project.

By the way, the administration of contract in construction is not easy to take because the problem always comes without thinking. The client and contractor must together to create the overcome of the problem so that it's not to be serious.

## 1.2 Objectives

In this report, have to prepare to provide of project of contract administration in construction, hence the following objectives are as follow:

- a. To identify the responsibilities of Superintending Officer( S.O)
- b. To identify on how payment have been made for contract
- c. To clarify about Variation Order (V.O) and Extension of Time (E.O.T) in construction

### **1.3 Scope Of Work**

Scope for these topics for administration contract in construction is to study about role and responsibilities of S.O in construction project. Through this topic, it will explain about the role S.O in construction and tasking that their do in construction. Then, the responsibilities of S.O will to clarify in details to provide the understanding about S.O. Another than, this study focus how to managed about Payment of Contract. From this topic, it will learn about management about the payment that managed by client to contractor. It is also to study about the Variation Order (V.O) and Extension of Time (E.O.T). From this part also to explain about Variation Order (V.O) that means how to apply the variation order in administration of contract .in another ,it will explain extension of time (E.O.T) that means on how Contractor request E.O.T to finish up the delayed work.

## 1.4 Method of Study

For this topic have 2 type of the method of study and it is primary and secondary study. Below of these 2 types have branch that would be identified as sources to refer to make this report, it is:

### 1.4.1 Primary study

#### a. Experience

Experience is the method that will get from the experience from the people who work in their job for a long time. Experience is the based on of the problem the daily life in work and how to solve it with a better decision and it need avoid the problem will take soon. Experience is more practical because it more to front with the people that used the other issues to make the problem.

#### b. Observation

The observation is the other method with use the eye through the observing in visually and physically. This method is applied when no practical action required. Observation is importance to use as method to feel and see the reality of the process contract administration in construction to be an evidence in a report.

#### c. Interview

Interview is the first a major method used to study the cases involved in administration contract. Interview can to increases the theoretical study in directly based on the situation that their front .this method could be involved more party in administration contract in construction such as security officer, client, contractor, etc.

## 1.4.2 Secondary study

### a. Article

Article is the secondary study that can get from the internet or book. It is from the research and idea from the people who that recognised for their thesis. It can improve the knowledge and understanding in theoretical about administration contract in construction.

### b. Seminar presentation

The other secondary method is seminar presentation that it can get the information through the program clarify about the particular topic. The seminar presentation must to be present by the people that accredited the people who expert that that topic. It can be the best sources in theoretical because the explanation through the presentation can make the people explain for the topic.

### c. Internet

Internet is the secondary sources with can search the information in computer or hand phone through wireless line. It easy to access and can get the information with faster.

## CHAPTER 2: Company Profile

### 2.1 Introduction

At 1952, Lembaga Petaling Jaya have been established and undertake the authorities in Bandar Satelit Petaling Jaya. At 1958, Lembaga Petaling Jaya have been established as Perbadanan Kemajuan Petaling Jaya and the extended power as a developers.

Selangor State Development Corporation or in short SSDC was founded on 1st August 1964 under the Selangor State Development Corporation Enactment, as a corporate body and an agency for development at state level by distributing and spurring socio-economic growth in Selangor as a mean of promoting stability, harmony and social justice towards achieving the country's vision. This optimism is realized through development of new growth centres, housing, industrial, businesses and investments.

The purposes of the established PKNS is to giving the freedom through the distribution and encouragement of the increasing socio-economic for the whole Selangor based of the fundamental government in to existence stabilization, harmony and justice social for to achieve concept of the country. Expectation have to execute through development in estate, trade, industrial and investment.



## 2.2 Company Profile

Title	Description
Name of company	Perbadanan Kemajuan Negeri Selangor
Headquarters	Tingkat 2 - 9, Menara HPAIC, Laman Seri Business Park No. 7, Persiaran Sukan, Seksyen 13 40100 Shah Alam Selangor Darul Ehsan
Selangor Chief Minister	Yab. Tan Sri Dato' Seri Abdul Khalid Bin Ibrahim
General manager	Y.Bhg. Encik Othman Bin Haji Omar
Incorporation date	1st August 1964
Total employees	853 employees
Status	Government/Client
Website	<a href="http://www.pkns.gov.my/">www.pkns.gov.my/</a>
Tel	
Fax	03 - 5520 1234
Email	<a href="mailto:general@pkns.gov.my">general@pkns.gov.my</a>
Legal From	Selangor State Development Corporation Enactment

**Table 2.1:** Company Profile PKNS Details



## **2.4 Management Team**

### **General Manager**

Y.BHG. ENCIK OTHMAN BIN HAJI OMAR

### **Executive Secretary**

PUAN HAJAH NORITA BINTI MOHD SIDEK

### **Deputy General Manager (Technical)**

TUAN Ir. ABDUL GHANI BIN HASHIM

### **Northern Region Development Controller**

PUAN HAJAH NORAIDA BINTI HAJI MOHD YUSOF

### **Deputy General Manager (Corporate Affairs)**

TUAN HJ. ROSLAN BIN BAHARUDDIN

### **Deputy General Manager (Administration and Development)**

TUAN HAJI MOHD NASIR BIN MOHD. ARSHAD

### **Southern Region Development Controller**

PUAN HJH. SITI ZUBAIDAH BINTI HAJI ABDUL JABAR

### **Business Development Senior Manager**

PUAN NORZILA BINTI SIDEK

**Central Region Development Controller**

PUAN HAJAH ROZIAH BINTI AHMAD

**Project Management Senior Manager**

TUAN Ir. IZHARUDDIN BIN ABD. RAHMAN

## 2.5 List of Project

### 2.5.1 New Growth Centres



**Figure 1.2:** Datum Jelatek, Kuala Lumpur

PKNS is committed in its focus to achieve balanced development across Selangor in order to ensure development to areas outside the Klang Valley and as well as to uplift the standard of living and quality of life in the state. The development of every new township and new growth areas by PKNS are in the line with the National Economic Policy aimed at boosting economic activities, restructuring society and uplifting the standard of living. It also checks that no adverse environmental effects are created as outlined by the state development strategy. We take constant note of national and global economic trends and accord them due consideration in our township master plan in our continuous effort to exceed customer expectations.

PKNS not only develop townships, it also ensures a sustainable living environment for the community. From 1964 to 2010, RM14.7 billion has been invested for the building and development of 11 new townships covering a total area of 15,219 hectares or 37,607 acres. As the state agency tasked with the socioeconomic development of Selangor, PKNS continually strives to build affordable homes for Selangorians amidst harmonious social structure to foster the spirit of neighbourliness to facilitate community engagement.

## 2.5.2 Shah Alam

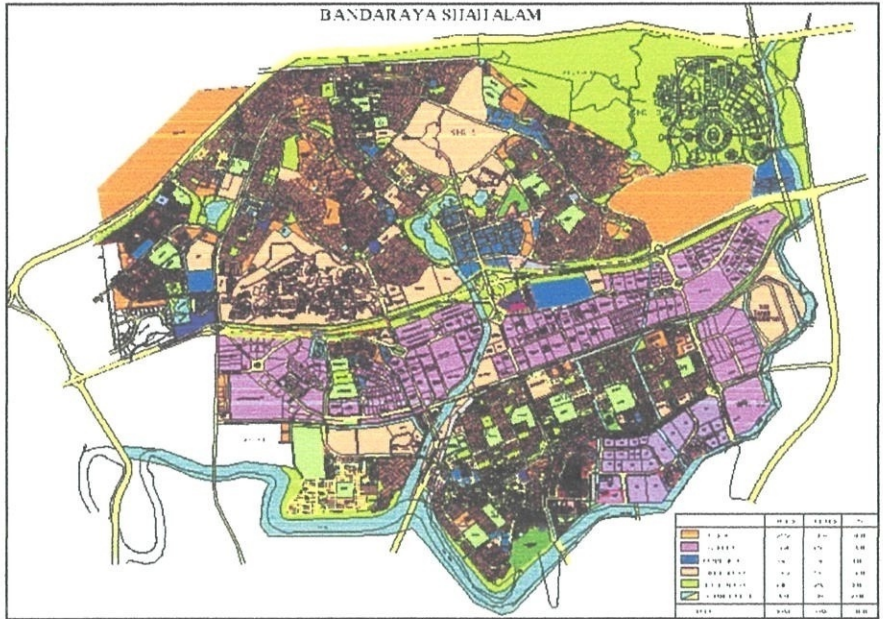


**Figure 2.3:** Seksyen U 13, Alam Nusantara, Shah Alam

This modern city that acts as the State of Selangor Administrative Centre is rapidly developing as time progresses. Its development began in 1964 with the establishment of the Batu Tiga industrial hub. Shah Alam was recognized as the state capital of Selangor in 1978 and was among the first planned townships developed in Malaysia's post-independence era. Its strategic location that connects Kuala Lumpur, the capital city of Malaysia and Klang Port through land route enables this city to develop faster and advance further than any other cities. Industrial centres mushroomed throughout the years attracting investors and increasing the population of Selangor due to the vast opportunities as well as infrastructure made available.

Being a planned city that secured City status in 2000, PKNS which acts as a development agency set certain percentages of land usage whereby 30 percent are secured for housing areas, 12 percent for business trading and recreation, 19 percent for industrial, 16 percent for building institution areas while the remaining 23 percent is solely for other relevant usage.

Throughout 2010, PKNS has successfully completed the construction of 22 luxury house units. Under its privatization project, a total of 1,162 medium cost units and 299 units of shop lots have been developed and constructed. All in all, since its establishment, 28,611 units of houses and 545 shop lot units and offices have been successfully developed.



**Figure 2.2: Map of Shah Alam Planning**

COMPONENT	ACRES	%
HOUSING	2,924	30
INDUSTRIAL	1,595	17
BUSSINESS	384	4
INSTITUTION	1,526	16
RECREATION	779	8
INFRASTRUCTURE	2,446	25
DEVELOPMENT LEVEL		90

**Table 1.2: Development in Shah Alam Details**

### 2.5.3 Bangi



**Figure 2.5:** Puncak Bangi, Bangi

Another well-planned township in Selangor is Bandar Baru Bangi, which houses among others residential areas, commercial and industrial centres and recognized Higher Education Institutions; Universiti Kebangsaan Malaysia which is among the country's oldest and the best with extensive recognition obtained locally and internationally. The increasing population in Bangi is a result of its speedy transition in terms of physical advancement along with opportunities for individual growth and families' through opening of job opportunities which complements its tranquil sub-urban living. Its development which can be traced back as early as 1974 was to cater to the need for developing new townships at the southern part of Klang Valley based on the National Economic Policy which gives emphasis to the Bumiputera. From 1974 to 2010, PKNS has consistently become an agent responsible for accomplishing the construction of 11,763 unit of houses and 308 shop lots.

In total, there are certain development components allocated by PKNS in Bandar Baru Bangi whereby; 20 percent are reserved for housing development, 11 percent for industrial areas, 6 percent for commercial activities, 15 percent allocated for recreation areas while the remaining 24 percent are for other usage deemed relevant.





**Figure 2.6: Map of Bangi Planning**

COMPONENT	ACRES	%
HOUSING	924	20
INDUSTRIAL	508	11
BUSSINESS	277	6
INSTITUTION	1,108	24
REACREATION	693	15
INFRASTRUCTURE	1,108	24
DEVELOPMENT LEVEL		96

**Table 2.3: Development in Bangi Details**

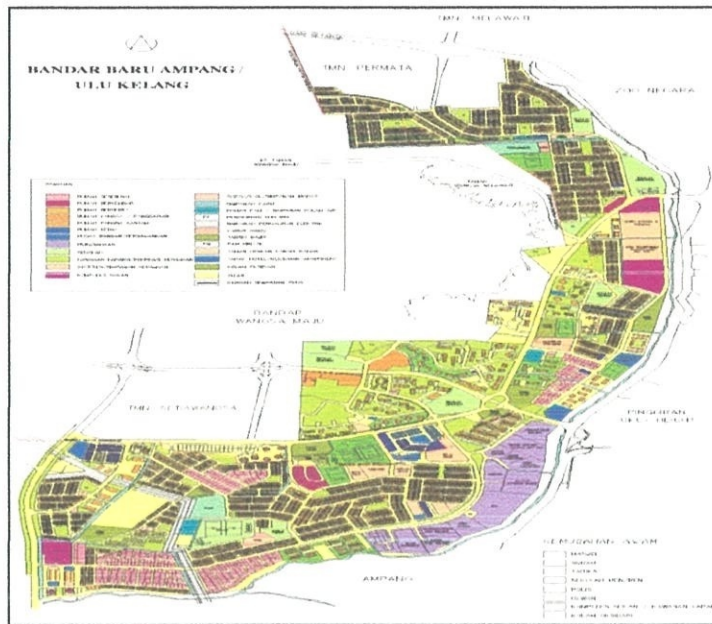
#### 2.5.4 Ampang Hulu Klang



**Figure 2.7:** Banjarlia Court, Kuala Lumpur

Ampang Hulu Klang is situated a stone's throw away from Kuala Lumpur, the capital city of Malaysia and this advantage brings benefit to Ampang Hulu Klang making it a strategic area not only for residential, but business as well with its planned and integrated development. Dubbed a 'Satellite City', its location that is only 5 miles away from Kuala Lumpur gives added value to that area, especially in the realty market.

Initially developed in 1971, PKNS targeted a well-planned development that is aligned with the social and economic aspect to secure the benefits and interest of the people. Today, the residents populating the Ampang Hulu Klang area are not merely locals, but the strategic location has attracted migrants, especially the South Koreans, where they formed a community in an area called "Little Korea". With a targeted population of 30,000 people, Ampang Hulu Klang as a new growth centre allocated certain areas percentage for different purposes whereby 40 percent are specified for housing area, 5 percent for developing institutions, 20 percent for industrial and the remaining 35 percent for other usage. Up till end of 2010, PKNS has successfully completed the construction of 15,752 units of various house types to accommodate the needs of the people.

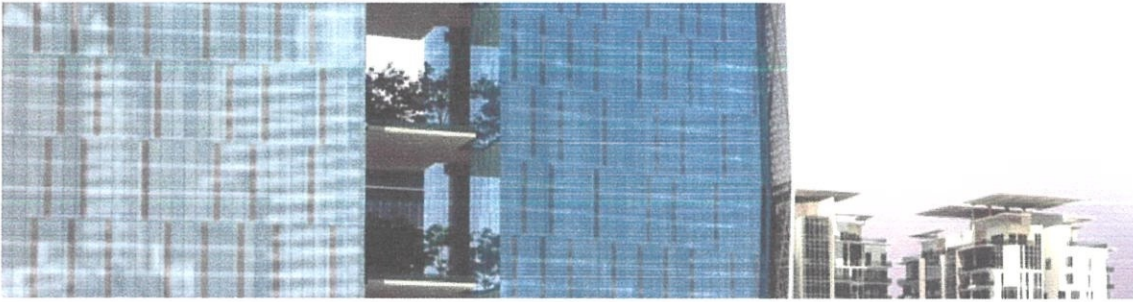


**Figure2.8: Map of Ampang Hulu Klang Planning**

COMPONENT	ACRES	%
HOUSING	636	52
INDUSTRIAL	110	9
BUSSINESS	12	1
REACREATION	98	8
INFRASTRUCTURE	367	30
DEVELOPMENT LEVEL		100

**Table 2.4.: Development in Ampang Hulu Klang Details**

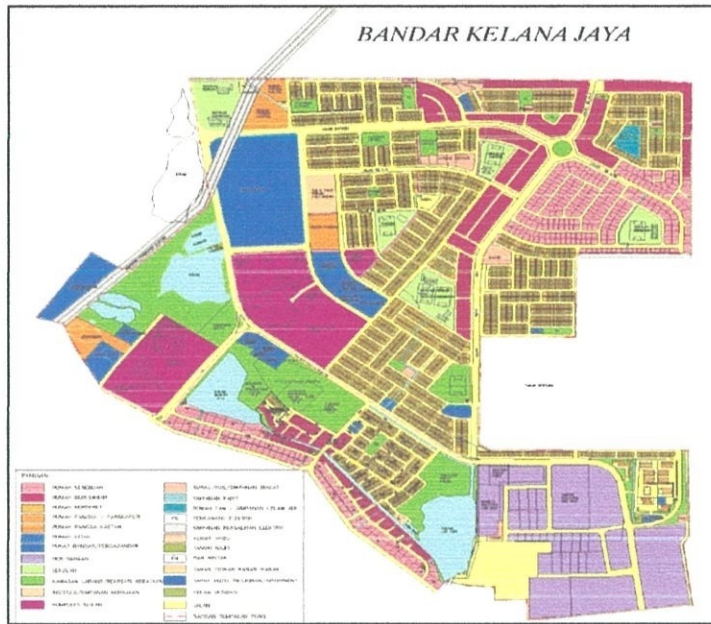
### 2.5.5 Kelana Jaya



**Figure 2.9:** Kelana Jaya Sports City, Petaling Jaya

Kelana Jaya is a town area covering 615 hectares that is almost fully developed with a thriving real estate value. The town is the second satellite town developed by PKNS, which is fully served by the light rail transit (LRT) system and the Damansara-Puchong Highway. Kelana Jaya was also planned with an allocation for industrial area of 47.3 hectares for free trade zone, 166 hectares for residential area, 31 hectares for commercial purposes, 55 hectares for institutions, 68 hectares for recreation and 246 hectares for amenities, with the target population of 60,000.

PKNS has built 5,050 residential units comprising 992 low cost flats, 3,504 medium cost units and 554 high end units up till end of 2010.



**Figure 2.10: Map of Kelana Jaya Planning**

COMPONENT	ACRES	%
HOUSING	410	27
INDUSTRIAL	122	8
BUSSINESS	76	5
INSTITUTION	137	9
REACREATION	167	11
INFRASTRUCTURE	608	40
DEVELOPMENT LEVEL		100

**Table 2.5: Development in Kelana Jaya Details**

### 2.5.6 Bandar Sultan Suleiman

Bandar Sultan Suleiman is a township in Port Klang, near Northport, first developed in 1970. It was planned and designed as a Port City to provide employment opportunities besides offering port-related support activities as well as manufacturing and services. It was projected to support 45,000 residents. As at 2010, it has achieved 58 percent development. From the total area of 1,186 hectares, PKNS has developed 588 hectares or 58 percent for industrial purposes and as to encourage trading, 58 hectares was allocated for this purpose and 58 hectares or 5 percent was allocated for residential area. The remaining land has been earmarked for recreation, institution and amenities. Since its development in 1970 until 2010, PKNS has successfully built 12,347 units of luxury houses, 299 shop lots and 80 factory units to encourage ownership and accommodate needs in Bandar Sultan Suleiman.



Figure 2.11: Map of Bandar Sultan Suleiman Planning

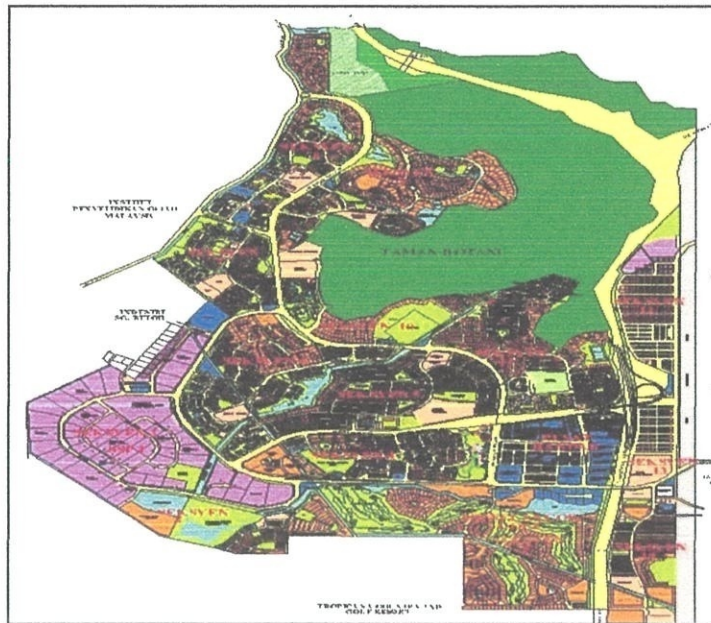
COMPONENT	ACRES	%
HOUSING	147	5
INDUSTRIAL	1,700	58
BUSSINESS	147	5
INSTITUTION	88	3
REACREATION	439	15
INFRATRUCTURE	410	14
DEVELOPMENT LEVEL		88

**Table 2.6:** Development in Bandar Sultan Suleiman Details

### **2.5.7 Kota Damansara**

Kota Damansara is situated in what was previously a forest reserve, bordered in the west by the Sungai Buloh Industrial Park, in the south by the Tropicana Golf and Country Club and on the south-east by Bandar Utama, Damansara. First developed in 1981, Kota Damansara is now an area covering 1,588 hectares, targeted for a population of 120,000. This area has been planned as a model township with integrated development equipped with modern facilities and supporting physical structures. The distribution for development in this municipality is 40 percent for residential, 20 percent for industries, 4 percent for commercial activities, 25 percent for recreation, 3 percent for institutions and 8 percent for infrastructure. To be known as an integrated township does not only place importance on residential and commercial development, it also stresses on the importance of research and development. Kota Damansara strives to create a serene and comfortable living environment for its residents by providing modern and sophisticated facilities. Its pleasing designs promote a lifestyle that is in harmony with natural surroundings. To ensure adequate green spaces for the township, 1,717 hectares of forest reserve have been maintained as the Botanical Garden. Up till end of 2010, PKNS has completed 13,188 residential units comprising 3,660 low cost units, 8,254 medium cost units, 1,274 high end units, 166 shop lots and 16 factory units.





**Figure 2.12:** Map of Kota Damansara Planning

COMPONENT	ACRES	%
HOUSING	1,570	40
INDUSTRIAL	785	20
BUSSINESS	157	4
INSTITUTION	117	3
RECREATION	981	25
INFRASTRUCTURE	314	8
DEVELOPMENT LEVEL		97

**Table 2.7:** Development of Kota Damansara Details

## 2.5.8 Kota Puteri



**Figure 2.13:** Puteri Aqila, Kota Puteri, Rawang

Kota Puteri was developed in 1991 to provide balance in development for areas beyond the Klang Valley. It is the catalyst for promoting development in the northern part of Selangor. This new growth area has been meticulously planned to create a mixed development area epitomized by the concept of 'Urban living with country atmosphere'. Through this concept, Kota Puteri offers a lifestyle that is comfortable, graceful, conducive and harmonious with its surroundings. From 1991 up till 2010, PKNS has successfully completed 1,260 residential units and 24 shop lots in Kota Puteri.

# KOTA PUTERI



## KOTA PUTERI



Figure 2.14: Map of Kota Puteri Planning

COMPONENT	ACRES	%
HOUSING	517	36
INDUSTRIAL	144	10
BUSSINESS	29	2
INSTITUTION	129	9
REACREATION	129	9
INFRASTRUCTURE	488	34
DEVELOPMENT LEVEL		17

Table 2.8: Development in Kota Puteri Details

COMPONENT	ACRES	%
HOUSING	477	50
INDUSTRIAL	29	3
BUSSINESS	57	6
INSTITUTION	76	8
RECREATION	95	10
INFRASTRUCTURE	220	23
DEVELOPMENT LEVEL		40

**Table 2.9:** Development in Antara Gapi Planning

### 2.5.10 Bernam Jaya

Bernam Jaya was developed in 1998 with a target population of 200,000. Covering an area of 2,447 hectares, Bernam Jaya forms part of the development corridor in North Selangor Town Valley. Bernam Jaya will be the centre for development of the whole Bernam Valley which covers the stretch from northern Selangor to southern Perak. It is hoped that this new growth area will become an alternative to Klang Valley whose development has reached saturation point.

The site, close to the North-South Expressway, was intended primarily for employees of the nearby Proton City automotive complex and the Universiti Pendidikan Sultan Idris. Throughout the nine years of Bernam Jaya's development since 2000, PKNS has completed 642 residential units, 7 shop lots, a 'surau' and a kindergarten.



Figure 2.15: Map of Bernam Jaya Planning

COMPONENT	ACRES	%
HOUSING	2,963	49
INDUSTRIAL	1,088	18
BUSSINESS	363	6
INSTITUTION	544	9
RECREATION	605	10
INFRASTRUCTURE	484	8
DEVELOPMENT LEVEL		7

**Table 2.10:** Development in Bernam Jaya Details

## CHAPTER 3: Case Study

### 3.1 Introduction

“Contract is an agreement with specific terms between two or more persons or entities in which there is a promise to do something in return for a valuable benefit known as consideration. Since the law of contracts is at the heart of most business dealings, it is one of the three or four most significant areas of legal concern and can involve variations on circumstances and complexities.” (Retrieved from <http://legal-dictionary.thefreedictionary.com/contract>). This means that contract must have more than one transaction to make agreement in making the contract so that the contract is legal and can certificate by law.

“Administration refers to the group of individuals who are in charge of creating and enforcing rules and regulations, or those in leadership positions who complete important tasks.” (Retrieved from <http://www.yourdictionary.com/administration>). Administration is to explain about the management about the system organisation and each of the part of administration have a task follow up the expertise respectively such as human resources, quantity surveyor, architecture and etc.

“Contract administration is one of the most important jobs related to construction projects and involves numerous tasks occurring before and after contract execution and work order issuance. All work must be administered in accordance with the contract specifications, terms and conditions, state and federal laws and regulations, and department policy.” (Retrieved from [http://en.wikipedia.org/wiki/Contract\\_management](http://en.wikipedia.org/wiki/Contract_management)). It would be to clearly explain about the system used in construction to making the contract and it started with the contract that have make agreement and involvement between client and contractor to start in project construction.

### **3.2 Project Background**

Contract administration in construction is the contract that must be complying with terms and condition of contractor in execute the project of construction. Moreover, contractor must follow up the procedure that have set up by client in make any decision or request.

It have the procedure must be complying before, after and while the construction is progressing. The focusing on contract administration it have some of the part can be recognise such as roles and responsibilities of Superintending Officer (S.O), payment of contract , variation order and extension of time. The four of the example are important to be a part process of construction because it is sources of referencing of contract in administration.

By the way, contractor and client can be avoiding the breaches the contract so that the work can be proper and arrangement. If the contract has been breaches, the contract can be void and terminate and possibility the project will change with another contractor or penalty.



### 3.3 Superintending Officer (S.O)

Superintending Officer (S.O) is the person they have been named in terms of contract. It acts as government agent to be aware of the work and provide the direction that related with work. Its responsibility to supervisor manages admin and determines the direction for the project so that it can be executed follow up the terms of contract. Moreover, Superintending Officer (S.O) not is agent for the contract where the person in contract is government and contractor.

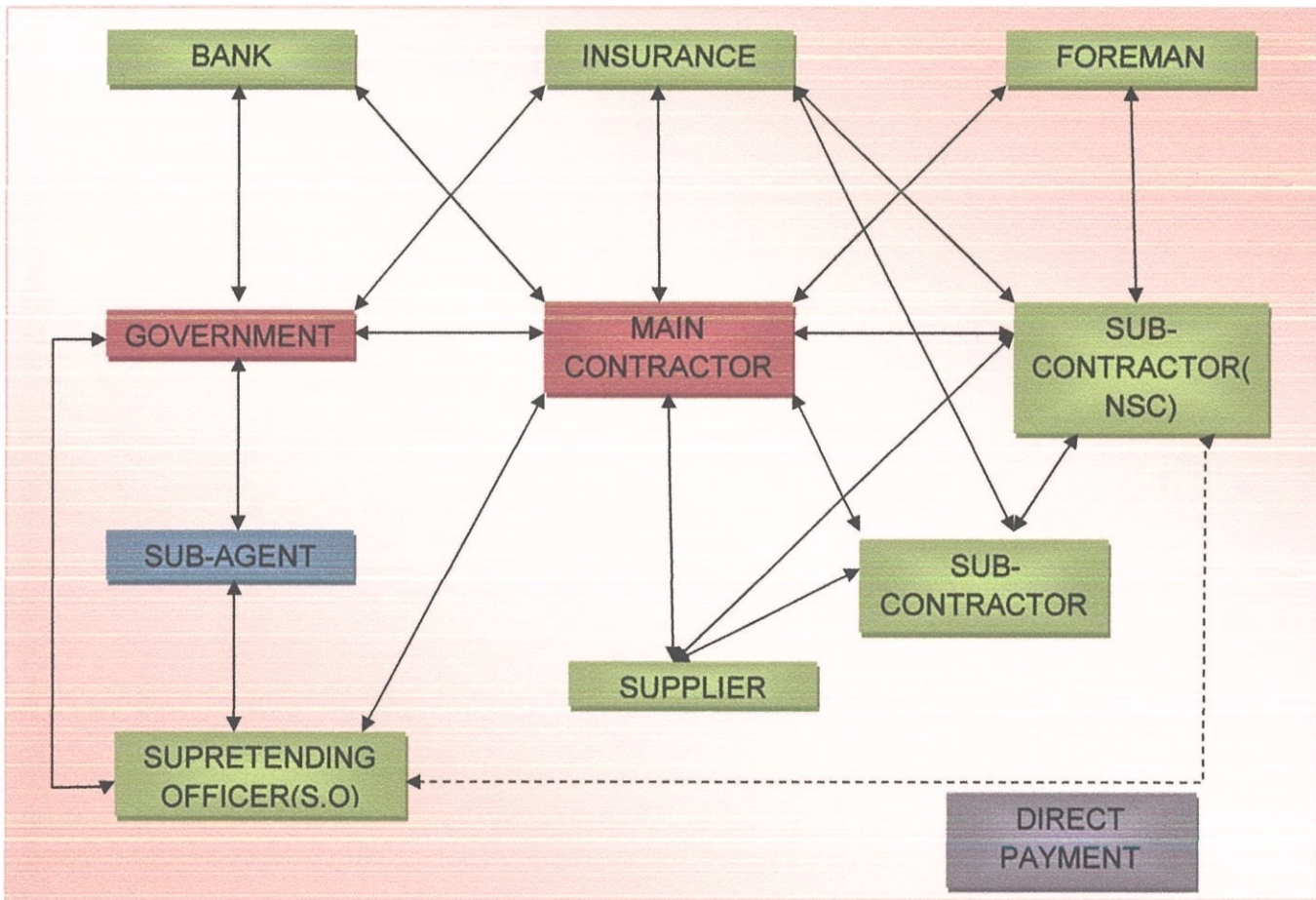


Figure 3.1: Example of Contract

Generally, superintending officer is used as a project that executed in conventional where the contractors that have chosen to execute the work that used contract form by JKR 203 A or JKR 203. Superintending officer is involved in administration contract directly. (Retrieved from Buku Pentadbiran Kontrak Kerja Raya (Edisi Ketiga) (2010) Jabatan Kerja Raya Malaysia). From this statement it clearly the Superintending Officer (S.O) involve in administration of contract to be the middle person in manage in administration of contract in

construction. Moreover Superintending Officer (S.O) also act as agent for government to deal with contractor in management of the project in construction.

### 3.3.1 Roles And Responsibilities of Superintending Officer (S.O)

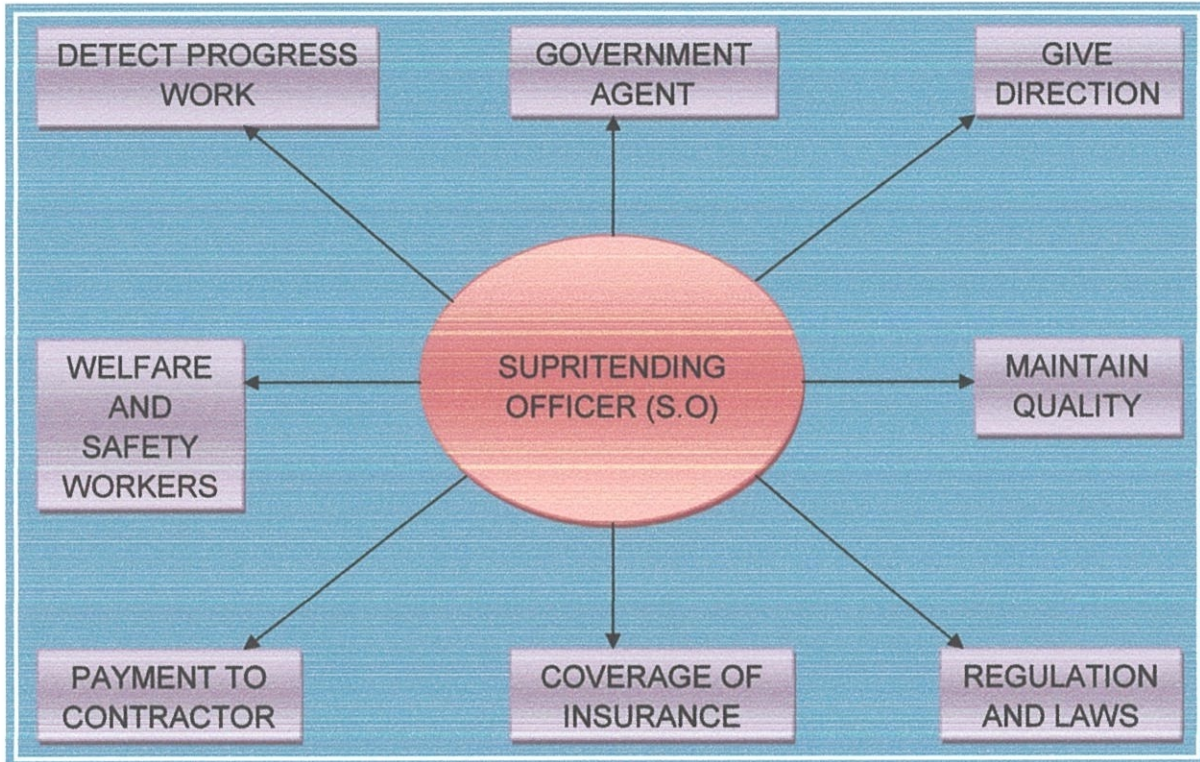


Figure 3.2: Role and Responsibilities Superintending Officer (S.O)

#### I. Government Agent

Superintending officer its act as a Government agent that responsible to supervise, manage, administer and determine the direction of the project so the project can executed with the terms of contract.

Generally, the responsibilities of Superintending Officer (S.O) to make sure the project it's executed follow up by the contract from aspect quality of materials and quality of works. Then, it's to make sure the project is executed with well follow up by the work of timetable and terms of contract.

Moreover, Superintending Officer (S.O) also to make sure all of the provision of law, small law, and the necessary of authority would to be complying. Then the provisions document contract it comply it.

As an agent government, Superintending Officer (S.O) is not the person in contract but employer needs to express the power that allocated to superintending officer, that in line with Section 139 Act Contract 1950. The power of Superintending Officer (S.O) as an agent must to be clear and implied.

Then, the agent also is subjected with regulations financial Government that AP 202

## **II. Giving Directions**

In provision contract, Superintending Officer (S.O) can give direction the time to time. The directions shall be given in letter. Contractor also shall follow the direction by Superintending Officer (S.O) in 7 days after the letter is accepted.

In addition it has types of direction from Superintending Officer (S.O) to the Contractor which is:

- a. That related which changing of the work in site
- b. Can solving anything of conflict in document contract
- c. Removal anything of the material in site construction
- d. To elimination and implementation again of the anything work that have do by contractor
- e. To fired workers that have been taking to work in site of construction
- f. To exposed for checked the works have closed
- g. To transferred and repaired anything of defects.
- h. Anything that needed and incidental with implementation and completion of works below of contract.
- i. Anything of related with superintending officer in significantly by contract for give direction.

The failure of the contractor to complying direction in written can causes Superintending Officer (S.O) to implementation in department or appoints another Contractor and Superintending Officer (S.O) deserve to cut the payments.

### III. Maintain of Quality

In provision of the contract, the obligation of contractor make the works follow up by the standard that have been determination. It followed to the materials, goods and quality of works that following by the contract until all of the defection repaired appropriately.

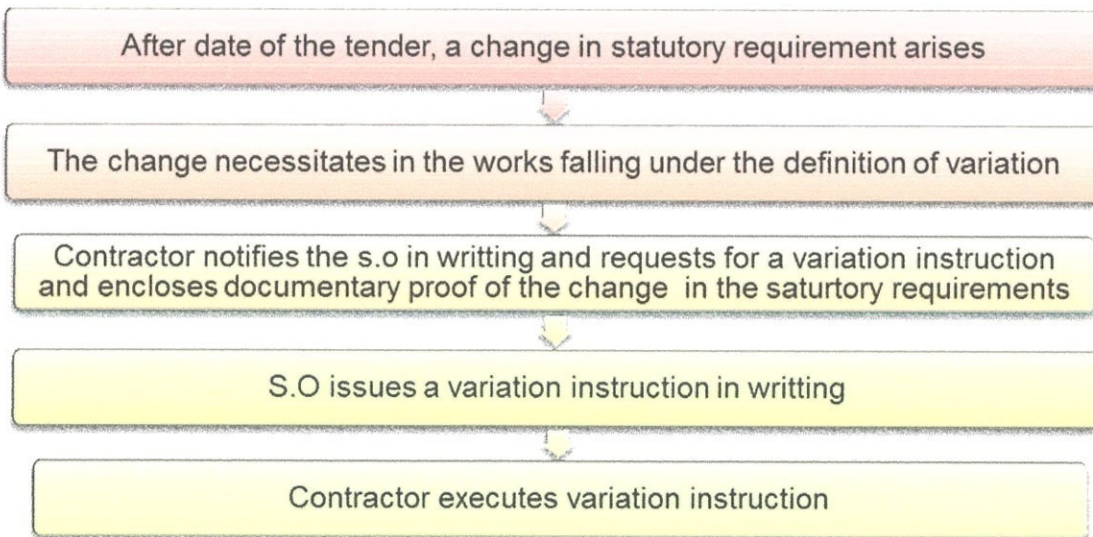
The task of the Superintending Officer (S.O) has to research and knows:

- a) Specifications
- b) Any of the provision in contract such as:
  - i) Request the sample with certificate of tested manufacturer
  - ii) Checking and conduct test above of materials or work that implementation.

### IV. Regulation and Laws

The provision of contract that explain the obligation of Contractor would to be complying the statutory requirements and Contractor have with incurring the Government loss against breach or liabilities incurring the statutory obligations.

If any of the change following Clause 24 consequences from statutory requirement after closed date of tender, contractor have to inform in writing to Superintending Officers (S.O) and request to change of directions.



**Figure 3.3.:** The Flow Chart Transferred of Regulations

In statutory of obligation, Superintending Officer (S.O) must see Contractor complying, which is:

**a) Act LPIP 1994**

Contractor have to submitted the information relate with contract to lpip for levy payment purposed

**b) Act Environmental 1974**

Site must too freely from water reservoirs. Around of the site and construction activities have to line with act.

**c) Act OSHA 1994**

The appointment Safety and Health Officer for healthy and safety of workers purposes.

**V. Coverage of Insurance**

In coverage of the insurance , Superintending Officer(S.O) have to see and taking the serious issues because the activities of the construction is involve the live and if accident that happen in construction it can make bigger problem to the Contractor and Client. So, it has many types of the insurance that usually taking, it is:

a) Works Insurance

b) Public Liabilities Insurance

c) Contractor All Risks(CAR)

d) PERKESO

e) W.C

Even the Contractor failure to maintenance of the insurance, so the Government or Superintending Officer (S.O) can to renew the insurances. In addition, all of the cost that have incurred will be cut by the Governments from the:

a. Payment that have been to the Contractor

b. Performance bond

c. It as a debt for the Government

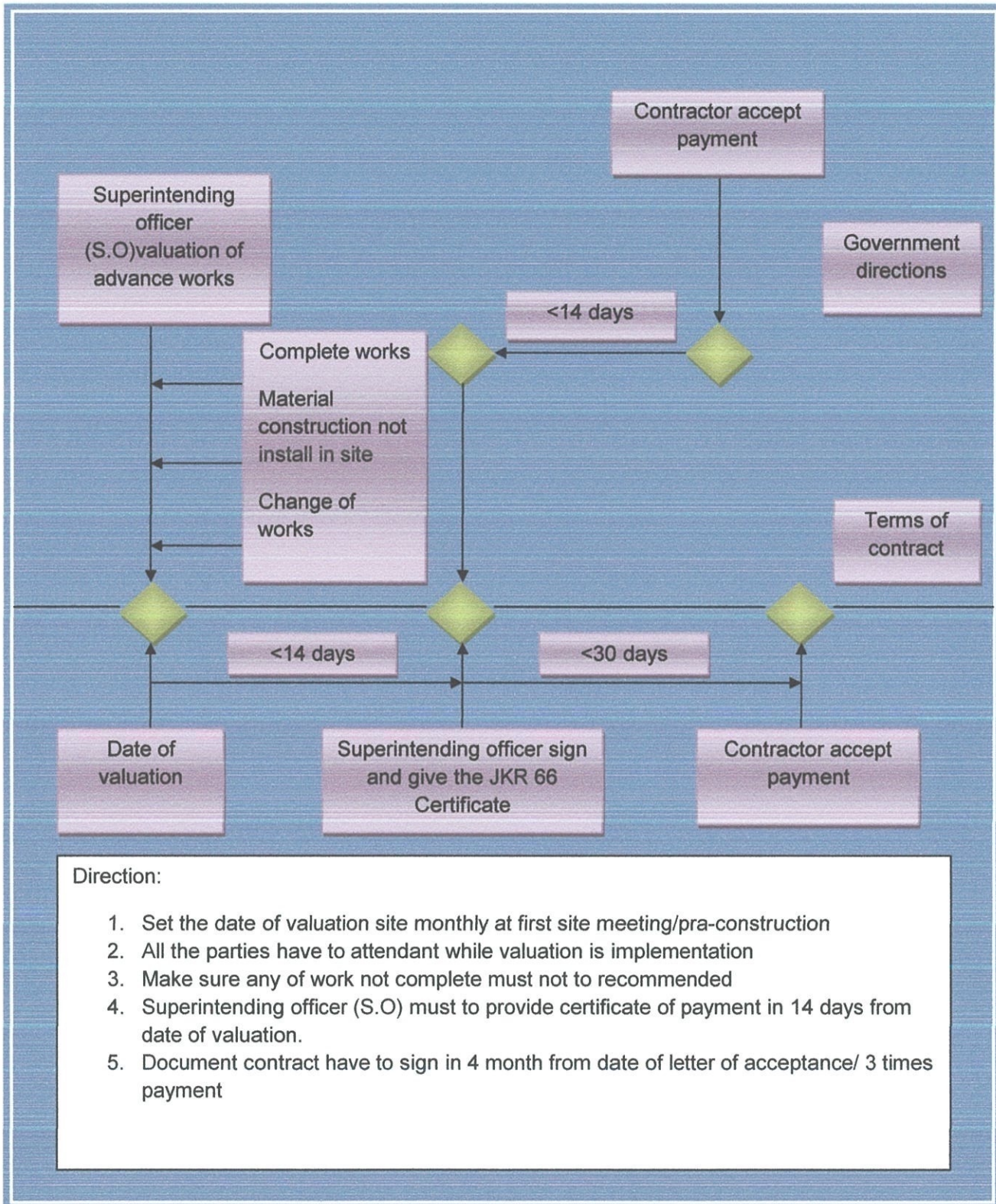
No	Types Of Insurance	Scope That Covered	Period Of Insurance	Amount Of Insurance
1	Works Insurance	1. Works 2. Materials of construction	Period of contract	Price of contract
2	Public Liabilities Insurance	1. Accidentally and death of public people 2. Damage of public materials	Period of contract +DLP +3 months 14 days	Liabilities is limit to depends of contract price
3	Contractor's All Risk(CAR)	Same as no.1 and no. 2 above		
4	PERKESO	Accidently or death Contractor workers and Sub-Contractor salaries < RM 3,000/months	Along of the time of works and contributions	Contributions following by PERKESO
5	Compensation Works Insurance(W.C)	Accidently or death Contractor workers and Sub-Contractor salaries > RM3,000/months	Period of contract +DLP +3 months 14 days	+/- 10% from price of contract

**Table 3.1:** Summary Types of Insurance

## VI Payment to Contractor

In provision of contract, Superintending Officer(S.O) have to pay to Contractor at least 1 month once or often follow by kindness of the Superintending Officer (S.O) that preparing the payment when work of Contractor achieve of the value not less than from amount of money in appendix .Superintending Officer(S.O) responsible when Contractor have to implementation of works and turn-pass to the workplace that achieve of amount in appendixes, Superintending Officer (S.O) have to making first valuation .

Amount of payment that valuation consist of work that implementation with complete and materials which turn-pass with complete to the construction site (90% from value). The materials and goods include of valuation is just turn-pass to the workplace or contiguous, with the reasonable quantity, perfect and not early, and covered with weather and accident.



**Figure 3.4:** Flowchart the Period Giving Certificate and Payment

## **VII. Welfare and Safety Workers**

As a Superintending Officer (S.O), it must to monitoring the works in construction site a contractor follow the regulation of contract. So, Superintending Officer (S.O) not to responsibility of the accident the workers in construction site.

For the salaries of workers, if defaults in pay of the salaries and Superintending Officer (S.O) being satisfied with the evidence that have to make the payment of salaries to the director labour leader for the workers. If any people take to work by contractor is not competent, Superintending Officer (S.O) with writing notice to contractor to fire the workers from works.

## **VIII. Detect Progress Works**

While the works implementation, Superintending Officer (S.O) it's responsible to monitoring the progressing based on program Contractor works. The purpose are to contractor can complete the works as terms of contract. In addition to detect the progress of contractor at each time so that not leaves compare with schedule of works that have approved. In another, to detect the problem that happen while construction in execute.

To detect of the progress of reputation Contractor, it's evaluated through work of Contractor program and it is the importance process that used to detect the progress works and as meaning for admin and control the contract with complete. It have the procedure when accepted the work program , it is a have to studied by Superintending Officer (S.O) and checking, discussion work program with Contractor, give the permission, and make inspection at least once monthly. If late to make, it would be reviewed.

For the level reputation of works, its accordance with SPP 8/2009 that set up:

- a. Excellent- per cent of progress more than table
- b. Goods- progress have late delay less 10 %
- c. Medium- delay 10 % until 20%
- d. Sick- delay > 20%



### 3.4 Payment of Contract

In payment of contract it have 2 type of payment and it's are Advance Payment and Interim Payment. The Advance and Interim Payment to the Contractor have in allocated in terms of contract 203A (REV/2010).

Main Contractor, advance of payment can to provide until 25% from construct work valuation( price contract not include in temporary provision of money) or RM 10 million follow where lowest then with terms such as that stated in Clause 69 terms of contract JKR203A (REV.1/2010).

For Sub-Contractor it named and supplier named, Advance of Payment can provide until 20% from value of Sub-Contractor named or RM 5 million maximum follow where are lowest.

The refunds Advance of Payment must to make through the deduction on Interim Payment that pays to the Contractor when value of works achieve to 25% and resolved latest than value of works achieve 75%.

For the Interim Payment, it needs to pay for to implementation works and material in construction site. The valuation that executed with complete must executed monthly. It hopefully, through the Advance of Payment or Interim Payment, it will to get help the contractor in generate the financial sources for stated or execute the preparation works of contract.

### 3.4.1 Payment Process

#### Advance Payment Process.

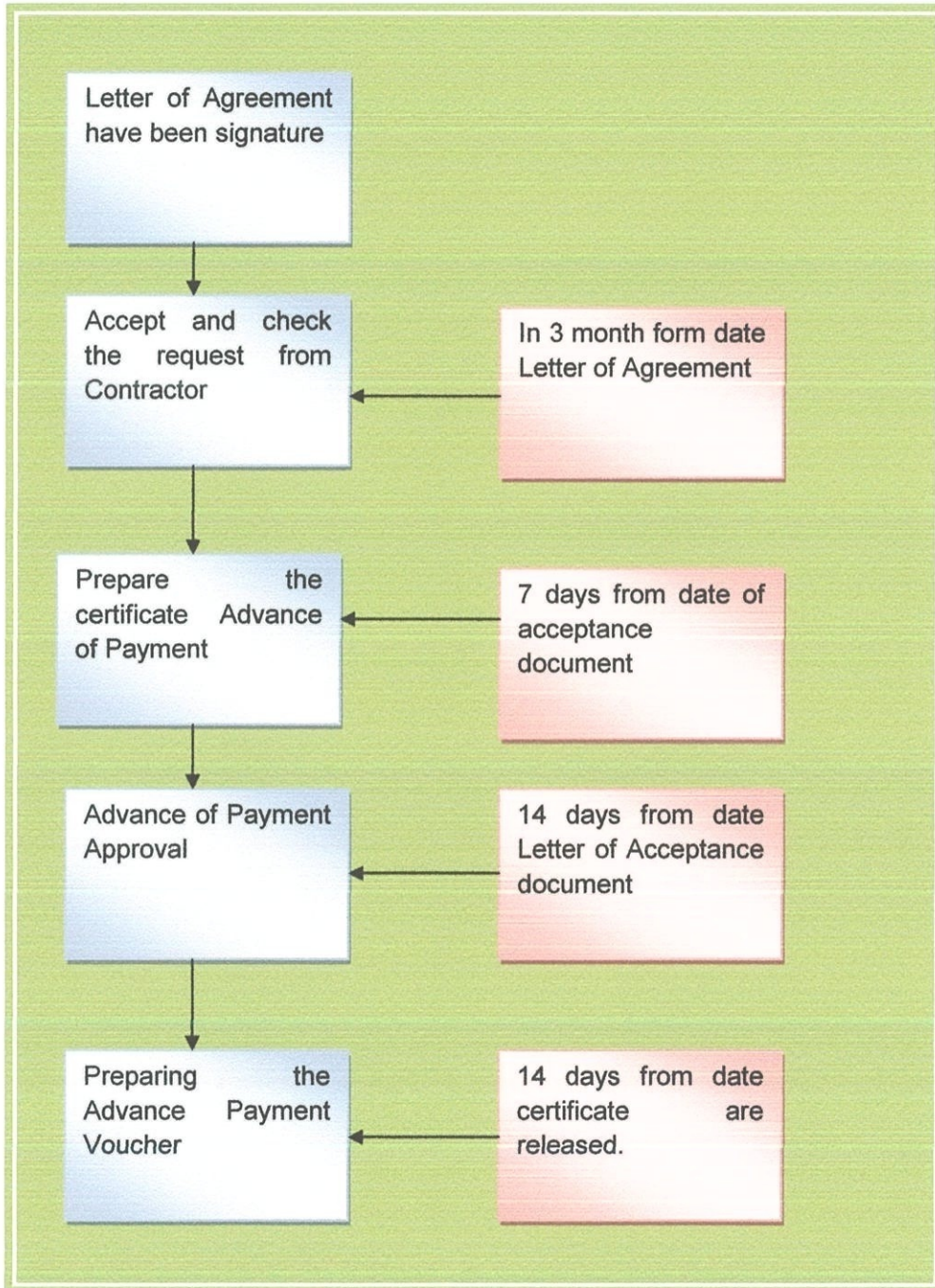


Figure 3.5: Advance Payment Process.

**Terms for the advance payment and document necessary.**

1. The Advance of Payment can be preparing if have a request from the Contractor. Contractor deserves to be payoff Advance Payment when the terms is complying that subsequent:
  - a. Letter of Acceptance that signature and return.
  - b. Implementation bon have been produced and verified(it not need if Contractor chosen "Wang Jaminan Pelaksanaan")
  - c. Insurance policies such that stated in contract forwarded.
  - d. Insurance payment premium receipt guarantee for Advance of Payment that forwarded and verified
  - e. Registration number PERKESO
  - f. Contractor account bank number
2. Contractor have to forwarded the request with guarantee for Advance of Payment and 3 month from date of own site.
3. Refunds have to made through cut off on Interim Payment that have to pay to Contractor when the works achieve 25 % and resolved the latest of the works achieve 75%
4. The refund of Advance Payment have to made with cut on Interim Payment follow in works level or supplied level that complete based on 2 calculation that:

$$RM D= 200 \frac{A}{B} \text{ percent from RM P}$$

Whereas,

RM D= Discount cumulative that need make in each of Certificate Interim

RM A=Amount of Advance Payment that have be paid

RM B=Work of builder works values

RM P=Builder works values that implementation (include amount of materials on site) after achieve 25% values RM B

Or

$$RM D = \frac{2 \times RM AP}{RM CS - RM PC \& RM PS \times [RM WD - 0.25(RM CS - RM PC \& RM PS)]}$$

Whereas,

RM D= Discount cumulative that need to made in each Certificate Interim

RM AP= Amount of advance payment that need pay

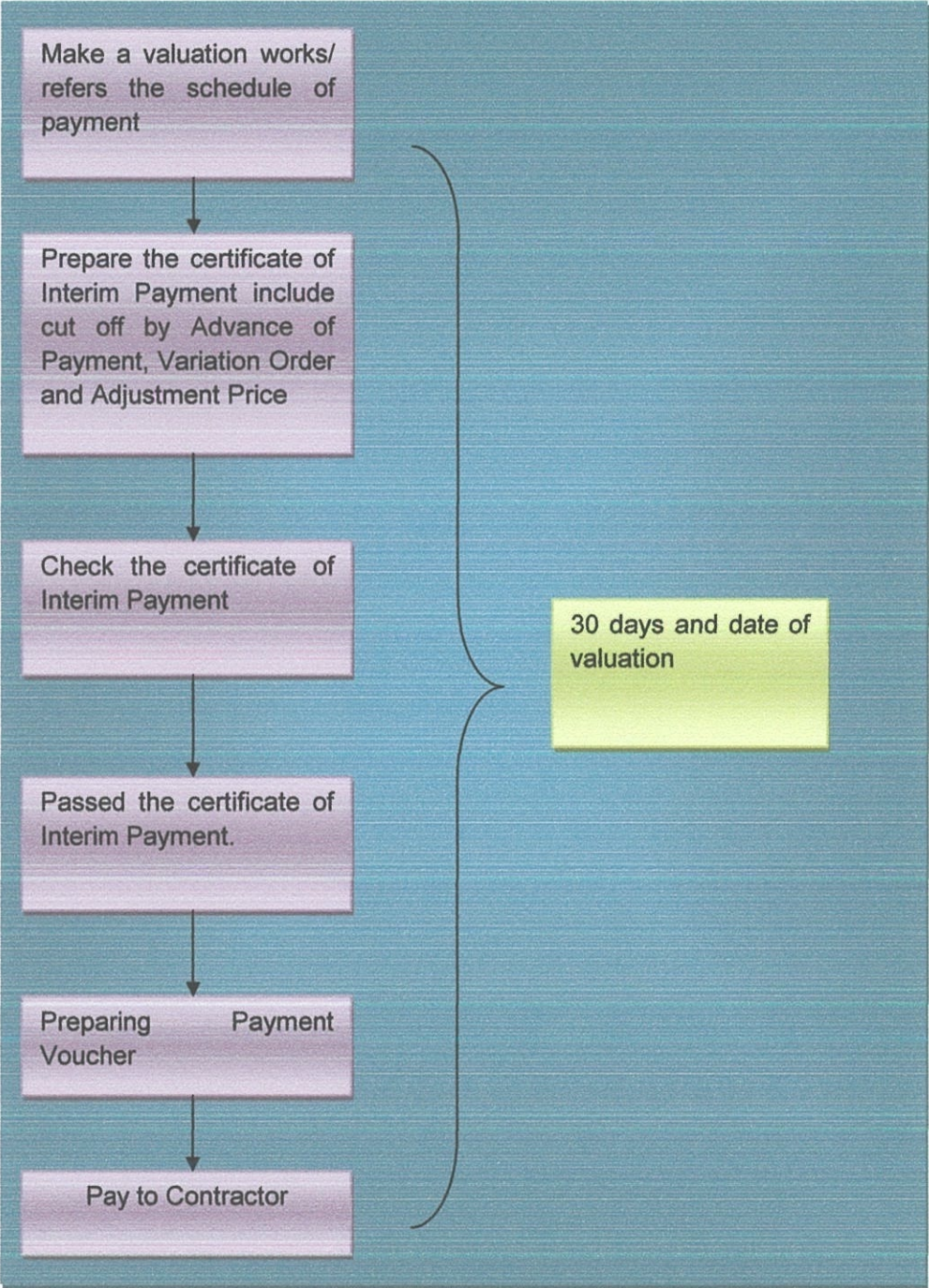
RM WD= Values of works that implementation include 75% from materials value and goods not install that submit to construction site.

RM CS= Amount of contract price

RM PC & RM PS= Amount of Prime Cost and "Wang Peruntukan Sementara" in contract.

5. When Advance of Payment has been made to contractor, Superintending Officer must to ensure the deduction for advance payment to full refund when value of works achieves 75 % from values of works.
6. Period of guarantee verified for Advance of Payment must to whole period of contract or to the extension period that approval and released when all of deduction finished made where the advance.
7. When the Advance of Payment have been full repaid to Government, so the liabilities of bank, insurance or financial company that became guarantor to reduce in automatically follow the amount advance of payment that repaid. Therefore, the liabilities of guarantor must to release by Government because of the payment have been payback is full.
8. Period of liabilities guarantor are cover the contract period(include extension of time approval) and can be extended not more than 3 month, even the balance not get back , it must to claimed from guarantor in verified of guarantor period.
9. For Advance of Payment to Sub-Contractor be named, procedure above must to complying. The budget to terms of contract has to insert in that of document sub-contract. Sub-Contractor must to give the "Surat Jaminan Tangung Rugi" to Main Contractor and Government make deduction in certificate of Interim Payment.

**Interim Payment Process**



**Figure 3.6:** Interim Payment Process

## Terms for the interim payment and document needs

1. The step to implementation before the certificate of Interim Payment released is:
  - a. Make the date for agreement by two parties for valuation and informed to all that involved.
  - b. Valuation of Interim firstly that must not late with one month of the own construction site.
  - c. The procedure of Valuation Implementation have to comply with provision on contract and have to clearly explain with contractor for avoid the conflict and to be a basic of Valuation Interim Payment.
  - d. The method of valuation in "Preliminaries Works" and "Generals Matter" can be make as:
    - i. Initial Payment
    - ii. Recurring Payment( depend on period or advance of works)
    - iii. Final Payment
  - e. Value of Builders Work that execute by contractor have to evaluate based Advance Works in site by Superintending Officer agent.
  - f. The entire valuation specialist works that made by agent Superintending Officer agent should reach another Superintending Officer agent (Quantity Surveyor) before the Valuation of Interim in agreed.
  - g. The works have executed with complete according to Provision Works that included in valuation of the Certificate Interim Payment.
  - h. The valuation of the material not installed:
    - i. Main Contractor

Line with the terms of contract, value of materials not installed that have to take account in valuation is 90% that contains in terms here:

      - b) Provide the protection from damages.
      - c) Not to sent early to the site.
      - d) Not cover the temporary works like formwork.
      - e) The price of materials not installed based on the current market and not more than rate of Contract Price.

ii. Sub-Contractor

For the materials of the supplied by Contractor named, percentage of payments is according to terms of main contract. Value of the materials that will included in Certificate of Interim Payments.

- i. Valuation of Interim Payment must to account with variation of the works that executed by Contractor with the approval terms with on addition of Variation Order that raise from Variation Order Committee.
  - j. The lining of the Price Contract for the Variation of Price (V.O.P) construction materials have to account in Interim Payment. Method of the lining subsequent with follow the provision in contract.
  - k. For the materials and goods that supplied to the "Penerima Hak", value of supplied materials must to notified in separately Certificate of Interim with used a reference to JKR66 Form. Deliver Order and Material Invoice from "Pemegang Serahak" have to known to Superintending Officer (S.O) or agent in 3 days before the valuation date is made.
  - l. Main Contractor must to suggest to the Superintending Officer (S.O) the amount of the paid to "Penerima Hak" with terms the amount is not more than of the order through the form Contractor request.
  - m. Direct Payment to the Sub-Contractor is allocated when the "Perjanjian Penyerahan Hak" with Contractor is agreed and the Government is also to agreed with the request from Contractor that relate with "Penyerahan Hak".
  - n. If the suggestion of the payment is not enough to pay the Sub-Contractor and Supplier, "Pemegang Serahak", and Contractor, the payment must to distribute with references with Main Contractor to make agreement distribution subsequent.
2. Follow by the contract, the Valuation of Interim must to make at least 1 times monthly. Minimum value of the First Interim Payment and progress Interim Payment must to set in RM 1000.00 for all project. The value is covers the Implementation of Works and 90 % from value of materials or materials not install and for the materials or good not install mechanical or electrical it between 75% to 90% follow the kindness of the Superintending Officer(S.O)
3. When the terms valuation minimum is filling, the first certificate of interim can be released and payment made even though Document Contract still not signature. Even Though , to be able the payment is made, have the terms to filling its:
- a. Contractor must to return Letter of Agreement tender that signing and witnessed, submit "Bon Pelaksanaan" and whole of the Policy Insurance compulsory.

- b. Certificate of Interim is and Voucher Payment must together with the subsequent of copy document that valid:
- I. Letter of Agreement
  - II. "Bon Pelaksanaan"
  - III. Insurance Policy
  - IV. No of registration of PERKESO



### 3.5 Variation Order (V.O)

Basically, it does not have any variation order in contract design and build. Although, terms of contract that provides 3 conditions which can the variation order that involves to adjustment contract price as followed:

- a. Variation to Client requirements
- b. Variation that causing by the physical condition or obstacles that not preparing which not expected in reasonable by experience contractor
- c. Variation Order is lack about design contractor which need to make because suitability, functional and safety of works.

The Variation Order that involves a material/ equipment/ component / type / brand, these factors need to be taken:

- a. Specification of materials
- b. Performance specification
- c. Material classes/ equipment / component

Contractor must to prepare measurement and valuation the Variation Order. The team construction management had to check the document was supported the Valuation Variation Order. If the contractor fails to make it, project director responsibility to prepared and make the valuation order to closed account purposed.

### 3.5.1 Prerequisite of Variation Order

- a. Scope and level addition works shall cover in contract only and not change apart of origin scope.
- b. The request from Customers Services Department, make in a written by Commissioned Officer
- c. Even in beyond of the scope contract, it must obtain the JKPK Approval, EPU before the work are implementation.
- d. Even the provision not enough, it must obtain addition provision from clients.
- e. Variation Order cannot instruct after CPC or Extension of Time date.
- f. Variation Order cannot disturb advance of work contractor.
- g. Even Variation Order less, must be completely not necessary. Cannot to release with implementation by third parties purposed.
- h. Variation Order must to implementation in construction site
- i. For the replacement works, the variation in original work scope.

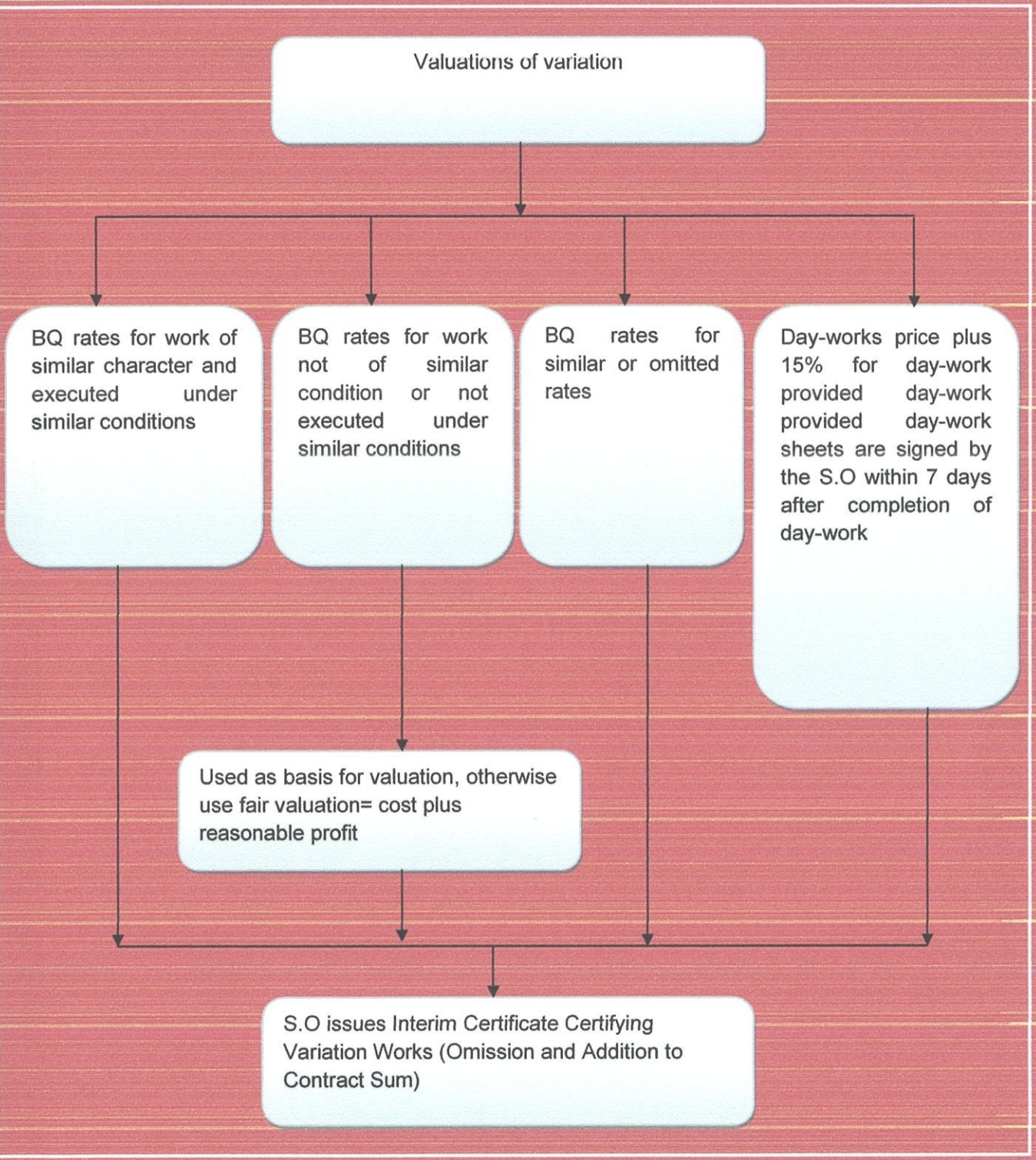


Figure 3.7: Valuation of Variation

### 3.5.2 Preparation of Variation Order Instruction

Clause 27.2 terms of contract among other provided Project Director can make Variation Order instruction with amend need statement. Variation Order instruction it relate with design such as suitability, functional, safety or lacking as needs contract it's not the cost liabilities government. If variation order involves lacking amount of price contract, so it need to adjusted to amount of price contract.

Variation Order involves the adding cost to the amount of price contract can to considered even the variation order cause of the physical condition unusual nature or obstacle unusual nature by Contractor experiences except :

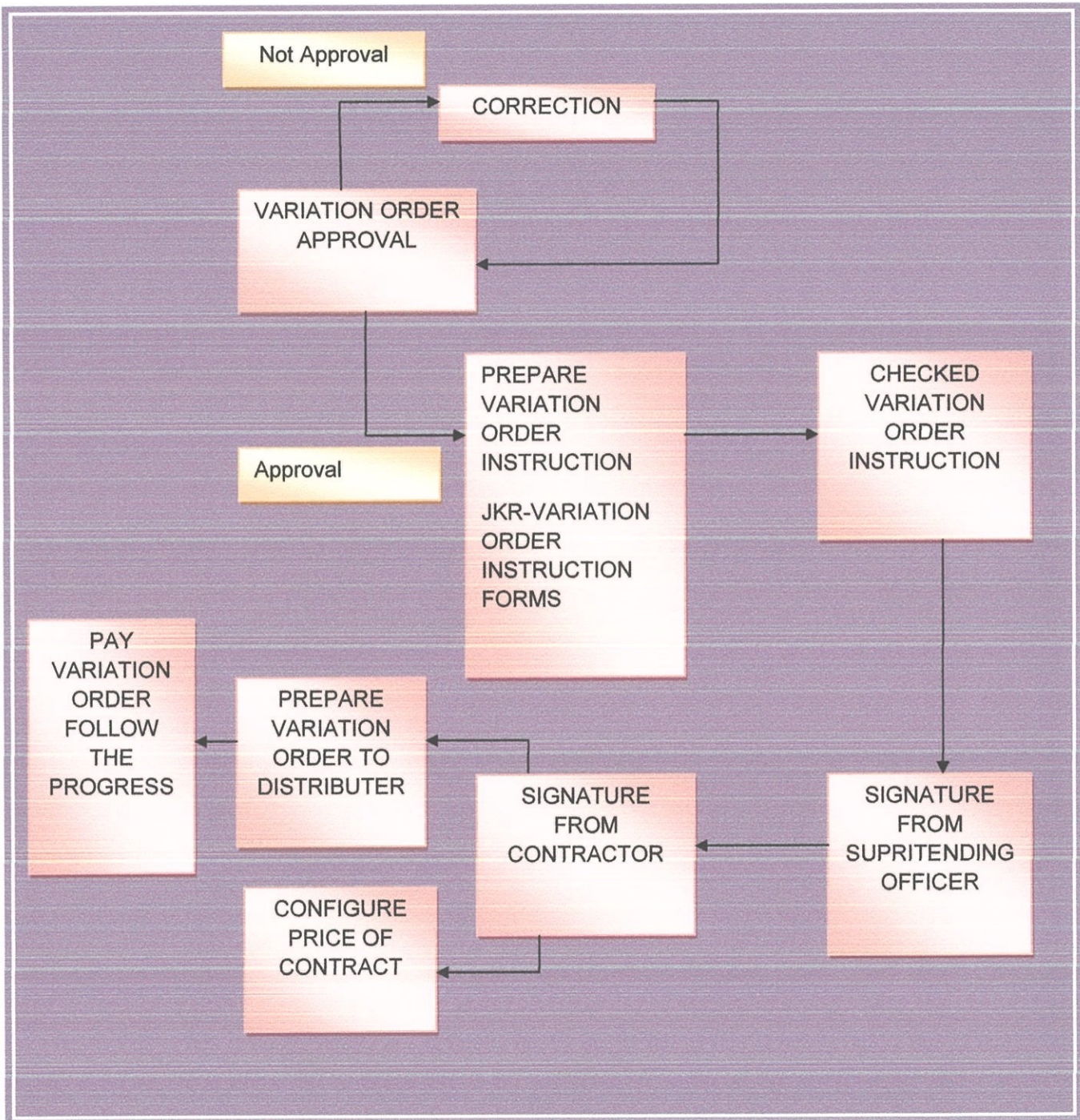
- a. Climate condition
- b. Condition /properties/ level domestic in construction site
- c. Utility facilities such as water and electrical supplier
- d. Condition and soil geology, sub-soil, sub-marine, hydrological
- e. Forms, conditions and suitability nature of site construction
- f. Supply labour and materials conditions

Projects Director need ensure the variations have requested is include in scope statement of requirements. Project Directors need to reviews the variations have requested whether necessary of variation that cause insufficiency and uncompleted design development that need taken into consideration by Contractor.

Request of Variations Order instruction to Variation Order committee shall using JKR-KPK Forms [Pind. 2/2003] titled "Permohonan Untuk Mendapat Kelulusan Perubahan Kerja".

Even Variation Order instruction that released by Project Director is out of scope origin works, so it is the works have been separate that need the contract separately. Project director can release direction that purposed to complete and advocate the works that have been contract only.

Even the Variation Order involved one high adding cost, so it's not belong in origin works and it is the implementation of separate contract.



**Figure 3.8:** Release of Variation Order Instruction

### **3.6 Extension of Time (E.O.T)**

Extension of time is the late of time from the origin complete period that stated in letter of acceptance tender or the time that continued in certificate of delay and extension of time. The Extension of Time provided by the Superintending Officer for the contractor on the terms that allocated in contract.

#### **3.6.1 Category Cause of Extension of Time**

The delay to complete the works in contract can be divided on 3 causes:

- a. Delaying that arising from the Contractor.
- b. Delaying that arising from Government and Superintending Officer action.
- c. Delaying from the uncontrolled Government or Superintending Officer and Contractor.

#### **I. Delaying From the Contractor**

In delaying works from the contractor have causing and step to avoid it and the cause of that delaying are:

- a. The failure of contractor to make the construction work follow up the schedule that preparing and approval by Superintending Officer.
- b. The slowness that became that fault because Contractor is responsibility to execute the work with fluently and hardworking.
- c. Contractor also to responsibility to make the suitable step so that the advance in the work is not delaying

For the step, Contractor can be practise to improve from the delayed of the work with are:

- a. Re-planning the works and execute with carefully and suitable with the period of construction that have been agreed.
- b. To ensure the sufficiency the labour.
- c. To ensure the sufficiency of the material on site that used and supplied follow up the schedule.
- d. To ensure the nominated Sub-Contractor progress fluently and not occurs a delaying.

The consequence from the delaying of construction can be make the contractor to impose with a Liquidated and Ascertained Damage (LAD) and may also to terminate taking of Contractor works.

## II. Delaying From Government

In delaying the Government it can be causing by:

- a. The causes by Government or Superintending Officer
- b. Qualifying the contractor to request the Extension of Time or addition cost.

The consequence from the extension of time is:

- a. Suspension of works under clause 50.
- b. Instruction from Superintending Officer arising from conflict with neighbour
- c. Instruction from Variation Order Under Clause 5
- d. Contractor cannot accepting or late to accepting from instruction or planned
- e. Delay from the parties the artisans.

## III. The delaying by uncontrolled Government or Superintending Officer or Contractor.

In delaying cause by uncontrolled the Government, Superintending Officer or Contractor is:

- a. The uncontrolled from two parties involved in contract and also not cause by their parties.
- b. The qualifying request of Contractor for Extension of Time.

Extension of Time by consequence from:

- a. **"Force Majeure"** Under Clause 58
- b. Harms from climate that unusual.
- c. Delay to have a construction site Under Clause 38.4
- d. Contractor not able to get the material to works cause of the uncontrolled or predictable while on tender
- e. Late from the parties of the Sub-Contractor to be named

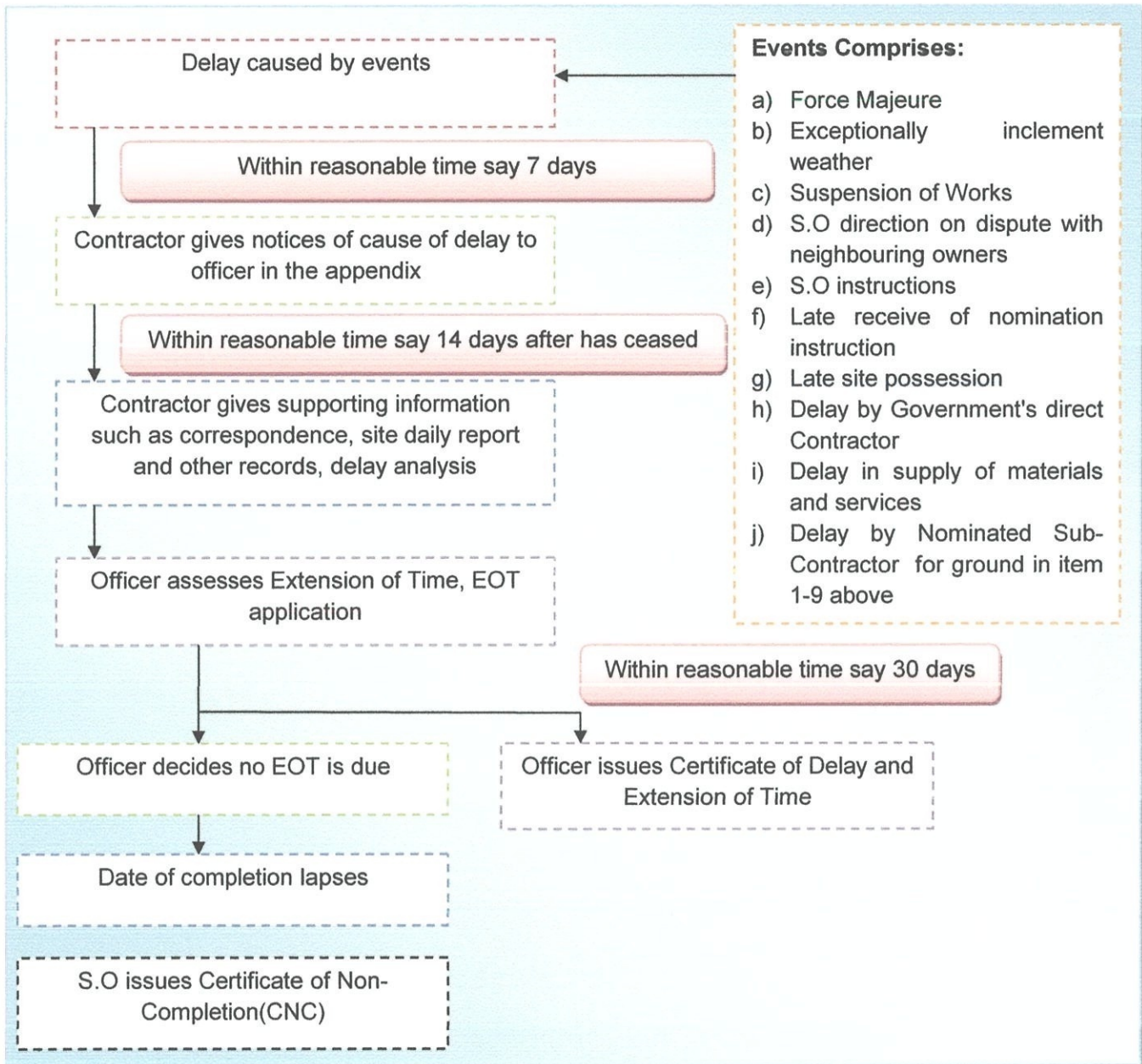


Figure 3.9: Procedure of Extension of Time



## CHAPTER 4: Conclusion and Recommendation

In conclusion, contract administration in construction is the part of the guideline for the contractor and client. It's about the administration of management in construction from aspect time and legislation. Time is represent to the period of the stage management before, while and after in the construction whether, the legislation is represent to the rule of the construction that the client and contractor must to comply.

The agreement that have been signature between contractor and client are valid to follow any part of progress in construction. The agreement has been agreed with client and contractor is under law, if any of the breaches contract it will get the penalty. Any of the decision and variation in contract administration in construction must to follow by the procedure that have been preparing in contract.

The agreement that occur when the tender or project from client as government have been offered to the any contractor to accepted. The parties like contractor and client have to play the role itself to make sure the progress in administration and construction is fluent.

Lastly, the contract administration in construction is important thing to take part in construction because it is the guideline to make sure the contractor and client is comply in contract and follow the period of that have been in agreed to finished the project in time. Contractor and client is the main of the importance role in contract to progress the construction so that the two parties can be cooperate to determine the purposed of the project.

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