



Republic of the Philippines
DEPARTMENT OF PUBLIC WORKS AND HIGHWAYS
OFFICE OF THE SECRETARY
 Manila



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Series of 2024 *July 3/20/2024*

SUBJECT : Revised Guidelines and Procedures on the Audit of Approved Variation Order and Time Variance

In line with the Department's Quality Policy to implement projects at the right cost and time, and to ensure continuous compliance with existing laws, rules and regulations, and policies, as well as to improve the capability and performance of the DPWH Implementing Offices, the Revised Guidelines and Procedures on the Audit of Variation Order and Time Variance is hereby issued for the annual assessment of DPWH field offices.

To ensure continuous and proper implementation, the Bureau of Construction (BOC) is hereby designated to conduct the annual audit of DPWH Implementing Offices.

This Order shall take effect immediately and supersedes Department Order No. 102, Series of 2022.

MANUEL M. BONOAN
 Secretary

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Revised Guidelines and Procedures on the Audit of Approved Variation Order and Time Variance

1.0 RATIONALE

In line with continuing efforts of the DPWH to provide cost-effective infrastructure facilities delivered right on time, the Bureau of Construction (BOC), as the lead support bureau providing technical and management services on construction works, has established the institutionalization of this Variation Order and Time Variance Audit Guidelines and Procedures thru D.O. 102 S. 2022.

These guidelines and procedures were developed to properly assess the DPWH IOs' compliance with existing laws, rules and regulations, as well as policies pertaining to Variation Orders (VO) and Time Variance (TV – refers to Contract Time Extension, Work Suspension Order, Continuance of Work Suspension Order, and Work Resumption Order).

Further, non-compliance with existing laws, rules and regulations, and policies in the approval of variation order and time variance, may result in unnecessary spending of public funds and timely public benefits of infrastructure projects. This guidelines and procedures on Variation Order and Time Variance Audit will also serve as a tool for determining and understanding the common problems encountered by the DPWH IOs in the preparation and approval of VOs and TVs and to address them appropriately.

Furthermore, the audit results indicate that DPWH IOs are adhering to the department's mantra of delivering infrastructure projects at the right cost and right on time without abusing any authority entrusted to them.

2.0 SCOPE AND APPLICATION

This guidelines and procedures shall be applicable only to the audit of civil works projects with approved Variation Order (VO) and Time Variance (TV) implemented by the Regional Offices (ROs) and District Engineering Offices (DEOs).

3.0 GUIDELINES

Areas to be Audited

The following are the areas and aspects to be audited:

3.1 Conformance with Existing Laws and Department Orders

3.1.1 Republic Act 9184 and its 2016 Revised Implementing Rules and Regulations

The preparation and approval of all VOs and TVs shall conform with the provisions set forth in this law.

This covers the utilization of DPWH issuances relevant to Variation Orders and Time Variances (or as amended) stipulating guidelines,

procedures, applicability and limitations of provisions therein, such as, but not limited to the following:

- 3.1.2 D.O. 117, Series of 2023 – Standardized Guidelines / Procedures in processing Request for Work Suspension Order and Contract Time Extension due to Pending Issuance of Permits to be issued by Local Government Units and other Concerned Government Agencies (MMDA, DENR, etc.)
- 3.1.3 D.O. 57, Series of 2022 - Guidelines in the Payment of Variation Orders for the Facilities for the Engineers due to Changes in Contract
- 3.1.4 D.O. 46, Series of 2022 – Standard Forms in Project Implementation
- 3.1.5 D.O. 11, Series of 2021 – Implementation of the Document Tracking System (DoTS) for Civil Works Projects
- 3.1.6 D.O. 45, Series of 2020 – Clarification on the Limits of Authority of Regional Directors and District Engineers in the Approval of Variation Orders and Construction Schedule (PERT-CPM/PDM)
- 3.1.7 D.O. 42, Series of 2020 – Approval of Work Suspension Order, Work Resumption Order, and Contract Time Extension for Civil Works Project
- 3.1.8 D.O. 66, Series of 2017 – Condition as to When “As-Built” Plan can be Used as Reason for Final Variation Order
- 3.1.9 D.O. 28, Series of 2015 – Specific Guidelines to Manage and Control Variation Orders for DPWH Infrastructure Contracts
- 3.1.10 D.O. 47, Series of 2012 – Authority to Approve Variation Order Covering Additional Scope of Works Utilizing Savings for Locally-Funded Projects
- 3.1.11 D.O. 133, Series of 2015 – Adoption of Precedence Diagram Method (PDM) as Project Scheduling Technique in DPWH Projects
- 3.1.12 Fédération Internationale Des Ingénieurs-Conseils (FIDIC)
- 3.1.13 General Conditions of Contract (GCC) / Conditions of Particular Application (COPA) / Special Conditions of Contract (SCC)
- 3.1.14 Section 85 of Presidential Decree No. 1445
- 3.1.15 Other applicable existing guidelines and latest issuances as well as D.O.s affecting the review and processing of VOs and TVs shall also be covered by this Guidelines and Procedures

3.2 **Appropriateness/Correctness of Approved Variation Order and Time Variance**

This refers to the technical aspect of the audit for approved VOs and TVs focusing on the correctness of the content of the attached documents which includes checking of the appropriateness of the unit costs utilized in the

computation of the approved Variation Order and the extension of contract time granted due to the additional quantities, the computation of the contract time extension, the correctness of the date of work suspension/resumption, among others, as shown in **Annexes "F", "G", "H", and "I"**.

For Variation Orders, this includes, but not limited to the following:

- 3.2.1.a Consistency of the Itemized Cost of Revision
- 3.2.1.b Correctness of the derivation of additional contract time
- 3.2.1.c Correctness in the computations in the Detailed Quantity Calculation
- 3.2.1.d Compliance of the Variation Order with the standard format
- 3.2.1.e Compliance of the ICR with the standard format
- 3.2.1.f Color-coded and clear straight line diagram showing the changes made in the VO, viz a viz, with the original scope of works

As for Contract Time Extension, the audit will focus in checking of the following, which includes, but not limited to:

- 3.2.2.a Correctness/appropriateness of Time Extension
- 3.2.2.b Consistency of the period of suspension in the Executive Summary with the approved WSO and WRO
- 3.2.2.c Duly signed Straight Line Diagram showing the milestone of the Project
- 3.2.2.d Duly signed Straight Line Diagram showing the critical activities of the project
- 3.2.2.e Duly notarized Sworn Affidavit of Quit Claim, appropriate and corresponds to the project
- 3.2.2.f The letter request of the contractor is duly received, stamped, and recorded by the IO
- 3.2.2.g Specific requirements per conditions (**Annex "J-1 & J-2"**)

As for the Work Suspension Order/ Continuance of Work Suspension Order, the audit will focus in checking of the following, but not limited to:

- 3.2.3.a Appropriateness of the period of suspension/s
- 3.2.3.b The WSO was duly acknowledged by the contractor
- 3.2.3.c The letter request of the contractor is duly received, stamped, and recorded by the IO
- 3.2.3.d Duly signed Straight Line Diagram showing the milestone of the project
- 3.2.3.f Duly signed Straight Line Diagram showing the critical activities of the project
- 3.2.3.g Specific requirements per condition (**Annex "K-1" & "K-2"**)

As for the Work Resumption Order, the audit will focus in checking of the following, but not limited to:

- 3.2.4.a Appropriateness of the Resumption Order
- 3.2.4.b The letter request of the contractor is duly received, stamped, and recorded by the IO
- 3.2.4.c Specific requirements per conditions (**Annex "L-1" & "L-2"**)

3.3 **Completeness of Documents on the Checklist of Requirements in the Document Tracking System (DoTS) for Civil Works**

This pertains to the necessary documents listed in the checklist of the DoTS for Civil Works related request such as VO, CTE, WSO/CWSO, and WRO and other supporting documents necessary for the evaluation of the requests which are presented in **Annexes "M", "N", "O", and "P"**, of this guidelines and procedures, respectively. The checklist indicated in the aforementioned annexes will be checked in terms of the existence or non-existence of the documents except for requirements which are considered not applicable (N/A).

4.0 **PROCEDURES**

4.1 **VARIATION ORDER AND TIME VARIANCE AUDIT TEAM (AUDIT TEAM) COMPOSITION AND ACTIVITIES**

4.1.1 **Audit Team Composition**

4.1.1.1 The Audit Team shall consist of two personnel from the Bureau of Construction – Claims Review Division, with a combination of Engineer III and Engineer II.

4.1.2 **Pre-Audit Activities**

Based on the approved schedule in the Operations Plan, the BOC shall promptly prepare a directive for the Audit Team, and a memorandum addressed to the concerned ROs/DEOs, to be signed by the Undersecretary for Technical Services, which shall contain the schedule of audit.

4.1.3 **Audit Activities**

4.1.3.1 Review/ Evaluation of Approved Variation Orders/ Time Variances

This covers the audit proper. The Audit Team shall request the RO and/or DEO concerned to provide all the necessary documents relative to the said audit.

The Audit Team must then check/evaluate the approved VO and TV per audit area as defined in Sections 3.1, 3.2, and 3.3 of this Guidelines and Procedures.

4.1.3.2 Exit Conference

The Audit Team shall conduct an exit conference together with the Head of IO, or any of his/her duly authorized representative, including the concerned Project Engineers and/or Project Inspectors of the projects audited.

The Audit Team shall present the rating and discuss the conformities and non-conformities observed on the audited documents.

After presenting the conformities and non-conformities, the Audit Team shall sign the Summary of Rating which will then be forwarded to the IO concerned. Subsequently, the Head of IO concerned or his duly authorized representative shall sign the same. The individual rating per checklist may be signed by either the Chief of Construction or the Project Engineer/Project Inspector.

4.1.3.3 Preparation and Submission of Variation Order and Time Variance Audit Report

The Audit Team must establish findings and recommendations based on the facts and documents gathered. The following Audit Reports must be established:

4.1.3.3.1 Final Draft of Audit Report that should include the computation of ratings and corresponding recommendations.

4.1.3.3.2 The consolidated Variation Order and Time Variance Audit Report of each DPWH Regional and District Engineering Offices shall then be submitted by the BOC to the Undersecretary for Technical Services together with the Memorandum to the concerned IOs, for signature and approval, informing their corresponding rating and appropriate measures for the noted findings.

4.1.4 **Post-Audit Activities**

Based on the consolidated Variation Order and Time Variance Audit Report of all DPWH Implementing Offices, appropriate actions must be taken to implement proposed measures based on the final rating of the IO. These interventions aim to enhance the capability of IOs in processing and approving relevant documents.

4.1.4.1 Details on how to Improve the Performance of IOs / How to Eliminate Non-Compliance

The BOC shall conduct a root cause analysis to identify the reasons for non-compliance with applicable laws, rules, and regulations by the concerned personnel of an implementing office. Based on the result of such analysis, the BOC shall recommend appropriate actions that will enhance the performance of IOs or propose procedures aimed at eliminating the existence of such non-compliance. These

measures may include workshops, trainings, seminars, tailored to the specific needs of the IO.

Likewise, the BOC may explore alternative approaches to address the IO's needs in perfecting the processing of requests for VOs and TVs.

4.2 PROJECTS TO BE AUDITED

4.2.1 Project Selection

- 4.2.1.1 The list of projects to be audited shall be from the Project Monitoring Division based on the projects with approved VO/CTE/WSO/WRO as reported in the Project Contract Management Application (PCMA).
- 4.2.1.2 Final shortlisting of projects should be performed by the BOC Director. The projects to be shortlisted may either be on-going or completed projects from the preceding calendar year.
- 4.2.1.3 The Audit Team may audit the same project representing the approved VO, CTE, WSO, or WRO.
- 4.2.1.4 All infrastructure projects must be well represented and sorted per category: Category 1 – Roads; Category 2 – Bridges/Buildings/Flood Control and Drainage Structures.
- 4.2.1.5 From the final shortlist, the Undersecretary for Technical Services shall select projects to be audited per category.
- 4.2.1.6 The BOC shall only release the projects selected by the Undersecretary for Technical Services after the courtesy/coordination meeting has been conducted per Implementing Office.

4.2.2 Quantity of Contracts/ Projects to be Audited

- 4.2.2.1 For Regional Offices and District Engineering Offices implemented projects, the Audit Team shall evaluate the number of projects per category listed in the table hereunder:

Project Category	Document Type	No. of Projects	
		RO	DEO
1 – Road/ Slope Protection	Variation Order	1	1
	Work Suspension Order	1	1
	Work Resumption Order	1	1
	Contract Time Extension	1	1

2 - Bridge/ Building/ Flood Control and Drainage Structure	Variation Order	1	1
	Work Suspension Order	1	1
	Work Resumption Order	1	1
	Contract Time Extension	1	1

4.2.2.2 In case that the RO/DEO does not have any project with approved Variation Order/Time Variance from any of the categories:

4.2.2.2.1 The Audit Team shall request for a certification duly signed by the Head of Implementing Office that no project has an approved Variation Order/ Contract Time Extension / Work Suspension Order / Work Resumption Order at the time of audit.

4.2.2.2.2 The Audit Team shall request for project for any available category to compensate for the unavailable project category in order to perform the audit for the required minimum number of projects.

4.3 **FREQUENCY AND DURATION OF VARIATION ORDER AND TIME VARIANCE AUDIT**

4.3.1 **Frequency of Audit**

4.3.1.1 All Regional and District Engineering Offices must be audited once a year.

4.3.1.2 The BOC shall be responsible for the annual schedule of audit ensuring that all of the ROs and DEOs will be audited once a year.

4.3.2 **Submission of Audit Report**

The Audit Team shall submit the complete Variation Order and Time Variance Audit Report within ten (10) working days upon completion of the audit. Likewise, the said report shall be finalized and approved by the Director within ten (10) working days after submission of the Audit Team.

4.4 **RATING SYSTEM**

4.4.1 **Rating Areas**

The Audit Team shall accomplish the Variation Order and Time Variance Audit checklist (**Annexes "B", "C", "D", "E", "F", "G", "H", "I", "M", "N", "O", and "P"**) during the audit proper. The performance of the

IOs in the processing and approval of VO, WSO, WRO, and CTE, shall be evaluated based on the following areas:

4.4.1.1 Conformance with Existing Laws and Department Orders **(50%)**

This refers to Section 3.1.1 of this guidelines and procedures.

4.4.1.2 Appropriateness and Correctness **(25%)**

This refers to Section 3.1.2 of this guidelines and procedures.

4.4.1.3 Completeness of approved VO, CTE, WSO, WRO **(25%)**

This refers to Section 3.1.3 of this guidelines and procedures.

4.4.2 **Rating Mechanics**

The score of each evaluation area per project to be audited shall be the basis of the overall rating of the Regional and District Engineering Office; the overall rating will describe the capability of the DPWH IO to process and approve Variation Order, Contract Time Extension, Work Suspension Order, and Work Resumption Order. This section deals with how scores for each rating area are computed:

4.4.2.1 Rating through the Conformance of VO-TV with Existing Laws, Rules, and Regulations, and Department Issuances **(Annexes "B", "C", "D", and "E")**

For each applicable requirement, the maximum score shall be credited if the documents are in accordance with the requirements stipulated therein, otherwise, no point shall be given. If the document/requirement is not applicable, no point shall be given and its maximum score should also not be considered in the computation of the total possible score.

4.4.2.2 Rating through the appropriateness/correctness of the approved VO, CTE, WSO, WRO **(Annexes "F", "G", "H", and "I")**

For each applicable requirement, the maximum score shall be credited if the documents are in accordance with the requirements stipulated therein, otherwise, no point shall be given. If the document/requirement is not applicable, no point shall be given and its maximum score should also not be considered in the computation of the total possible score.

4.4.2.3 Rating through the completeness of documents in accordance with the DoTS Checklist of the approved VO, CTE, WSO, WRO **(Annexes "M", "N", "O", and "P")**

For each applicable requirement, the maximum score shall be credited if the documents are in accordance with the requirements stipulated therein, otherwise, no point shall be given. If the document/requirement is not applicable, no point shall be given and its maximum score should also not be considered in the computation of the total possible score.

4.4.2.4 To compute the rating of a project for a particular process (VO/TV):

$$S_{\text{Conformance}} = \frac{\sum \text{Actual Score}}{\sum \text{Total Possible Score}} \times 100$$

$$S_{\text{Appropriateness}} = \frac{\sum \text{Actual Score}}{\sum \text{Total Possible Score}} \times 100$$

$$S_{\text{Completeness}} = \frac{\sum \text{Actual Score}}{\sum \text{Total Possible Score}} \times 100$$

$$R_{\text{Project}} = 0.5S_{\text{Conformance}} + 0.25S_{\text{Appropriateness}} + 0.25S_{\text{Completeness}}$$

4.4.2.5 In case the IO does not provide the pertinent documents even though it is proven from the PCMA Report that an approval has been made for a VO/CTE/WSO/WRO, the specific process rating shall automatically get a score of zero (0) since there will be no other means to conduct the audit without the said pertinent documents.

4.4.3 Performance Rating

4.4.3.1 Overall Average Rating of the Implementing Office (OAR_{IO})

The performance of an IO will be measured through its OAR. It is the overall rating considering all the processes audited – Variation Order, Contract Time Extension, Work Suspension Order, and Work Resumption Order. Each process will have its own weight, as follows:

- a. Variation Order – 35%
- b. Contract Time Extension – 30%
- c. Work Suspension Order – 25%
- d. Work Resumption Order – 10%

4.4.3.2 The OAR_{IO} shall be computed as follows:

$$OR_{\text{VO}} = \frac{R_{\text{Project (VO)}}}{\text{No. of Projects Evaluated (VO)}}$$

$$OR_{\text{CTE}} = \frac{R_{\text{Project (CTE)}}}{\text{No. of Projects Evaluated (CTE)}}$$

$$OR_{\text{WSO}} = \frac{R_{\text{Project (WSO)}}}{\text{No. of Projects Evaluated (WSO)}}$$

$$OR_{WRO} = \frac{R_{Project} (WRO)}{No. of Projects Evaluated (WRO)}$$

$$OAR_{IO} = 0.35 (OR_{VO}) + 0.30(OR_{CTE}) + 0.25(OR_{wso}) + 0.10(OR_{WRO})$$

Adjective Rating	Overall Rating
Outstanding	95% - 100%
Very Satisfactory	85% - <95%
Satisfactory	75% - <85%
Fair	65% - <75%
Unsatisfactory	Below 65%

4.4.3.3 Bearings of Rating

- a. The IO shall be required to submit a justification/explanation for the committed non-compliances on the existing laws, rules and regulation and department policies within fifteen (15) calendar days from receipt of the Audit Report.
- b. The Audit Team shall recommend to the IO to conduct Project Documentation Seminar in their respective Office whose overall rating is noted to be below Satisfactory. The Audit Team shall likewise assist those Offices whose overall rating is Satisfactory, subject to their discretion, if the latter opted to conduct a Project Documentation Seminar.
- c. The Overall Average Rating shall be considered in the determination of the Delegated Authority of the Regional and District Engineering Offices to Procure and Implement DPWH Infrastructure Projects.

4.4.4 Result of Audit

- 4.4.4.1 The Undersecretary for Operations concerned shall be duly notified of the Performance Rating and the non-compliance committed by the Implementing Offices under their jurisdiction for their information and perusal.
- 4.4.4.2 The Undersecretary for Technical Services may recommend the imposition of appropriate sanctions to the concerned Officials / personnel of an Implementing Office, thru the Undersecretary for Regional Operations concerned, and for approval of the Secretary, in accordance with RA 9184, Code of Conduct and Ethical Standards for Public Officials and Employees of the Civil Service Commission, and other

relevant laws, should there be major non-conformances with the law, as observed in the approved VOs and TVs during the audit.

- 4.4.4.3 The Bureau of Construction shall also keep a record/database of all the ratings, documentations and findings for analysis and future reference.
- 4.4.4.4 The Undersecretary for Technical Services may recommend policies to the Secretary which will improve the efficiency and compliance of Implementing Offices in approving Variation Order and Time Variance, in reference to the annual consolidated report as prepared and submitted by the Bureau of Construction.