

Part: **Financial Management and Administration**
 Section: **Treasury Board's General Management Policies**
 Subsection: **Goods and Services**
 Policy: **Contracts for Services**

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Contracts for Services

- Objective** *The objective is to outline the policy and procedures for managing service contracts.*
- Authority** *The Financial Administration Act, 1993, clause 5(a) and subsection 10(2)*
- Applicability** This policy applies to ministries.
- Definition** A **contract** is an agreement between two or more parties. A contract is considered binding when an offer to provide goods or services, at a price, is accepted.
- Treasury Board Policy**
- .01 Ministries are responsible for contract management and for letting contracts only in accordance with relevant legislation, regulations and Treasury Board policy.
 - .02 Contracts not under [The Purchasing Act, 2004](#) must be signed on behalf of the Government of Saskatchewan by the minister or deputy minister. Delegation of authority by the minister or deputy minister is allowable. Specific provisions in governing legislation may also provide for delegation.
 - .03 A copy of a properly completed contract must be supplied to the Provincial Comptroller upon request or in accordance with Provincial Comptroller's directives.
 - .04 Where a payment is to be made before completion of the work under a contract, the contract must specifically provide for partial (or advance) payments.
- Provincial Comptroller Directives**
- .05 [The Executive Government Administration Act](#) and The [Executive Government Administration Exemption Regulations](#) speak to entering into agreements (contracts); requirements must be met.
 - .06 Ministries are responsible for ensuring services are acquired in accordance with the Ministry of SaskBuilds and Procurement's [Procurement Guide](#) and [Procurement Quick Reference Guide](#) (includes information about contracts) and [Section 4505 Procurement of Supplies and Services](#).

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- .07 Guidance related to contracting for services can be obtained by contacting Single Procurement Service, Ministry of SaskBuilds and Procurement.
- .08 Work should not commence before a contract is signed. However, where an immediate need exists for the service, a memorandum of understanding (MOU) or letter of intent may be utilized. The justification of such a decision should be documented and appropriately approved. The MOU or letter of intent will be superseded by the subsequent contract.
- Contract Formation** .09 Advice from legal counsel should be obtained when drafting a contract due to the potential for legal implications.
- .10 Contract terms should include all of the following:
- the parties to the contract;
 - the term of the contract, including all delivery dates, progress review dates and termination provisions;
 - a detailed description of the services to be provided, including performance criteria and product/result acceptance criteria;
 - the price for the services, as well as rates that will be referenced during the term of the contract (e.g., hourly or per diem rates); and
 - the terms of payment (i.e., legal billing name, payment due dates, payment amounts, discount terms, holdback terms, delayed payments, etc.).
- For more information, see the [Procurement Quick Reference Guide](#).
- .11 Terms of payment must reflect the Government's payment policy. See [Section 3150 Timing of Supplier Payments](#) for details.
- .12 Generally, contracts should not provide for payment in advance of work being completed unless the policy conditions in .04 above are in place. Payments should be subject to any holdbacks.

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- .13 All relevant terms and conditions, must be documented e.g., a formal written contract; a memorandum of understanding or agreement; a fee schedule; or a detailed written estimate.

Ministries must determine the appropriate method and follow the Ministry of SaskBuilds and Procurement' requirements.

- .14 Written documentation of contract terms and conditions is always preferred. It ensures the contractor understands the expectations and conditions of the contract. It also protects the Government if the contractor does not deliver the service as agreed upon.

- .15 Considerations when determining the appropriate contract format are the following:

- typical business practice in an industry;
- the complexity of the service;
- the dollar amount of the transaction; and
- previous experience with the contractor.

- .16 Formal written contracts are recommended in any of the following situations:

- The life of the contract is expected to exceed one year.
- Progress payments are required.
- The service to be provided is complex or is to be delivered in stages.
- More than one ministry is affected by the service to be provided.
- Significant legal concerns exist (e.g., copyrights for systems software).
- A ministry wishes to protect itself legally when dealing with an unknown supplier.

Verbal Contracts

- .17 Verbal contracts are discouraged. However, when a written agreement is impractical (e.g., in an emergency situation), a verbal agreement will be accepted if the dollar amount of the contract is less than \$5,000 over the life of the contract. The arrangements, including all relevant terms and conditions must be noted on file and signed by a ministry official with delegated authority to enter into contracts. If the total amount of the contract is less than \$500 over the life of the contract,

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and the invoice details the transaction, all that is required is the appropriate delegate's signature on the invoice.

Monitoring Contracts .18 A process to monitor contract performance must be established to ensure the contractor meets the terms of the contract. Ministries should reference the Ministry of SaskBuilds and Procurement' Procurement Guide and Vendor Performance Manual for guidance on monitoring contracts.

To be effective, the monitoring process should ensure the following:

- Progress is monitored on a timely and regular basis.
- Deviations from agreed to deadlines and costs are explained.
- Unacceptable work is immediately identified and addressed with the contractor, preferably in writing.
- Contract disputes are handled with minimum of delay.

To protect the ministry, good file documentation regarding contracts is necessary.

Overall Evaluation .19 Managers should evaluate their contract management processes on an ongoing basis to determine whether the processes can be made more effective.

Invoices .20 Invoices related to service contracts must contain sufficient detail to readily reveal the nature of the service or work, and must reference the relevant contract (or indicate on the invoice that it is a verbal contract).

Other Contract Considerations

Equipment Rental .21 Ministries should consider the following when renting equipment:

- Based on a cost/benefit analysis, determine if renting the equipment is the best option.
- When equipment is rented for more than one month, use a formal written contract.
- Lessees are responsible for fulfilling the terms of any and all leases.
- If the lease is a capital lease, refer to the [Accounting Manual, Section 1300 Tangible Capital Assets](#) for more information, including the accounting for capital leases.

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- Workers' Compensation Considerations** .22 Ministries are to ensure that the contract outlines the party responsible for assessments under [The Workers' Compensation Act, 2013](#). Pursuant to section 131, anyone engaged in work by a contractor or subcontractor for a principal (i.e., the Government of Saskatchewan) is considered to be a worker of the principal and assessed under this Act, unless the contractor or subcontractor is assessed as the employer. Pursuant to section 132, the principal must ensure the contractor or subcontractor makes payments to the Workers' Compensation Board that they are liable for, or the principal is liable for them.
- .23 Ministries entering contracts are to immediately notify the Workers' Compensation Board (Board) of the name and address of the contractor and the nature and amount of the contract where applicable.
- .24 Ministries must ensure the contractor provides written evidence from the Board that the contractor's obligations are complete and there are no arrears before settling payments under a contract.
- Non-resident Contractors** .25 Ministries should be aware that there may be implications for contracts as they relate to the collection of PST (e.g., if a non-resident business doesn't collect PST at the time of sale, the customer is required to self assess and remit the tax to the Revenue Division of the Ministry of Finance). See <https://www.saskatchewan.ca/business/taxes-licensing-and-reporting/provincial-taxes-policies-and-bulletins/provincial-sales-tax> for details regarding possible implications or contact the Revenue Division of the Ministry of Finance.
- The Builders' Lien Act** .26 Ministries are to ensure that the documentation of terms for construction contracts outline that the contract and its performance are subject to applicable provisions of [The Builders' Lien Act](#). Form C1 is found within the Regulations and can be utilized to request certification of substantial performance of the contract.

References

- [3101 GRF Payment Responsibilities](#)
- [3154 Purchase Cards](#)
- [4125 Insurance](#)
- [4210 Personal Service Contracts](#)
- [4500 Supplies and Services](#)

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[4505 Purchases of Supplies and Services](#)
[4525 Communications \(Advertising\)](#)
[4530 Transportation of Goods](#)
[4535 Rent of an Aircraft](#)
[4540 Primary Research](#)

[Accounting Manual, Section 1300 Tangible Capital Assets](#)

[Procurement Guide](#)
[Procurement Quick Reference Guide](#)
[Communication Procurement Policy](#)
[Vendor Performance Manual](#)

[Accommodation Manual](#)

[The Builders' Lien Act](#) and [The Builders' Lien Regulations](#)

[The Executive Government Administration Act](#)
[The Executive Government Administration Exemption Regulations](#)

[The Purchasing Act, 2004](#) and [The Purchasing Regulations](#)

[The Workers' Compensation Act, 2013](#)