



CONTRACT MANAGEMENT POLICY

2019/2020

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1. PRE-AMBLE

Government contracting shall be conducted in a manner that will:

- a) Stand the test of public scrutiny in matters of discretion and integrity, encourage competition, and reflect fairness in the spending of public funds;
- b) Ensure the supremacy of functioning requirements;
- c) Comply with Government's obligations under the related legislative and Policy prescripts.

Properly managed contracts by all stakeholders involved, can ensure that services are delivered within specifications as set and agreed to by all during the specifications phase and at the agreed costs, time period and qualities of the goods and services procured. All contracts must be managed throughout the contract Life Cycle, based on the level of management control appropriate for the classification of that contract.

Improperly managed contracts may impact negatively on service delivery.

Adverse effects of poor contract management include but are not limited to:

- 1.1 good and services outside of specification;
- 1.2 cost overruns;
- 1.3 poor supplier, buyer or other stakeholder relations
- 1.4 negative public perception, and
- 1.5 potentially complete service delivery failure

2. DEFINITION OF TERMS

Bid:

A written offer or stipulated form, in response to an invitation by the Municipality for the provision of services or goods, >R200000, in value.

Closeout:

Means when a contract is considered complete and the service provider has complied with all the terms and conditions of the contract, and the Municipality has inspected and accepted the goods/services and/or work.

Contract:

Agreement (explicit or implied) legally binding on two or more parties to the terms of the agreement.

Contract Administrator:

Means the official that is responsible for the continuous updating of the contract register and management and control of all documentation relating to the contract.

Contract Amendment:

Means changing the scope, nature, duration, purpose or objective of the contract.

Contract Life Cycle:

The stages of a contract encompassing execution, administration and closeout.

Contract Management:

Means the holistic term for all activities in the contract lifecycle that is undertaken by all role players involved in a contract and include the, Contract Manager, Contract Owner, Project Manager and Service Provider.

Contract Manager:

Means the official responsible for overall contract management in the Municipality.

Contract Owner:

Means the official that is ultimately accountable for the deliverables during the contract lifecycle relevant to the service delivery target that the contract seeks to achieve.

Contract Price:

The all-inclusive price of the contract over the complete duration of the contract and includes price escalations, cost of contract variations, contingencies, disbursements, VAT, etc.

Service Provider:

The contracting party that represents a Supplier, Service Provider or Vendor.

Deliverable:

Any measurable, tangible, verifiable outcome, result or item that must be produced, delivered or constructed to meet the strategic objectives and service delivery targets of the Municipality.

Extension:

Means when the Municipality decides to increase the term of a contract/ agreement mutually agreed upon in writing on a month-to-month basis, but not exceeding six (6) months in terms of National Treasury Practice Note No.4 of 2008/2009.

Firm Price:

The price that appears on the Purchase Order is not affected by the fluctuations due to specific industry price escalations for the duration of the contract.

Goods:

Tangible movable products that are purchased from a Supplier and consumed by the institution, excluding purchases of capital assets.

Municipality:

Okahahlamba Local Municipality

Project:

The project named in the contract cover page

Quotation:

An informal written or verbal offer in response to an invitation by the Municipality, <R200000 in value.

Service Provider/ Supplier/ Vendor:

The contracting party named in the contract that is required to provide goods, services and or works to the Municipality.

Services:

The tasks to be performed by the Service Provider pursuant to the contract as described in the Terms of Reference advertised in the Invitation to Bid.

Sub-Service Provider:

A person or entity that enters into a subcontracting agreement with the Service Provider/ Supplier to execute part of the contract.

3. ABBREVIATIONS

AO	Accounting officer
GCC	General Conditions of Contract
MFMA	Municipal Finance Management Act, Act No. 56 of 2003
NT	National Treasury
SCM	Supply Chain Management
SLA	Service Level Agreement
TR	Treasury Regulations

4. SCOPE AND OBJECTIVES

- 4.1 To develop a uniform and effective contract management system for Okhahlamba Local Municipality
- 4.2. This policy applies to all contracts entered into by Okhahlamba Local Municipality as a result of its supply chain management process.
- 4.3. This policy shall apply to all departments within Okhahlamba Local Municipality as well as Municipal Entities and Service Providers.
- 4.4. This policy is applicable to contracts that are valued greater than R200000
- 4.5. This policy should be read in conjunction with Okhahlamba Local Municipality Supply Chain Management Policy.

5. STATUTORY AND REGULATORY FRAMEWORK

The legal framework that informs the development and implementation of this policy is all relevant legislation with specific references to the following:

- a) Constitution of RSA, Act 108 of 1996
- b) Municipal Finance Management Act 56 of 2003
- c) Municipal Structures Act, 117 of 1998
- d) SCM Policy
- e) Municipal System Act 32 of 2000
- f) National Treasury Practice Note No.4 of 2008/2009

6. MAINTENANCE AND CONTRACT ADMINISTRATION

- 6.1. Contract administration includes all administrative duties associated with a contract once it is implemented.
- 6.2. The contract should be signed by all parties concerned.
- 6.3. The contract will only be enforceable once the parties have signed all the relevant documentation.
- 6.4. Signatures must include the initials on all pages by delegated persons and witnesses.
- 6.5. A Service Level Agreement must be drafted for all contracts, signed and must incorporate all relevant sections of the tender documentation.
- 6.6. Legal Services Unit will assist departments to draft Service Level Agreements.

7. ROLE PLAYERS OF CONTRACT MANAGEMENT

- 7.1. Contract Owner
- 7.2. Supply Chain Management
- 7.3. Legal Services
- 7.4. Project Manager
- 7.5. Contract Administrator
- 7.6. Contract Management

8. CUSTODIAN OF BID DOCUMENTS AND CONTRACT DOCUMENTS

- 8.1. All bid documents shall be received by Supply Chain Management Unit;
- 8.2. All contract documents and bid documents shall be kept by Registry;
- 8.3. Directorates will however be allowed to keep copies of contracts and bid documents for assessment purposes.

9. ROLES AND RESPONSIBILITIES OF OFFICIALS

9.1. Contract Manager

9.1.1. The Contract Manager is the official responsible for monitoring, regulating and reporting on all contracts related activities.

9.1.2. For the purpose of contract management activities the relevant role players and the Contract Manager will monitor and report on the following activities:

- a) Signing of contracts;
- b) Oversight of contract management;
- c) Document and information management
- d) Relationship management
- e) Performance management
- f) Risk management; and
- g) Notify user departments five months before expiry date of contracts

9.2 Project Manager

9.2.1 Nominated by the Head of Department to manage the specific project he/she is responsible for the following activities:

- a) Ensuring that all the necessary legal formalities in entering into the contract are adhered to;
- b) Ensuring that purchase orders are captured on the financial system in accordance with the pricing schedule;
- c) Maintaining adequate records in sufficient details on an appropriate contract file to provide an audit trail;
- d) Inform the Asset Management section of the location of newly procured assets for asset register and insurance purposes;
- e) Authorise payments due in terms of the contract by processing invoices/ goods received notes;
- f) Submit monthly performance reports, payment vouchers to the Contract Manager on Service Providers/ suppliers performance in meeting the terms and conditions of the contract including price escalation;

- g) Take appropriate action in consultation with the Contract Manager where a contractor is underperforming or is in default or breach of contract;
- h) Ensure performance of Service Providers is managed appropriately to the terms and conditions of the contract;
- i) Ensure non-performance is addressed with at least a formal letter advising specific non-performing areas and stating remedial actions required within specific time frames;
- j) Good performance is recognized and communicated through established channels;
- k) All parties participate in joint performance reviews where appropriate, and seek improvement opportunities, and
- l) Advise the Contract Manager of any amendment, deviations, variations, extensions and cancellation of contracts.

9.3 Contract Owner/ User Department

- 9.3.1 The contract owner is responsible for ensuring that Project Managers are:
- a) Assigned to all contracts;
 - b) Adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties;
 - c) A list of all contracts awarded, and Project Managers are submitted to Contract Manager on quarterly basis; and
 - d) The contract owner/ user department is ultimately accountable for the contract.

10 RECORD KEEPING

- 10.1. Proper records regarding all aspects of the contract must be maintained and kept in accordance with relevant legislation.

10.2. All communication related to contracts should be linked to the master physical document and also on the electronic system.

10.3. Safe custody of all contract documents must be enforced by all relevant users.

10.4. Users must submit all communication related to contracts to the Contract Manager to ensure linkage to the master document.

10. PROCEDURE AFTER DRAFTING OF CONTRACTS

11.1 After the contract has been signed by the Municipality Manager it should be entered into the Contract Register that should be maintained by Contract Management Unit.

11.2. The Contract Register should be updated on a monthly basis with all contracts entered into by the Municipality during that month.

12. CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL YEARS

Okhahlamba Local Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of Section 33 of the Municipal Finance Management Act have been fully complied with.

13. SUPPLIERS PERFORMANCE MONITORING

The user department and contract management must ensure that supplier's performance is monitored according to the relevant policy.

14. RISK MANAGEMENT

The user department, contract management and risk management unit must ensure that risks identification, mitigation and monitoring across all contracts are integrated into Contracts Risk Register.

15. RESOLUTION OF DISPUTES

The Accounting Officer is responsible to establish a dispute resolution mechanism as required by section 116(1) (ii) of the Municipal Finance Management Act and SCM Policy.

16. REVIEW OF POLICY

This Policy shall be reviewed as and when is necessary.