

BERGRIVIER MUNICIPALITY



CONTRACT MANAGEMENT

DATE APPROVED : BKN 020/06/2016

COMMITTEE : MAYORAL COMMITTEE

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1. PRE-AMBLE

Properly managed contracts by all stakeholders involved, can ensure that services are delivered within specifications as set and agreed by all during the specifications phase and at the agreed cost , (Inclusive of escalation clauses in contracts) 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 goods 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

Hence, good contract management by all stakeholders involved is essential for good financial management and will contribute greatly to the effectiveness and efficiency of service delivery. In effect it would give strategic direction to all directorates following a centralised strategy of contract management. This policy must be read in coincidence with the SCM Policy of the Bergrivier Municipality.

2. DEFINITIONS:

In this Policy, unless the context indicates otherwise-

Accounting Officer (in relation to a municipality)	means the municipal official referred to in section 60 of the MFMA (2003); and include a person acting as the accounting officer.
Act or MFMA	means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
Circular 62	means communication from National Treasury by means of a Circular to enhance compliance and accountability to SCM Regulations and the MFMA of 2003.
Construction Industry Development Board (CIDB):	means the Construction Industry Development Board (CIDB), a national body established by an Act of Parliament (Act 38 of 2000) to oversee the sustainability and growth of construction enterprises across the country.
Contract	means the agreement that results from the acceptance of a bid by the Municipality (mutual agreement)
Contract Alteration	means changing technical writing or input errors to the agreement of the contract without changing the scope of contract.

Contract Amendment	means changing the scope, nature, duration, purpose or objective of the agreement or contract (In context of Circular 62 and section 116 (3) of the MFMA).
Contract Management	means the holistic term of all role players involved in an agreement (SLA/SDA) or contract and include the; SCM contract manager, contract owner, contract champion and supplier.
Contract Champion	means the official within a specific department, responsible for all day to day activities (including performance management and dispute resolution) during the life cycle of the contract, relevant to his/her department. The Contract Champion can also be seen as the Budget holder.
SCM Contract Manager	means the SCM official responsible for monitoring, regulating and reporting on all contract related activities as set out in Section 116 of the MFMA.
Contract Owner (Director)	Means the official that is ultimately accountable for all activities during the life cycle of the contract, relevant to his/her directorate.
Delegation (in relation to a duty)	Includes an instruction or request to perform or to assist in performing the duty. Such delegation must be in writing.
Force Majure	Is the expression used to denote irresistible superior force which might cause damage or prevent the execution of an obligation, therefore suppliers is not liable for damages caused by force majeure or for failure to carry out a contract if prevented (Term and conditions in this regard will be determined by every individual contract/s).
Official (In relation to a municipality)	means: <ul style="list-style-type: none"> • an employee of a municipality; • a person seconded to a municipality to work as a member of the staff of the municipality; or • a person contracted by a municipality to work as a member of the staff of the municipality otherwise than as an employee.

3. ABBREVIATIONS:

BEE	Black economic empowerment
B-BBEE	Broad-Based Black Economic Empowerment
BSC	Bid Specification Committee
BEC	Bid Evaluation Committee
BAC	Bid Adjudication Committee
GCC	means General Conditions of contract
MSA	means Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)
MFMA	means Local Government: Municipal Management Act, 2003 (Act No. 56 of 2003)
NT	means National Treasury established by section 5 of the Public Finance Management Act
SCC	means Special Conditions of Contract
SCM	means Supply Chain Management
SDA	means Service Delivery Agreement
SLA	means Service Level Agreement

4. WHAT IS CONTRACT MANAGEMENT

4.1 Definition of a Contract

A contract is an agreement, based on consensus between legal subjects with contractual capacity, which is legal, physically possible and complies with the prescribed formalities and which is reached with the intention of creating a legal obligation with resultant rights and duties.

5. OBJECTIVES:

- 5.1 To give effect to Section 217 of the Constitution of South Africa (1996) that stipulate:
- 5.1.1 When an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is:
- | | |
|---------|---------------------|
| 5.1.1.1 | equitable; |
| 5.1.1.2 | transparent; |
| 5.1.1.3 | competitive; |
| 5.1.1.4 | cost-effective; and |
| 5.1.1.5 | fair. |
- 5.2 The effective and efficient control of contracts procured through the SCM system ensuring:
- 5.2.1 proper recording and enforcement of contracts throughout the contract life cycle (specifications to contract reviews);
- 5.2.2 support to the demand management framework as set out in Circular 62 of National Treasury (August 2012), optimizing proper planning, resulting in effective service delivery;
- 5.2.3 management of Contract Performance;
- 5.2.4 compliance with the regulatory framework;
- 5.2.5 to assist officials in understanding their legal and managerial responsibilities with regards to contract management;
- 5.2.6 the optimization of efficient and sustainable financial wellbeing of the municipality, resulting in lower cost drivers, and
- 5.2.7 the continuous development of effective Management Information systems, resulting in strategic support and risk preventions.
- 5.3 To ensure that no contract procurement takes place outside of the SCM System.
- 5.4 To ensure that no contract procurement takes place outside of the SCM System.
- 5.5 The Municipal Finance Management Act (MFMA) outlines the prerequisites of Contracts and Contract Management within a Municipality.
- 5.5.1 The benefits of good contract management are:
- Optimises delivery of service;

- Specifies management techniques and processes for all types of Contracts;
- Encourages achievement of value for money and continuous improvement;
- Identifies savings and additional revenue opportunities;
- Enhances risk management;
- Provides clear and complete records for audit; and
- Encourages communication between all parties to the Contract.

5.5.2 Failure to implement adequate contract management could result in the following risks:

- Paying for goods and services which do not meet the standards as set out in the Contract;
- Significantly higher costs;
- Revenue collection delays;
- Customer and supplier dissatisfaction;
- Overcharges by suppliers;
- Erroneous payments;
- Service delivery issues;
- Missed savings opportunities;
- Failed compliance with regulatory requirements;
- Increased risk;
- Complications associated with audits;
- Accidental renewal of goods and services;
- No verification of timelines and accuracy of payments, receipts and deliverables;
- No monitoring of use of discounts and rebates;
- No monitoring of supplier performance across contracts; and
- No enforcement for non-performance.

6. STATUTORY AND REGULATORY FRAMEWORK FOR MANAGING CONTRACTS

6.1 Application and Framework of the Contract Management Policy

6.1.1 All officials and other role players in the Supply Chain Management system of the Municipality must implement this Policy in a way that gives effect to:

- 6.1.1.1 Section 217 of the Constitution;
- 6.1.1.2 Section 116 of the MFMA;
- 6.1.1.3 Section 33 of the MFMA;
- 6.1.1.4 SCM Policy; and
- 6.1.1.5 any other regulations pertaining to Supply Chain Management.

6.1.2 This Policy applies when the Municipality:

- 6.1.2.1 procures goods or services;
- 6.1.2.2 disposes of goods no longer needed; and
- 6.1.2.3 selects service providers and suppliers to provide assistance in the provision of municipal services including circumstances where Chapter 8 of the Municipal Systems Act applies.

6.2 Adoption, Amendment and Implementation of the Contract Management Policy

6.2.1 The accounting officer must:

- 6.2.1.1 at least annually review the implementation of this Policy;
- 6.2.1.2 when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to Council; and
- 6.2.1.3 in terms of section 62(1) (f) (IV) of the Act, take all reasonable steps to ensure that the Contract Management Policy is implemented.

6.3 Conditions of Contract

6.3.1 A contract or agreement procured through the Supply Chain Management System of the Municipality must:

- 6.3.1.1 be in writing;
- 6.3.1.2 stipulate the terms and conditions of the contract or agreement, which must provide for:
 - 6.3.1.2.1 the termination of the contract or agreement in the case of non- or underperformance;
 - 6.3.1.2.2 dispute resolution mechanisms to settle disputes between the parties;

- 6.3.1.2.3 a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and
- 6.3.1.2.4 any other matters that may be prescribed.

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6.3.1.2.3 a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and

6.3.1.2.4 any other matters that may be prescribed.

6.4 Management of Contracts

6.4.1 The accounting officer and delegated officials must take all reasonable steps to:

6.4.1.1 ensure that a contract or agreement procured through the supply chain management policy of the municipality is properly enforced;

6.4.1.2 monitor on a monthly basis the performance of the contractor under the contract or agreement.

6.4.1.3 administrate the contract with the necessary competencies and delegations, ensuring effective management of contracts.

6.5 Amendment of Contracts

6.5.1 A contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, in exceptional circumstances in order to mitigate abuse, in perception after the fact to prevent financial inefficiencies and influencing financial sustainability.

6.5.2 Amendments (through the transparent SCM procedures) may only be made after:

6.5.2.1 the reasons for the proposed amendment have been tabled in the council; and

- 6.5.2.2 the local community has been given reasonable notice of the intention to amend the contract or agreement; and
- 6.5.2.3 has been invited to submit representations to the municipality.
- 6.5.3 Amendments of contracts where the expansion or variation is not more than
 - 6.5.3.1 20% (construction related goods, services and/or infrastructure projects),
 - 6.5.3.2 15% (all other goods and/or services) of the original value of the contract, must be submitted directly to the Supply Chain Management Office for approval and further reference to the SCM committee system for approval.
- 6.5.4 Amendments of contracts where the expansion or variation is more than the threshold prescribed by National Treasury (Circular 62), must be dealt with in terms of the provisions of section 116(3) of the MFMA, and are exempt from this process.
- 6.5.5 Amendments to the contract, without influencing the value or term of the contract, within the scope of the original terms and conditions, may be altered, provided that both parties have consensus on the amendment and the contract amendment is in writing and signed by both parties.
- 6.5.6 No agreement to amend or vary a contract shall be valid and of any force unless such agreement to amend or vary is entered into in writing and signed by the contracting parties.
- 6.5.7 When an amendment has a budgetary implication for a term longer than 3 (three) years, section 33 of the MFMA will apply to this amendment.

7. MAINTENANCE AND CONTRACT ADMINISTRATION

- 7.1 Contract administration includes all administrative duties associated with a contract once it is implemented.
- 7.2 No rights in terms of an awarded contract will accrue before the appeal period and/or appeal has been finalised.
- 7.3 The contract should be signed by all parties concerned (The relevant official should also ensure that the suppliers have the delegated powers to sign and amend the contractual agreement).
- 7.4 The contract will only be enforceable after all the signatures of the relevant parties are documented. (Signatures must include the initial on all pages by delegated persons and witnesses).
- 7.5 A signed service level agreement (if applicable) must be compiled and signed which will incorporate all the relevant sections of the tender documentation.
- 7.6 All once-off purchases shall have a specified end delivery date.

8. CONTRACT MANAGEMENT COMPONENTS



8.1 Contract Drafting

Contract Drafting is a process which includes the pre & post processes involved in the actual drafting of the contract, from the negotiation phase up to the final contract where consensus is reached by all parties.

All contracts of the municipality should be in writing and should at least include the following:

- Termination of the agreement in the case of non- or under performance;
- Dispute resolution mechanisms to settle disputes between the parties;
- Price of goods or services to be delivered to the municipality and performance will be evaluated;
- Penalties in case of non-performance or under performance ;
- Duration of the contract; and
- A periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years.

8.2 Performance Monitoring

Performance monitoring is the process which ensures that the actual implementation of the terms and conditions of the contract are in line with the signed contract. Non-performance is dealt with through issuing notice of breach / or invoking of the penalty clause, done by the end-user who informs the SCM office.

The MFMA compels a municipality to ensure performance monitoring of its Service Providers and its critical impact on municipalities' performance and service delivery.

The Contract Management Team is therefore responsible to ensure that performance procedures and measurements are in place at the commencement of the project to ensure that the performance of Service Providers is monitored from day one.

8.3 Payment Procedures

Advanced payments are prohibited. The User Department must ensure that the Contract obligations are met and that payment is done in accordance with the services rendered. Supply Chain Management office will assist the User Departments with the implementation of penalties as and when needed.

8.4 Contract Administration

8.4.1 Contract administration includes all administrative duties associated with a contract once it is adjudicated and implemented and includes the process from the opening of a contract file, issuing of notices, extensions, terminations, breach of Contract and Contract variations and to ensure compliance at all times, as well as record management and the capturing of information on the Contract Register.

8.4.2 No rights in terms of an awarded contract will accrue before the SCM appeal period and/or appeal has been finalised.

8.4.3 The contract should be signed by all parties concerned (The relevant official should also ensure that the suppliers have the delegated powers to sign and amend the contractual agreement).

8.4.4 The contract will only be enforceable after all the signatures of the relevant parties are documented.

8.4.5 A signed service level agreement (if applicable) must be compiled and signed which will incorporate all the relevant sections of the tender documentation.

8.4.6 All once-off purchases shall have a specified end delivery date.

8.5 Record Management

8.5.1 Proper records regarding all aspects of the contract must be maintained and kept in accordance with relevant legislation, by SCM, to provide an audit trail.

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

8.5.3 The Records Department are responsible for the electronic capturing of the contract information and maintenance thereof on the Contract Management system.

8.5.4 The original signed contract and all relevant communication must be sent to the records department (by the SCM office) to be placed on securities and captured on the electronic contract management system (IMIS).

8.5.5 The records department is responsible for the administration of archived contract documentation.

8.5.6 All communication related to contracts should be linked to the master document on the electronic system by the relevant official.

9. ROLES AND RESPONSIBILITIES OF OFFICIALS:

9.1 Contract Champion:

9.1.1 The Contract Champion is responsible for the following activities:

- 9.1.1.1 planning and budgeting for contracts;
- 9.1.1.2 ensuring that all the necessary legal formalities in entering into the contract are adhered to;
- 9.1.1.3 inform the Asset Management section of the Expenditure Department of the location of newly procured assets for asset register and insurance purposes;
- 9.1.1.4 where appropriate, authorise payments due in terms of the Contract and Council's Delegations;
- 9.1.1.5 Submit quarterly performance reports to the relevant Contract Owner / Director / Accounting Officer on service providers /suppliers' performance in meeting the terms and condition of the contract (Including price escalation);
- 9.1.1.6 to take appropriate action in consultation with the Section : Supply Chain Management where a contractor is underperforming or is in default or breach of the contract.
- 9.1.1.7 ensure performance of suppliers is managed appropriately to the terms and conditions of the contract including establishing and managing of:
 - 9.1.1.7.1 non-performance is addressed with at least a Formal letter advising specific non-performing areas and stating remedial action/s required within specific time frames;
 - 9.1.1.7.2 good performance is recognised and communicated through established channels, and
 - 9.1.1.7.3 all parties participate in joint performance reviews where appropriate, and seek improvement opportunities.
- 9.1.1.8 relationship management;
- 9.1.1.9 performance management;
- 9.1.1.10 incentives and penalties; and
- 9.1.1.11 risk management.

9.1.2 Submit original signed contract or copy thereof with the completed signed contract upload form (Annexure A) to the Records Section for safekeeping.

9.1.3 Where the municipality is the "LESSOR", a copy of the contract must be submitted to the Department: Income with an instruction to collect the payment(s).

9.2 Department: Expenditure

- 9.2.1 where appropriate, authorise payments due in terms of the contract by processing invoices.
- 9.2.2 ensuring that purchase orders are captured on the financial system in accordance with the pricing schedule.

9.3 SCM Contract Manager:

9.3.1 The SCM Contract Manager is the SCM official responsible for system administration, status and SCM performance reporting on all contracts related activities.

9.3.2 For the purposes of **contract management** activities performed by the relevant role players, the SCM contract manager will monitor and report on the following activities:

9.3.2.1 identification and classification of contracts for management purposes in terms of the SCM processes;

9.4 Contract Owner (Director)

9.4.1 The director is responsible for co-signing of contracts with the relevant service provider, in line with the Delegation of Powers and Duties Policy.

9.4.2 The contract owner is ultimately accountable for the contract.

9.4.3 The contract owner is responsible for ensuring that contract champions are assigned to all contracts.

10. PRICE INCREASES

10.1 Price increases shall be dealt with as stipulated in the SCM Policy.

10.2 All requests for price increases must be submitted to SCM.

10.3 The Contract Champions will be requested to submit a report on the financial implications of the requested price increase.

10.4 SCM will prepare a report for approval by the delegated authority who signed the Contract.

10.5 All requests and approvals will be attached to the original Contracts and will form part thereof.

10.6 No increases will be implemented prior to the approval of the delegated authority who signed the Contract.

11. CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL YEARS

Bergrivier 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.

12. BREACH OF CONTRACT

12.1 In the event of poor or non-performance, the Contract Champion must convene a meeting with the Service Provider to inform them of their poor or non-performance. Minutes as well as attendance registers must be provided to SCM.

- 12.2 In the event that the Service Provider continues with poor or non-performance, the Contract Champion must provide all the information to SCM for the drafting of a Breach Notice in terms of the Contract.
- 12.3 After the breach period (normally 14/30 days) the Contract Champion will be requested to confirm whether the Service Provider remedied the breach.
- 12.4 In the event that the Service Provider did remedy the breach, the Contract will continue. In the event that the Service Provider did not remedy the breach, the Contract will be terminated and an alternative Service Provider should be appointed in consultation with SCM.

13. NOTICE OF TERMINATION

- 13.1 The electronic management system (IMIS) will distribute a notice of termination to the Contract Champion and relevant stakeholders 6 (six) months prior to termination of Contract in order for the Contract Champion to commence with the tender process for the appointment of new Service Providers (if necessary).
- 13.2 In the event that no feedback is received from the Contract Champion on the due date as provided in the notice, the Contract will be terminated on the termination date.

14. TERMINATION OF PROCUREMENT CONTRACTS

- 14.1 Contracts will terminate on the termination date, unless prior approval is received from the Contract Champion for the extension.

15. PERFORMANCE MONITORING

- 15.1 Contract Champions must ensure that performance monitoring is done throughout the contract period.
- 15.2 Contract Champions must provide performance reports to SCM on a quarterly basis on the overall performance of all long term Service Providers for that quarter, which reports shall be filed in the Contract file for audit purposes (see example attached hereto as Annexure B). Performance Reports are filed on the Contract file.
- 15.3 Contract Champions must provide performance checklists for goods / services delivered to supply chain when the invoice is received and must be attached to the invoice.

16. PENALTIES

- 16.1 In the event that the Service Provider fails to perform the services within the period(s) specified in the Contract, the Contract Champion may deduct from the Contract price, as a penalty, the sum as stipulated in the Contract for the unperformed Services.
- 16.2 Imposing of penalties must be approved by the delegated authority who signed the Contract and all such approvals must be attached to the invoice.
- 16.3 The Service Provider must be informed in writing of any deductions from the Contract price. All such correspondence must be submitted to SCM for record

purposes and should also be reported in the quarterly performance reporting.

17. PERFORMANCE OF SERVICE PROVIDER

- 17.1 In the event that the Service Provider encounter conditions impeding timely delivery of goods or services, the Service Provider shall within a reasonable time notify the Contract Champion in writing of the fact of the delay, it's likely duration and its cause(s). As soon as practicable after receipt of the Service Provider's notice, the Contract Champion must evaluate the situation and decide to extend the Service Provider's time for performance, with or without the imposition of penalties.
- 17.2 Should the Service Provider fail to deliver services in accordance with the terms as agreed upon in the Contract, the Contract Champion must inform the Service Provider in writing to re-do the work within 5 (five) days at no additional cost to the Municipality.

18. RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES:

The accounting officer is responsible to establish a dispute resolution mechanism as per paragraph 5.3.1.2.2 and also as required by section 116(1) of the MFMA the SCM Policy.

19. CONTRACT PRICE ESCALATIONS:

- 19.1 An appropriate contract price adjustment formula must be specified in the bid documents if deemed necessary.
- 19.2 Escalation notification must be in writing and presented before the implementation date thereof.

20. PERFORMANCE ON CONTRACTS:

20.1 In terms of the SCM Policy and the Municipal Systems Act, the accounting officer must implement an internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes were followed and whether the objectives of this Policy were achieved in terms of the Performance Management System Implementation Policy.

20.1.1 Municipality's Performance:

- 20.1.1.1 The municipality is required to pay creditors within 30 days of receiving all relevant invoice statements.
- 20.1.1.2 The municipality is also required to create a favourable environment to receive services and goods without preventing the supplier to perform their duties.
- 20.1.1.3 All parties involved must perform according to the terms and conditions of the relevant contract, while the contract is alive.

20.2.1 Supplier Performance:

20.2.1.1 The supplier of goods and services is required to perform as per terms and conditions agreed upon and should inform the municipality if circumstances prevents them to perform, with reasons provided, within 5 (five) working days (to be included in all contracts).

20.2.1.2 For all relevant deviations from the agreed terms and conditions of any contract, the key performance indicators (KPI's) should be reviewed as well as the alignment with the strategic objectives established in the IDP.

21. CONTRACT REVIEWS

21.1 Refer to paragraph 6.2., regarding the adoption, amendment and implementation of the contract management policy.

21.2 In terms of section 116 (1) of the MFMA, a contract or agreement procured through the Supply Chain Management system must have a periodic review once every three years in the case of a contract or agreement that are longer than three years.

21.3 The contract owner or champion must conduct, as appropriate, post contract reviews, (at least once a year for contracts longer than 3 years);

21.4 The Contract Owner must provide contract information to the records section and Supply Chain Management unit after a contract has expired.

22. EFFECTIVE DATE

This policy will be effective from the date approved by Council of the Bergrivier Municipality.

POLICY SECTION:	
CURRENT UPDATE:	
PREVIOUS REVIEW:	
APPROVAL BY COUNCIL:	

ANNEXURE A

**BERGRIVIER MUNICIPALITY
CONTRACT MANAGEMENT SYSTEM: UPLOAD OF CONTRACT**

CONTRACTED PARTY/PERSON/COMPANY

DESCRIPTION/PURPOSE OF CONTRACT

TYPE OF CONTRACT

STATUS :

Active		Active: Non-Financial	
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TOWN

CONTRACT VALUE	MONTHLY	
	ONCE-OFF	
	QUARTERLY	
	INSTALLMENTS – 6 MONTHLY	
	GRANT	
	MONTHLY PER INVOICE	
	NO FINANCIAL IMPLICATION	

ESCALATION:

YES		NO	
-----	--	----	--

ESCALATION VALUE

EXPIRY DATE :

YES		NO	
-----	--	----	--

EFFECTIVE ON

EXPIRES ON

RESPONSIBLE OFFICIAL

--

MUNICIPAL SIGNATURE

OTHER PARTY SIGNATURE

NAME

SIGNATURE

DATE

RECORDS SECTION

DATE RECEIVED

--

DATE UPLOADED ON SYSTEM

--

FILED ON SECURITIES

YES		NO	
-----	--	----	--

NAME

SIGNATURE

DATE

BERGRIVIER MUNICIPALITY



STANDARD OPERATING PROCEDURES: CONTRACT MANAGEMENT

Approved by Council: BKN020/06/2016

Implementation date: 01/07/2016

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1. INTRODUCTION

Effective contract management is vital for the efficient operation of any business entity. The importance of contract management in municipalities has been emphasized by introduction of the Municipal Finance Management Act no 56 of 2003 (MFMA). The following extract from section 116 of the MFMA **Contracts and contract management** are of particular relevance:

"A contract or agreement procured through the supply chain management system of a municipality or municipal entity must-

- be in writing;
- stipulate the terms and conditions of the contract or agreement, which must include provisions providing for-
 - the termination of the contract or agreement in the case of non- or under performance;
 - dispute resolution mechanisms to settle disputes between the parties;
 - a periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and any other matters that may be prescribed.

2. DEFINITIONS

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Delegation <i>(in relation to a duty)</i>	Includes an instruction or request to perform or to assist in performing the duty.
Force Majure	Is the expression used to denote irresistible superior force which might cause damage or prevent the execution of an obligation, therefore suppliers is not liable for damages caused by force majeure or for failure to carry out a contract if prevented (Term and conditions in this regard will be determined by every individual contract/s).
Official <i>(In relation to a municipality)</i>	means: <ul style="list-style-type: none"> • an employee of a municipality; • a person seconded to a municipality to work as a member of the staff of the municipality; or • a person contracted by a municipality to work as a member of the staff of the municipality otherwise than as an employee.
Contract Champion	Means the official within a specific department, responsible for all day to day activities (including performance management and dispute resolution) during the life cycle of the contract, relevant to his/her department. The Contract Champion can also be seen as the Budget holder.

3. ABBREVIATIONS

BEE	Black economic empowerment
B-BBEE	Broad-Based Black Economic Empowerment
BSC	Bid Specification Committee
BEC	Bid Evaluation Committee
BAC	Bid Adjudication Committee
GCC	means General Conditions of contract
MSA	means Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)
MFMA	means Local Government: Municipal Management Act, 2003 (Act No. 56 of 2003)
NT	means National Treasury established by section 5 of the Public Finance Management Act
SCC	means Special Conditions of Contract
SCM	means Supply Chain Management
SDA	means Service Delivery Agreement
SLA	means Service Level Agreement

4. SCOPE AND OBJECTIVES

- 4.1 The objective of this procedure is to set out the procedure that should be followed when drafting, monitoring, cancelling and renewing contracts or agreements procured through the supply chain management of the municipality;
- 4.2 This procedure applies to all contracts entered into by the Municipality as results of its supply chain management policy; and
- 4.3 This procedure should be read and used in conjunction with the municipality's supply chain management policy.

5. AUDIT QUERIES

All audit queries on Contracts must be referred to SCM office. Auditors may view Contracts by prior arrangements.

6. DELEGATED AUTHORITY

- 6.1 Delegations on contact related matters shall be in accordance with the approved Delegation of Powers Policy of the Municipality and signed Delegated Powers.

7. SIGNING OF CONTRACTS, SLA'S AND MOU'S

- 7.1 Contracts should not be signed by persons who are not given the power to do so.
- 7.2 A person signing a contract must have the authorised power to do so. The power must be vested to such person by the council resolution.

- 7.3 Every contract, SLA and MOU must be signed by the Municipal Manager, except where there is approved delegations to an official to sign it on behalf of the Municipal Manager.
- 7.4 When a contract, SLA or MOU must be signed by the Municipal Manager the contract champion must first sign the contract as a witness and send it through to the relevant contract owner who must also sign as a witness. Contract Owner and Contract Champion must also initial each page of the contract.
- 7.5 No contract, SLA or MOU will be signed by the Municipal Manager if it were not signed by the abovementioned officials.
- 7.6 After the contract were signed by the contract champion and relevant contract owner it can be submitted to the Municipal Manager for signing of the contract.

8. CONTRACT DRAFTING

- 8.1 SCM office will in the case of contracts with a value above R 200 000.00 draft appointment letters to the successful bidders based on the approval of the minutes from the BAC and who will send it on. SCM office will in the case of contracts with a value below R 200 000.00 draft appointment letters to the successful bidders based on the approval of the relevant Contract Owner/Director and who will send it on. SCM will forward these letters to the Contract Champion for notification.
- 8.2 The SCM office, in conjunction with the Contract Champion, will draft the contract conditions and if any special conditions of contract is applicable. Contracts will be drafted only where it is applicable.
- 8.3 SCM office will, after drafting the contract, circulate the contract for comments to all relevant stakeholders.
- 8.4 SCM office will send to copies of the contract to the Municipal Manager arrange for signature and attach all relevant documents that will form part of the Contract (i.e. Tender Document, Appointment Letter, Payment Schedule, etc.). After receiving the signed contract from the Municipal Manager, the SCM office will send the two copies of the contract to the Vendor for concluding by the authorized signatory and initial each page. Vendor sends one signed copy of the contract to the SCM office and keep on contract for their records.
- 8.5 After signing the contract, the original must be send to the Records Department for safekeeping and to be placed on securities. SCM provides one copy to the Service Provider and another copy to the Contract Champion.
- 8.6 A copy of the contract will be uploaded on the electronic management system (IMIS) by the Records Department.
- 8.7 SCM will notify the Contract Champion when the contract has been fully signed by both parties in order to commence with the project.
- 8.8 The Contract Champion must ensure that he/she is familiar with the contents of the contract and that the service providers comply with the provisions of the contract. Poor performance and breach procedures should be addressed in consultation with the SCM office.

8.9 Contract Champions are requested to only allocate work to the Service Providers for which they were appointed for. Expenditure incurred from instructions outside the original scope of work shall be regarded as irregular and unauthorised expenditure.

8.10 Any breaches must be reported to Management and SCM by the Contract Champion.

9. DEVIATIONS

9.1 Formal Contracts must be drafted for all approved deviations above R 200 000.00 which is approved by way of a deviation.

9.2 After deviation approval SCM will draft the contract for signing taking any recommendations into consideration.

9.3 After signing the contract SCM provides one copy to the Service Provider and another copy to the Contract Champion.

9.4 SCM will report deviation to Council.

10. PAYMENT PROCEDURES

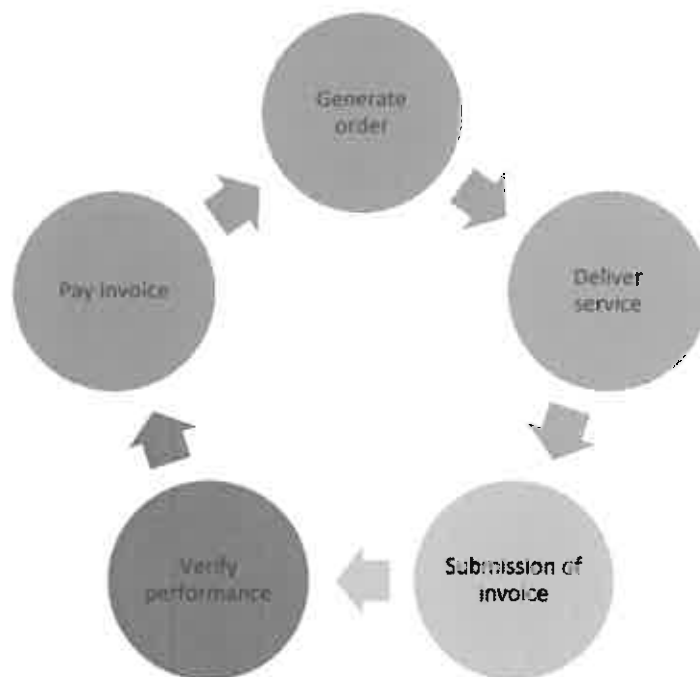


Figure 3: Contract Payment Process

10.1 After signing of the contract the Contract Champion must submit a requisition to SCM to generate an official order for the specified work to be completed.

10.2 SCM will verify the validity of the Contract.

10.3 After completion of the specified work, the Service Provider shall submit an invoice to the Bergrivier Municipality.

- 10.4 The relevant Contract Champions are required to verify the work completed by the Service Provider before certifying invoices for payment.
- 10.5 Contract Champions must ensure that Service Providers invoice the Municipality as per the approved prices in the Tender/Contract.
- 10.6 Invoices are then submitted to Finance for payment.
- 10.7 Payments must be effected within 30 (thirty) days from date of invoice.
- 10.8 Under no circumstances may invoices be paid for services not yet rendered, nor may invoice be submitted for work not actually performed, as performance can only be verified after completion of the services.

11. CONTRACT REGISTER

A Contract Register for all contracts is managed and updated on a daily basis by SCM office (See Annexure A).

ANNEXURE A

REGISTER OF ALL CONTRACTS OF THE MUNICIPALITY

DATE	CONTRACT NUMBER	CONTRACTOR	DESCRIPTION OF SERVICES OR GOODS	DURATION	PENALTIES	REVIEW DATE	REMARKS/COMMENTS

