



CENTRAL KAROO DISTRICT MUNICIPALITY

CONTRACT MANAGEMENT POLICY

2023/2024

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1. INTRODUCTION

1.1 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. The following extract from section 116 of the Municipal Finance Management Act no 56 of 2003 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 —

1.1.1 be in writing;

1.1.2 stipulate the terms and conditions of the contract or agreement, which must include provisions providing for —

- a. the termination of the contract or agreement in the case of non- or underperformance;
- b. dispute resolution mechanisms to settle disputes between the parties;
- c. 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
- d. any other matters that may be prescribed.

1.2 The accounting officer of a municipality or municipal entity must —

1.2.1 take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced;

1.2.2 monitor on a monthly basis the performance of the contractor under the contract or agreement, **the monthly monitoring of contracts is delegated to the user department and must be escalated to the municipal manager in case of a break-down in service delivery that cannot be managed by the user department;**

1.2.3 establish capacity in the administration of the municipality or municipal entity —

- a. to assist the accounting officer in carrying out the duties set out in paragraphs 1.2.1 and 1.2.2; and
- b. to oversee the day-to-day management of the contract or agreement; and
- c. ~~regularly~~ report to the council of the municipality, as may be appropriate, on the management of the contract or agreement and the performance of the contractor **where non-performance of the vendor is deemed to be of such a serious nature that the municipal manager refers it to Council for notification purposes.** Council must receive an annual report (to be included in the annual Supply Chain Management Report) containing information regarding the performance of vendors. The Mayor may require quarterly reports and those must be provided as and when required.

1.2.4 A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after—

1.2.4.1 the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and

1.2.4.2 the local community—

- has been given reasonable notice of the intention to amend the contract or agreement; and
- has been invited to submit representations to the municipality or Municipal entity.

2. ROLE-PLAYERS OF CONTRACT MANAGEMENT

2.1 ~~Contract Administration~~/Supply Chain Management.

2.2 Legal Services.

2.3 Contract Management/Project Manager – the user department will always be considered the contract/project manager.

3. CUSTODIAN OF BID DOCUMENTS AND CONTRACT DOCUMENTS

3.1 All bid documents and Contract Documents shall be kept by the Supply Chain Management Divisions.

3.2 No Senior Manager shall keep original bid documents and Contracts in their offices.

3.3 Directorates will however be allowed to keep copies of contracts and bid documents for assessment and management purposes.

4. ROLE OF PROJECT MANAGEMENT AND CONTRACT ADMINISTRATION

<u>Project Manager</u>		<u>Contract Administration</u>	
➤	Nominated by the Head of section to manage the specific project;	➤	Official from Legal Services Supply Chain—Management Division Responsible for Contract Administration;
➤	Often reflected as reporting officer in terms of the suppliers' performance management system;	➤	Responsible for –
➤	Responsible for –		
	- Quality control, financial management and other technical expertise needed for the success of the project.		- Safekeeping of all contract related documents, to be done at the registry department;

	<ul style="list-style-type: none"> - Facilitates the signing of contract with the services provider. - Assessing performance in line with the Suppliers Performance Monitoring System. - Reporting on poor performance of supplier to the accounting officer and council. 		<ul style="list-style-type: none"> - Advise the Reporting Officer/ Project Manager on: <ul style="list-style-type: none"> • Drafting of Service Level Agreement; • Contract's expiry date; • Price adjustment.
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5. **SCOPE AND OBJECTIVES**

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

6. **PROCEDURES WHEN DRAFTING CONTRACTS**

- 6.1 All contracts of the municipality should be in writing and should at least include the following:
- 6.1.1 Termination of the agreement in case of non or under-performance;
 - 6.1.2 Dispute resolution mechanisms to settle disputes between the parties;
 - 6.1.3 Price of the goods or services to be delivered to the municipality and performance will be evaluated;
 - 6.1.4 Penalties in case of non-performance or under performance;

- 6.1.5 Duration of the contract;
 - 6.1.6 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.
- 6.2 All contracts that have serious financial implications for the municipality should be handed over to the municipality legal adviser for review before being signed by the accounting officer or delegated official.
- 6.3 The following are regarded as contracts that have serious financial implications:
- 6.3.1 Contract value to the amount of R200 000.00 or more;
 - 6.3.2 Contract for the period of more 12 months and more.

7. **PROCEDURES AFTER DRAFTING CONTRACTS**

- 7.1 After the contract has been signed by the Municipal Manager it should be entered into the contract register that should be maintained by the **Registry Office Contract Administration Officer**. The register should at least include the following information (See Annexure A):
- 7.1.1 Date that the contract was signed;
 - ~~7.1.2 Authority number;~~
 - 7.1.3 Contract number;
 - 7.1.4 Name of the contractor;
 - 7.1.5 Brief description of the goods or services to be provided;
 - 7.1.6 Duration of the contract;
 - ~~7.1.7 Penalties under the contract;~~
 - 7.1.8 Review date if it is a contract for more than three years;
 - 7.1.9 Remarks/ Comments;
 - ~~7.1.10 Financial implications, i.e. increase in rent amount.~~
- 7.2 The Contract Administration officer should update this register on monthly basis with all contracts entered into by the municipality during that month.

~~7.3 A separate register should be maintained for contracts above R500 000 in additions to the register mentioned in 5.1 above. The following information should be included in that register (See Annexure B):~~

~~7.3.1 Contract number;~~

~~7.3.2 Name of the contractor;~~

~~7.3.3 Brief description of the goods or services to be provided;~~

~~7.3.4 Duration of the contract;~~

~~7.3.5 Penalties under the contract;~~

~~7.3.6 Payments made to date;~~

~~7.3.7 Penalties paid by the municipality or contractor;~~

~~7.3.8 Amendment to the contract;~~

~~7.3.9 Remarks from site meeting or contract steering committee meeting that have impact on the contract;~~

~~7.3.10 Progress report from the head of department that procured the goods or services;~~

~~7.3.11 Financial implications.~~

~~7.3 The Contract Administration officer should update this register on monthly basis with all information affecting the contract and comments from the Head of Department that procured goods.~~

8. REVIEW OR TERMINATION OF CONTRACTS

8.1 The Head Supply Chain Management ~~should~~ **may** inform the relevant Head of Department and/or Municipal Manager about the date of the review of the contract, at a reasonable period before the review date. **As the management of the contract is the purview of the user department, this responsibility rests with the user department.**

8.2 In case of non-performance or under-performance by the contractor remedies as outlined in the contract should be used by the Municipality.

9. AMENDMENT OF A CONTRACT

9.1 A contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after —

9.1.1 the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and the local community —

9.1.1.1 has been given reasonable notice of the intention to amend the contract or agreement; and

9.1.1.2 has been invited to submit representations to the municipality or municipal entity.

10. VARIATION ORDERS

10.1 In cases where the estimated value of the envisaged changes in purchase does not vary more than 15% of the total value of the original contract, the contractor may be instructed to deliver the goods or render the services as such. In cases of measurable quantities, the contractor may be approached to reduce the unit price, and such offers may be accepted provided that there is no escalation in price.

10.2 The Accounting Officer shall be delegated to approve variation order as per section 10.1 **or Directors may approve the variation order if the Rand value falls within their overall delegation limits.**

11. REPORTING TO COUNCIL

11.1 The Head of Supply Chain Management Unit ~~with the assistance of Contract Administration officer~~ should prepare on monthly basis a report for submission to the Accounting Officer, **a report on all contracts with which problems are experienced for escalation to the Council should the Accounting Officer deem that to be necessary on the state of all contract entered into through the municipality supply chain management system.** This report is required by section 116 subsections (2)(d) of the Municipal Finance Management Act, No 53 of 2003.

- 11.2 The following information should be contained in the report:
- 11.2.1 Contract number;
 - 11.2.2 Name of the contractor;
 - 11.2.3 Brief description of the goods or services to be provided;
 - 11.2.4 Duration of the contract;
 - 11.2.5 Penalties under the contract;
 - 11.2.6 Payments made to date;
 - 11.2.7 Penalties paid by the municipality or contractor;
 - 11.2.8 Amendment to the contract;
 - 11.2.9 Remarks from site meeting or contract steering committee meeting that have impact on the contract;
 - 11.2.10 Progress report from the head of department that procured the goods or services;
 - 11.2.11 Any delays that might have impact on the completion of the contract.

12. REPORTING TO NATIONAL TREASURY

- 12.1 The Chief Financial Officer are required to submit information in respect of each contract above R10 000 000.00 awarded and signed by all parties to the contract to National Treasury.
- 12.2 A report must be submitted each time a contract is awarded and signed or no later than 15 days after the end of each month.
- 12.3 Completed reports are to be e-mailed to the National Treasury at: Contracts@treasury.gov.za or by facsimile to (012) 326 5445.
- 12.4 The following information should be contained in the report:
- 12.4.1 Name of the Municipality;
 - 12.4.2 Contract reference number;
 - 12.4.3 Contract signing date;
 - 12.4.4 Contract description;
 - 12.4.5 Name of contractor;

- 12.4.6 Percentage equity ownership by black persons (no franchise prior to elections) based on information furnished on Municipal Bid Document (MBD) 6.1;
- 12.4.7 Percentage equity ownership by black women based on information furnished on MBD 6.1;
- 12.4.8 Percentage equity ownership by white women based on information furnished on MBD 6.1;
- 12.4.9 Outsourced / subcontracted business to small business as a percentage of annual turnover based on information furnished on MBD 6.3, if applicable;
- 12.4.10 Percentage local content of final product in relation to the bid price based on the information furnished on MBD 6.4, if applicable;
- 12.4.11 Total contract price (A);
- 12.4.12 Total price of lowest acceptable bid 9price of bid scoring the highest points for price) (B);
- 12.4.13 Premium paid to promote specified goals (C) ($C=(A-B)$);
- 12.4.14 Percentage premium paid ($C/B \times 100$).

13. **ANNEXURES**

Annexures A to C is typical annexures applicable to all Municipal contracts. Information required may vary in detail depending on the nature of the project:

ANNEXURE A: Registration of all contracts of the Municipality

ANNEXURE B: Registration of all contracts above R10 000 000.00

ANNEXURE C: Report to the Council on Contracts Management over R 10 000 000.

ANNEXURE A

REGISTER OF ALL CONTRACTS OF THE MUNICIPALITY

<u>DATE</u>	<u>CONTRACT NUMBER</u>	<u>NAME OF CONTRACTOR</u>	<u>DESCRIPTION OF SERVICE/ GOODS</u>	<u>DURATION</u>	<u>PANALTIES</u>	<u>REVIEW DATE</u>	<u>REMARKS / COMMENTS</u>

ANNEXURE B

REGISTER OF ALL CONTRACTS ABOVE R10 000 000.00 FOR PERIOD EXCEEDING THREE MONTHS

<u>DATE</u>	<u>CONTRACT NUMBER</u>	<u>NAME OF CONTRACTOR</u>	<u>DESCRIPTION OF SERVICE / GOODS</u>	<u>DURATION</u>	<u>PENALTIES PAID</u>	<u>PAYMENT MADE TO DATE</u>	<u>AMMENDMENTS TO THE CONTRACT</u>

ANNEXURE C

REPORT TO COUNCIL ON CONTRACT MANAGEMENT – CONTRACTS OVER R 10 000 000.00

<u>CONTRACT NUMBER</u>	<u>NAME OF CONTRACTOR</u>	<u>DESCRIPTION OF SERVICE / GOODS</u>	<u>DURATION</u>	<u>PENALTIES</u>	<u>PAYMENT MADE TO DATE</u>	<u>PENALTIES PAID</u>	<u>AMMENDMENTS</u>

14. APPLICABLE LEGISLATION

14.1 Local Government: Municipal Finance Management Act, 56 of 2003;

14.2 Supply Chain Management Regulations in terms of the Local Government:
Municipal Finance Management Act, 56 of 2003;

14.3 Any other legislation issued in this regard.