

KWAZULU-NATAL PROVINCIAL CONTRACT MANAGEMENT PROCEDURE MANUAL



KWAZULU-NATAL PROVINCIAL TREASURY

April 2016

This document must be read together with the relevant Treasury Contract Management Framework, Practice Notes, Instruction Notes and Circulars issued in terms of the Public Finance Management Act, Act 1 of 1999 (As amended by Act 29 of 1999).

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DEFINITIONS

Bid	A written offer or stipulated form, in response to an invitation by an institution for the provision of services or goods, > R500 000 for Departments and > R200 000 for Municipalities, in value.
Cession	Means when a contract/agreement is relinquished to another individual/institution.
Closeout	Means when a contract is considered complete and the service provider has complied with all terms and conditions of the contract, and the Institution has inspected and accepted the goods/services and/or works.
Consortium	A consortium is an association of two or more individuals/companies with the objective of participating in a common activity or joining their resources to achieve a common goal.
Contract	Agreement (explicit or implied) legally binding 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 agreement or contract.
Contract Life Cycle	The stages of a contract encompassing planning, creation, collaboration, execution, administration and closeout or renew.
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, contract champion and supplier.
Contract Manager	Means the official responsible for overall contract management in an institution.
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, 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 an institution.
Extension	Means when an institution decides to increase the term of a contract/agreement mutually agreed upon in writing, but for no longer than six months in terms of Treasury Regulations.

Finance Lease	A lease that transfers substantially the risks and rewards of ownership of an asset. Title may or may not eventually be transferred.
Firm Price	The price that appears on the Purchase Order and is not affected by price 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.
Institution	Department or Public Entity.
Joint Venture	Means a business arrangement in which two or more parties agree to join together their resources for the purpose of completing a project.
Operating Lease	A lease other than a finance lease and is regarded as a current payment.
Project	The project named in the contract on the cover page.
Purchaser	The acquiring public sector entity or institution.
Quotation	An informal written or verbal offer in response to an invitation by an institution, < R500 000 in value.
Renewal	Means to allow a contract/agreement to continue for a defined period if the existing contract/agreement provides for a renewal period after the termination date.
Service Provider/ Supplier/ Vendor	The contracting party named in the contract that is required to provide goods, services and or works to the institution.
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-Contractor	A person or entity that enters into a subcontracting agreement with the Service Provider/ Supplier to execute part of the contract.

Table 1: Definitions

GLOSSARY

AA	Accounting Authority
AO	Accounting Officer
ASB	Accounting Standards Board
CLMS	Contract Life-Cycle Management System
CMD	Contract Management Database
ECM	Electronic Content Management
GCC	General Conditions of Contract
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NT	National Treasury
PFMA	Public Finance Management Act, Act No. 1 of 1999 (PFMA)
PPP	Public Private Partnership
SBD	Standard Bidding Documents
SCC	Special Conditions of Contract
SCM	Supply Chain Management
SLA	Service Level Agreement
TR	Treasury Regulations

Table 2: Glossary

INTRODUCTION

The purpose of Contract Management is to ensure that all parties to a contract fully meet their respective obligations as efficiently and effectively as possible, delivering the operational outputs required from the contract and providing value for money. It also protects the rights of the parties and ensures performance when circumstances change.

Leading up to the development of the CMPF, the Provincial Treasury had conducted a rapid assessment of the extent to which Contract Management was implemented by different departments and municipalities in the province, which revealed a general trend of lack of properly documented contract management procedures, practices and processes in departments, municipalities and public entities. There were no discernible practices for managing supplier performance.

The Provincial Treasury began the process of standardizing practices by designing a pilot project through which a set of standard templates and tools were developed and tested for robustness and relevance.

To provide further guidance, the Provincial Treasury has developed this Contract Management Procedure Manual, which should be read in conjunction with the CMPF.

Contract Management is similar to Project Management. Each contract is treated as a mini-project. It has a unique goal, consumes resources, has a beginning and end date, and requires planning and coordination of relevant activities, as well as documentation in a Contract File throughout the contract's lifecycle, which is depicted below.



Figure 1: Contract Lifecycle

The stages of contract management are intended to ensure that the parties work together to achieve the objectives of the contract. Contract management is based on the idea that the contract is an agreement, a partnership with rights and obligations that must be met by all parties to achieve the goal. Contract Management is aimed not at finding fault, but rather at identifying problems and finding solutions together with all contracting parties involved.

Contract management systems, records and procedures vary significantly from one institution to the next depending on the size and nature of the institution. Hence, National Treasury introduced the contract management framework (Figure 2), in August 2010 to provide guidance to public sector institutions to implement an enterprise wide contract management approach leading to better coordinated and more streamlined practices for contract management throughout the contract lifecycle and across the entire institution.

This manual addresses the contract management lifecycle using the procedures in the following diagram:

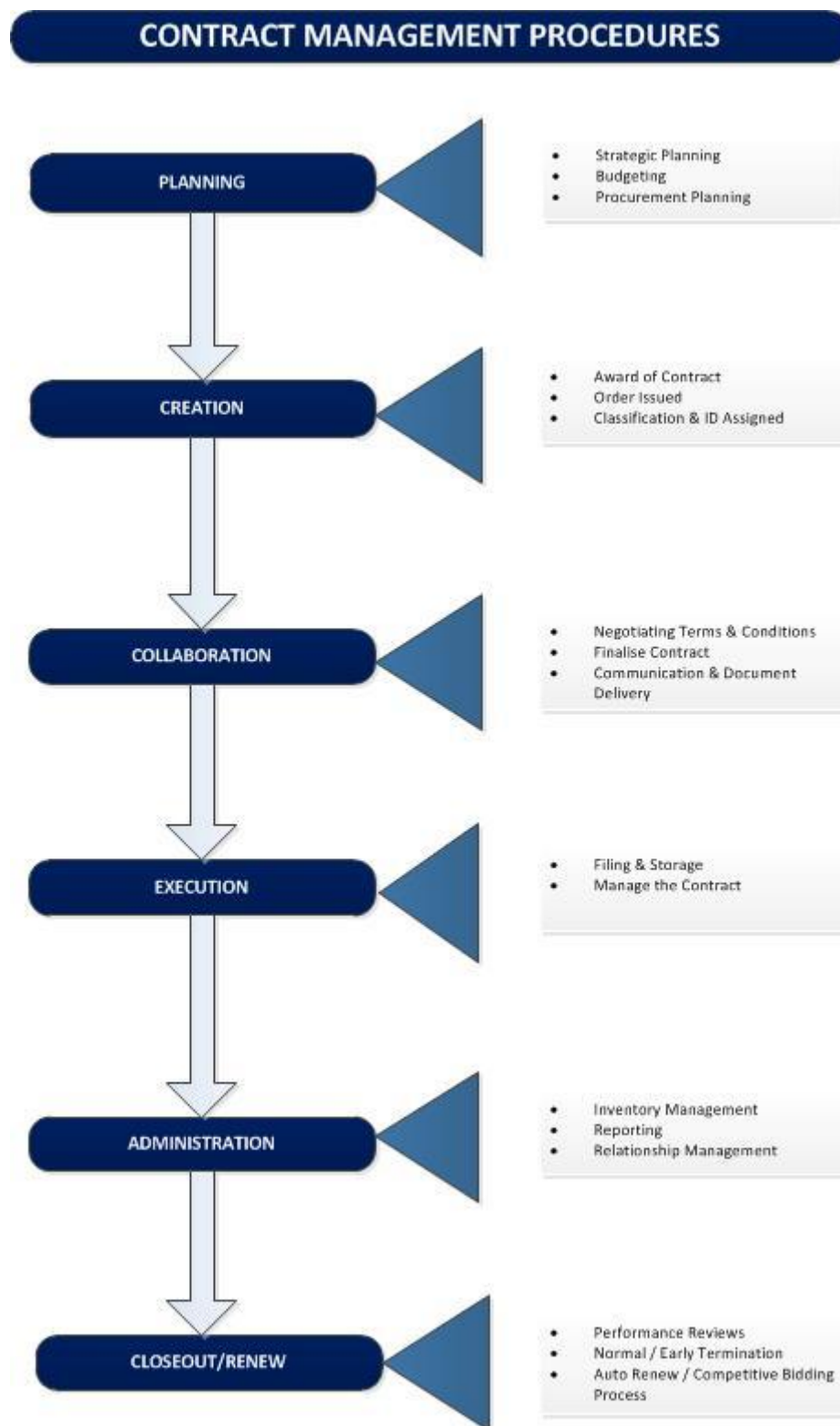


Figure 2: Contract Management Procedures

Activities Involved in the Planning Process.

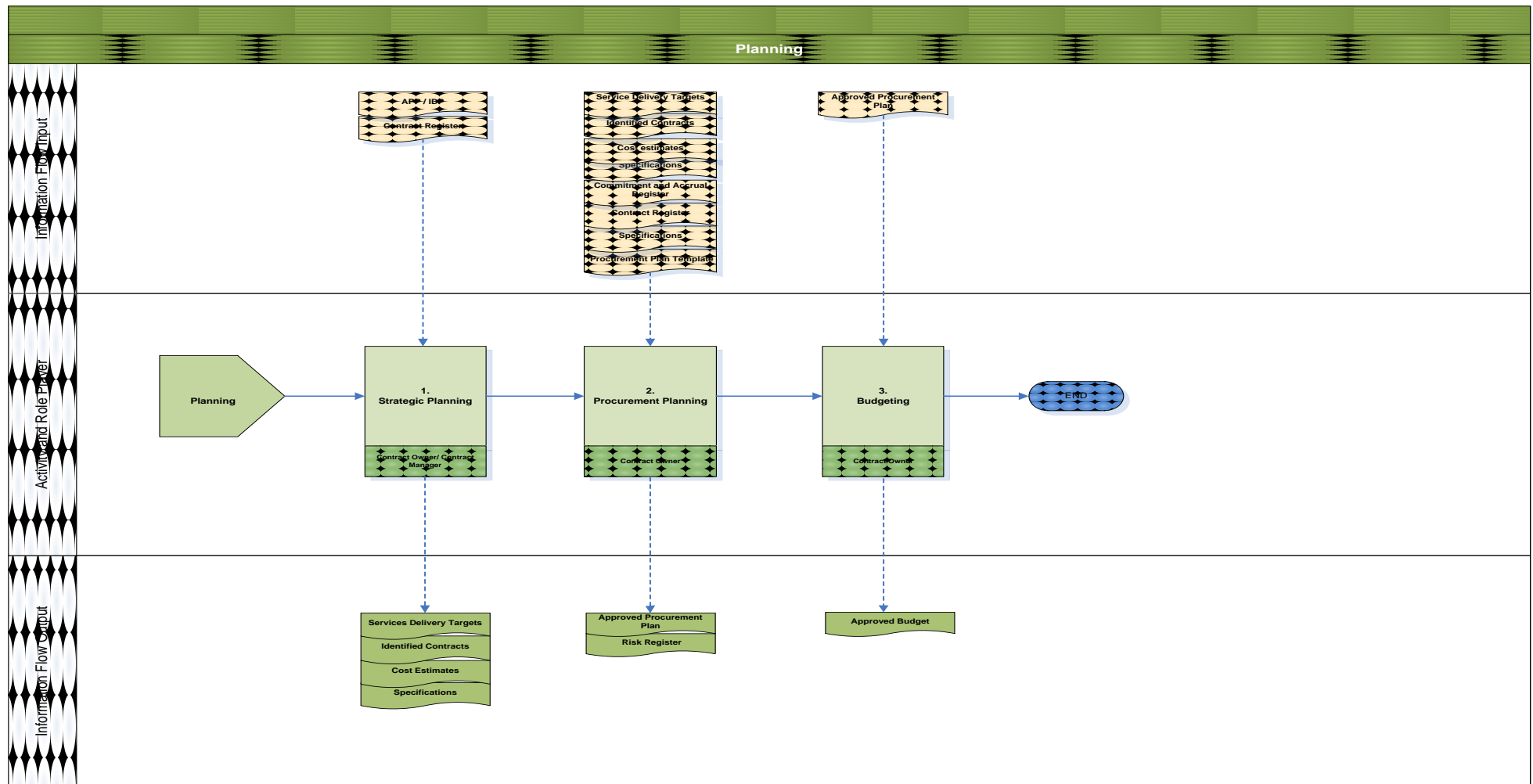


Figure 3: Activities involved in the Planning Process

1. PLANNING

The planning and budgeting process provides for the review of existing contracts (contracts which will continue through or conclude during the budget year), proposed contracts (contracts which will commence during the budget year) as well as contracts which will be required in the future, to ensure that service delivery occurs as planned in the Annual Performance Plan (APP) and approved budget.

Task	Task Description	Input	Output	Role Player
1. Strategic Planning	<ul style="list-style-type: none"> ✓ The Contract Owner must obtain and review the institution's Strategic Plan, Annual Performance Plan (APP) in order to identify service delivery targets that the institutions will seek to achieve in the next financial year. ✓ The Contract Owner should review the Contract Register in order to identify contracts that need to be closed, that need to be carried forward and that do not exist but will need to be entered into so as to achieve the institution's service delivery targets. ✓ For existing contracts, the Contract Owner/ Contract Manager must assess whether or not the contract has or is capable of achieving/ meeting the institution's service delivery targets. ✓ For contracts that do not exist the Contract Owner/ Contract Manager must identify whether the goods, services and/ or works need to be outsourced or purchased, calculate cost estimates as well as high-level specifications. 	<ul style="list-style-type: none"> ✓ APP ✓ Contract Register 	<ul style="list-style-type: none"> ✓ Service Delivery Targets ✓ Identified Contracts ✓ Cost estimates ✓ Specifications 	Contract Owner/ Contract Manager
2. Procurement Planning	<ul style="list-style-type: none"> ✓ The Procurement Planning process is triggered by the completion of the APP. ✓ A Business Case Analysis is conducted in order to establish the reasons for the procurement requirement, time frames as well as the expected costs and benefits. ✓ The Contract Owner should compile a Risk Register detailing the foreseeable risks identified during the planning phase. ✓ In addition to the risks identified the Contract Owner must determine the possible mitigating steps that should be taken in order to reduce the likelihood and/ or impact of the risk as well as 	<ul style="list-style-type: none"> ✓ Service Delivery Targets ✓ Identified Contracts ✓ Cost estimates ✓ Specifications ✓ Commitment and Accrual Register ✓ Contract Register ✓ Procurement Plan 	<ul style="list-style-type: none"> ✓ Approved Procurement Plan <p><u>Annexure 1: Risk Register</u></p>	Contract Owner

Task	Task Description	Input	Output	Role Player
	<p>the estimated time and cost involved in each of the steps taken.</p> <ul style="list-style-type: none"> ✓ Once the Procurement Plan has been completed and approved the most appropriate sourcing strategy for the goods, services and/ or works is selected. ✓ In the event that the most applicable contract: <ul style="list-style-type: none"> ■ Is current (On the Contract Register and Commitment and Accrual Register) or has been extended the procedure for contract execution will be followed; ■ Is to be renewed the competitive bidding or quotation process is followed, based on applicable threshold values; or ■ Does not exist, the quotation or competitive bidding process, depending on the estimated cost of the goods, services and/ or works, will be initiated. 	Template		
3. Budgeting	<ul style="list-style-type: none"> ✓ The Budgeting process is triggered by the completion and approval of the Procurement Plan. ✓ During the compilation of the budget, the Contract Owner must review the Contract Register in order to identify contracts that: <ul style="list-style-type: none"> ■ Are active and have not yet been completed; ■ Extend over multiple budget periods (MTEF); ■ Have been closed out or are due to be closed out; ■ Have been extended or are still to be extended; ■ Have been renewed or are still to be renewed; and ■ Have been terminated or are still to be terminated. ✓ Contracts that span over more than one financial period and that the institution is already committed to are identified and included 	<ul style="list-style-type: none"> ✓ Approved Procurement Plan 	<ul style="list-style-type: none"> ✓ Approved Budget 	Contract Owner

Task	Task Description	Input	Output	Role Player
	<p>in the budget.</p> <p>Note:</p> <ul style="list-style-type: none"> ✓ The Contract Owner must use the approved budget to assess the efficiency of contract management activities, during the contract's life cycle. ✓ The Contract Owner should also evaluate whether or not the goods, services and/ or works being procured could be sourced more efficiently in the future. 			

Activities Involved in the Creation Process

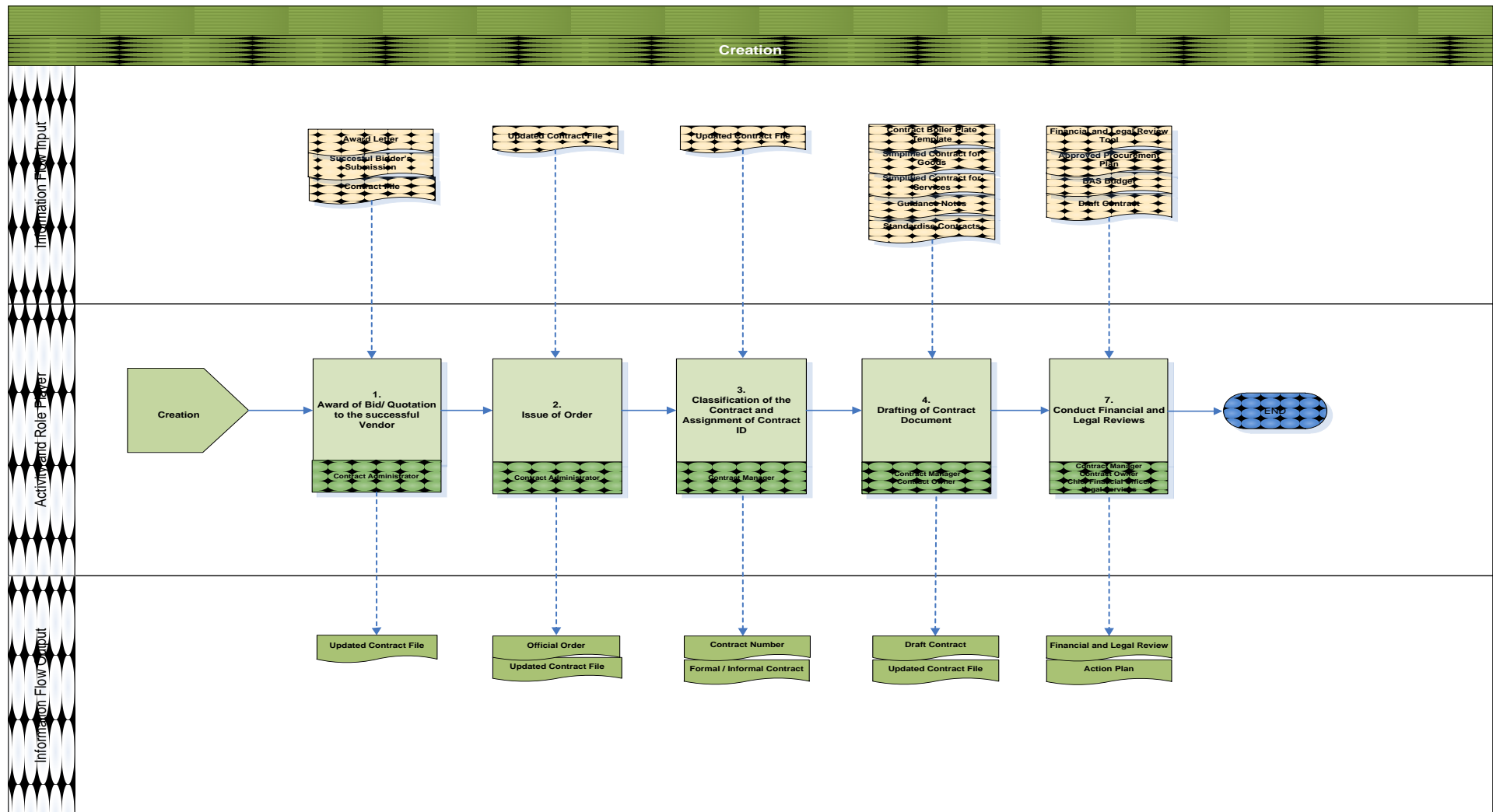


Figure 4: Activities involved in the Creation Process

2. CREATION

During creation, the contract drafter will decide on the most appropriate wording for actionable and informative clauses in the preparation of the first draft of the contract.

Task	Task Description	Input	Output	Role Player
1. Award of Bid/Quotation to the successful Vendor	<ul style="list-style-type: none"> ✓ The creation of a contract is triggered by the award of the bid/ quotation, after due consideration of the appeals process and timeframes. ✓ The Contract Administrator should open a Contract File which should include a copy of the bid/ quotation documents as well as the award letter. 	<ul style="list-style-type: none"> ✓ Award Letter ✓ Successful Bidder's Submission ✓ Contract File 	<ul style="list-style-type: none"> ✓ Updated Contract File 	Contract Administrator
2. Issue of Order	<ul style="list-style-type: none"> ✓ The issuing of an official order is triggered by notifying the successful Vendor of the intention to award the bid/ quotation. ✓ The Contract Administrator must update the Contract File with a copy of the official order issued to the successful Vendor as this forms a legal and binding agreement between the parties until the contract is drafted. 	<ul style="list-style-type: none"> ✓ Updated Contract File 	<ul style="list-style-type: none"> ✓ Official Order ✓ Updated Contract File 	Contract Administrator
3. Classification of the Contract and Assignment of Contract ID	<ul style="list-style-type: none"> ✓ The classification and assignment of a contract ID is triggered by the issuing of an official order to the successful Vendor. ✓ The Contract Manager must assign a unique contract number to each contract for easy identification and reference. ✓ The Contract Manager must classify the contract as Formal or Informal depending on the Threshold Values for the Procurement of Goods, Works and Services by means of Petty Cash/ Verbal/Written Price Quotations or Competitive Bids. ✓ Quotations usually give rise to Informal Contracts. ✓ Bids usually give rise to Formal Contracts. <p>Note:</p> <ul style="list-style-type: none"> ✓ Quotations are used for lower value procurement up to R500,000 	<ul style="list-style-type: none"> ✓ Updated Contract File 	<ul style="list-style-type: none"> ✓ Contract Number ✓ Formal/ Informal Contract 	Contract Manager

Task	Task Description	Input	Output	Role Player
	<p>for Departments and Public Entities (incl. of Value Added Taxation).</p> <p>✓ Bids are used in higher value procurement greater than R500,000 for Departments and Public Entities (incl. of Value Added Taxation).</p>			
4. Drafting of Contract Document	<p>✓ The drafting of the contract document is triggered by the classification and assignment of a unique contract ID.</p> <p>✓ The Contract Manager must complete the front cover of the contract using the information contained in the bid document/ quotation.</p> <p>✓ The contract's classification, formal or informal, is used as an indication for the type of template to be utilised for the drafting of the contract document.</p> <p>✓ For formal contracts the Contract Boiler Plate Template and its accompanying Guidance Notes should be utilised as a basis for drafting the contract document.</p> <p>✓ For informal contracts the appropriate Simplified Contract Template should be utilised as a basis for drafting the contract document.</p> <p>Note:</p> <p>✓ The Special Conditions of Contract must be drafted in accordance with the specifications and evaluation criteria advertised in the bid document.</p>	<p>✓ Annexure 2: Contract Boiler Plate Template</p> <p>✓ Annexure 3: Simplified Contract for Goods</p> <p>✓ Annexure 4 Simplified Contract for Services</p> <p>✓ Annexure 5: Guidance Notes</p> <p>✓ Standardised Contracts To be attached once finalised</p>	<p>✓ Draft Contract</p> <p>✓ Updated Contract File</p>	<p>Contract Manager</p> <p>Contract Owner</p>

Task	Task Description	Input	Output	Role Player
	<ul style="list-style-type: none"> ✓ The Contract Value is the amount quoted by the successful bidder that was used in the calculation of Price Points in terms of the PPPFA. ✓ In addition to the Contract Boiler Plate Templates KZN Provincial Treasury has compiled standardised contracts, for frequently purchased items. 			
5. Conduct Financial and Legal Reviews	<ul style="list-style-type: none"> ✓ The need to conduct a Financial and Legal Review is triggered by the completion of a draft contract document. ✓ The Chief Financial Officer and Legal Services should review the draft Contract to ensure that Government's interests are protected, identified risks have been addressed by appropriate actionable clauses and the contract value is budgeted for. ✓ The Contract Manager, Contract Owner and Legal Services must conduct a Financial and Legal Review in order to develop an action plan to address all issues raised in this review process. <p>Note:</p> <ul style="list-style-type: none"> ✓ Regular Financial and Legal Reviews should be conducted to determine the extent to which contracts represented good value for money. 	<ul style="list-style-type: none"> ✓ Annexure 6: Financial and Legal Review Tool ✓ Approved Procurement Plan ✓ BAS Budget ✓ Draft Contract 	<ul style="list-style-type: none"> ✓ Updated Contract File 	Contract Manager Contract Owner Chief Financial Officer Legal Services

Activities Involved in the Collaboration Process

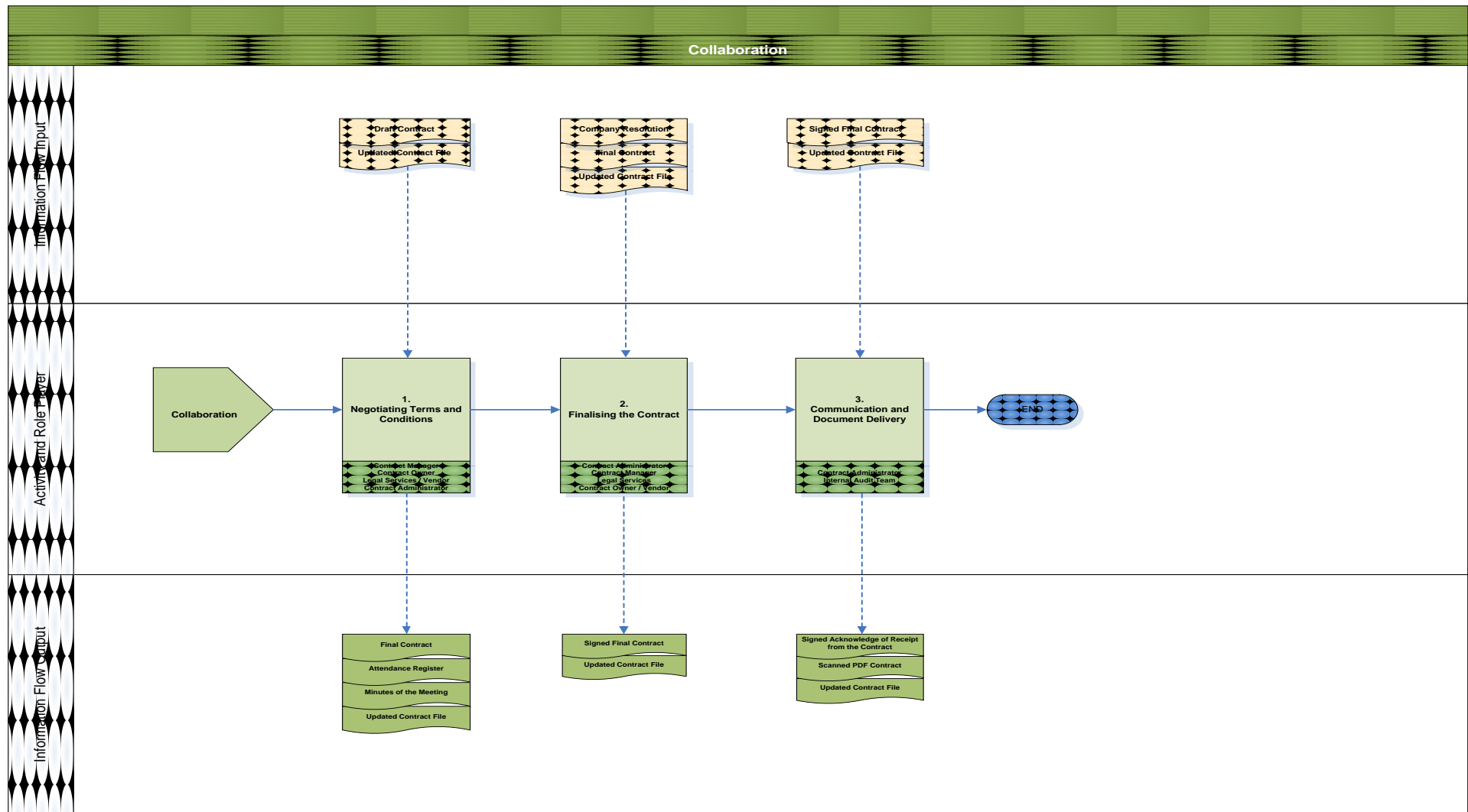


Figure 5: Activities involved in the Collaboration Process

3. COLLABORATION

Collaboration is an essential part of the contract management lifecycle as it allows both parties to negotiate and agree on all aspects of the contract in order to achieve a common goal. This phase ensures that all parties to the contract arrive at agreeable terms, deliverables, timeframes and conditions to the contract.

Stakeholder management in contract management should involve a deliberate effort by government institutions to obtain the best out of the suppliers that they engage through contracts. Not all supplier relationships should be managed in the same way. The relationship management approach will be determined by:

- ✓ The number of suppliers of the goods, services or works in the market,
- ✓ The nature of goods, works or service to be provided,
- ✓ The duration of the contract; and
- ✓ The type of relationship the institution wants with a supplier.

During this phase of the contract management lifecycle, the institution should ensure that all relevant parties to the contract are present to make certain that all the input from relevant stakeholders has been obtained in order to arrive at agreeable terms. All parties must agree to the deliverables as well as the deliverable timeframes.

TASK	TASK DESCRIPTION	INPUT	OUTPUT	ROLE PLAYER
1. Negotiating Terms And Conditions	<ul style="list-style-type: none"> ✓ The negotiation process is triggered by the finalisation of the draft contract. ✓ The Contract Manager or Legal Services should facilitate the negotiations between the Contract Owner and the Vendor. ✓ During negotiations the parties should discuss the following, amongst others: <ul style="list-style-type: none"> ▪ Their understanding of the specification, scope of work, deliverables, project milestones, payment milestones and all other Special Conditions; ▪ Any operational or emerging risks that would have an impact on the execution of the contract; ▪ The control mechanisms and governance structures to be put in place to ensure the efficient and effective execution of the contract; ▪ The Project Charter/ Inception Report and its implementation; and ▪ The roles and responsibilities of the parties. ✓ An attendance register should be signed by all parties attending the meeting. ✓ Minutes of the negotiation meeting should be taken by the Contract Administrator and signed by both parties. ✓ The Contract Owner and Vendor must reach agreement on the terms and conditions contained in the contract. <p>Note:</p> <ul style="list-style-type: none"> ✓ These discussions should not substantially alter the original 	<ul style="list-style-type: none"> ✓ Draft Contract ✓ Updated Contract File 	<ul style="list-style-type: none"> ✓ Final Contract ✓ Attendance Register ✓ Minutes of the Meeting ✓ Updated Contract File 	<ul style="list-style-type: none"> Contract Manager Contract Owner Legal Services Vendor Contract Administrator

TASK	TASK DESCRIPTION	INPUT	OUTPUT	ROLE PLAYER
	Specification or Terms of Reference, the quality of the final product or its cost.			
2. Finalising The Contract	<ul style="list-style-type: none"> ✓ The finalisation of the contract is triggered by the completion of the negotiation process. ✓ Any amendments to the contract terms and conditions must be confirmed with the Contract Owner and Vendor before being incorporated into the contract document by the Contract Manager and approved by Legal Services. ✓ Two (2) original contracts, one (1) for each party, together with all annexures are prepared by the Contract Administrator for signing. ✓ The signing of the Contract is overseen by Legal Services. ✓ Legal Services must ensure that the Vendor's signature is that of the person authorised, by company resolution, to sign all documents pertaining to the contract. ✓ The contract must be witnessed by two (2) witnesses for each party. ✓ Each page of the contract document should be initialled by all the parties and their witnesses. ✓ The contract should be correctly dated as this date may inform the effective date of the contract and forms the basis of Version 1 of the contract to enable all subsequent changes to be controlled. 	<ul style="list-style-type: none"> ✓ Company Resolution ✓ Final Contract ✓ Updated Contract File 	<ul style="list-style-type: none"> ✓ Signed Final Contract ✓ Updated Contract File 	<ul style="list-style-type: none"> Contract Administrator Contract Manager Legal Services Contract Owner Vendor
3. Communication And Document Delivery	<ul style="list-style-type: none"> ✓ The process for communication and document delivery is triggered by the finalising of the contract documentation. ✓ One (1) original contract should be kept in a secure central repository by the Purchaser for future reference. 	<ul style="list-style-type: none"> ✓ Signed Final Contract ✓ Updated Contract File ✓ Acknowledgement of Receipt 	<ul style="list-style-type: none"> ✓ Signed Acknowledgement of Receipt from the Service provider 	<ul style="list-style-type: none"> ✓ Contract Administrator ✓ Internal Audit Team

TASK	TASK DESCRIPTION	INPUT	OUTPUT	ROLE PLAYER
	<ul style="list-style-type: none"> ✓ One (1) original contract should be delivered to the Service provider and an acknowledgement of receipt should be obtained and stored in the Contract File. ✓ The Contract Administrator should scan the contract documentation to PDF, as a backup, and provide copies to Officials requesting copies of the contract. ✓ The Contract Administrator should update the supplier record on the Supplier Database to reflect the contract that has been entered into. ✓ The Contract File is updated by the Contract Administrator with the documentation obtained from the negotiation and finalisation process. ✓ The Internal Audit Team should conduct scheduled audits of the document and information systems that are set up in order to ensure compliance as well as completeness and accuracy of contract records. 		<ul style="list-style-type: none"> ✓ Scanned PDF Contract ✓ Updated Contract File 	

Activities Involved in the Execution Process

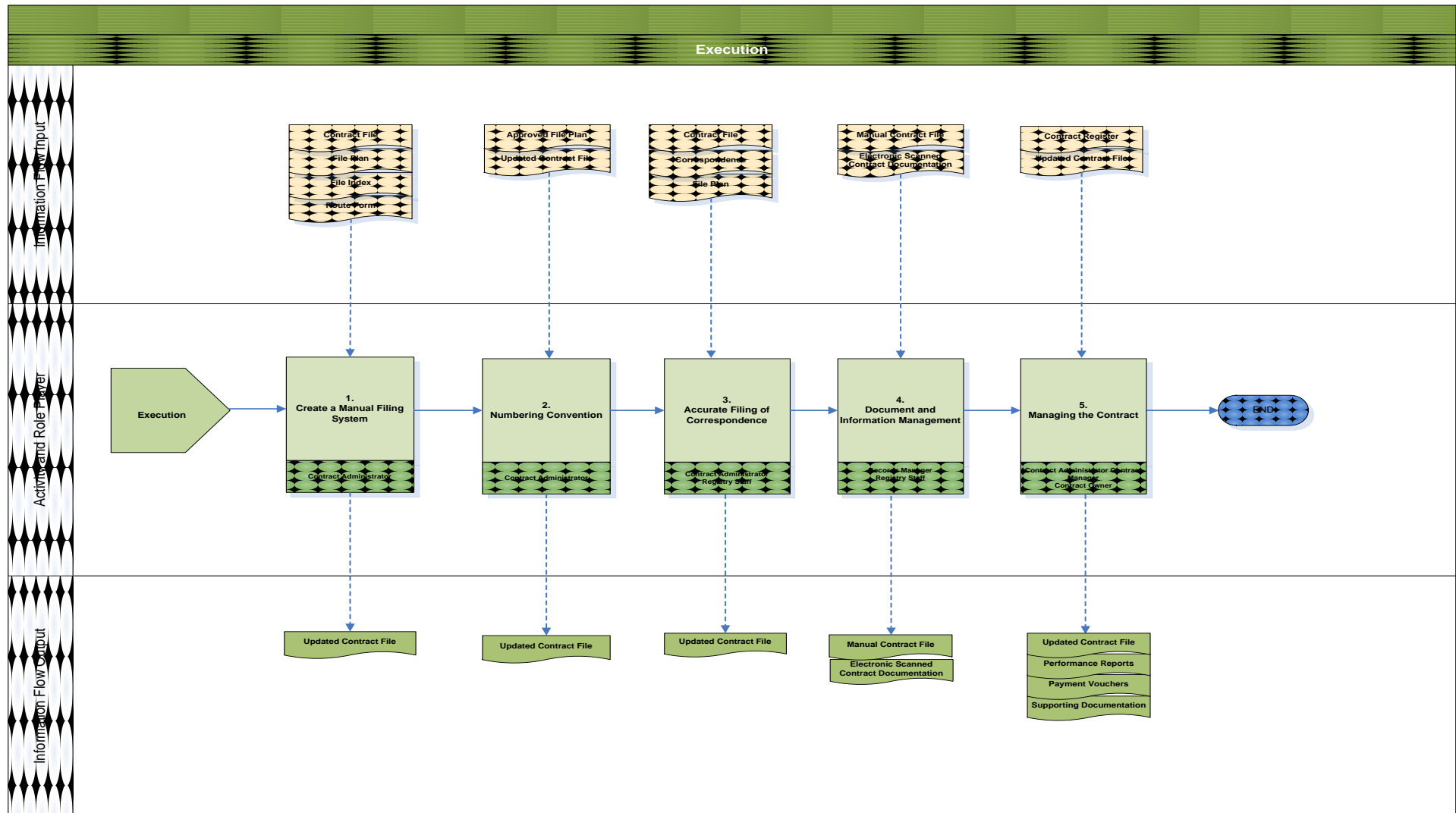


Figure 6: Activities involved in the Execution Process

4. EXECUTION

The management of contract documents is an integral element of contract management. Contract documents are legally binding and therefore are referred to often throughout the contract period to establish compliance of various terms and conditions. Contract documents are therefore regarded as more than just pieces of paper, but rather they are considered as “live documents”.

The need to properly file and maintain the contract document stems from, inter alia, the legislation provided for below:

Paragraph 40(1) (a) of the PFMA states that:

“The Accounting Officer for a Department, trading entity or constitutional institution must keep full and proper records of the financial affairs of the Department, trading entity or constitutional institution in accordance with any prescribed norms and standards “.

TASK	TASK DESCRIPTION	INPUT	OUTPUT	ROLE PLAYER
1. Create a Manual Filing System	<ul style="list-style-type: none"> ✓ The creation of a manual filing system is triggered by communication and delivery of the contract document. ✓ In order to create a manual filing system the Contract Administrator must: <ul style="list-style-type: none"> ▪ Create a file index to ensure completeness of documentation; ▪ Create a route form to ensure that the file contents remain intact; ▪ Open a manual file for each contract if one has not yet been opened; and ▪ Scan the hard copies of the contract documentation to PDF if this has not been done yet. 	<ul style="list-style-type: none"> ✓ Contract File ✓ File Plan ✓ File Index ✓ Route Form 	<ul style="list-style-type: none"> ✓ Updated Contract File 	Contract Administrator
2. Numbering Convention	<ul style="list-style-type: none"> ✓ The assignment of a unique contract number is triggered by the creation of a manual contract file and filing system. ✓ Using the approved File Plan (Issued by the National Archives Office) the Contract Administrator must allocate a unique number per contract to assist with recording and tracking. 	<ul style="list-style-type: none"> ✓ Approved File Plan ✓ Updated Contract File 	<ul style="list-style-type: none"> ✓ Updated Contract File 	Contract Administrator
3. Accurate Filing of Correspondence	<ul style="list-style-type: none"> ✓ The need to accurately file contract correspondence is triggered by the creation of a manual filing system. ✓ All registry staff involved in contract correspondence should be supplied with a copy of the file plan. ✓ Registry staff must be conversant with the series with which they work and should ensure that valuable material is not destroyed and to ensure the retention of documents. ✓ Until such time as the disposal authority is issued on the file plan and a case arises where a policy matter is decided on a subject file, the 	<ul style="list-style-type: none"> ✓ Contract File ✓ File Plan ✓ Correspondence ✓ File Plan 	<ul style="list-style-type: none"> ✓ Updated Contract File 	Contract Administrator Registry Staff

TASK	TASK DESCRIPTION	INPUT	OUTPUT	ROLE PLAYER
	<p>Contract Administrator should decide whether copies of the correspondence as a whole or a copy of the decision only, should be placed on the relevant policy file.</p> <p>✓ The date of the first and last correspondence as well as applicable disposal instructions, when available, should be indicated on the file cover.</p> <p>Note:</p> <p>✓ No correspondence may be dealt with on the files of an old file plan with the exception of current case files where written approval was obtained from the Provincial Archivist.</p>			
4. Document and Information Management	<p>✓ Identify a central repository for the manual file to be safeguarded and made available on request; and</p> <p>✓ Identify a central repository on the Institution's server to save the electronic PDF copy of the contract.</p> <p>Note:</p> <p>✓ Original contract documentation must remain on the contract file at all times. Scanned copies may be printed at the request of authorised officials only.</p> <p>✓ It is a requirement in terms of the Public Finance Management Act, that state owned documents must be stored in a secure location for a period of five (5) years.</p> <p>✓ A contract file should be opened for each contract, and include at least the following:</p> <ul style="list-style-type: none"> ▪ Bid documents; ▪ Letter of Award; 	<p>✓ Manual Contract File</p> <p>✓ Electronic Scanned Contract Documentation</p>	<p>✓ Manual Contract File</p> <p>✓ Electronic Scanned Contract Documentation</p>	<p>Records Manager.</p> <p>Registry Staff</p>

TASK	TASK DESCRIPTION	INPUT	OUTPUT	ROLE PLAYER
	<ul style="list-style-type: none"> ▪ Purchase Order; ▪ A contract agreement, signed by all parties post- award; ▪ Certificate/s of incorporation; ▪ Vendor Resolution; ▪ Records of Suppliers compliance with labour policies including BBBEE policies; ▪ Original Tax Clearance and BBEEE Certificates; ▪ All correspondence between the contracting parties; ▪ Approved price escalations and/or variations. ▪ Performance standards. ▪ Pricing schedules. ▪ Payment schedules. ▪ Proof of Performance Security documents. ▪ Certificate of insurance. ▪ Evidence of delivery as provided for in the agreement; ▪ Record of amendments to the contract (including extension of time frames or expansion of scope); ▪ Record of reviews and audits conducted on the contract; and ▪ Risk assessment reports. 			
5. Managing the Contract	<ul style="list-style-type: none"> ✓ The Contract Administrator must update the Contract Register on a regular basis to ensure that the Contract Register is complete and accurate. ✓ The Contract Owner must monitor delivery under the contract to ensure that it achieves its original objectives and effect any necessary changes to the contract. 	<ul style="list-style-type: none"> ✓ Contract Register ✓ Updated Contract File 	<ul style="list-style-type: none"> ✓ Updated Contract File ✓ Performance Reports ✓ Payment Vouchers ✓ Supporting 	<ul style="list-style-type: none"> ✓ Contract Administrator ✓ Contract Manager ✓ Contract Owner

TASK	TASK DESCRIPTION	INPUT	OUTPUT	ROLE PLAYER
	<ul style="list-style-type: none"> ✓ The Contract Owner must measure the Service provider's adherence to the standards and technical specifications quoted in bid documents so as to ensure that critical performance elements are achieved. ✓ The Contract Owner must report on the Service provider's performance as well as the contract itself, in line with the performance measurement standards and minimum reporting standards as indicated in the contract. ✓ When amending or varying the contract the Contract Owner, Contract Manager and Legal Services must ensure that the amended agreement complies with the following: <ul style="list-style-type: none"> ▪ In respect of the Service provider, the person signing must produce a resolution authorizing to sign if the person signing is not the one who signed the original contract; ▪ In respect of the Purchaser, the Accounting Officer or their delegated authority has to sign the amended agreement; ▪ Insert a clause that states that in the event of a conflict between the amended agreement and the original agreement, the amended agreement will prevail; ▪ The agreement that is being amended must be specified by mentioning its date of signature and the contract/ project number under which the goods/works/services were ordered; ▪ The clause that is being amended is specified as well as what the clause states in the original agreement and what the amendment is that is being effected; 		Documentation	

TASK	TASK DESCRIPTION	INPUT	OUTPUT	ROLE PLAYER
	<ul style="list-style-type: none"> ▪ The names of the parties must be the same as in the original agreement; and ▪ The names of the persons signing the amended agreement and their capacities must be reflected in print in the amended document. <p>✓ Any amendments to the contract must be filed in the contract file, by the Contract Administrator, and be read as such.</p> <p>✓ Where relevant, the Service provider must, within 30 days of receipt of notification of contract, supply the Purchaser security of the amount specified in the Special Conditions of Contract (SCC).</p> <p>✓ If there is a contract condition allowing for inspections, tests and analyses, the Service provider should be open, at all reasonable hours, for inspection by the Purchaser so as to ensure that the goods, services and/ or works comply with the specifications contained in the contract.</p> <p>✓ Payment to Vendors is to be made, in accordance with contract conditions, only after delivery of a good or service with receipt of an invoice in accordance with Treasury Regulations.</p> <p>✓ Goods and services should be provided by the Vendor in accordance with the time schedule and quality specifications stipulated in the contract. A delay should be motivated by the Vendor in writing and may result in the imposition of penalties by the Institution.</p> <p>✓ The supplier may not assign or subcontract a portion or the whole contract to another party without the written approval of the Institution.</p>			

TASK	TASK DESCRIPTION	INPUT	OUTPUT	ROLE PLAYER
	<ul style="list-style-type: none"> ✓ Once a contract has been concluded, the close-out report, compiled by the Vendor must be approved by the End User. The contract cannot be cancelled / closed without the approval of the Bid Adjudication Committee and Accounting Officer, after obtaining legal opinion. ✓ The Institution may terminate the contract on the basis of default in terms of untimely delivery, failure by the Vendor to perform obligations and the engagement by the Vendor in corrupt or fraudulent practices with respect to the contract. The exception to this is if a force majeure situation arises which is beyond the Vendor's control. The Institution may terminate the contract on the basis of Vendor insolvency. ✓ Any disputes that arise should be resolved in the manner outlined in the contract. <p><u>Note</u></p> <ul style="list-style-type: none"> ✓ Every contract should incorporate a clear and agreed change control process or mechanism, with a clear treatment of changes that will impact on costs and how these are handled under the contract terms. ✓ Non-contractual price adjustments to the contract should not be considered unless for circumstances beyond the Service provider's control, in which case the necessary approval from the Accounting Officer must be obtained since these adjustments are to the detriment of the Purchaser. 			

TASK	TASK DESCRIPTION	INPUT	OUTPUT	ROLE PLAYER
	<p>✓ Contractual price adjustments may be considered provided that these are in line with the contract conditions and the Service provider provides documentary proof or an audited certificate of price adjustments claimed to warrant such an adjustment.</p>			

Activities Involved in the Administration Process

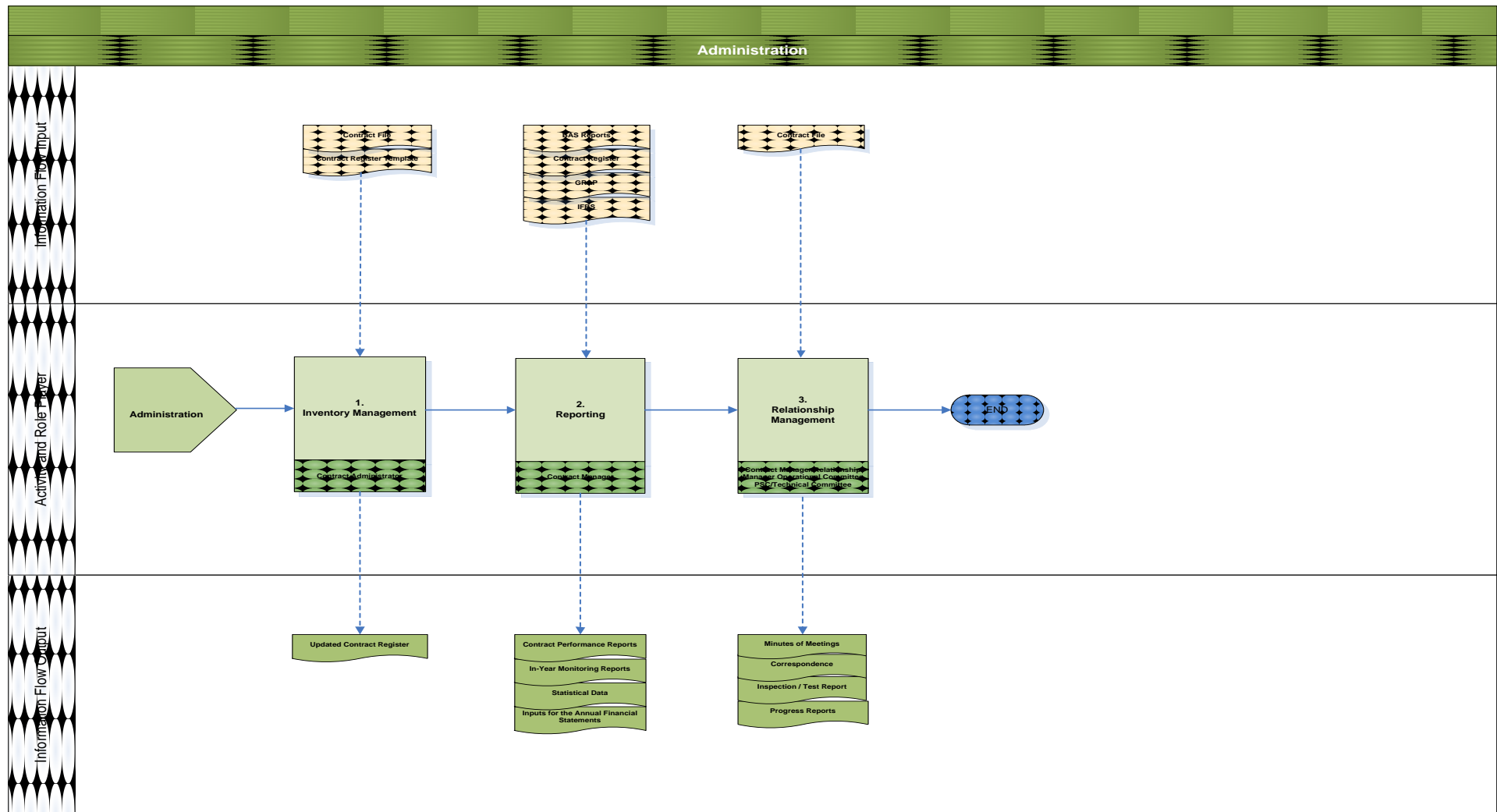


Figure 7: Activities involved in the Administration Process

5. ADMINISTRATION

The Policy Framework places the responsibility of providing contract administration activities on the Accounting Officer in the case of Provincial Department or the Accounting Authority in the case of Public Entities. The Accounting Officer or Authority has a primary responsibility of ensuring that the necessary systems and standard operating procedures are in place for effective contract administration.

An inventory of all contracts must be maintained on a contract register. It is important for the contract register to be updated and maintained daily for all formal and informal contracts. The contract register serves as an early warning signal to identify potential over or under spending, pending closeout of contracts or potential renewal of contracts.

Task	Task Description	Input	Output	Role Player
1. Inventory Management	<ul style="list-style-type: none"> ✓ The need for inventory management is triggered by the finalisation of the contract documentation. ✓ The Contract Administrator must maintain a Contract Register as an inventory of all contracts that the institution has entered into. ✓ The Contract Administrator must review and update the Contract Register on a daily basis as the Contract Register serves as a dashboard and early warning signal. ✓ By reviewing the Contract Register the Contract Administrator should be able to identify potential over or under expenditure on the contract, pending closeout of contracts or potential renewal of contracts. 	<ul style="list-style-type: none"> ✓ Contract File Annexure 7: Contract Register Template	<ul style="list-style-type: none"> ✓ Updated Contract Register 	Contract Administrator
2. Reporting	<ul style="list-style-type: none"> ✓ The need for contract reporting is triggered by the updating of the Contract Register. ✓ The Contract Manager must provide Contract Owners and the Accounting Officer/ Accounting Authority information about performance and possible problems with a contract as soon as practicable. ✓ Management or “in-year” reporting may be structured differently depending whether it is for monthly, quarterly, mid-year or annual reporting. ✓ Monthly reporting may be purely exception based. ✓ Quarterly reporting would tend to be more thorough. ✓ Mid-year and annual reporting would generally involve an extensive review process. The mid-year review can often be combined with strategic planning and budget preparation. 	<ul style="list-style-type: none"> ✓ BAS reports ✓ Contract Register ✓ IFRS 	<ul style="list-style-type: none"> ✓ Contract Performance Reports ✓ In-Year Monitoring Reports ✓ Statistical data ✓ Inputs for the Annual Financial Statements 	Contract Manager

Task	Task Description	Input	Output	Role Player
	<ul style="list-style-type: none"> ✓ The Contract Manager is required to provide inputs, extracted from the contract register, on commitments, accruals and contingent assets and liabilities. ✓ 			
3. Relationship Management	<ul style="list-style-type: none"> ✓ The need for relationship management is triggered by the commencement of the negotiation process. ✓ Each party of the contract should assign a Relationship Manager to take ownership and responsibility for decisions, or lack thereof, on behalf of their parties throughout the life of the contract. ✓ At the Strategic level the Project Steering Committee should discuss the contract and its management as well as any initiatives that they can promote or initiate in order to make the contract more efficient and effective. ✓ At the Business level the Technical Committee should formally manage and administer the contract, including the monitoring and evaluating of delivery. ✓ At the Operational level the Operational Committee, overseen by the Contract Manager, must ensure that the day-to-day issues or problems are resolved and the goods, services and/ or works are delivered by the Service provider and accepted by the Purchaser. ✓ It is the Contract Manager's responsibility to establish efficient and effective management reporting procedures, so that information about performance and possible problems with a contract reaches those with power to act as soon as practicable. ✓ Nominated representatives, including the Service provider's 	<ul style="list-style-type: none"> ✓ Contract File 	<ul style="list-style-type: none"> ✓ Minutes of Meetings ✓ Correspondence ✓ Inspection/ Test Reports ✓ Performance Reports ✓ Progress Reports ✓ Action Plans 	<ul style="list-style-type: none"> ✓ Contract Manager ✓ Service provider's Relationship Manager ✓ Operational Committee ✓ Project Steering Committee ✓ Technical Committee

Task	Task Description	Input	Output	Role Player
	<p>Relationship Manager and the Purchaser's Contract Manager, should meet formally on a regular basis to review the status of the contract and progress on delivery milestones.</p> <ul style="list-style-type: none"> ✓ The aim of the meeting between the nominated representatives is to identify and resolve any issues relating to the performance of the contract, as well as any ways in which services may be improved. ✓ Where performance is being discussed, the Service provider should be given the opportunity to present material on any factors that have caused performance difficulties and to discuss any proposed remedial action. ✓ Payments, including those for performance, should be made without unnecessary delays, in line with the Purchaser's procedures. 			

Activities Involved in the Closeout/ Renewal Process.

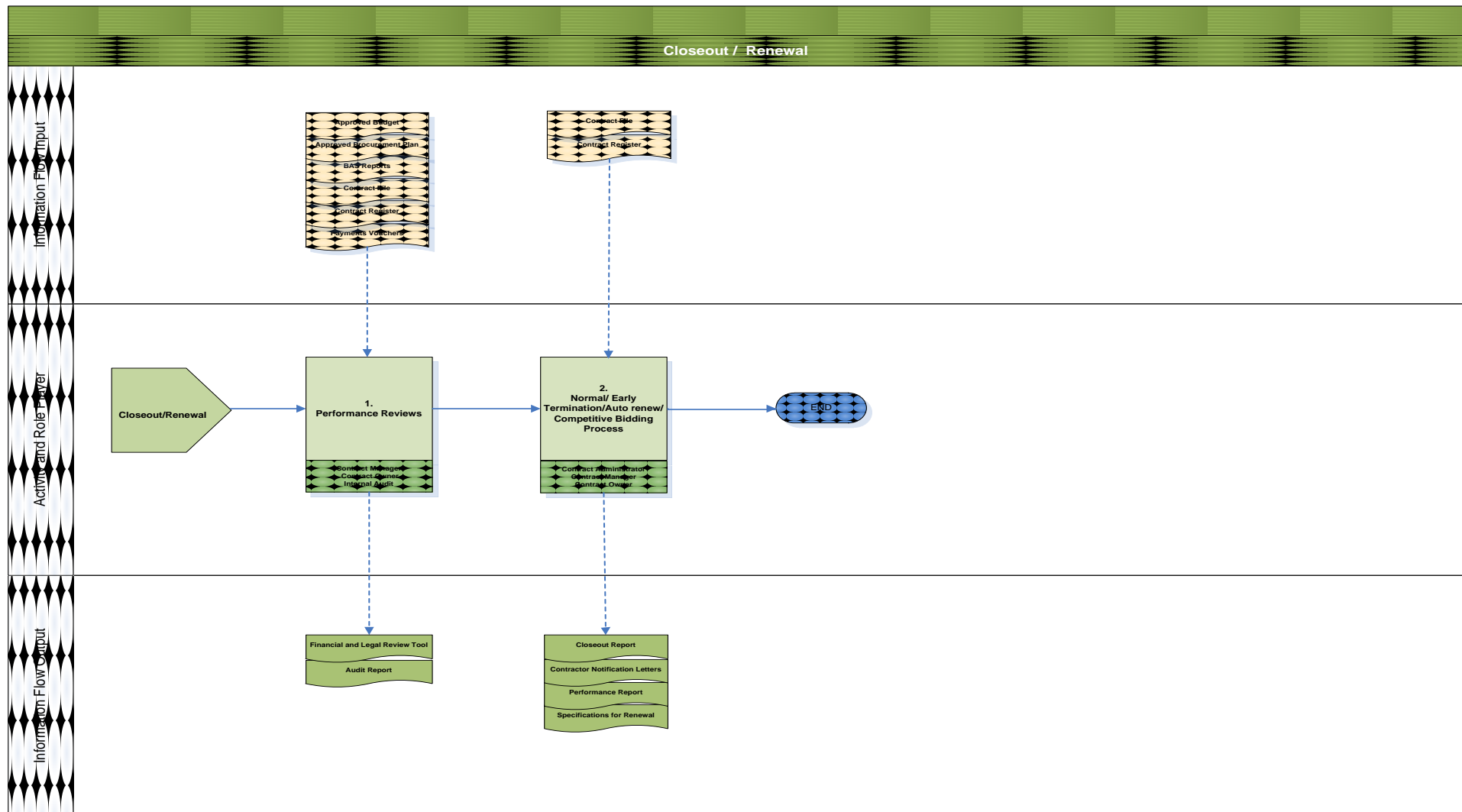


Figure 8: Activities involved in the Closeout/ Renewal Process

6. CLOSEOUT / RENEWAL

The closeout / renewal stage includes necessary actions to end or renew the agreement and associated performance review. Whether the contract is due to be closed, extended or renewed the contract is reviewed in order to determine the Service provider's performance with respect to the contract deliverables.

Ideally, the contract should detail any special responsibilities and arrangements that are needed to ensure a smooth handover process at the end of the contract, either to a new service provider or back to the institution concerned.

Task	Task Description	Input	Output	Role Player
1. Performance Reviews	<ul style="list-style-type: none"> ✓ The process for conducting Service provider performance reviews is triggered by the impending expiration of the contract. ✓ Before closeout or renewal, the Contract Manager and Contract Owner must complete a Financial and Legal Review of the contract and develop an action plan to address all issues raised in the review process. ✓ The Contract Owner and Contract Manager must confirm that the terms and conditions of the contract were enforced, such that delivery and payments were carried out in accordance with the contract. ✓ The Contract Owner and Contract Manager should measure the Service provider's performance at agreed intervals, using Key Performance Indicators that are relevant to the essence of the contract. ✓ Audits of the contract should be conducted, by a different team to that responsible for Contract Management, to gauge the effectiveness of the controls that were put in place for Contract Management. ✓ Audits should be extended to other stakeholders, regarding the quality of the goods, services and/ or works they provided or received. 	<ul style="list-style-type: none"> ✓ Approved Budget ✓ Approved Procurement Plan ✓ BAS Reports ✓ Payment Vouchers ✓ Contract File ✓ Contract Register 	<ul style="list-style-type: none"> ✓ Audit Report <p>Annexure 6: Financial and Legal Review Tool</p>	<ul style="list-style-type: none"> ✓ Contract Manager ✓ Contract Owner ✓ Internal Audit Unit
2. Normal/ Early Termination/ Auto Renew/ Competitive	<ul style="list-style-type: none"> ✓ The process for Normal/ Early Termination/ Auto Renew/ Competitive Bidding Process is triggered by the 	<ul style="list-style-type: none"> ✓ Contract File ✓ Contract Register 	<ul style="list-style-type: none"> ✓ Closeout Report ✓ Service provider 	<ul style="list-style-type: none"> ✓ Contract Administrator

Task	Task Description	Input	Output	Role Player
Bidding Process	<p>completion of the Financial and Legal Review.</p> <p>✓ The Contract Manager must maintain records or logs for archiving purposes at the completion of the contract.</p> <p>✓ The Contract Administrator should review the Contract Register on a regular basis to ensure the validity of the contracts and to facilitate the identification of expiring contracts.</p> <p>✓ While reviewing the Contract Register the Contract Administrator must give consideration to the following factors:</p> <ul style="list-style-type: none"> ▪ The renewal process for contracts that are still required by the Institution should be started three months before the expiry date. ▪ Review the contracts that have expired and nearing expiry to assess whether there is still a need for the good or service that was catered for on the contract. ▪ Input from the Contract Owner and reference to the Procurement Plan(s) will be required. ▪ For each contract that requires renewal, the contract management section should review Vendor performance with the Contract Owner to determine Vendor performance. ▪ If there is no longer a need for a particular good or service, an expired contract should not be renewed. 	✓	<p>Notification Letters</p> <p>✓ Performance Report</p> <p>✓ Specifications for renewal</p>	<p>✓ Contract Manager</p> <p>✓ Contract Owner</p>

Task	Task Description	Input	Output	Role Player
	<ul style="list-style-type: none"> ▪ The termination/ non-renewal of contracts should be recorded in the contract register and communicated to the Contract Owner. ▪ Vendors should be notified in writing if their contracts are not going to be renewed. 			

CONCLUSION

Contract management should deliberately focus on the activities associated with the operational phase of the contract after the contract has been awarded and is up and running. However, it is fully acknowledged that successful contract management is significantly dependent on what happens before, during and after the tendering and award phases.

Procurement planning during the tendering, contract award and the contract management phases should be seen as a continuum, with effective contract management planned from the very start of the procurement process.

Organisations in both the public and private sectors are facing increasing pressure to reduce costs and improve financial and operational performance. New regulatory requirements, globalisation, increases in contract volumes and complexity have resulted in an increasing recognition of the importance and benefits of effective contract management.

CONTRACT MANAGEMENT TEMPLATES/ TOOLS/ TECHNIQUES

ANNEXURE 1:	Risk Register
ANNEXURE 2:	Contract Boiler Plate Template
ANNEXURE 3:	Simplified Contract for Goods
ANNEXURE 4:	Simplified Contract for Services
ANNEXURE 5:	Guidance Notes
ANNEXURE 6:	Financial and Legal Review Tool
ANNEXURE 7:	Contract Register

Table 3: Contract Management Templates/ Tools/ Techniques