

# MORETELE LOCAL MUNICIPALITY



## FINAL CONTRACT MANAGEMENT POLICY AND PROCEDURE 2025/2026

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## **1. PRE-AMBLE**

1.1 All transactions undertaken by the Moretele Local Municipality involves a contract whether explicitly agreed in writing, or implicitly implied through actions.

1.2 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.

1.3 All contracts must be managed throughout the Contract Life Cycle, based on the level of management control appropriate for the classification of all contracts.

1.4 Improperly managed contracts may impact negatively on service delivery. Adverse effects of poor contract management include but are not limited to:

1.4.1 Goods and services outside of specification;

1.4.2 Poor supplier, buyer or other stakeholder relations;

1.4.3 Negative public perception, and

1.4.4 potentially complete service delivery failure.

1.5 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 Moretele Local Municipality.

## 2. DEFINITIONS:

In this Policy, unless the context indicates otherwise: Accounting Officer (in relation to a Municipality): the municipal official referred to in section 60 of the MFMA (2003); and includes a person acting as the accounting officer.

**2.1. Bid:** a written offer or stipulated form, in response to an invitation by the Municipality for the provision of services or goods, > R200 00, in value.

**2.2. Cession:** an agreement which provides that the transferor transfers its rights and obligations to the third party.

**2.3. Closeout:** 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.

**2.4. 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.

**2.5. Contract Agreement:** a legally binding agreement between two or more parties whether explicit or implied.

**2.6. Contract Administrator:** the official that is responsible for the continuous updating of the contract register, management and control of all documentation relating to the contract.

**2.7. Contract Amendment:** changing the scope, nature, duration, purpose or objective of the agreement or contract in line with the MFMA provisions.

**2.8. Contract Life Cycle:** the stages of a contract encompassing planning, creation, collaboration, execution, administration, monitoring and closeout or renew.

**2.9. Contract Management:** the holistic term for all activities in the Contract Life Cycle that is undertaken by all role players (Contract Manager, Contract Owner and Service Provider) involved in a contract and include the, SCM processes, formulation of contracts, implementation and monitoring and performance.

**2.10. SCM Practitioner (Compliance and Project performance management):** an official responsible for overall contract management in the Municipality.

**2.11. Contract Owner:** an official that is ultimately responsible for the deliverables, implementation and monitoring of performance, the contract seeks to achieve.

**2.12. 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, contingencies and VAT, etc.

**2.13. Service Provider:** the contracting party that represents a Supplier, Service Provider or Vendor.

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

**2.15. Extension:** when the Municipality decides to increase the term of a contract/agreement mutually agreed upon in writing, in line with the provisions of MFMA.

**2.16. Memorandum of Understanding (MOU):** A Memorandum of Understanding (MOU) is a legal document describing a bilateral agreement between parties.

**2.17. Memorandum of Agreement (MOA):** A MOA is a contract between parties that defines the obligations of all parties to cooperate on an agreed project or meet an agreed objective.

**2.18. Lease Agreement:** a legally binding agreement through which one person (Municipality) gives use and enjoyment of its property to another person (Tenant) for a specified period, in return for payment of rental.

**2.19. Service Level Agreement (SLA):** is a contractual agreement that is legally binding and entered into by a Service provider and the Municipality that specifies services that will be rendered, in lieu of specified payment. The SLA details the nature, quality, cost and scope of the service to be provided over a specified period of time.

**2.20. Policy:** Contract Management Policy and Procedure for Moretele Local Municipality.

**2.21. Procurement:** Procurement is the whole process of acquisition of external goods, services and works, in line with the provisions of MFMA.

**2.22. Users:** All officials as set out in the organogram of the Moretele Local Municipality involved with contracts.

**ABBREVIATIONS:**

<b>ACRONYM</b>	<b>FULL DESCRIPTION</b>
<b>AO</b>	Accounting Officer
<b>CFO</b>	Chief Financial Officer
<b>CLMS</b>	Contract Life-Cycle Management System
<b>CMD</b>	Contract Management Database
<b>ECM</b>	Electronic Content Management
<b>MFMA</b>	Municipal Finance Management Act, Act No. 56 of 2003
<b>MOA</b>	Memorandum of Agreement.
<b>MOU</b>	Memorandum of Understanding
<b>NT</b>	National Treasury
<b>PT</b>	Provincial Treasury
<b>MBD</b>	Municipal Bidding Documents
<b>SCM</b>	Supply Chain Management
<b>SLA</b>	Service Level Agreement
<b>TR</b>	Treasury Regulation
<b>BSC</b>	Bidding Specification Committee
<b>BEC</b>	Bidding Evaluation Committee
<b>BAC</b>	Bidding Adjudication Committee
<b>PPPFA</b>	Preferential Procurement Policy Framework Act
<b>PPP</b>	Public-Private Partnership

### **3. PURPOSE**

To establish sound and consistent contract management practices with respect to contract management activities within Council.

### **4. OBJECTIVES**

To ensure that this policy:

4.1 Given effect to Section 217 of the Constitution of South Africa (1996) that stipulates:

4.1.1 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: -

4.1.1.1 Fair

4.1.1.2 Equitable

4.1.1.3 Transparent

4.1.1.4 Competitive and

4.1.1.5 Cost-effective

4.2 The effective and efficient control of contracts procured through the Supply Chain Management System ensuring:

4.2.1 Proper recording and enforcement of contracts throughout the contract life cycle (specifications to contract reviews);

4.2.2 Support to the demand management framework as set out in MFMA Circular 62 of National treasury (August 2012), optimizing proper planning, resulting in effective service delivery;

4.2.3 Management of Contract Performance;

4.2.4 Compliance with the regulatory framework;

4.2.5 To assist officials in understanding their legal and managerial responsibilities with regards to contract management;

4.2.6 The optimization of efficient and sustainable financial wellbeing of the municipality, resulting in lower cost drivers, and

4.2.7 The continuous development of effective Management Information systems, resulting in strategic support and risk preventions.

4.3 To ensure that no procurement takes place outside of the SCM process.

## **5. STATUTORY AND REGULATORY FRAMEWORK FOR MANAGING CONTRACTS**

### **5.1 Application and Framework of the Policy**

#### **5.1.1 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:

5.1.1.1 Section 217 of the Constitution;

5.1.1.2 Section 116 of the MFMA;

5.1.1.3 Section 33 of the MFMA;

5.1.1.4 Supply Chain Management Policy; and

5.1.1.5 Any other regulations pertaining to Municipal Supply Chain Management

#### **5.1.2 This Policy applies when the Municipality:**

5.1.2.1 procures goods or services;

5.1.2.2 Disposes of goods or assets no longer needed; and

5.1.2.3 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.

5.1.2.4 When the Municipality leases its Municipal assets to individuals and institutions.

5.1.2.5 When the Municipality enters into an MOU with individuals and institutions.

### **5.2. Adoption, Amendment and Implementation of the Contract Management Policy**

#### **5.2.1 The accounting officer must:**

5.2.1.1. At least annually review the implementation of this Policy; and

5.2.1.2. When the accounting officer considers it necessary, submit proposals for the amendment of this Policy to Council.

5.2.1.3. In terms of section 62(1) (a) to (f) of the MFMA, take all reasonable steps to ensure that the Policy is implemented.

## **6. PRINCIPLES REGULATING MANAGENT OF CONTRACTS**

### **6.1. Conditions of Contract**

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

6.1.1.1 be in writing;

6.1.1.2 Stipulate the terms and conditions of the contract or agreement, which must provide for:



- 6.1.1.2.1 The termination of the contract or agreement in the case of nonor underperformance;
- 6.1.1.2.2 Dispute resolution mechanisms to settle disputes between the parties;
- 6.1.1.2.3 Price of the goods or services to be delivered to the municipality and performance will be evaluated.
- 6.1.1.2.4 Penalties in case of non-performance or under performance
- 6.1.1.2.5 Duration of the contract (All once-off purchases shall have a specified end delivery date)
- 6.1.1.2.6 The deduction of performance retention fee on all construction services of the institution.
- 6.1.1.2.7 A periodic review of the contract or agreement which will occur on a quarterly basis in the contract or agreement that are longer than a year; and
- 6.1.1.2.8 Any other matters that may be prescribed.

6.1.2 All contracts or agreement that are recommended by BAC to the Municipal Manager for the municipality should be handed over to the municipality legal adviser for review before being signed by the Municipal Manager or delegated official.

The following are regarded as contracts that have serious financial implications:

- 6.1.2.1 Construction projects
- 6.1.2.2 Consultant Engineers
- 6.1.2.3 Contracted Services which will be providing a service for the municipality.
- 6.1.2.4. Financial Expert

6.1.3 All Lease Agreements in respect of the leased Municipal properties or land must:

- 6.1.3.1 Be advertised in terms of SCM Systems for tenants to bid or tabled before the Municipal Council in a case where a tenant made a proposal to the Municipality requesting to lease a property or a land.
- 6.1.3.2 All the Lease Agreements must be in writing and be signed by both the parties (Municipality and Tenant).
- 6.1.3.3 The rental amount in respect of Lease Agreements tabled before the Municipal Council should comply with the approved leasing tariffs.
- 6.1.3.4 The duration of the lease period may not exceed a period of three years.
- 6.1.3.5 There must be one register of all Lease Agreements entered into in place and which will be updated on a quarterly basis and form part of the SCM quarterly report.

6.1.4 All MOUs entered on behalf of the Municipality must be

- 6.1.4.1 In writing and signed by the Accounting Officer.

6.1.4.3 There must be a register in place and which will be updated regularly for all MOUs entered into.

6.1.5 The 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 MFMA have been fully complied with.

6.1.6. When the municipality procure assets which will require a maintenance of the assets during the stipulated useful cycle, the municipality will be allowed to maintain the asset with the supplier or manufacturer of that said asset, an MOU will have to be signed by the AO to ensure the contract is valid and binding.

**6.2 Contract Documentation:** A valid contract becomes binding when the following documents are in place and signed.

**6.2.1 Appointment letter or Purchase order;** An appointment letter which is signed by the Accounting Officer and has been accepted by the Service Provider's duly authorized person and has been sent before the validity period has expired. Purchase order issued to the service provider to render the service to the municipality within the stipulated days not exceeding 30 days.

**6.2.2 The scope of work and bill of cost**

A signed copy of the scope of work and bill of cost (**annexures or an appendix**) submitted by the Service Provider when bidding to the tender, extracted from the tender document should form part of the contract.

**6.2.3 Contract data and quotation**

In respect of construction contracts, a copy of contract data signed by both parties (Municipality and Service Provider) and the quotation submitted by the Service Provider when bidding to the tender or project or a service.

**6.3 MAINTENANCE AND RECORDING OF CONTRACT MANAGEMENT**

**6.3.1 Contract File;** For contract more than a year and capital projects, then a file should be opened, and each contract file should have a minimum listed documentation:

6.3.1.1 Appointment letter or Purchase order

6.3.1.2 A contract (SLA), signed by all parties;

6.3.1.3 All correspondence between parties the contracting parties;

6.3.1.4 Record of amendments to the contract (including extension of time frames or expansion of scope);

### 6.3.2 Contract Register

A contract register should be created and updated regularly by the SCM Manager. This register should include the following information:

6.3.2.1 Tender or contract number

6.3.2.2 Name of the supplier

6.3.2.3 Brief description of the goods or services to be provided

6.3.2.4 Contract Value (if applicable, include percentage escalation and any other financial value);

6.3.2.5 Contract period (start date, end date, duration, extension date where applicable, and early termination date where applicable);

6.3.2.6. Any deviations or poor performance and which penalties imposed on the SP

**6.3.3 Amendment of Contracts:** A contract or agreement through the Supply Chain Management policy of the municipality may be amended by the AO and the SP, in exceptional circumstances in line with MFMA provisions Section 116, section 33 and Circular 62. Amendments may only be made under the following circumstance (**Construction projects**):

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

6.3.3.2 the local community has been given reasonable notice of the intention to amend the contract or agreement; and

6.3.3.3 The local community has been invited to submit representations to the municipality.

6.3.3.4 Amendments of contracts where the expansion or variation is not more than 20% (**construction related goods, services and/or infrastructure projects**), and 15% (**all other goods and/or services**) of the original value of the contract, must be submitted directly to the Accounting Officer for approval and further reference to the SCM committee system for approval.

6.3.3.5 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.

6.3.3.6 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.

6.3.3.7 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.

6.3.3.8 When an amendment has a budgetary implication for a term longer than 3 (three) years, section 33 of the MFMA will apply to such an amendment.

## **7. ROLES AND RESPONSIBILITIES OF OFFICIALS:**

### **7.1 Accounting Officer (AO)**

7.1.1 In terms of Section 116(2) of MFMA, the accounting officer of a municipality or municipal entity must-

- 7.1.1.2. 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.
  - 7.1.1.3. monitor on a monthly basis the performance of the contractor under the contract or agreement; and
  - 7.1.1.4. establish capacity in the administration of the municipality or municipal entity-
    - i. to assist the accounting officer in carrying out the duties set out in paragraphs (a) and (b) above.
    - ii. to oversee the day-to-day management of the contract or agreement; and
    - iii. regularly report to the council of the municipality or the board of director of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.
  - 7.1.1.5. The provisions of Section 116 of MFMA calls for the Municipal Manager to spearhead the management of all contracts within the municipality and/or municipal entity and to establish functional contract management structure that will assist in the monitoring of contracts, monitoring of performance of contractors, assessing risks associated with each contract, have knowledge of finances and commitments of each contract, etc.
  - 7.1.1.6. the Municipal Manager to establish a formal contract management committee and administration unit within municipality by nominating suitably qualified municipal officials to serve in the contract management committee including in the contract administration unit in order to assist him/her to comply to the above requirements.
- 7.1.1.4. On a quarterly basis the AO will ensure that the contract management committee sit to review all the contracts, lease and SP are reviewed and monitored.

## **7.2. Chief Financial Officer (Head of SCM)**

7.2.1. Key Responsibilities of the CFO in ensuring that contract comply with the legislations and SCM prescripts by performing the following tasks.

7.2.1.1. Design and implementation of SCM systems that will ensure the municipality has an SCM policy and system in place, aligned with MFMA and National Treasury regulations.

7.2.1.2. Oversight and compliance by monitoring compliance with SCM policy, MFMA, and relevant regulations and ensure proper segregation of duties, transparency, and fairness in procurement processes to prevent irregular, fruitless, and wasteful expenditure.

7.2.1.3. Strategic support and advice the AO and council on SCM matters, risks, and decisions and also support strategic procurement planning aligned with the municipality's budget and service delivery goals.

7.2.1.4. Ensure that SCM decisions and contracts are aligned with budget provisions by assessing financial risks in procurement and implement mitigating controls.

7.2.1.5. Oversee contract administration to ensure suppliers deliver on time, within scope, and on budget and monitor performance of suppliers and service providers.

7.2.1.6. Maintain records of bids, awards, and performance for audit and transparency purposes.

7.2.1.7. Promote training and development within the SCM unit and ensure there are skilled personnel to carry out SCM functions effectively.

## **7.3 Supply Chain Manager**

7.3.1 The Supply Chain Manager is tasked with the following:

7.3.1.1 Keep tender or bid records, as stipulated in clause 6.3.

7.3.1.2 To submit bid or tender documents for due diligence to the Legal Manager before approval by the AO.

7.3.1.3 To submit bid or tender documents for drafting of contracts to the Legal Office within 14 days after the Accounting Officer has approved the appointment of the Service Providers for appointment of service providers in terms of, MFMA and SCM Policy.

7.3.1.5 To ensure all the processes of Supply Chain are complied with when procuring goods and services.

#### **7.4 SCM Practionner (Compliance and Project performance management).**

7.4.1 The SCM practionner is tasked with the following:

7.4.1.1 Ensure that the SCM processes (Specifications, evaluation and adjudication) complied with all relevant legislation before the Accounting Officer can approve.

7.4.1.2 Monitor compliance in respect of contract amendments and variations – including scope variations, extension of contract periods, renewal and others.

7.4.1.4 Receive and consider performance reports of the Service Provider from the Contract Owners (Directors)

7.4.1.5 Submits a consolidated report on the performance of contracts or agreements to the SCM Manager.

7.4.1.6. Keep minutes of the Contract Management Committee and submit to the chairperson.

#### **7.5 Directors of Directorate also known as Contract Owners**

7.5.1 The contract owner is tasked with the following:

7.5.1.1 Monitor the service provider's progress and performance to ensure goods, services and/ or works conform to the contract requirements.

7.5.1.2 Hold regular meetings with the Service Provider to review progress, discuss problems and consider necessary changes.

7.5.1.3 Consider project reports to advise the Compliance Office of the performance or non-performance of the service provider and risks associated with the project.

7.5.1.4 Recommend the processing of payments consistent with the contract terms and conditions of payment.

7.5.1.5 Participate, as in when it is necessary, in developing the bid documents (specifications, scope and standards of delivery).

7.5.1.6 Resolve operational issues as they arise.

7.5.1.7 Review SLA or contracts for the onward submission to SCM Practionner and SCM Manager within 7 days.

7.5.1.8 To keep records of payment history (milestones/deliverables, actual dates of payment, payment penalties levied).

7.5.1.9 Submit suppliers' performance reports to the SCM Practionner within 5 business days after the end of each month.

7.5.1.10 Ensure implementation of the contract or agreement.

7.4.2.14 Institute penalties and issue warning letters to non-performing service providers.

## **7.6 Legal Manager**

7.6.1 Legal Manager should be tasked with the following:

- 7.6.1.1 Review the SLA or contract submitted to their office
- 7.6.1.2 Set recommendation that will benefit the municipality in the SLA
- 7.6.1.3 Oversee the signing of contracts.
- 7.6.1.4 Ensure that contracts are signed by the Accounting Officer
- 7.6.1.5 Resolve any disputes encountered on the contract
- 7.6.1.6 To oversee the day-to-day management of the contract or agreement.

## **7.7 The Expenditure Manager**

7.7.1 The Expenditure manager is tasked with the following:

- 7.7.1.1 Expenditure Management Section is responsible for the processing of payments based on terms and conditions of all contracts entered into.
- 7.7.1.2 Ensure that no payment is effected without a valid and signed Service Level Agreement.
- 7.7.1.3 The Section must ensure that payment is made within 30 days after receipt of the invoice, is submitted by the Contract owner.
- 7.6.1.4 The Section must also test compliance with Value Added Tax Guidelines as well as with SCM compliance in so far as facilitating payment is concerned.

## **7.7 Internal Audit**

7.7.1 Internal Audit are tasked with the following:

- 7.7.1.1 Conduct scheduled audits as per the IA plan of contracts, based on the provisions of this policy framework read together with the SCM Policy.
- 7.7.1.2. When the audit is performed as per the IA plan, The audit should verify that:
  - 7.7.1.2.1 Checks and balances are being implemented for system access controls designed to ensure unauthorized employees do not have access to, and cannot amend or alter, contract information.
  - 7.7.1.2.2 Contract files and contract registers exist and are a true record of the status of the contracts.
  - 7.7.1.2.3 Payments are made on the basis of verifiable proof of delivery of goods, services or works as provided in the contract.
  - 7.7.1.2.4 The Municipality conducts periodic quality assurance reviews of the information in the register.

7.7.1.2.5 Payments are made in accordance with the terms and conditions of the contract.

## **8. CONTRACT MANAGEMENT COMMITTEE**

### **8.1. Membership of the Contract Management Committee**

The Contract Management Committee of the municipality should be multi-disciplinary and include members of top management, including the following functions and skills: Contract Management Committee of the municipality should comprise of the following officials:

- 8.1.1. Municipal Manager;(Chairperson)
- 8.1.2. SCM Practionner (Compliance and Project performance)
- 8.1.3. Chief Financial Officer;(Member)
- 8.1.4. Supply Chain Manager;(Member and Advisor)
- 8.1.5. Risk Manager (Advisors)
- 8.1.6. Internal Audit Manager;( Advisor)
- 8.1.7. Legal Manager (Member); and
- 8.1.8. All Municipal Directors/HODs (Members)
  - 8.1.7.1. IDS Director
  - 8.1.7.2. HR Director
  - 8.1.7.3. CDS Director
  - 8.1.7.4. LED Director

- 8.2. The Contract Management Committee should be by the Municipal Manager. Committee members should be assigned in writing to the Contract Management Committee by the Municipal Manager.

### **8.3. Contract Management Committee Meetings**

- 8.3.1. The Contract Management Committee should schedule formal meetings at least quarterly and compile an agenda and meeting minutes to be maintained as part of the official project records for review purposes. Committee members should prepare for the meetings and contribute within their field of expertise, to ensure that full compliance is achieved.
- 8.3.2. Decisions of the Contract Management Committee must, at all times, be aligned to the applicable legislative requirements including contract management policy framework;



8.3.3. The secretariat of the Contract Management Committee will be appointed by the Chairperson and will be responsible for preparing the agenda, supporting documents and minutes of meetings, as well as keeping these documents for review and audit purposes;

8.3.3.1. Agenda items should be submitted to the secretariat at least one week prior to a meeting, accompanied by supporting documentation, unless it is brought to the meeting as an item requiring urgent attention; and

8.3.3.2. Notice of Contract Management Committee meetings must be provided in writing five (5) working days before each meeting and must include the proposed agenda, minutes from the previous meeting and the relevant contact documentation for review and consideration.

#### **8.4. Visitors and observers to the Contract Management Committee meetings**

8.4.1. The Contract Management Committee may allow visitors/observers to attend their meetings and may invite visitors/observers to meetings. Unless the Contract Management Committee has requested a visitor to make a presentation relevant to contract management matters, any such visitor will only be allowed to attend the meeting in the capacity of an advisor and/or observer. The following oversight stakeholder may be invited to attend committee meetings as advisors and/or observers as-and-when the need arises:

- The representative of the Auditor-General; and
- The representative of National or Provincial Treasury or COGTA.
- A representative of SALGA

#### **8.5. Roles and Responsibilities of the Contract Management Committee:**

8.5.1. The responsibilities of the Contract Management Committee are as follows:

8.5.1.1. To adhere to contract management legislative framework including contract management procedures. This includes amongst other:

- I. Adherence to Section 19, 33 and 116 of Municipal Finance Management Act including Section 21A of Municipal Systems Act;
- II. Adherence to contract management policy framework and contract management procedures; and
- III. Adherence to any other applicable legislative requirement pertaining to contract management within the law of the Republic of South Africa.

8.5.1.2. Monitor all active contracts signed by the municipality:

- I. Review performance of all active contracts in respect of timeframes, performance of the contractor, financial performance on each contract, legal and possible litigation matters, etc.
  - II. Compilation and management of risk register per contract and discussion of possible mitigation factors, allocates responsibilities for mitigation of the risks to specific committee member(s) with set timeframes, deliverables and acceptance criteria for managing these risks; and
  - III. Review of contract issue log prepared and presented by the Contract Owner (i.e. the municipal Director/HOD/Senior Manager responsible for the contract) which log should include the identified and resolved issues, together with the specific solution which was applied and cost of addressing the issue, if applicable.
- 8.5.1.3. Foster close collaboration between National Treasury, Provincial Treasury, COGTA and other key stakeholders through:
- I. Attending communication forums, user groups and other contract management related meetings; and
  - II. Ensuring that the Chairperson, on behalf of the municipality, maintains on-going communication with National Treasury, Provincial Treasury and COGTA on contract management matters.
- 8.5.1.4. Establish and manage a contract register (using the contract register template provided by Provincial Treasury) which will have all contracts of the municipality recorded therein which register shall be tabled for discussions in all Contract Management Committee meetings.
- 8.5.1.5. Maintain the contract filing in a manner prescribed by Provincial Treasury including other relevant legislative requirements pertaining to securing and handling of government information and document management.

#### **8.6. Rights of members of the Contract Management Committee:**

- 8.6.1. Each member of the Contract Management Committee has the right to be informed of meetings, in writing and in good time;
- 8.6.2. Each member of the Contract Management Committee has the right to be provided with complete, accurate information relevant to contract management;
- 8.6.3. Each member of the Contract Management Committee must be given reasonable time to make key decisions; and

- 8.6.4. Each member of the team must be alerted to potential risks and issues that could impact on active contracts.

## **8.7. Amendment, Modification or Variation of the Terms of Reference:**

- 8.7.1. This Terms of Reference may be amended, varied, or modified in writing only after consultation and agreement by the Provincial Treasury.

## **9. RECORD KEEPING**

- 9.1. Proper records regarding all aspects of the contract must be maintained and kept in accordance with relevant legislation.
- 9.2. Safe custody of all contract documents must be enforced by all relevant users.

## **10. PERFORMANCE ON CONTRACTS:**

10.1. In terms of the SCM Policy and the Municipal Systems Act, the accounting officer must ensure supply chain management processes were followed and whether the objectives of this Policy were achieved in terms of the Performance Management System.

### **10.1.1 Municipality's Performance:**

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

### **10.2.1 Service Provider Performance:**

- 10.2.1.1 The service provider is required to perform as per terms and conditioned agreed upon and should inform the municipality if circumstances prevent them to perform, with reasons provided, within 5 working days (to be included in all contracts).
- 10.2.1.2 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.

## **11. CONTRACT REVIEWS**

11.1 When the Municipality is not satisfied or there are problems with the service provider's performance, the Municipality must:

11.1.1 Review the conditions causing the problems and determine whether or not the Municipality itself has significantly contributed to the problem;

11.1.2 Review the contract and other relevant documentation in order to identify the rights and responsibilities of each party; and

11.1.3 Notify the service provider in writing that their performance does not comply with the terms and conditions set out in the contract.

11.1.4 The written notification sent to the service provider should clearly identify the following:

11.1.4.1 The problem so as to avoid any misunderstanding;

11.1.4.2 The corrective actions that are to be taken;

11.1.4.3 The time frame allowed for the service provider to address and correct the problem; and

11.1.4.4 The consequences that would arise in the event that the problem is not corrected within the specified period.

## **12. REVIEW OF THE POLICY**

12.1 This Policy is the policy governing contract management in the municipality. The Municipal Council must approve any reviews to this policy.

12.2 Whenever the Minister of Finance or the National Treasury or the Auditor General requires changes to the policy by means of legislation or requests, it should be reviewed promptly in accordance with such requirements, giving full details of the reasons for the revision.

12.3 The Accounting Officer if deems necessary can table the policy before Council for the review of the policy.

## **13. EFFECTIVE DATE**

13.1. This policy will be effective from the date approved by Municipal Council of the Moretele Local Municipality