

WINNIE MADIKIZELA-MANDELA LOCAL MUNICIPALITY



CONTRACT MANAGEMENT POLICY AND PROCEDURES- 2025/2026

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20.	REPORTING TO COUNCIL ON CONTRACT MANAGEMENT	ERROR! BOOKMARK NOT DEFINED.
20.1.	RELEVANT SERVICE DELIVERY DEPARTMENTS WITH THE ASSISTANCE OF CONTRACT ADMINISTRATION OFFICER SHOULD PREPARE ON MONTHLY BASIS A REPORT FOR SUBMISSION TO THE COUNCIL ON THE STATE OF ALL CONTRACT ENTERED INTO THROUGH THE MUNICIPALITY SUPPLY CHAIN MANAGEMENT SYSTEM.....	ERROR! BOOKMARK NOT DEFINED.
20.2.	THIS REPORT IS REQUIRED BY SECTION 116 SUBSECTION (D) OF THE MUNICIPAL FINANCE MANAGEMENT ACT, ACT NO 53 OF 2003. 12.1.1	ERROR! BOOKMARK NOT DEFINED.
20.3.	THE FOLLOWING INFORMATION SHOULD BE CONTAINED IN THE REPORT:ERROR! BOOKMARK NOT DEFINED.	
•	CONTRACT NUMBER	ERROR! BOOKMARK NOT DEFINED.
•	NAME OF THE CONTRACTOR	ERROR! BOOKMARK NOT DEFINED.
•	BRIEF DESCRIPTION OF THE GOODS OR SERVICES TO BE PROVIDEDERROR! BOOKMARK NOT DEFINED.	
•	DURATION OF THE CONTRACT	ERROR! BOOKMARK NOT DEFINED.
•	PENALTIES UNDER THE CONTRACT	ERROR! BOOKMARK NOT DEFINED.
•	PAYMENTS MADE TO DATE	ERROR! BOOKMARK NOT DEFINED.
•	PENALTIES PAID BY THE MUNICIPALITY OR CONTRACTOR.....	ERROR! BOOKMARK NOT DEFINED.
•	AMENDMENTS TO THE CONTRACT	ERROR! BOOKMARK NOT DEFINED.
•	REMARKS FROM SITE MEETING OR CONTRACT STEERING COMMITTEE MEETING THAT HAVE IMPACT ON THE CONTRACT.	ERROR! BOOKMARK NOT DEFINED.
•	PROGRESS REPORT FROM THE HEAD OF DEPARTMENT THAT PROCURED THE GOODS OR SERVICES	ERROR! BOOKMARK NOT DEFINED.

- **ANY DELAYS THAT MIGHT HAVE IMPACT ON THE COMPLETION OF THE CONTRACT**ERROR! BOOKMARK NOT DEFINED.

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1. Objectives of the Policy

- 1.1. Ensure that goods and services are delivered within:
- 1.2. Timeframes
- 1.3. Scope
- 1.4. Costs

2. Introduction

- 2.1. The Contract Management Section provides administrative support and assistance to municipality in order to provide a high standard of services to user department and the public to ensure the proper protection of the municipality's interest and compliance with its obligation, which includes the following:
 - a) Drafting, amending, negotiating and signing of contracts.
 - b) Administration and Management of Contracts throughout the lifespan of each Contract.
 - c) Assist in the implementation and management of the terms and conditions of the contract for the duration of the contract.
 - d) Assist in the performance monitoring and compliance during contract period
 - e) Verification of payments, sureties, guarantees and insurances
 - f) Extension and terminations of contracts
 - g) Contract variations and price increases
 - h) General advice and legal opinion on contracts
 - i) Filling of contracts and contract related documents
 - j) Maintaining a contract register and filling system

3. What is Contract Management

- A contract is an agreement, based on consensus between legal subjects with contractual capacity, which is legal and complies with the prescribed formalities and which is reached with the intentions of creating of legal obligation with resultant rights and duties.
- Contract management can be defined as maintaining control or influence over the contractual agreement between the Department and the contractor including the administering and regulating of the agreement.
- The relevant line function unit assumes responsibility for contract management whilst the SCM unit takes responsibility for maintaining original contract documentation and monitoring contracts in terms of renewals, transfers, terminations, amendments and price adjustments.

4. Legislative Basis

- Section 116 of the Municipal Finance Management Act, 56 of 2003 (MFMA), outlines the prerequisites of Contracts and contract management within the Municipality.
- Section 21 and 21A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

5. Definitions

In this policy, unless the context otherwise, a word or expression to which a meaning has been assigned to in a specific Act has the same meaning in this policy as in the Act.

Accounting Officer	Means the Municipal Manager of Council
Bid	Means a written offer or stipulated form, in response to an invitation by an institution for the provision of services or goods, > R200 000 for Municipalities, in value
Cession	Means when a contract/agreement is relinquished to another individual/institution
CIDB	Construction Industry Development Board Act, Act 38 of 2000
Contract	Means a written legally binding agreement between one or more parties which consist of terms and conditions presented in legally binding language and terminology.
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	Means agreement (explicit or implied) legally binding two or more parties to the terms of the agreement.
Close out	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.
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
Municipal council or council	means a municipal council referred to in section 157(1) of the Constitution, 1996
Final award	in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept
Firm price	is the price that is only subject to adjustments in accordance with the actual increase or decrease resulting from the change, imposition, or abolition of customs or excise duty and any other duty, levy or tax which in terms of a law or regulation is binding on the contractor and demonstrably has an influence on the price of any supplies, or the rendering costs of any service, for the execution of the contract
Formal written price quotation	means quotations referred to in section 24 of this policy
Fruitless and wasteful	means expenditure that was made in vain and would have been avoided

expenditure	had reasonable care been exercised
In the service of the State	means to be ; a. a member of: i. any municipal council; ii. any provincial legislature; or iii. the National Assembly or the National Council of Provinces; b. a member of the board of directors of any municipal entity; c. an official of any municipality or municipal entity; d. an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999); e. a member of the accounting authority of any national or provincial public entity; f. or an employee of Parliament or a provincial legislature
Long term contract	means a contract with a duration period exceeding one year
List of accredited prospective providers	means the list of accredited prospective providers which a municipality or municipal entity must keep in terms of section 21 of this policy
Municipal systems act	means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)
Other applicable legislation	means any other legislation applicable to municipal supply chain management, including but not limited to – a) the Preferential Procurement Policy Framework Act (PPPFA), 2000 (Act No. 5 of 2000), the PPPFA regulations and all amendments; b) the Broad-Based Black Economic Empowerment Act (BBBEEA), 2003 (Act No. 53 of 2003), the regulations and all amendments; c) the Construction Industry Development Board Act, 2000 (Act No.38 of 2000), the regulations and all amendments; d) The Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2003), the regulations and all amendments. e) The Competition Act, 1998 (Act 89 of 1998), the regulations and all amendments.
Privileged or confidential information	means any information: • determined by the bid specification, evaluation or adjudication committee to be privileged or confidential; • discussed in close sessions by any of the bid committees; • disclosure of what would violate a person's right to privacy; • declared to be privileged, confidential or secret in terms of any

	legislative framework
Regulation	means a Municipal Supply Chain Management Regulation published in terms of Section 168 of the Act
Service providers	are divided into: • “Professional Service Provider”: Any person or body corporate that is under contract to the Employer for the provision of Professional Services. • “General Service Provider”: Any person or body that is under contract to the Employer for the provision of any type of service
Supply chain manager	means an official appointed by the Winnie Madikizela-Mandela local Municipality to fulfill a vital role in the implementation, the monitoring and the continued application of the Winnie Madikizela-Mandela local Municipality Supply Chain Management Policy
The Act	means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
The Constitution	means the Constitution of the Republic of South Africa Act, 1996 (Act No. 109 of 1996).
Treasury guidelines	means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act;
Written or verbal quotation	means quotations referred to in section 23 of this policy

6. The Benefits of Good Contract Management are:

- Optimizes delivery of large capital project
- specifies management techniques and processes for all types of contract
- Encourages achievement of value for money and continuous improvement;
- Identifies savings and additional revenue opportunities;
- Enhances risk management;
- Provides clear and complete records for audit; and
- Encourages communication between all parties to contracts
- A good practice contract management has the capacity to increase revenue opportunities, decrease costs and enhance service delivery

7. Failure to implement adequate Contract Management could result in the following Risks:

- a) Paying for goods and services which do not meet the standards set out in the contract;
- b) Significantly higher costs;
- c) Revenue collection delays;
- d) Customer and supplier dissatisfaction;
- e) Overcharges by suppliers or underpayments by buyers;
- f) Erroneous payments

- g) Service delivery issues;
- h) Failed compliance with regulatory provisions;
- i) Complications associated with audits;
- j) No verification of timeliness and accuracy of payments, receipts or deliverables;
- k) No monitoring of contract management processes and mechanisms;
- l) No monitoring of supplier performance across contracts; and
- m) No enforcement for non-performance or violation of regulations or other terms and conditions.

8. Contract Management Components

7.1. Contract drafting

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

b) Procedure when drafting Contract

- All contracts of the municipality should be in writing and should at least include the following-
 - Termination of the agreement in case of non or under-performance
 - Dispute resolution mechanisms to settle disputes between the parties
 - Price of the goods or services to be delivered to the municipality and performance will be evaluated
 - Penalties in case of non-performance or under performance
 - Duration of the contract
 - 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
- 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.
- Include general conditions of contract as prescribed by national treasury.
- Specify the repayment terms in respect of the goods or services supplied.
- Stipulate the terms and conditions of the contract.

c) Procedures after drafting contracts

- i. After the contract has been signed by the Municipal Manager it should be entered into the contract register that should be maintained by the Contract officer.
- ii. The register should at least include the following information-
 - Name of the contractor
 - Brief description of the goods or services to be provided
 - Contract Number
 - Duration of the contract
 - Date that the contract was signed
 - Penalties under the contract

- Contract Amount
- Remarks or Comments
- iii. The Contract Officer should update this register on monthly basis with all contracts entered into by the municipality during that month.
- iv. Departmental head shall be responsible for ensuring that contract managers:
 - Take all reasonable steps to ensure that a contract procured through the provisions of this policy is properly enforced
 - Ensure that all the necessary formalities in signing up the contract and/or issuing the purchase order(s) are adhered to
 - Are assigned to all contracts within the department head's area of responsibility
 - Are adequately trained so that they can exercise the necessary formalities in signing up the contract and/or issuing the purchase order(s)
 - Ensure that contracts related to the procurement of goods and services are captured on the Municipality's record management system
 - Maintain adequate records in sufficient detail on an appropriate contract file to provide an audit trail
 - Ensure that all original contract documentation is lodged at registrar
 - Manage all contract variations and ensure any variations are administered in accordance with any treasury guidelines or relevant statute
 - Manage any contract disputes and lodge with the relevant authority and the legal department where disputes could not be resolved
 - Ensure suppliers performance review is undertaken against the project deliverables
 - Maintain appropriate formal records and correspondence regarding the project and contract for reference point
 - Act with care and diligence and observe all accounting and legal requirements
 - For construction contracts, ensure that all contract administrative requirements of the CIDB is complied with

7.2. Performance of Service Provider

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

7.3. Performance Monitoring

- Performance monitoring is the process which ensures that the actual implementation of the terms and conditions of the contract are in line with the signed contract. Non- performance is dealt with through issuing notice of breach/ or invoking of the penalty clause.
- The MFMA compels a Municipality to ensure performance monitoring of its Service Providers and its Critical impact on municipalities performance and service delivery.
- The Contract Management team is therefore responsible to ensure that performance procedures and measurements are in place at the commencement of the project to ensure that the performance of Service Providers is monitored from day one.
- Project Manager must provide performance report to Contract Officer on a quarterly basis on the overall performance of the Service provider for that quarter, those reports shall be filed in the Contract file for audit purposes.
- Performance reports must be filed on the Contract file.

7.4. Payment Procedure

- Before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications where applicable and that the price charged is as quoted in terms of a contract.
- Advanced payments are prohibited. The user department must ensure that the Contract obligations are met and that is done in accordance with the services rendered.
- Contract Officer will assist the user department with the implementation of penalties as and when needed.

7.5. Record Management

- The management and administration of all contracts of the municipality have been centralized to Legal Services Department.
- Access to contract documents is restricted to contract management and project managers.

9. Contract Administration

- Contract Administration is the process from the opening of a contract file, issuing of notices, extensions, terminations, breach of contract variations and to ensure compliance at all times, as well as record management and the capturing of information on the contract register.
- The duties associated with contract administration are taking control of the way the contract is prepared, analyzed and negotiated.
- A contract administrator may issue a request for proposal to potential bidders and inviting them to bid on a contract.
- The Accounting officer must ensure that the supply chain management system of the institution provide for contract management to include, but not limited to:
 - Recording of contracts in a contract register
 - Monitoring and regular reporting on contracts

- Evaluation of compliance with transversal contracts in which the institution participates
- Identification of institutional period contracts that are nearing expiry
- Evaluation of applications for price adjustments
- Evaluation of applications for variations, amendments, and cancellations
- Invoking of penalty clause

10. Contract Register

- A contract register for all contracts must be managed and updated on a daily basis by Contract Officer.

11. Deviations

- A formal Contract must be drafted for all approved deviations above R200 000 which is approved by way of a deviation.
- The Project Manager must complete the instruction sheet and submit to Contract Officer for the drafting of an Appointment letter and a suitable contract.
- A copy of the deviation report must be submitted to SCM for inclusion in the deviation register.

12. Management of expansion or variation of order against the original contract:

- Variation orders shall be approved by the delegated authority who signed the Contract or according to the signed delegations.
- Variation orders must be properly controlled to avoid extending projects beyond the original intent.
- Variation orders should be restricted to the absolute minimum through proper planning when inviting bids or quotations.
- Projects Managers must ensure that copies of variation orders are submitted to Contract Officer or SCM for record and audit purpose.
- Contracts may be expanded or varied by not more than 20% of the original value for Construction related goods, services and/ or infrastructure projects
- Contracts for all other goods and/or services may be varied by not more than 15% of the original value of the contract.
- Any expansion or variation in excess of the above-mentioned thresholds must be dealt with in terms of the provisions of section 116(3) of the MFMA which will be regarded as an amendment to the contract
- The above is not applicable to transversal term contracts, facilitated by the relevant treasuries on behalf of Municipalities and specific term contracts. The latter refers to contracts where required quantities are not specified or are unknown and the award is based on creating a facility.

13. Increase in scope of work

- In the event that addition work becomes necessary to complete a project, the scope of work of the Contract may be increased, which amount should not exceed 15% of the original contract amount.
- The Project Managers should obtain a quote from the Service provider for the additional work and submit a report with the increase in scope of work to the Accounting Officer for approval.
- In the event that the increase is more than 15%, a report must be submitted to BEC for recommendation and BAC/ Accounting Officer for Approval.
- All documents must then be forwarded to Contract Officer for the drafting and finalization of an addendum to the initial contract.
- Contract Officer must ensure that the signed addendum is filled and all copies are distributed to all relevant parties.

14. Breach of Contract

- In the event of poor or non- performance, the Project Manager must convene a meeting with the Service Provider to inform them of their poor or non-performance. Minutes as well as attendance registers must be provided to Contract Officer.
- In the event that the Service Provider continues with poor or non- performance, the Project Manager must provide all the information to Contract Officer for the drafting of a Breach Notice in terms of the Contract.
- After the breach period (normally 14/30 days), the Project Manager will be requested to confirm whether the Service Provider remedied the breach.
- In the event that the Service Provider did remedy the breach, the contract will continue. In the event that the Service Provider did not remedy the breach, the contract will be terminated and an alternative Service Provider should be appointed in consultation with SCM.

15. Notice of Termination

- Contract Officer will distribute a notice of termination to the Project Manager and relevant stakeholders 6 months' prior termination of Contract in order for the User department to commence with the tender process for the appointment of new Service Providers.
- A reminder notice is again forwarded to all relevant stakeholders 1 month prior to termination of the Contract.
- In event that no feedback is received from the Project Manager on the due date as provided in the notice, the Contract will be terminated on the termination date.

16. Amendment of Contract

- 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
- 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

- 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.

17. Importance of contract management

Every transaction undertaken by an organization involves a contract whether explicitly agreed in writing, or implicitly implied through actions.

Properly managed contracts can ensure that services are delivered within specification and at the agreed cost.

Improperly managed contracts may impact negatively on the institution and government as a whole. Adverse effects of poor contract management include but are not limited to:

- poor supplier, buyer or other stakeholder relations;
- negative public perception;
- protracted legal disputes;
- cost overruns;
- goods and services outside of specification; and potentially
- complete service delivery failure.

Hence, good contract management is essential for good financial management and will contribute greatly to the effectiveness and efficiency of service delivery.

18. Key Role Players of Contract Management

18.1 Contract Administration/Supply Chain Management

18.2. Legal Services

18.3. Contract Management/Project Manager

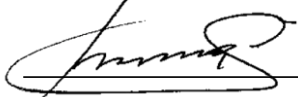
19. Custodian of Bid Documents and Contract Document

19.1. All bid documents and Contract Documents shall be kept by the Supply Chain Management Divisions, other contractual obligations like sureties and guarantees will be kept by the Chief Financial officer or delegated official.

19.2. No Department shall be allowed keep original bid documents and contracts in their offices

19.3. Departments will however be allowed to keep copies of contracts and bid documents for assessment purposes

20. Approval:


Municipal Manager

30 May 2025

Date