documented and the date of such enforcement shall be the date of the last authorized signature.

e) A signed service level agreement (if applicable) must be compiled and signed which will serve as an annexure to the contract.

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

Processing of payments procedures

For civil contracts, all invoices shall be delivered to the Engineer responsible together with Consultant report detailing the BoQ used during the period the invoice applies. After satisfying themselves with the contents of the invoice, the Consultant Report, and an Engineers Certificate shall be completed accordingly within the department.

Upon completion of the Engineers Certificate, a voucher for payment shall be completed and presented to the Budget and Treasury Office to confirm the vote number and that the contractor is being paid as per the Bid Adjudication Minutes.

These documents shall be prepared in triplicate (white, blue, yellow) with all signatories on all documents. All vouchers shall be signed by the Engineer or Divisional Head and approved by Technical Manager, which must first be submitted to Supply Chain Management for verification of validity of the contract and status of suppliers' company profile (CSD) requirements and Municipal Rates & Services.

All payment documents shall be forwarded to the Expenditure Division by Supply Chain Management for processing.

All queries regarding the payment shall be directed to the Engineer responsible for the function. The Expenditure Section shall complete the payment reference number on the voucher and forward yellow copy to Assets Management Unit (AMU) (for use in capitalization and unbundling of assets). AMU shall liaise with BTO for the completion of commitments and grants registers. The Expenditure Section shall update the Civil Contracts Register and ensure that the Engineers certificates per project follow a chronological order and that the line item used is consistent throughout the project execution and payment period.

Virement's on the capital budget shall be done by the Chief Financial Officer in line with Council resolutions.

Contractor performance reporting

It is imperative that upon signing the Contract and Service Level Agreement that a project scorecard is completed as well.

The project scorecard shall indicate the following;

a) Key Performance Area
b) Key Strategic Objective
c) Key Performance Indicator
d) Key Activities and milestones
e) Project performance evaluation scorecard
f) Project Plan
g) Project deliverables

The above shall be used to appraise the project progress as well as the contractor. The scorecard shall be submitted with payments documents. The Expenditure Section shall forward the project scorecard to Head of SCM for the purposes of compiling project performance and contractor performance report.

The Head of SCM shall submit to the CFO, monthly a consolidated project and contractor performance report. The CFO may further interact with the Executive Technical Managers on any matters requiring their attention as per the report submitted by Head of SCM. The Project Manager shall include this report when report on Performance Management System monthly, and shall be part of the project file.

Contract administration

Contract administration is the function of the Project Manager and shall be overseen by the Technical Manager responsible. Contract administration includes the following activities and responsibilities:

Contract Initiation	Through SCM Processes
Negotiations	Including SCM Practitioners and BTO Officials and CFO
Appointment of Contractor/Service Provider	Municipal Manager
Contractor Engagement Authoring Service Level Agreement	Project Manager and Legal
SLA Meetings	Project Manager, Legal and Technical Manager
Contractor Invoices	Project Manager, Technical Manager and Expenditure Section
Contractor Performance Reporting	Project Manager and Technical Manager
Contract Amendment/Variation/Contingencies	Project Manager/ Technical Manager CFO/Municipal Manager
Termination of contract	Technical Manager/Head of SCM/ CFO/Municipal Manager
Project Close-Out	Project Manager/Assets Management/ IDP

Once-off service delivery contracts

It is advised that for contractor appointment with a value up R200 000.00 and the nature of appointment is services related, that a service level agreement be entered into for the purposes of specifying;

a) Nature of services (scope of work)
b) Service standards and compliance requirements
c) Timelines
d) Claims procedures and milestones
e) Quality of reports
f) Timeframes
g) Progress report and meetings
h) Contract termination clauses
i) Domicilia

Where the contract involves delivery of goods, the appointment letter should state all of the above as preconditions, and such appointment letter will serve as an annexure to the contract. Quality and place become critical for delivery and invoicing.

Closing of contract and project sign off

Once the terms and conditions of the contract had been fulfilled, the Project Engineer (Consultant) will prepare a project completion certificate with the following details;

a) Date of commencement of the project
b) Project costs (list of all invoices submitted and the value of each)
c) Retention fees held and the release date of such
d) Project successes and challenges
e) List of all variations, amounts and summary of details
f) BoQ of materials used
g) Any warranties certificates, guarantees and Standard Operating Manual where necessary.
h) Confirmation of the satisfactory completion of all obligations by the other party per the contract.

All the above shall be part of the project certificate. The certificate shall be submitted to the Assets Management Unit for unbundling of work in progress and capitalization.

OHS Compliance

Reference should be made to the **Generic occupational health and safety specification for construction work contracts** which will be provided to all service providers upon appointment by the municipality.

This health and safety specification in respect of a construction work contract:

a) Provides the overarching framework within which the contractor is required to demonstrate compliance with certain requirements for occupation health and safety established by the Occupational Health and Safety Act of 1993 during construction;
b) Establishes the manner in which the contractor is to manage the risk of health and safety incidents during the construction stage; and
c) Establishes the manner in which the employer's health and safety agent will interact with the contractor.

RECORD KEEPING

a) Proper records regarding all aspects of the contract must be maintained and kept in accordance with relevant legislation.
b) All communication related to contracts should be linked to the master document on the electronic system.
c) Safe custody of all contract documents must be enforced by all relevant users.
d) Users are responsible for the electronic load and feedback of contract/s to the operating system in conjunction with the records department.
e) All files to be checked monthly to ensure that all necessary documents are in place.

REPORTING OF BAD PEFORMANCE AND REMEDIAL ACTION

During monthly reporting, the Project Manager is expected to report any concerns of performance, quality and communication from the service provider's side. In the scorecard, indication must also be made of achievement of timelines and staying within the budget without compromising quality.

The Project Manager may recommend to the Technical Manager and with motivation, to terminate the contract for various reasons. The Technical Manager will in turn consult with the Legal Section.

Notwithstanding the above, prior to any legal action in whatever way, it is the Policy of the Municipality to always consider the impact to the community and the interests of the municipality, of any action it may take when invoking any legal or other remedies against a party in breach of such contract.

A letter to terminate a contract shall be issued only on instruction by the Contract Owner and through the legal section after having complied with any provisions contained for the remedy of breach and taking cognizance of repercussions and costs after consultation with the CFO.

All the team members involved in these discussions must firstly consider any remedial action to prevent or avoid termination or litigation. The Municipal Manager may serve as Dispute Resolution Mechanism in such cases where the relationship is breaking down or performance is beyond tolerance and impacts on project execution and financials associated with the project.

BLACKLISTING OF SERVICE PROVIDERS

Bidders or contractors shall be reported to National Treasury for blacklisting under the following circumstances;

- Failure to disclose honestly, the relationship of the company, its shareholders, owners, and/or directors with any organs of state.
- False CIDB or fraudulent CIDB Certificates.
- False or fraudulent tax clearance certificates
- False or fraudulent municipal accounts
- Termination of contracts due to breach of contract

As soon as one of the above instances is found, the Chief Financial officer shall communicate with the service provider/contractor affected to confirm the information obtained against such. Once the finding is confirmed, a report from the Project Manager responsible for that contract or service level agreement must be obtained with regards to the project status. The service provider may be requested to finish the project as soon as it is practical and vacate the site with immediate effect.

Such service provider will also be blacklisted using the SPM internal blacklist register controlled by the Head of SCM and the Bid Committees shall be informed of the Blacklisted Bidders to avoid making further awards to the company in future. A bidder reconstituted and bearing another name shall for the purposes of this register also be considered an undesirable bidder where the service providers consist of substantially the same components (including human resources and directors or owners) which gave rise to the blacklisting of first instance.

The **blacklist register** shall have the following information:

- Name of the Bidder/Company, including the Trading as name
- Company registration details
- VAT Number
- Tender reference number
- Copy of MBD4
- Report proving false declaration
- Copy of letter sent to the Bidder and their response if any
- Letter of notice of blacklisting

Only the BEC, BAC and Legal Services shall have access to this report. The register shall be signed off by Head of Legal Services in the municipality.

ROLES AND RESPONSIBILITIES OF OFFICIALS

Various municipal officials play a particular role in as far as Contract Management function is concerned. The roles are outlined in paragraphs that follow:

The Municipal Manager

i. The Municipal Manager is responsible for obtaining the approval of the Supply Chain Management Policy of the municipality as well as the appointment of Bid Committees. In terms of the Supply Chain Management delegations, the implementation of the policy and compliance thereof has been delegated to the Chief Financial Officer.

ii. The Municipal Manager approves all specifications for bids and may delegate this function to the Bid Specifications Committee. There is a Bid Evaluation Committee that is responsible for evaluation of all bids received and compiles a report with a recommendation to the Bid Adjudication Committee.

iii. Bids below R10 000 000.00 including VAT are awarded by the BAC whilst bids above this threshold are awarded by the Municipal Manager upon consideration of the BAC and BEC reports and their concomitant recommendations on that specific bid.

iv. The Municipal Manager appoints successful bidders, whilst the Chief Financial Officer signs and issues all letters of notices to unsuccessful bidders per bid. The appointment letter includes the signing of the MBD7 – form of contract which must be accepted by the Bidder.

v. In cases where a service level agreement is entered into, the Municipal Manager or his delegate may sign the SLA upon advice by Legal Services of the municipality.

vi. The Municipal Manager further delegates contracts management to the Technical Manager responsible.

The Chief Financial Officer

a) The Chief Financial Officer is the custodian of the Supply Chain Management Policy and must ensure compliance across the organization for all procurement financial thresholds. The Chief Financial Officer is also responsible for the updating of the Supplier Database, and by sub-delegation to the supply chain management section, issues orders as per requisitions and arrange for the delivery of items.

b) The Chief Financial Officer is also the Chairperson of the Bid Adjudication Committee and as such must report all bids awarded to the Municipal Manager. The Chief Financial Officer must oversee the updating of the Tender and Contracts Registers and ensures completeness and compliance of such.

c) The Chief Financial Officer may sign Contracts and Service Level Agreements as and when necessary and when delegated by the Municipal Manager to.

d) The Chief Financial Officer coordinates contract performance reporting to Council for the Municipal Manager.

Technical Manager

The Technical Manager is the Project Manager and is responsible for the following activities:

i. Ensuring that all the necessary legal formalities in entering into the contract are adhered to.

ii. Ensuring that purchase orders are processed on the financial system in accordance with the pricing schedule;

iii. Maintaining adequate records (paper and/or electronic) in sufficient detail on an appropriate contract file to provide an audit trail;

iv. Inform the Asset Management section of the Expenditure Department of the location of newly procured assets for asset register and insurance purposes; and

v. Where appropriate, in terms of Council's Delegations, authorize invoices due for payment.

vi. To take appropriate action in consultation with the Contract Owner and the SCM Contract Manager, where a contractor is underperforming or is in default or breach of the contract;

vii. Ensure performance of suppliers is managed appropriately to the terms and conditions of the contract.

Project Manager

a) The Contract Owner is responsible for ensuring that Project Managers are assigned to all contracts.

b) The Contract Owner is ultimately responsible for management of the activities.

c) The Project Manager must coordinate the signing of contracts with the relevant service provider, in line with the Delegation of Powers and Duties Policy. However, the Technical Manager is ultimately accountable for the contract.

d) Proper records regarding all aspects of the contract must be maintained and kept in accordance with relevant legislation. All communication related to contracts must be linked to the master document on the electronic system, by the relevant official.

e) Safe custody of all contract documents must be enforced by all relevant users. Project Managers and Contract Owners are responsible for the electronic capturing of the contract information and maintenance thereof on the Contract Management system.

f) The original signed contract must be sent to the records department, and a copy to the Contract Management office for safekeeping and storage.

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

IDP Office

a) The IDP Office is responsible for coordinating performance reporting once a bid has been awarded.

b) The IDP Office will liaise with the Technical Manager/Project Manager with regards to targets against the actual, and coordinate the Top Layer SDBIP which may incorporate indicators accomplished by way of SLA. The IDP Office may be provided with the copy of the SLA as part of the KPI file necessary for performance reporting.

PMU Office

a) The Project Management Unit oversees project implementation, grant expenditure and related reporting to the transferring department. The Unit is more concerned about qualitative reporting on the project as such, project designs, materials usage, and site meetings are coordinated with the PMU.

b) The PMU is the custodian of layout plans/designs of projects (civil/town planning/engineering).

c) Minutes of site meetings must be submitted to PMU for comments which may be useful in future meetings, bringing management's perspective on contractor performance, quality and timelines concerned

Internal Audit

The Internal Audit Unit is responsible for assurance audit in as far as performance management and internal controls are concerned. The section is responsible to test the level of compliance with regards to this policy and may inspect project files and test completeness in as far as documents and reporting is concerned. Part of the assurance procedures, is to check the validity of contracts and the level of risk exposure of the municipality and how the contract mitigates this risk.

MFMA Circulars also guides that the Municipal Manager may request the Internal Audit to validate the capability of the service provider in executing a project by testing its functionality, experience as well as financial resource strength necessary.

As part of auditing performance, the Internal Audit Section may assess the adherence to the PID or PIP and make recommendations to management.

Head of Supply Chain Management Division or his/her delegate

The Head of Supply Chain Management Unit or his/her delegate, is responsible for ensuring that the system put in place to administer supply chain management policy is in place. SCM administers and maintains these systems and coordinate compliance reporting on all contracts and related activities.

For the purposes of Contract Management, the following are the activities performed by the SCM aimed at monitoring and reporting on the following:

a) Identification and classification of contracts for management purposes in
b) Terms of the SCM processes;
c) Recognition, measurement and disclosure;
d) Oversight of contract management
e) Document and information management;
f) Relationship management

g) Performance management;
h) Contract risk management.

The Expenditure Manager

a) Expenditure Management Section is responsible for the processing of payments based on terms and conditions of all contracts entered into. Expenditure Control Section must be provided with BoQ, PIP or PID, milestones and payment schedules for each contract.
b) The Section must make sure that the contract clearly describes the project, the cost center, the line manager, funding sources and the responsible person so that all signatures as per the payment documents are matched with the SLA.
c) The Section must also test compliance with Value Added Tax Guidelines as well as with SCM compliance in so far as facilitating payment in concerned.
d) The control of banking details of all contractors is exercised by the Demand Management Section and Expenditure Section uses the Creditor reference number for payments purposes.
e) The section records payments against a project based on the sequential numbering of payment certificates duly signed by the Engineer of the KPI Owner, referring to supply chain bid reference numbers. The expenditure section monitors progress payments made against the awarded amount and must report any over- expenditure to the Senior Manager and CFO.
f) It is the function of the expenditure section to identify any irregular expenditure incurred and report these prior to payment to the chief financial officer to verify if the expenditure/payment is irregular and shall receive further instruction from the CFO.

Employer's health and safety agent or his/her delegate

i. Audit the contractor's compliance with the requirements of the Generic occupational health and safety specification for construction work contracts prior to the commencement of any physical construction activities on the site;
ii. Accept or reject the contractor's health and safety plans, giving reasons for rejecting such plans;
iii. Monitor the effective implementation of all safety plans;
iv. Conduct periodic and random audits on the health and safety file to establish compliance with the requirements of this specification;
v. Visit the site at regular intervals to conduct site inspections, and based upon such visits issue, wherever necessary, Improvement Notices, Contravention Notices and Prohibition Notices, to the contractor or any of the contractor's subcontractors with a copy to the contract

CONTRACTS HAVING BUDGETARY IMPLICATIONS BEYOND THREE FINANCIAL YEARS

Karoo Hoogland Local Municipality may not enter into any contract that will impose financial obligations beyond the three years covered in the annual budget for that financial year, unless the requirements of Section 33 of the Municipal Finance Management Act have been fully complied with.

RESOLUTION OF DISPUTES, OBJECTIONS,

COMPLAINTS AND QUERIES

The accounting officer is responsible to establish a dispute resolution mechanism as required by section 116(1) of the MFMA and Section 52 of the SCM Policy.

CONTRACT PRICE ESCALATIONS

- There are requirements that must be complied with for requests for price escalation during the implementation of contracts for procurement of goods and infrastructure projects under extraordinary circumstances pursuant to and in accordance with MBD 3.2.
- No contract price escalation for consulting services shall be allowed.
- The extraordinary circumstances refer to event or occurrence or series of events or occurrences during contract implementation which gives rise to price escalation. These occurrences or events are unforeseen and inevitable as a result of nature or act of God.
- An appropriate contract price adjustment formula or specified terms of escalation must be specified in the bid documents. Escalation notification must be in writing and presented before the implementation date thereof. User departments are responsible to manage, verify and implement price escalations as per originally agreed terms and conditions set out in the specifications of the contract and they must keep proof of evidence to the newly agreed escalations on the system for all other relevant stakeholders to access.

PERFORMANCE IN TERMS OF CONTRACTS

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

Municipality's Performance

a) The municipality is required to pay creditors within 30 days of receiving all relevant invoice statements.
b) The municipality is also required to create a favorable environment to receive services and goods without preventing the supplier from performing their duties.
c) All parties involved must perform per the terms and conditions of the relevant contract, while the contract subsists.

Supplier Performance

a) The supplier of goods and services is required to perform as per terms and conditions 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).
b) For all relevant deviations from the agreed terms and conditions of any contract, the key performance indicators (KPI's) should be reviewed as well as the alignment with the strategic objectives established in the IDP.
c) Suppliers' performance will be reviewed by Officials on a monthly basis (every 25th of the month) giving effect to section 116 of the MFMA, 2003.

The following procedures need to be followed:

i. The requirements of this policy must be included in the contract of the service provider.
ii. The performance of the service provider under the contract or service level agreement must be assessed monthly by the Reporting Officer.
iii. The assessment must be completed in the contract management system.
iv. The Reporting Officer must complete the Service Provider Assessment on the contract management at the end of each month.
v. The quarterly assessment and reporting must be completed within 15 working days after the end of each quarter.
vi. The Reporting Officer must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period and on completion or termination of the contract.
vii. Supply Chain Management Unit (Contract Management Office) will review the quarterly Service Provider assessments within 20 days after the end of each quarter and submit a summary report to Council.
viii. The Accounting Officer need to develop the necessary forms and report structures to be utilized to manage the above processes. The forms and reporting requirements need to be reviewed on a regular basis.
ix. In the instance of under-performance:

    a. The Municipality will facilitate support interventions to service providers in the identified areas of underperformance.
    b. Service providers who have been identified as under-performing in identified areas must be informed of these support interventions.
    c. The impact of support interventions must be monitored by the Reporting Officer.
    d. Corrective action should be documented in writing within the contract management system

x. The records of the support interventions must be documented, signed by both parties and appropriately filed in the contract management system.

REVIEW OF CONTRACTS

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

The contract owner or champion must conduct, as appropriate, within 3 months after the expiry of contracts, post contract reviews.

ADOPTION, IMPLEMENTATION AND REVIEW PROCESS OF THE POLICY

This policy has been considered and approved by the Council of Karoo Hoogland Local Municipality on this day ________________20....

This policy will come into effect on 1 July 20