

**PROVINCE OF THE EASTERN CAPE**



**DEPARTMENT OF RURAL DEVELOPMENT AND  
AGRARIAN REFORM**

**Contract Management Policy**

## FOREWORD

The policy is intended to provide a framework to manage departmental contracts, in line with the Public Finance Management Act, Treasury Regulations and the Contract Management Framework

The Department is committed to ensuring that all contract management processes are applied uniformly throughout the Department. This policy acts as a guide for Contract Management officials to perform in the most effective, efficient and economical manner.

All staff members must be aware and apply the policy directives. Any breach of the policy directives shall result in disciplinary action.



Head of Department

20/05/2024  
DATE

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**ACRONYMS**

MEC	Member of the Executive Council
AO	Accounting Officer
CFO	Chief Financial Officer
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act
TR	Treasury Regulations
SLA	Service Level Agreement
MOU	Memorandum of Understanding
MOA	Memorandum of Agreement

1. DEFINITIONS

TERM	DEFINITION
<b>Contract</b>	An agreement between parties which has legal effect and sets out respective rights and duties involving the transfer of consideration - either financial or some other type of benefit.
<b>Contract Lifecycle Management</b>	A process that establishes uniform and sound contract management practices in rendering services to government. It is also to ensure that roles and responsibilities are clearly defined, contracts entered into by Government are managed in a manner which minimises service delivery risk and maximises intended benefits, contractual obligations are fulfilled and social value is realised.
<b>Contract Management</b>	An end-to-end process to ensure that contracts entered into by Government are managed in a manner which minimises service delivery risk and maximises intended benefits, contractual obligations are fulfilled, roles and responsibilities are clearly defined and social value is realised.
<b>Contract Review / Close Out</b>	Ensuring that the contract is monitored at each and every milestone and closed out in an orderly manner, including all the deliverables, terms and conditions of the contract have been adhered to and that lessons learnt have been properly recorded.
<b>Contractor</b>	The contracted party providing Government with the services and/ or goods. This definition also includes suppliers and service providers.
<b>Contract Management Plan</b>	A dynamic tool for ensuring that Government identifies and addresses all relevant issues throughout the lifecycle of the contract. This document which is created during the contract formation stage may need to be modified throughout the life of the contract.
<b>Contract Management Framework (CMF)</b>	The Contract Management Framework of Government for integrated Supply Chain Management. A comprehensive set of critical business activities and critical business controls.
<b>Contract risks</b>	Contract risks are those risks which if realised, may have a negative impact on the contract.
<b>Contract Owner/ Project Manager/ End-User</b>	The terms Contract Owner/ End-User/ Project Manager are used interchangeably to refer to the person from whose department the scope of work/ specification or requisition emanated. He/she is also responsible for the compilation of the risk register for each contract.
<b>Counter party risk management</b>	The process to identify and manage the contractual risks that Government encounters when entering into contracts with suppliers, i.e. what are the potential risks that Government may be exposed to in the conclusion of a contract with a supplier.
<b>Default</b>	The failure of a party to perform a contractual requirement or obligation, including failures to meet deadlines, to perform to a specified standard or

	to meet its obligations in relation to a materialised risk.
<b>Delivery Management</b>	Ensuring that the Goods and/or Services are being delivered in accordance with agreed performance, costs and quality levels set out in the contract.
<b>Force majeure</b>	Acts of God and other specified risks which are beyond the control of the parties to the contract and as a result of which a party is prevented from or delayed performing any of its non-financial obligations under the contract.
<b>Governance</b>	Ensuring that the contract life cycle management process is implemented within each Provincial Department in accordance with a clear set of norms and standards.
<b>Material Amendments</b>	A material term is vital to the performance of obligations of the contract, i.e. expiry period, the parties to the contract. A material amendment is an amendment which increases the scope, cost or risk of the contract by more than 10% of the contract value; it also includes the amendment to a material term of a contract.
<b>Notice period</b>	A specified period of time for a party to rectify a default (that is capable of being rectified) before Government has the right to enforce any remedies for default specified in the contract.
<b>Risk allocation</b>	The allocation of responsibility for dealing with the consequences of a project risk to one of the parties to the contract, or agreeing to deal with the risk through a specified mechanism which may involve sharing the risk.
<b>Risk assessment</b>	The determination of the likelihood of identified risks materialising and the magnitude of their consequences if they do materialise.
<b>Risk management</b>	The identification, assessment, allocation, mitigation and monitoring of risks. The aim is to reduce their variability and impact.
<b>Risk matrix</b>	A method of presenting all possible significant risks likely to be encountered, the magnitude and likelihood of the risks occurring, their areas of impact, and the risk mitigation techniques to be employed.
<b>Supplier Relationship Management</b>	The maintenance of mutual trust and understanding, openness communication. Ensuring that relationships with suppliers are managed in order to develop and maintain open and constructive associations

## 2. VISION, MISSION AND VALUE

### 2.1. VISION

- 2.1.1. Vibrant, equitable, sustainable rural communities and food security for all.

### 2.2. MISSION

- 2.2.1. Promote, support and coordinate rural development and agrarian reforms to reduce poverty and under-development through integrated and participatory interventions.

### 2.3. VALUE

- 2.3.1 **Innovation:** Committed to keep abreast of new developments in relevant fields of expertise and be innovative in carrying out the mandate of the Department
- 2.3.2 **Excellence:** We are committed to exceed our customer's expectations for quality, responsiveness, efficiency and service excellence
- 2.3.3 **Bambisanani:** Believe that sum of our collective efforts will be greater than the total of our individual efforts
- 2.3.4 **Mutual respect:** We value each other's contribution as we seek to realise the vision and goals of the Department.
- 2.3.5 **Honesty and integrity:** Commitment to be transparent with all stakeholders

## 3. SCOPE OF APPLICATION

This policy applies to all departmental officials who are involved in managing contracts

## 4. LEGISLATIVE FRAMEWORK

The following regulations and prescripts will guide this policy:

- 4.1 South African Constitution, Act 108 of 1999;
- 4.2 Public Finance Management Act 1 of 1999 as amended by Act 29 of 1999;
- 4.3 Treasury Regulations Act 1 of 1999;
- 4.4 Contract Management Practice notes and Circulars; and
- 4.5 National and Provincial Treasury's Contract Management Framework.

## 5. OBJECTIVES

- 5.1 To ensure that departmental contracts are consistently drafted;
- 5.2 To maximise efficiencies in contract administration; and
- 5.3 To ensure compliance with applicable legislation governing contract management.
- 5.4 DRDAR seeks to develop a robust system of contract management which will yield the following benefits:
  - 5.4.1 Ensuring delivery of good and/or services at the agreed quality, quantity and price;
  - 5.4.2 Increased competitive and strategic advantages through effective control;
  - 5.4.3 Social commitments are closely monitored and enforced to allow for accurate reporting;
  - 5.4.4 Reduction of costs, continuity of supply and security of supply;
  - 5.4.5 Roles, responsibilities, rights, obligations of all stakeholders are clearly communicated and understood;
  - 5.4.6 Provide a practical tool to ensure that the quality of contract management throughout Government is significantly improved;

- 5.4.7 Ensure all contractual obligations are fulfilled including transformation and developmental targets;
- 5.4.8 Ensure that contractual risks are properly identified, assessed and managed;
- 5.4.9 Poor contract performance is effectively dealt with, thereby minimising risks and increasing accountability;
- 5.4.10 Eliminating unethical practices within Government;
- 5.4.11 Entrenching uniformity in management of contracts;
- 5.4.12 Eradicate variations and deviations;
- 5.4.13 Ensure normal open competitive procurement processes are timeously effected; and
- 5.4.14 Creating a database for lessons learnt to aid future planning processes.

## **6. CONTRACT PLANNING**

- 6.1 Proper planning will assist all stakeholders in determining the Departmental/Institutional need, drafting the contract, risks involved in the contract, and contractor monitoring and oversight.
- 6.2 All stakeholders must be identified and their input obtained on how to manage the contract throughout its lifecycle.
- 6.3 Once the Contract Manager and/or Administrator has been appointed or identified, the Contract Management Plan must be drawn up. A Contract Management Plan is an important tool for ensuring that DRDAR identifies and addresses all relevant issues through the life of the contract. It must be a comprehensive document which is created during the contract formation stage and may need to be modified throughout the life of the contract.
- 6.4 Once the bid is awarded, the processes must be swift. Practical steps must be taken to ensure smooth transition the contract phase. These steps include:
  - 6.4.1 Concluding a contract with the contractor using standard contract templates;
  - 6.4.2 Assigning roles and responsibilities;
  - 6.4.3 Performing a risk analysis; and
  - 6.4.4 Document and communicate a Contract Management Plan.
- 6.5 The Contract Management Standard Operating Procedure gives guidance on the procedures to be followed in the administration and management of contracts entered into by the Department and Contractors. A copy of the SOP is attached hereto and marked "*Annexure A*".

## **7. DELIVERY MANAGEMENT**

### **7.1 Introduction:**

Delivery management is the process of ensuring that the goods and/or services are delivered in accordance with agreed performance, costs and quality levels set out in the contract. It is important to note that aside from ensuring that DRDAR obtains value for money from its contracts, managing delivery is also concerned with ensuring that any socio economic commitments made by the contractor are met. This stage also ensures the management and monitoring of any identified risks to ensure business continuity and both contracting parties fulfilling their contractual obligations towards each other in a mutually beneficial manner.



## **7.2 Contract kick-off**

- 7.2.1 A post award kick-off meeting or conference with the successful bidder or contractor should be held which must include, as a minimum, the contract manager, personnel responsible for administering the contract and the end-user and serves as a tool to clarify and resolve any potential misunderstandings
- 7.2.2 It is an orientation for the successful bidder or contractor to ensure a clear and mutual understanding of all contract terms and conditions and the respective responsibilities of all parties. It also serves as a tool to clarify and resolve any potential misunderstandings identified early in the process.
- 7.2.3 At the commencement of the meeting, it should be made clear that the purpose of the meeting is to clarify contract requirements and not to make changes to or re-negotiate the contract terms as set out in the tender document.
- 7.2.4 After the contract kick-off meeting DRDAR, should prepare minutes of the meeting and a copy must be kept on file. The minutes should make reference to any aspects still requiring resolution, a list of participants, and in particular, those individuals assigned responsibilities for further action as well as the due dates for those actions.
- 7.2.5 Copies of the minutes should be distributed to all contract kick-off meeting participants and relevant stakeholders, as soon as possible after the meeting.

## **7.3 Monitoring Performance**

- 7.3.1 The methods used to monitor contractor performance should be clearly stated in the contract and SLA. Forcing a contractor, without prior knowledge, to comply with stringent monitoring requirements producing time- consuming reports or maintaining stringent or expensive testing requirements outside normal industry parameters could give rise to legal challenge. It is therefore important that all these aspects are dealt with upfront in the contract or SLA.
- 7.3.2 The purpose of monitoring performance is to ensure that the contractor performs all obligations in accordance with the contract and for DRDAR to be aware of and address any developing problems or issues. Low value or less complex contracts normally require little monitoring. This however, does not preclude the possibility of more detailed monitoring if deemed necessary. Generally, performance monitoring should focus on high value contracts.
- 7.3.3 The amount of performance monitoring should be balanced and adequate to meet the need and to achieve the desired result without unnecessarily increasing costs. Overly restrictive oversight can interfere with the contractor's ability to accomplish the work and may inadvertently increase the cost of the work. The Contract Manager must select the most appropriate monitoring methods and ensure that this is linked to the scope of work set with specific deadlines for completion of tasks and a schedule for submission of deliverables, required meetings, presentations or other activities.
- 7.3.4 Different methods of monitoring include:
  - (a) Site Visit and Audits (full or limited scope)**

Full scope site visits are typically scheduled visits to the contractor's place of business. They are based on a preliminary risk assessment and cover a broad range of contract compliance and performance issues. Limited scope site visits typically focus on the

resolution of a particular problem, e.g. the Contractor has provided a corrective action plan for a problem.

**(b) Desktop Review**

Typically, these are reviews of reports submitted by the contractor to DRDAR. These reports should be linked to the various deliverables identified. These are reviewed by comparing the actual performance against the contract requirements, actual expenditure against the approved budget or contract value, and, but not limited to comparing the current contractor with other contractors performing similar work;

**7.4 How to use the results of monitoring reviews**

7.4.1 Monitoring reviews and audits should be routinely followed up to ensure corrective actions have been taken and that common problem areas that might require training and improvement are identified. The contract manager should follow a process that is designed to bring the contractor back into compliance with the contract requirements. Monitoring results should also be used to improve the contract requirements for future contracts.

7.4.2 The Contract Manager may decide on the following actions should the contractor not remedy the breach or should the breach be of a serious nature:

**(a) Withholding Payment**

Contract Managers have the responsibility to protect the interests of Department. Under appropriate circumstances, it may be necessary to withhold payments from contractors. Circumstances where it may be necessary to withhold payment include:

- i) A material breach of the contract by the contractor;
- ii) Errors in the invoice;
- iii) Unsupported or undocumented costs, to remedy previous overpayments on the same contract; and
- iv) Where the contractor's performance is unacceptable.

7.4.3 Payment approvals must be made in line with performance by the contractor. Invoices should be reviewed to ensure that the contractor's billing coincides with progress made and milestones achieved. This requires that the contractor's progress be measurable. Cost incurred or invoices submitted, are insufficient indicators of the contractor's progress. If the contract manager believes that the requested payment does not match the contractor's progress, an explanation should be requested from the contractor prior to approval of the invoice. Payment should be withheld pending the Department's/Institution's satisfaction with the contractor's progress.

7.4.4 Invoices must be approved by the end-user staff prior to payment. Payments must be made in accordance with the contract provisions. The invoice should be reviewed to ensure that:

- i) The contractor is billing only for goods and/or services received by the DRDAR;
- ii) The goods and/or services have been accepted;

- iii) The invoice is correct and complies with the terms and conditions of the contract; and/or
- iv) The total payments do not exceed the contract limits.

**a) Penalties**

7.4.5 Penalties may be imposed for non-fulfilment of key objectives. However, the imposition of the penalty does not exonerate the contractor from fulfilling its contractual obligations. The DRDAR must therefore ensure that all obligations are met.

**b) Security**

Where security has been provided, e.g. performance bonds, or parent company guarantees, these security instruments must be called up if / when the contractor fails to perform.

**7.5 Final Acceptance or Goods receipt**

7.5.1 The statement of work should clearly define how DRDAR will determine that the contract has been satisfactorily completed. The scope of work or specification sets a standard for acceptance of the deliverable and establishes a procedure to receive or reject the deliverable based on specific factors. Predetermined milestones and methods of evaluation allow a contract manager and the contractor to determine objectively whether each milestone has been met.

**8. SUPPLIER RELATIONSHIP MANAGEMENT**

**8.1 Communication with the contractor**

- 8.1.1 It is important to establish and maintain a constructive relationship through regular communication. In particular, problems that have arisen must be identified and every effort must be made to resolve such problems at an early stage.
- 8.1.2 Problems which are not dealt with timeously can easily become exacerbated resulting in poor relations with the contractor. Escalation procedures must be put in place to deal with any unresolved problems.
- 8.1.3 Providing positive and constructive feedback will assist in maintaining healthy relationships.
- 8.1.4 Effective SRM will enable the Departments/Institutions to identify early warning signals and thus indicate whether alternative contractors or products should be identified.
- 8.1.5 Payments should be made without unnecessary delays in line with payment terms. DRDAR must pay suppliers within 30 days of submission of an undisputed invoice unless specified in the contract.
- 8.1.6 It is also important to listen to the contractor's side of the story, to identify any problems, address them promptly and explain decisions in an impartial way. This particularly applies to contracts that involve on-going service delivery that extend over a considerable period of time. In such contracts the management of the relationship with the contractor could consist of:
  - i) Informal, day-to-day discussions; and

- ii) Formal meetings at pre-determined intervals with nominated personnel from both DRDAR and the supplier.

8.1.7 It may also be beneficial to have different individuals undertaking the contract Management and the relationship management activities, however in certain cases it may be necessary to designate one official as the only communication link to the suppliers in order to eliminate any confusion.

## **9. CONTRACT ADMINISTRATION**

9.1. Contract Administration focuses on the practicalities of the relationship between DRDAR and the supplier and the operation of the routine administrative and clerical functions. The functions included under post-award contract administration responsibilities include:

- i) Drafting of correspondence;
- ii) Updating of contract register;
- iii) Updating of risk register;
- iv) Cost monitoring
- v) Contract meeting schedules and planning;
- vi) Drafting of minutes;
- vii) Contract termination or extension/renewal; and
- viii) Record keeping

9.1.1 The Contract Administrator must ensure that s/he thoroughly understands all the components of a contract, including:

- i) Expected outcome measure – significant deliverables should be tied to the payment schedule; and
- ii) Acceptance / Rejection Terms – DRDAR's right to inspect and accept or reject the goods and/or services and the conditions of acceptance or rejection.

9.2. Contracts may be amended by:

- i) Extending/reducing the period of the contract;
- ii) Increasing/decreasing the value of the contract;
- iii) Changing the scope of work;
- iv) Changing the contracting parties; and
- v) Changing any other terms and conditions of the contract.

9.2.1. A decision to amend a contract should not be taken lightly. Amendments to contracts must have been an unforeseen occurrence and be proven beyond reasonable doubt and compelling reasons must be provided demonstrating possible disruption of essential service delivery, impact thereof, possible loss of life, revenue and saving of costs by the end-user in consultation with the contract manager and if approved, must be signed off by the person with delegated authority.

- 9.2.2. The requesting organ of state must demonstrate the financial implication of such amendments including the sourcing/available of funds which will in turn be confirmed within Provincial Treasury. Please note that the cumulative value of the contract (i.e. the original value together with the value of any previous amendments plus the value of the current amendment) must be taken into account in requesting Treasury approval.
- 9.3. DRDAR shall arrange for the **safe custody** of Bid documentation and contracts at a suitable, approved and centralised location.
- 9.3.1. Related documents must be kept in one complete master contract administration file by the contract administrator as part of the contract records. The file will provide a basis for settling claims and disputes should they arise in administrative or court actions. A non-exhaustive contract file list of the documents that must always be available is hereby attached.
- 9.3.2. Contract files must be kept in a neat and orderly manner.
- 10. CONTRACT CLOSE-OUT AND/OR REVIEW**
- 10.1.1 This process ensures that at the end of the contract period, the Contract Manager/Administrator checks that all the elements of the contract have been adhered to and that lessons learnt have been properly recorded.
- 10.1.2 The Contract Manager, the Contractor Owner/End User and the Contract Administrator must consistently monitor the contract execution per milestone/deliverable and such must be recorded during the contract period. This will ensure the most accurate process of the close-out report process on the contract well before the contract expires or is terminated.
- 10.1.3 The finalization of close-out process must take place not less than one month after the expiry or termination.
- 10.1.4 The purpose of this process is to verify that both parties have fulfilled their contractual obligations and that outstanding matters will be resolved before contract expiry or termination.
- 10.1.5 This is the stage where the overall success of the contract is evaluated and any lessons learnt for developing future contracts are determined. The Contract Owner/End User should determine that all deliverables have been satisfactorily completed by the contractor.
- 10.1.6 A contract is completed and ready for close-out when:
- i) All goods and/or services have been received and accepted;
  - ii) The goods and services were of the agreed quality and quantity;
  - iii) All reports have been delivered and accepted;
  - iv) All administrative actions have been finalized;
  - v) All Department's/Institution's furnished equipment/space have been returned in the same way it was received;
  - vi) Final acceptance from the Project Manager / end-user has been received (if applicable); and
  - vii) Final payment has been made to the contractor.

- 10.1.7 Various administrative tasks must be completed as part of the close-out process. These tasks include:
- i) Ensuring that the contractor returns all documents, equipment and all material belonging to DRDAR;
  - ii) Ensuring that intellectual property rights of the respective parties are properly recorded;
  - iii) Ensuring that a proper financial reconciliation is conducted before outstanding payments are made; and
  - iv) Terminating all access rights of the contractor to DRDARs premises.
- 10.1.8 Evaluation should be done in an objective and structured manner against predefined criteria. It should confirm what happened, understand why it happened, identify and be able to disseminate good practice and inform future planning. It should also establish whether commercial and socio-economic objectives have been achieved; performance standards and costs specified in the contract were met and that the specification still meets current needs.
- 10.1.9 In his/her final report the contract manager should consider whether the contract met its original objectives, whether the contract provided value for money and how it compares with other similar contracts etc.
- 10.1.10 Identifying and recording 'lessons learnt' is not only an information collection process but also involves a substantive analysis of the performance of both parties to the contract. The benefits of conducting a proper close-out are that:
- i) Risks that have materialised are identified;
  - ii) The impact of the risks are properly assessed;
  - iii) The contract management team deepens its understanding of the likelihood and severity of the risks for the benefit of future contracts; and
  - iv) Best practice methodologies which may have evolved from the management of the contract are documented and implemented when future contracts are concluded.

## 11. TERMINATIONS

- 11.1 When a contract is terminated, the parties are released from further unperformed obligations in accordance with the agreed terms and conditions. A contract may be terminated on two separate grounds: Termination for Convenience and Termination for Default.
- 11.1.1 **A termination for convenience**, also known as no-fault termination, allows DRDAR to terminate any contract, in whole or in part, at any time in its sole discretion, if it is determined that such termination is in the best interests of DRDAR.
- 11.1.2 In such instances, the DRDAR shall provide the contractor with written notice specifying whether DRDAR is terminating all or part of the contract. The notice of termination shall give the date of termination. If the contract is terminated in part, DRDAR should specify which part(s) of the contract are being terminated.

- 11.1.3 The contractor will generally be paid for allowable costs incurred up to the termination. The DRDAR will not be liable for payment to the contractor related to the terminated portion of the work or any work performed or costs incurred after the effective date of termination.
- 11.1.4 Upon receipt of any invoice from the contractor for work performed after the notice of termination was issued but before the termination date, DRDAR should thoroughly review the invoice to ensure that no excessive costs are included.
- 11.1.5 **A terminated for default** is when the contractor fails to perform, make progress, or in any way breaches the contract. Termination should not follow automatically in each and every instance where a contractor fails to deliver. The DRDAR must determine whether it is in their best interest to terminate or pursue other alternatives. Examples of such alternatives include extending the delivery or completion date, allowing the contractor to continue working or working with the contractor's surety to complete the outstanding work.
- 11.1.6 The purpose of a termination for default is essentially to protect the interests of the DRDAR while obtaining the necessary goods and/or services from another source.
- 11.1.7 Factors to consider prior to making a decision to terminate based on default include:
- i) Whether the DRDAR has done everything within reason to assist the contractor in correcting any default?
  - ii) The provisions of the contract and applicable regulations.
  - iii) The materiality of the contractual failure(s) and the explanation provided for the failures.
  - iv) The urgency of the need for contracted goods and/ or services. DRDAR may need to weigh the respective benefits and/or disadvantages of allowing a defaulting contractor to continue performance or soliciting a new contractor.
  - v) The availability of the goods and/or services from other sources and the time required to obtain them (compared to the additional time the current contractor needs to complete the work).
  - vi) Availability of funds and/or resources to re-purchase in the event such costs cannot be recovered from the defaulting contractor. Under a termination for default, DRDAR is within its rights to demand additional or re-procurement costs from the defaulting contractor.
  - vii) Whether there is any bad faith on the part of the contractor.
- 11.1.8 Nevertheless, the contractor may not be financially capable to finance the re-purchase, or such demand may result in protracted legal action. If a contract is terminated for default, the contractor is liable for actual damages and costs incurred by DRDAR unless the contract states otherwise. DRDAR may also consider putting the contractor's name on the National Treasury's defaulters list as per circular 7 of 2012/13.

- 11.1.9 The Restriction of Suppliers Standard Operating Procedure gives guidelines for Officials to adhere to when restricting and reporting a defaulting Contractor to National Treasury. A copy of the SOP is attached hereto and marked "Annexure B".
- 11.2 A contract may not be terminated for default when the failure to perform is due to excusable causes. In order to qualify as an excusable cause, the cause must be beyond the control, and without the fault or negligence of the contractor. Such excusable causes include, but are not limited to acts of God or force majeure.
- 11.3 Prior to terminating a contractor for default, a breach notice should be sent to the contractor. A breach notice is a letter provided to the contractor that provides him/her a period of time, usually seven (7) business days, to correct the breach, deficiency or violation. The contents of the signed contract together with the General Conditions of contract must be noted and followed to the latter prior to termination of the contract.
- 11.4 If the contractor fails to correct the breach, the contract may be terminated. The notice of termination should contain the following:
- i) The contract number and date of contract;
  - ii) The effective date of termination;
  - iii) Reference to the clause under which the contract is being terminated;
  - iv) A concise, accurate statement of the facts justifying the termination; and
  - v) A statement that the goods and/or services being terminated may be re-procured and that the contractor will be held liable for any additional costs incurred due to the re-purchase. Before including this statement, the contract should be reviewed to determine whether the right is available under the contract.

## 12. ARCHIVING

- 12.1 At this stage the Contract Administrator and the Contract Owner must ensure that all the information relating to the contract has been securely archived.
- 12.2 The contract as well as the contract administration file and related general correspondence must be kept in a proper and safe archiving facility for a period of five years after completion of the contract.
- 12.3 These files should be recorded in a formal register so that they can be easily traced when required for audit investigations and/or litigation purposes.

## 13. ROLES/RESPONSIBILITIES

- 13.1 The Role of the Contract Owner (End-user/Project Manager)
- 13.1.1 Identifying the need;
  - 13.1.2 Compiling the business case;
  - 13.1.3 Conducting a risk assessment of the contract and ensuring that the results thereof are documented in a risk register;
  - 13.1.4 Completing the risk register after the contract has been signed by both contracting parties;



- 13.1.5 Monitoring the risks which have been identified throughout the lifecycle of the contract;
  - 13.1.6 Ensuring that the contract manager is informed at every step throughout the process; and
  - 13.1.7 Signing off contractors' invoices.
- 13.2 Role of the Contract Manager to ensure that the requirements of the contract are delivered. The Contract Managers must have the necessary experience or receive training and development prior to contract award, so that they have an understanding of the contract and the environment they are responsible for managing. The contract risk register is reviewed by the Contract Manager.
- 13.3 The primary responsibilities of the Contract Manager should be considered during the drafting of the scope of work / specifications, bid documents and contract. These include:
- 13.3.1 Developing a Contract Management Plan that clearly sets out the roles, responsibilities and standards;
  - 13.3.2 Monitoring performance, compliance with conditions of contract, KPIs and milestones including supplier development commitments;
  - 13.3.3 Managing associated risks;
  - 13.3.4 Ensuring that effective communication is maintained between all parties and is free from bias;
  - 13.3.5 Monitoring conflicts of interest that may arise between the parties and facilitating their resolution;
  - 13.3.6 Managing the budget and maintaining financial control;
  - 13.3.7 Working with the contractor for continuous improvement;
  - 13.3.8 Managing changes or variations to the contract;
  - 13.3.9 Liaison with the End User as and when required;
  - 13.3.10 Ensuring authorisation of payments consistent with the contract terms;
  - 13.3.11 Exercising contract remedies, as appropriate, where a contractor's performance is deficient;
  - 13.3.12 Documenting significant events/occurrences;
  - 13.3.13 Maintain contract register; and
  - 13.3.14 Maintaining appropriate records.
- 13.4 Ideally the role of the Contract Owner and Contract Manager should be performed by different persons. However, it is not unusual for these roles to be performed by the same person where available resources are lacking.
- 13.5 The Contract Management Team:
- 13.5.1 Is responsible for delivery against service levels and key performance indicators of a specific contract. This team is also responsible for ensuring that contractual matters are dealt with as efficiently as possible;
  - 13.5.2 Should be set up at the inception of the contract and, depending on the type of contract, should consist of Contract Manager, Contract Owner, a project/contract administrator. Representatives from the following departments may, be invited on an as and when required basis; internal audit/control unit, Legal, and Finance; and

13.5.3 Must meet as frequently as stipulated in the Contract Management Plan. The Contractor's representatives will also meet with the contract management team as stipulated in a Contract Management Plan or SLA.

**14. RISK MANAGEMENT**

14.1 There must be a formal, proactive and systematic analysis and assessment of risks linked to a particular contract. The Contract Owner is responsible for risk management or treatment through the lifecycle of the contract. Contract management risks vary depending on the type of contract. Risks within contract management include product risk, process risk, financial risk, counter party risk and legal risk. The process of risk management is classified in three stages:

14.1.1 Identify the risk/s;

14.1.2 Quantify, analyse the likelihood of and the potential impact of identified risk; and

14.1.3 Mitigate or manage the risks.

14.2 Contractual risks cannot always be precisely defined. Risk determination is based on objective factors as well as subjective experience. Several factors that may be useful in identifying the level of risk may include:

i) The complexity and subject matter of the procurement;

ii) The value amount of the acquisition i.e. whether this will result in high value or major contract;

iii) The anticipated payment methodology;

iv) Whether the acquisition is of a strategic nature and the impact it will have on DRDAR if the acquisition fails;

v) Time constraints or the expected duration of the contract; and

vi) The type, availability or experience of staff resources required to implement the objectives of the contract.

14.3 Risk assessment is an on-going process and should be reviewed and re-evaluated on a continual basis until the contract is fully delivered and final payment is made. The primary approach to managing risk after a preliminary risk assessment level is to document the initial perception of the level of risk, identify and assign experienced staff resources to manage and/or monitor it.

**15. BREACH OF POLICY**

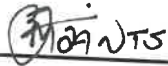
15.1 Failure to comply with this policy will result in the disciplinary action including recovery of any loss of the Department from the implicated employee.

**16. POLICY REVIEW**

- 16.1 The Department will review the policy after four years from approval date or when a need arises resulting from service delivery requirements.

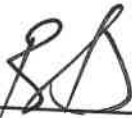
**17. APPROVAL**

This is the Contract Management Policy for the Department of Rural Development and Agrarian Reform in line with all legislation and Instruction notes pertaining to Contract and Supplier Performance Management.



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**MRS S MZANTSI**  
**CHIEF FINANCIAL OFFICER**



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**MR B DAYIMANI**  
**ACTING HEAD OF DEPARTMENT**  
DATE: 20/05/2024