



**NATURALLY PROGRESSIVE  
CONTRACT MANAGEMENT PROCEDURE MANUAL**

**2026/2027**

# **CONTRACT MANAGEMENT PROCEDURE POLICY AND MANUAL**

## **1. Purpose**

This manual provides a standardized framework for managing municipal contracts effectively, efficiently, transparently, and in compliance with applicable legislation, policies, and regulations. It ensures that contracts deliver value for money, mitigate risks, and achieve intended service delivery outcomes and proper service delivery throughout the contract lifecycle.

## **2. Scope**

This procedure applies to all contracts entered by the Municipality, including:

- All municipal departments
- Officials involved in procurement and contract administration
- All contracts, including goods, services, Consultancy, Construction, Maintenance and infrastructure contracts.

It covers the full contract lifecycle from planning to close-out.

It applies to all officials involved in contract planning, administration and monitoring

## **3. Objectives of Contract Management**

The objectives of contract management are to:

- Ensure suppliers deliver according to agreed terms.
- Protect organizational interests.
- Monitor performance, compliance and service delivery.
- Mitigate financial, legal risks and dispute.
- Maintain proper records and audit trails.
- Ensure value for money.
- Ensure compliance with contractual obligations.
- Ensure proper record keeping
- Promote accountability and transparency

#### **4. LEGISLATIVE AND REGULATORY FRAMEWORK**

Contract management must comply with all applicable laws and policies, including but not limited to:

- Municipal Finance Management legislation
- Supply Chain Management Regulations
- Preferential Procurement Regulations
- Municipal policies and delegations
- Treasury guidelines and circulars

#### **5. Definitions**

**Contract Manager-** Official responsible for administering a contract, monitoring the contract and ensuring with terms and conditions.

**Contract Management** – The process of systematically managing contract creation, execution, monitoring, and closure.

**Service Provider-** Contractor, supplier, or consultant appointed by the Municipality.

**SLA-** Service Level Agreement defining performance standards.

**Variation Order-** Approved change to contract scope, price, or timeline/contract period.

**Breach-** Failure to comply with contractual obligations

**Contract Register** – Official record of all municipal contracts.

#### **6. Roles and Responsibilities**

##### **6.1 Accounting Officer**

- Overall oversight of contract performance
- Ensures systems and controls exist

##### **6.2 SCM Unit**

- Maintain contract database/register
- Provide contract administration guidance and support
- Ensure compliance with procurement regulations

### **6.3 Contract Management**

- Monitor supplier performance
- Ensure compliance
- Approve deliverables
- Maintain contract file
- Manage risks
- Report deviations

### **6.4 End-User Department**

- Define specifications
- Confirm Service delivery of goods/services
- Report performance issues
- Provide technical oversight
- Report non-performance
- Approve invoices

### **6.5 Finance Unit**

- Process payments
- Verify invoice compliance
- Monitor budget availability

### **6.6 Legal Unit**

- Review contracts terms and conditions
- Advise on disputes and amendments
- Ensure legal compliance

## **7. Contract Lifecycle Management**

### **CONTRACT MANAGEMENT PROCESS**

#### **7.1 Contract Planning**

- Confirm budget availability
- Conduct needs analysis
- Identify risks
- Determine contract type
- Develop specifications and KPIs
- Procurement method approval

#### **7.2 Contract Award**

- Ensure appointment letter issued
- Sign contract agreement/Service Level Agreement (SLA)
- Obtain performance securities if required
- Capture/Record contract in register

#### **7.3 Contract Implementation**

- Hold kickoff meeting
- Agree reporting timelines
- Confirm communication channels
- Issue site access or commencement instructions

## **8. Contract Administration Phase**

8.1. The Contract Manager must:

#### **a) Monitor Performance**

- Compare deliverables vs. contract terms
- Track milestones
- Conduct inspections

## **b) Manage Communication**

- Maintain written records
- Document meetings
- Issue instructions formally

## **c) Manage Payments**

- Verify deliverables before payment
- Ensure invoices comply with contract
- Confirm tax compliance documents

## **d) Manage Risks**

- Identify potential risks
- Implement mitigation actions
- Escalate critical issues

## **e) Maintain Contract File**

File must contain:

- Signed contract/Service Level Agreement (SLA)
- Appointment letters
- Variation orders (VO)
- Correspondence
- Performance reports
- Minutes of meetings-Bid Specification Minutes/Report, Bid Evaluation Minutes/Report and Bid Adjudication Minutes/ Report
- Bid documents

## **8.2 Performance Monitoring**

(a) Performance must be evaluated against:

- Quality standards
- Timelines
- Cost control
- Compliance requirements

(b) Performance review methods:

- Monthly reports

- Site inspections
- Progress meetings
- KPI tracking

## **9. Variations and Amendments**

All contract changes must:

- Be justified
- Be approved by delegated authority
- Be documented in writing
- Not exceed regulatory thresholds
- Comply with SCM legislation/policies

## **10. Risk Management**

- Identify risks at contract start
- Maintain risk register
- Implement mitigation actions

## **11. Dispute Resolution**

- Attempt internal resolution first
- Follow contractual dispute clauses
- Escalate to legal if necessary

## **12. Contract Renewal or Extension**

- Conduct performance evaluation
- Confirm budget availability
- Obtain approval prior to expiry

## **13. Contract Close-Out**

- Confirm completion of obligations
- Issue completion certificate
- Release guarantees
- Archive documents

## **14. ETHICS AND COMPLIANCE**

Officials must:

- Declare conflicts of interest
- Avoid accepting gifts
- Maintain confidentiality
- Act impartially

## **15 CONTRACT MANAGEMENT**

- Contract management includes all activities and administrative duties associated with a contract that has arisen through one of the acquisition/procurement processes described in the SCM policy.
- All SBUs are fully responsible for contract management and administration and Executive Directors shall be responsible to ensure that a contract manager who will be an internal official and is assigned to ensure the effective management of the contract. The contract manager will typically be the internal project manager assigned to the contract but may also be a segment owner or other responsible official.
- The contract manager's duties and powers shall be governed by the applicable conditions of contract, Supply Chain Management Policy, any Policies, Frameworks and Procedures relating to contract management adopted by the City and the general law.
- executive Directors shall ensure that contract managers are assigned to each contract within the Strategic Business Unit area of responsibility and, where possible, should ensure that such contract manager were possible be involved from the earliest stages of the acquisition process.
- executive Directors shall further 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.
- are adequately trained so that they can exercise the necessary level of responsibility in the performance of their duties.
- Administering a contract, adhere to applicable legislation and legal precedent, regulations, policy and formalised guidelines.
- In discharging his/her duties, the contract manager shall ensure that all the necessary formalities in signing up the contract are adhered to.
- ensure that contracts related to the procurement of goods and services are captured on the City's financial system in the form of a price schedule when appropriate.
- ensure that all original contract documentation is lodged with Legal department and the Supply Chain Management Department for record purposes.

- Executive Directors shall monitor, update and report, on a monthly basis, except where no performance monitoring is required in a particular month, the cost status and delivery forecast of the contract and the performance of the supplier in order to ensure that all of the terms and conditions of the contract are met, including the supplier's obligations as regards preferential procurement, targeted labour and resources, as applicable;
- where necessary, take appropriate action where a supplier is underperforming or is in default or breach of the contract.
- Executive Directors where appropriate, authorise payments due in terms of the contract by processing payment certificates (if applicable), and ensuring that the necessary Service Entry Sheets or Goods Received Notes are captured on the City's financial system.
- Executive Directors manage contract variation or amendment procedures in compliance with the latest directive in this regard as issued by the City Manager and approved by the applicable delegated authority;
- administer disputes where necessary, in terms of this policy and the applicable Conditions of Contract;
- maintain adequate records in sufficient detail on an appropriate contract file to provide an audit trail;
- ensure that contractual actions relating to supplier liquidation proceedings are correctly and timeously taken to ensure the City's rights are protected and any negative impact on service delivery is mitigated, such options should include inter alia:
  - supplier proposal (via the liquidator) is deemed acceptable, by the relevant Executive Director, to the City utilising the appropriate contractual mechanisms; or
  - cancelling the contract, as the liquidator proposed supplier is deemed unacceptable to the City, and the City appointing an alternate supplier (via appropriate procurement mechanisms);
- act with care and diligence and observe all accounting and legal requirements; and for construction contracts, ensure that all contract administrative requirements of the CIDB is complied with.

## **17. DATE OF IMPLEMENTATION**

This policy shall be implemented on 1st July 2026 and shall be reviewed on an annual basis to ensure that is in line with the municipality's strategic objectives and with legislation.