



**KWAZULU-NATAL PROVINCE**

**EDUCATION**  
REPUBLIC OF SOUTH AFRICA

**POLICY ON**  
**CONTRACT MANAGEMENT**  
**2025**

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## 1. Definitions

<b><i>“Closeout”</i></b>	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.
<b><i>“Contract”</i></b>	Means an agreement (explicit or implied) legally binding two or more parties to the terms of the agreement.
<b><i>“Contract Administrator”</i></b>	means changing the scope, nature, duration, purpose or objective of the agreement or contract.
<b><i>“Contract Life Cycle”</i></b>	means the stages of a contract encompassing planning, creation, collaboration, execution, administration and closeout or renew.
<b><i>“Contract Management”</i></b>	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.
<b><i>“Contract Manager”</i></b>	means the official responsible for overall contract management in an institution.
<b><i>“Service Level Agreement”</i></b>	A specific type of contract that details the level of service expected from a provider, including quality, performance, and metrics.
<b><i>“End User”</i></b>	means the consumer or Directorate who requires and uses the goods or services that is being procured.

## 2. List of Abbreviations

NO.	ABBREVIATION	TERM
1	BAC	Bid Adjudication Committee
2	CFO	Chief Financial Officer
3	CPA	Contract Price Adjustment
4	DOE	Department of Education
5	GCC	General Conditions of Contract
6	KZNDOE	KwaZulu-Natal Department of Education
8	PFMA	Public Finance Management Act No. 1 of 1999
10	RT	National Treasury Transversal Contract
11	SCC	Special Conditions of Contract
12	SCM	Supply Chain Management
13	SLA	Service Level Agreement
14	TOR	Terms of Reference

### 3. Introduction

- 3.1 Contract management is important for sound financial management and contributes significantly to effective and efficient service delivery. It is responsible for monitoring contractor performance, avoiding violations such as the submission and payment of fictitious invoices and the abuse of the variation procedures.
- 3.2 Contract management is described as a systematic process that ensures that goods and services are delivered to the right place, in the right quantity, with the right quality, at the right cost and at the right time. It is the process that enables both parties in a contract to meet their contractual obligations.
- 3.3 Contract management continues throughout the life of a contract and involves managing proactively to anticipate future needs as well as reacting to adverse situations that may arise. One of the objectives of contract management is to accelerate service delivery in accordance with the signed contract and the attainment of value for money whilst mitigating any risks.
- 3.4 Good or effective Contract Management –
- optimises delivery of large capital projects.
  - specifies management techniques and processes for all types of contracts.
  - encourages achievement of value for money and continuous improvement.
  - identifies savings and additional revenue opportunities.
  - enhances risk management.
  - prevents irregular expenditure.
  - provides clear and complete records for audit; and
  - encourages communication between all parties to the contracts.
- 3.5 Failure to implement efficient contract management may result in –
- paying for goods and services which do not meet the standards set out in the contract;
  - significantly higher costs;
  - revenue collection delays;
  - customer and supplier dissatisfaction;
  - overcharges by suppliers or underpayments by the Department;
  - erroneous payments; and
  - irregular expenditure;
- 3.6 One of the main elements of the law of contract is consensus. Prior to a contract being concluded, there must be consensus between the parties concerned. Once the contract is concluded, the contract conditions must be strictly adhered to by all parties. It is imperative that the state's interest is adequately protected at all times.
- 3.7 All actions after the conclusion of the contract is regarded as contract administration. Contracts must be administered in terms of the specifications and conditions contained in the contract, as well as general legal principles.

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## 4. Purpose and Objective

- 4.1 The purpose of the Policy on Contract Management is to establish sound and consistent management practices.
- 4.2 It describes the processes and assigns responsibilities for effectively administering contracts from the –
- maintenance of the contract register;
  - monitoring of payments;
  - contract variation and price adjustments;
  - assessment and monitoring of the contractor performance; and
  - management of the contract close out.
- 4.3 This policy must be applied to all contracts entered into by the Department.

## 5. Status and Applicability of Policy

This policy applies to all employees of the KwaZulu-Natal Department of Education. This policy operates as a standing instruction for the purposes of Treasury Regulation of 2001 enacted in terms of the Public Finance Management Act, 1999 (PFMA).

## 6. Legislative Framework

The policy is based on the following legislative mandates –

- Constitution of the Republic of South Africa;
- Public Finance Management Act No. 1 of 1999;
- Treasury Regulations of 2001;
- National Treasury Contract Management Framework;
- National Treasury Guide;
- KZN DoE Policy on Supply Chain Management; and
- Protection of Personal Information No. 4 of 2013 (POPIA)

## 7. Contract Administration

- 7.1 The objective of contract administration is to monitor delivery under the contract and to ensure that it achieves its original objectives including the tracking and auditing of the contract terms such as –
- pricing and discounts;
  - payments within the prescribed time period;
  - performance in the delivery of the agreed service or provision of goods in terms of the agreed specification; and
  - amendments to the contract.

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- 7.2 Contract management records the procedures and systems (whether manual or computerised) for the following activities:
- identification and classification of contracts for management purposes;
  - recognition, measurement and disclosure;
  - planning and budgeting for contracts;
  - oversight of contract management;
  - resourcing contract management activities;
  - document and information management;
  - relationship management;
  - performance management;
  - payment, collection, incentives, and penalties; and
  - risk management.
- 7.3 Every contract across the entire institution must be managed throughout the Contract Life Cycle based on the level of management controls appropriate for the classification of that contract.
- 7.4 The Contract Life Cycle spans from the planning for the contract through to the contract closeout and it incorporates the following:
- Planning;
  - Creation;
  - Collaboration;
  - Execution;
  - administration; and
  - closeout / renewal.

## 8. Classification of Contracts

- 8.1 All contracts must be identified and classified according to the type or nature under the following categories –

**(a) Transversal / Period Contracts**

This is a contract arranged by National and Provincial Treasury in consultation with SCM Head Office for supply over a specified period.

**(b) Specific Period Contracts**

This is a contract for the supply of goods or services over a specified period of time. Specific period contracts can be arranged for a specific institution or component provided that the total expenditure is in line with the approved budget.

**(c) Ad Hoc Contracts**

This contract is arranged for a once-off requirement and includes requirements obtained through inviting bids or price quotations.

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## 8.2 Elements of a Contract

A contract must incorporate all the terms, conditions and specifications stipulated in the bid document that was used in the invitation process. This includes the following:

### 8.2.1 General Conditions of Contract

These general conditions are applicable to all bids, contracts and orders including bids for functional and professional services, sales, hiring, letting and the granting or acquiring of rights but excluding immovable property unless otherwise indicated in the bid documents.

### 8.2.2 Special Conditions of Contract

The Special Conditions of Contract (SCC) are relevant to a specific bid and should be compiled separately for every bid, if applicable and will supplement the General Conditions of Contract (GCC). Special Conditions of Contract must be in line with the relevant SCM prescripts. Whenever there is a conflict between the Special Conditions of Contract and the General Conditions of Contract, the provisions in the SCC shall apply.

### 8.2.3 Specification

Specification as outlined in the bid documents will serve as a guide on how and what the supplier should deliver. The following must be taken into consideration when drafting the specification –

- Quality;
- Quantity;
- Value for money; and
- Terms of reference.

### 8.2.4 Contract Amount

It is the amount agreed between the parties that is reflected on the contract.

## 9. Contract Register

- 9.1 All approved contracts must be registered in the Contract Management System to enable easy retrieval and identification of all contractual arrangements.
- 9.2 Contracts that are partially executed, signed by one party, must be registered into the Contract Management System prior to forwarding to other parties for signature.
- 9.3 The SCM unit of the Department must ensure that all signatures are obtained in line with approved delegations and must be updated on the Contract Register.
- 9.4 The Contract Register will be used to monitor contract end dates and to notify the end user at least six (6) months prior to the expiry of the contract .to enable them to commence with the procurement strategy.

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9.5 The Contract Register will have the following fields which must be completed for each contract –

- Contract Number;
- Order Number;
- Appointed Bidder Name;
- CSD Registration Number;
- Department/Head Office/District;
- Type of Institution;
- Description of Goods/Services/Projects;
- Award Date;
- Contract Start date;
- Contract End date;
- Type of Contract;
- Contract Value;
- Contract Amount Paid;
- Balance of the Contract Value;
- Contract Percentage Escalation;
- Contract Period;
- Contract Status; and
- Project Manager.

9.2 The Contract Register Report will be provided monthly to the Head of SCM and the report will *inter alia* provide details of all contracts.<sup>th</sup>

## 10. Service Level Agreements

10.1 A Service Level Agreement is a drafted agreement for the delivery of specified services between the Contractor and the Department. An SLA is not compulsory for each, and every approved bid and it is solely at the discretion of the user department. It will be necessary if the specification in the tender document is not sufficient.

10.2 The SLA must contain all necessary terms for the conclusion of a contract and must specify the goods or service that is being provided in terms of the contract. The SLA must be signed upon receipt of the SBD7.

10.3 Service Level Agreements must be –

- established at a reasonable level in line with the Terms of Reference (TOR) or specifications that contain the scope of work;
- prioritized by the Department in the order of importance and on an agreed scale e.g., critical, major, urgent, important, minor, easily monitored, such as objectives, tangible and quantifiable;
- concluded within the shortest possible time frame after the award of a contract as best practice;
- clear and understandable; and
- open to re-negotiation, if justifiable.

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- 10.4 The contractor is accountable for the quality and performance levels of the services and the availability thereof. The contractor and the Department will jointly identify a statement of expectations and ability, the cost of receiving the service and the basis for the calculation of costs.
- 10.5 One of the principal objectives of the SLA, is that both parties understand the basis and intent of the terms and conditions under which the services are to be delivered.
- 10.6 The definitions of terms should be an integral part of the negotiation and discussion process between the two parties.
- 10.7 The SLA is an agreement on its own and is therefore not intended to change or redefine the stipulations contained in the bid documents. The list of common provisions is not exhaustive and other provisions will need to be drafted to suit the contractual arrangement. Professional advice may be sought to assist with drafting specific SLA provisions.
- 10.8 Every SLA must be vetted by Legal Services prior to it being signed.
- 10.9 It is the responsibility of the Accounting Officer to ensure that SLAs are legally sound and does not expose the Department to litigation, fraud and corruption.
- 10.10 Legal Services is to provide expert advice to the Contract Management Unit on all matters relating to the contract which includes *inter alia*:
- drafting and vetting of contract documents and SLAs;
  - dispute resolutions and the implementation of contract terms and conditions; and
  - contract change of ownership, breach of contract, penalties, terminations, enforcement of indemnities, guarantees and contractual claims.

## 11. Process

- 11.1 The Contract Register should be updated with all the contract details including contract period, suppliers' details and the financial implication of the contract.
- 11.2 Immediately after the conclusion of a contract, end users must forward the contracts to SCM: Head Office for inclusion or update of information in the Departmental Contract Register.

## 12. Contract Performance

- 12.1 Regardless of whether contracting with external or internal parties, all contracts must be subject to various levels of performance management depending on the classification of the contract which is based on the following criteria:
- contract type or nature;
  - strategic importance of the goods and services purchased or sold;
  - contract value;
  - contract duration; and
  - contract complexity.

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- 12.2 The relationship with the provider, purchaser or other stakeholder should also be considered when determining the extent of performance management intervention that is required.
- 12.3 A Contract Manager is responsible for managing one or more types of contracts and must provide a summary and exception reports for each type of contract as part of overall contract performance monitoring.
- 12.4 Performance management and assessment should occur at regular intervals throughout the life of the contract. Each Directorate must evaluate the information needs relating to each classification and type of contract. Information must be provided in summary form and must provide a view of the contract performance. It must include the following –
- Supplier Name;
  - Contract ID and Description (unique contract ID).
  - Contract type (select from a pick list).
  - Value (Rand).
  - Contract duration (start and end date).
  - Contract classification (select from a pick list).
  - Value for money assessed prior to contract execution (Y/N).
  - Corrective action required (Y/N).
  - Good performance acknowledged (Y/N).
  - Performance rating (1-5).
  - Value for money achieved (Y/N); and
  - Would this supplier / buyer be considered for future contracts? (Y/N).

### 13. Contract Management Reporting

- 13.1 Performance will be assessed through reports provided throughout the monitoring process.
- 13.2 Performance of contracts will be monitored on a quarterly basis from the following reports:

#### (a) Progress Reports

- (i) The end-user will complete a progress report indicating the stage of contract; achievement of milestones as per contract agreement; response time and deliveries within the contract period; quality of work, payments; poor performance and actions to be taken for poor performance.
- (ii) The progress report must be submitted to SCM: Head Office for deliberations, recording discrepancies and filing.

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**(b) Expenditure Report**

- (i) The Contract Management Unit will on a monthly basis extract the expenditure report where the contract value will be verified against the progress payments and validity of the contract.
- (ii) In the event of discrepancies being identified, the SCM Contract Management Unit must communicate discrepancies immediately to the end-user and the CFO in order to avoid irregular expenditure.

**14. Risks related to Contract Management**

- 14.1 Risks related to Contract Management must be appropriately managed and all contracts must –
- set out risk identification, monitoring and escalation procedures and contain mechanisms which are in line with the Department's Risk Management Strategy; and
  - identify contingency plans for breach of contract.

**15. Close Out**

- 15.1 At the completion of the contract, the end-user must provide a contract close out report to the SCM Head Office which would include –
- overall performance of the contractor;
  - stage of contract;
  - achievement of milestones against the original contract agreement and timelines, payments;
  - poor performance and action for poor performance; and
  - any other observations.
- 15.2 A close out report is applicable to all contracts exceeding six (6) months in duration.
- 15.3 The aim of the closure procedure is to provide a mechanism for managing the closure of the contract following the end of any retention or guarantee periods and the resolution of all other outstanding matters.
- 15.4 The review must also gather the lessons learnt from the management processes and procedures followed during the contract and implemented in the future. The review must include the views of all stakeholders and the report should relate to the costs and benefits set out in the original business.

**16. Implementation Date**

This Policy is effective as of the date of approval by the Head of Department.

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## 17. Non-Compliance

Any deviation from this policy must be reported to the Head of Department and the necessary corrective measures must be taken.

## 18. Responsibility

The Chief Directorate Supply Chain Management is responsible for updating this policy. Any proposed changes to this policy must be communicated through the office of the Chief Director:

## 19. Review of the Policy

This policy must be reviewed as and when necessary but not later than three (3) years from date of signature of this policy.

## 20. Approval

**APPROVED BY:**

**SIGNATURE:**  **DATE:** 26/05/2025

**MR. G.N NGCOBO  
HEAD OF DEPARTMENT: EDUCATION  
KWAZULU-NATAL**

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