



CIGFARO 3 JUNE 2019

EFFECTIVE CONTRACT MANAGEMENT

CONFERENCE THEME:
ETHICAL LEADERSHIP FOR MAXIMUM CITIZEN IMPACT
THROUGH CLEAN GOVERNANCE

ICEBREAKER

- 1998/99 – 1.17 MILLION PUBLIC SERVANTS
- 2014 – 2.161 MILLION PUBLIC SERVANTS
- 2018 – more than 2.2 million PUBLIC SERVANTS
- Average salaries R338 000
- 14% OF GDP SA
- 6% THAILAND
- 10% RICH OECD countries
- NATIONAL 455 701 PUBLIC SERVANTS
- PROVINCIAL 1 118 748 PUBLIC SERVANTS
- LOCAL GOVERNMENT 311 361 PUBLIC SERVANTS
- OTHER GOVERNMENT ORGANISATIONS 275 851
- EXCLUDING SOEs



THE PAST

“For sugar [the government] often got sand; for coffee, rye; for leather, something no better than brown paper; for sound horses and mules, spavined beasts and dying donkeys; and for serviceable muskets and pistols, the experimental failures of sanguine inventors.”

– *Harper's Monthly Magazine*
(1864)

THE PRESENT

Mail & Guardian, show a R343.41 difference between Glencore's R607.01/tonne price for coal (with a calorific value of 20.5) and the cheapest supplier of the same quality coal, Stuart's Coal, which is priced at R263.63/tonne.

**Buffalo City Metropolitan
Municipality v Metgovis (Pty)
Limited**



Benjamin Franklin



There is no kind of dishonesty into which otherwise good people more easily and frequently fall than that of defrauding the government.

WHY?

HOW?

IT'S THE LURE OF EASY
MONEY, IT'S GOT A
VERY STRONG APPEAL.

QUOTEHD.COM

Glenn Frey

Integrity violations include:

- Corruption, which includes bribery and nepotism
- Fraud and theft of resources
- Conflict of interest
- Collusion and bid rigging
- Abuse and manipulation of information and processes
- Discriminatory treatment
- Waste and abuse of public resources

WHAT IS A CONTRACT?

- ANY AGREEMENT
ENFORCEABLE.
BY LAW

WHAT TO CONSIDER



Contracts are, by their nature, ethical instruments.



Exploitable loopholes.



Corporate Social Responsibility



Unethical practices tarnish the corporate image, repel customers and reduce company morale.

The Tension



Efficient &
Effective



Accountable



Why is contract management important?

The effective management of contracts with suppliers is critical to maximising benefits from procurement:

- Obtaining value for money
- Managing risk
- Maximising end user outcomes

LEGAL FRAMEWORK

CONSTITUTION S217

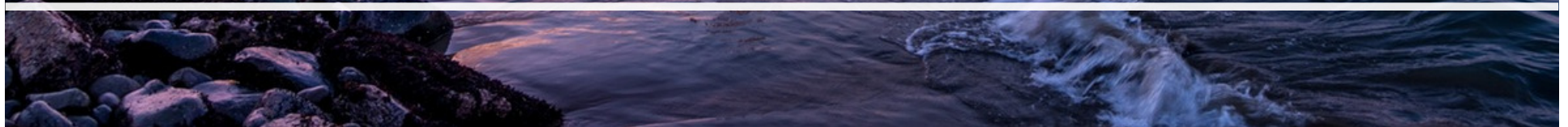
MFMA S78

MFMA S33

MFMA S116



ARE OUR FOUNDATIONS IN PLACE?



CRITICAL ROLE PLAYERS

Contract Owner

Contract Manager

Contract Administrator

Internal Stakeholders

External Stakeholders

Collaborators

ROLES AND RESPONSIBILITIES DEFINED



**Better handover between sourcing
lead & contract manager =
smoother transition**

Don't "throw it over the fence!"

THE CONTRACT MANAGEMENT LIFE CYCLE (CMLC)

Planning – convert strategic objectives into budgets and plans which identify need for contract

Creation – determine most appropriate way to structure contract to deliver on objectives

Collaboration – inputs from external and internal stakeholders including negotiations

Execution – sign up and management of contract to ensure delivery on objectives

Close Out/Renewal – assess whether contract delivered on objectives

CREATION – PERFORMANCE MANAGEMENT



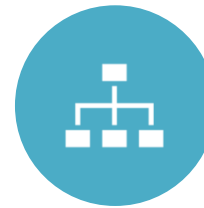
Provide for ad hoc performance reviews



Create processes for addressing poor performance



Measurement of muni's performance against best practice/benchmarks

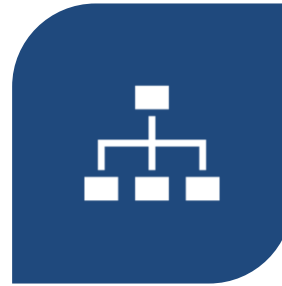


Create/determine performance reporting channels & format (streamlined, exception based etc.)



Independent review mechanism (e.g. corporate Contract Management Unit)

CREATION - RISK MANAGEMENT



CREATE STRUCTURES FOR
RISK IDENTIFICATION,
MONITORING AND
ESCALATION



RISK REGISTER



IDENTIFY CRITICAL POINTS
OF FAILURE



CONTINGENCY PLANS



CREATION CONCERNS

Records management
procedures

Safekeeping or original contract
document

Electronic back - up

Checklists/Indexes for contract
file

Contract Management Plan



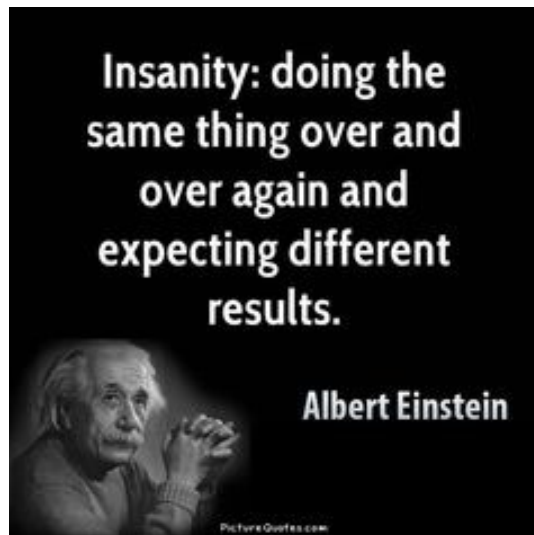
DID WE?

Delegated authority

Brief the delegated
authority

Provide proof of
successful completion of
all Collaboration activities

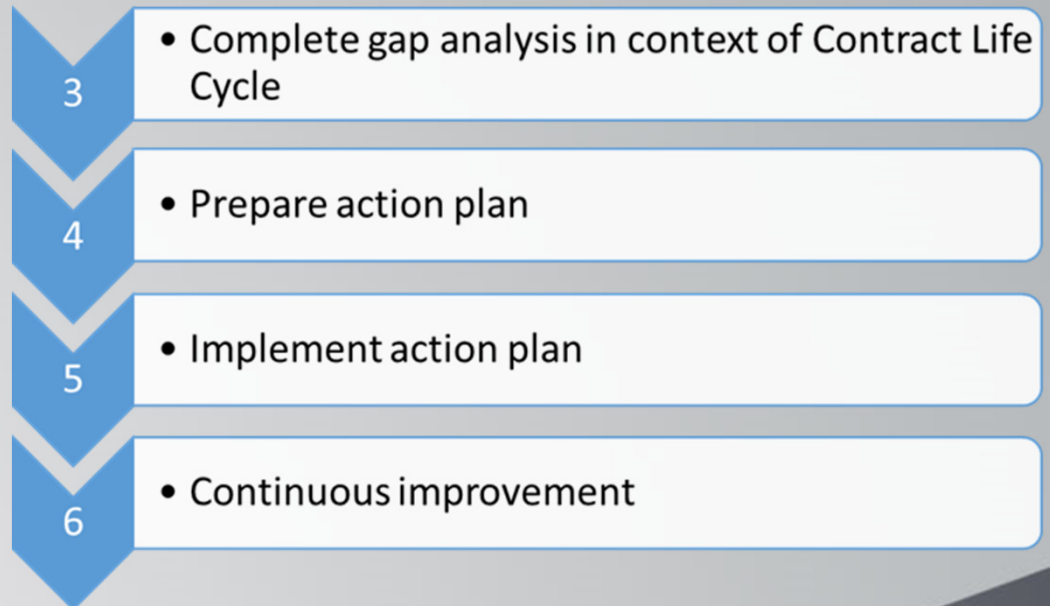
CLOSE OUT



- Difficulties, challenges and inefficiencies – far too often ignored!!
- Must be identified, recorded and communicated

IMPLEMENTATION STRATEGY

- Do you have a Contract Management Framework already?
- If yes, review.
- If not



National Treasury recommended implementation strategy



ACTION PLAN AND IMPLEMENTATION



Annual review of
framework,
procedures,
guidelines



Specialist
assistance/advice



Lessons learnt and
adaptation

CONSTRUCTION CONTRACT PERFORMANCE



Time – never lose control of programme!



Cost – “live” costing



Project deliverables – actual deliverables and not only expenditure

CONSTRUCTION CONTRACT PERFORMANCE



CONTRACT TOOLS AND BEST PRACTICES

CONTRACT REGISTER

- Each municipality to develop and implement system aligned to its resources and requirements
- Compliance with system has to be enforced



MAJOR ISSUES

1. Lack of understanding of the contract management value-add proposition

2. Incorrect positioning of contract management within organisational structures

3. Composition of CM teams

4. Lack of CM stakeholder coordination

5. Information management and regulative framework

Stay Out of
the
Headlines



THANK YOU

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SOURCES:

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