

PROVINCIAL ADMINISTRATION OF KWAZULU-NATAL
DEPARTMENT OF PUBLIC WORKS

TITLE PAGE

DOCUMENT TITLE : Standard Operating Procedures For
Contract Administration

ABBREVIATED DOCUMENT TITLE : Contract Admin. SOPs

KEY WORD : Contract Administration

HOD APPROVAL : _____ Signature

DATE OF APPROVAL AND ISSUE : _____

**PROVINCIAL DEPARTMENT OF KWAZULU-NATAL
DEPARTMENT OF PUBLIC WORKS**

AMENDMENT HISTORY

[illegible]

PROVINCIAL ADMINISTRATION OF KWAZULU-NATAL
DEPARTMENT OF PUBLIC WORKS

CONTENTS

	PAGE
Amendment History	ii
Executive Summary	xiii
 CHAPTER 1 : INTRODUCTION	
1.1 Glossary of Terms	2
1.2 Department of Public Works Addresses	6
1.3 Flow of Work for Building Related Projects	7
1.4 Milestones Flow Chart “A” Depicting Critical Stages for Planning to Completion of a Project	8
1.5 Milestones Flow Chart “B” Depicting Critical Stages for Planning to Completion of a Project	9
 CHAPTER 2 : GENERAL ADMINISTRATION	
2.1 Legislation and other Policy Information	2
2.2 Administration	9
2.3 Acquisition Management Sub-directorate	9
2.4 Job Description	9
2.5 Filing System	10
2.6 Procedure for Amendments to the Contract Administration SOPs	10
2.7 BAS/SCOA	11
2.8 Appointment of Professional Consultants (Professional Service Providers) :	
Appointment of Consultants Committee (AOCC)	11
2.8.1 Penalties	11
2.8.2 Imposition and Applications for Waiving of Penalties	12
2.8.3 Default in Accordance with the Conditions of Contract	12
2.9 Checklists and Other Data Relating to Design Requirements	
Bills of Quantities, Specification and Provincial Administration Instructions	13
 CHAPTER 3 : PRE-TENDER PHASE	
3.1 Five Year Capital Planning Programme and Multi-Year Infrastructure	3
3.1.1 Introduction	3
3.1.2 Identifying Priorities	5

PROVINCIAL ADMINISTRATION OF KWAZULU-NATAL
DEPARTMENT OF PUBLIC WORKS

CONTENTS
(continued)

	PAGE
CHAPTER 3 : PRE-TENDER PHASE (continued)	
3.1.3 <i>Allocation of Budgets</i>	5
3.2 Minor New Works (Maintenance and Adaption: Capital)	6
3.3 Fruitless and Wasteful Expenditure	6
3.4 Contingencies	6
3.5 Virement Between the Main Division of the Vote	7
3.6 Roles and Responsibilities of persons involved in a Project Cycle	8
3.6.1 <i>Definitions used in the Project Cycle Chart below</i>	8
3.6.2 <i>Legend used in the Project Cycle Chart below</i>	8
3.7 Planning of a New Project Flow Chart	10
3.7.1 <i>Essential Planning Information</i>	11
3.7.2 <i>Demolition of Existing Buildings on State Property</i>	11
3.7.3 <i>Categorisation of Projects</i>	11
3.7.4 <i>Procurement of Services - R30 000 (Vat Included) - Preferential Procurement</i>	12
3.7.5 <i>Creation of Projects on WIMS</i>	12
3.8 Appointment of Project Manager or Professional Construction Project Manager (PCPM)/Candidate Construction Project Manager (CCPM)	12
3.8.1 <i>Duties of the Appointed Project Manager or Professional/Candidate Construction Project Manager</i>	14
3.9 Role of Principal Agent	16
3.10 Duties And Functions For Minor New Works (Up to R250 000 VAT included) And Repairs And Renovations (Up to R500 000 including VAT) (Above R30 000, the 80/20 Preference Points System applies)	17
3.11 Major New Works and Repairs and Renovations - Planned Projects Estimated To Cost More Than R500 000 (Including VAT) (Above R500 000 the 90/10 Preference Points System applies)	18
3.12 Duties and Functions for Minor New Works and R&R - Period Contract-ZNT6666W: Electrical and ZNT55G: Mechanical (Annual Maintenance Contracts) (up to R500 000 including VAT)	19
3.13 Duties and Functions for Minor New Works and R&R - Period Contract-ZNT55G, ZNT6666W and 1209A (Annual Maintenance Contracts) (up to R1m including VAT)	20
3.14 Administrative Support To Professional Services Sub-Directorate	21

PROVINCIAL ADMINISTRATION OF KWAZULU-NATAL
DEPARTMENT OF PUBLIC WORKS

CONTENTS
(continued)

	PAGE
CHAPTER 3 : PRE-TENDER PHASE (continued)	
3.15 Administrative Duties of the Programme Management Sub-Directorate	22
3.16 Head Office Plans Approval Committee (PAC) and Joint Plans Approval Committee (JOPAC) for Health Projects	22
3.16.1 Purpose	22
3.16.2 Composition of Committee	23
3.16.3 Types of Projects to be Approved	23
3.16.4 Documents to be Presented	24
3.16.5 Frequency of Meetings	24
3.16.6 Procedure for Approval of Plans	24
3.17 Regional Plans Approval Committee	26
3.17.1 Purpose	26
3.17.2 Composition of Committee	26
3.17.3 Documents to be Presented	26
3.17.4 Procedure for Approval of Drawings	26
3.18 Project File	27
3.18.1 Opening a Project File	27
3.18.2 Client Department Authority	27
3.18.3 Content of Project File	27
3.19 Contract File	28
3.20 Receipt Of Correspondence	29
CHAPTER 4 : TENDER PHASE	
4.1 Flow Chart For Normal Tender Processes	5
4.2 Urgent and Emergency Cases	6
4.3 Flowchart For Approval of Procurement Strategy for Inclusion in Tender Documents	7
4.4 Procurement Planning	8
4.4.1 Programme Management Sub-Directorate	8
4.5 Procurement Strategy	8
4.5.1 Project Manager	8
4.5.1.1 The Request for the Approval of the Procurement Strategy, Form DOW301 - Tenders or DOW302 - Quotations	8
4.6 Invitation to Tender	14
4.6.1 Spreadsheet for the Monitoring of the Progress of Tenders	14
4.6.2 Approval of Tender Document to advertise - Flow Chart	15

PROVINCIAL ADMINISTRATION OF KWAZULU-NATAL
DEPARTMENT OF PUBLIC WORKS

CONTENTS
(continued)

	PAGE
CHAPTER 4 : TENDER PHASE (continued)	
4.6.3 <i>Tender Number and Tender Documentation Information Relating to Obtaining Approval to Advertise</i>	15
4.6.3.1 <i>Programme Administration Section</i>	15
4.6.3.2 <i>Project Manager</i>	16
4.6.3.3 <i>Pre-Bid and Adjudication Division</i>	16
4.7 <i>Advertisement</i>	17
4.7.1 <i>Advertising Mediums</i>	17
4.7.2 <i>Advertisement of Tender on CIDB Website</i>	17
4.7.3 <i>Procedure of Placing Advertisement in the Government Tender Bulletin and Newspapers</i>	17
4.7.3.1 <i>Closing Times for the Acceptance Notices</i>	18
4.7.3.2 <i>Determination of Closing Date, Compulsory Official Briefing Meeting/Site Inspection Date and Printing of Tender Documents</i>	18
4.7.3.3 <i>Advertisement procedures</i>	19
4.7.4 <i>Advertisement of Contract Awards</i>	20
4.7.5 <i>Advertisement Arranged by E-mail</i>	20
4.7.6 <i>Distribution of Government Tender Bulletin</i>	20
4.7.7 <i>Payment of Advertisement Accounts</i>	20
4.8 <i>Issue of Tender Documents to Contractor</i>	21
4.9 <i>Matters for the Compulsory Official Briefing Session</i>	21
4.9.1 <i>Attendance</i>	21
4.9.2 <i>Conducting the Meeting</i>	22
4.10 <i>Submission of Tenders</i>	24
4.10.1 <i>Pre-Bid and Adjudications Division of the Acquisition Management Sub-Directorate</i>	24
(i) <i>Tender Openings</i>	24
(ii) <i>Late Tenders</i>	25
(iii) <i>Scheduling of Tenders Received</i>	25
(iv) <i>Forwarding of Tender/Quotation Documents for Evaluation</i>	25
(v) <i>Extension to Tender Validity Period</i>	26
4.11 <i>Evaluation of Tenders</i>	27
4.11.1 <i>Pre-Bid and Adjudications Division of the Acquisition Management Sub-Directorate</i>	27
(i) <i>Revision of Estimate</i>	27

PROVINCIAL ADMINISTRATION OF KWAZULU-NATAL
DEPARTMENT OF PUBLIC WORKS

CONTENTS
(continued)

	PAGE
CHAPTER 4 : TENDER PHASE (continued)	
(ii) <i>Financial Authority</i>	27
(iii) <i>Evaluation Process</i>	27
(iv) <i>Elimination of Tenders</i>	27
(v) <i>Reduce Tenders to Comparative Offer (Financial Offer where all Factors of Non Firm Prices are taken into Account)</i>	29
(a) <i>Arithmetical Errors, if applicable to the Tender</i>	29
(b) <i>Determine the Reasonableness of Tender Offers</i>	30
(c) <i>Financial and Other Resource Capabilities of Tenderers</i>	30
(vi) <i>Evaluate Responsive Tender Submission</i>	30
(vii) <i>Method 2: Financial Offer (Price) and Preferences</i>	31
(viii) <i>Method 4: Financial Offer (Price), Functionality and Preferences</i>	31
(ix) <i>Manual Calculations for Method 4 : Financial Offer Price, Functionality and Preferences</i>	31
4.12 Award of Tender (Contract) - Flow Chart	35
4.12.1 <i>Award of Tenders</i>	35
4.12.1.1 <i>Pre-Bid and Adjudications Division of the Acquisition Management Sub-Directorate</i>	36
4.13 Advertising of Results	36
4.13.1 <i>Pre-Bid and Adjudications Division of the Acquisition Management Sub-Directorate</i>	36
4.14 Tenders Appeals Tribunal	36
4.14.1 <i>Pre-Bid and Adjudications Division of the Acquisition Management Sub-Directorate</i>	36
4.15 Construction Safety, Health and Environmental Plan	37
4.15.1 <i>Procurement and Post-Bid Division of the Acquisition Management Sub-Directorate</i>	37
4.16 Handing Over the Form of Offer and Acceptance and "Commencement Date"	37
4.16.1 <i>Procurement and Post-Bid Division of the Acquisition Management Sub-Directorate</i>	37
4.17 Updating WIMS	38
4.17.1 <i>Procurement and Post-Bid Division of the Acquisition Management Sub-Directorate</i>	38
4.18 Contract Document	38

PROVINCIAL ADMINISTRATION OF KWAZULU-NATAL
DEPARTMENT OF PUBLIC WORKS

CONTENTS
(continued)

	PAGE
CHAPTER 4 : TENDER PHASE (continued)	
4.18.1 <i>Procurement and Post-Bid Division of the Acquisition Management Sub-Directorate</i>	38
4.18.2 <i>Signing of Contract Document</i>	38
4.18.3 <i>Storage of Contract Document</i>	39
4.19 Contract Guarantees	40
4.19.1 <i>Submission of Guarantees</i>	40
4.19.2 <i>Guarantees</i>	41
4.19.2.1 <i>JBCC Contract Guarantees - Flow Chart</i>	41
4.19.2.1.1 <i>Release of Guarantee</i>	42
(A) <i>A Cash Deposit of 10% of the Contract Sum (Excluding VAT)</i>	42
(B) <i>A Variable Construction Guarantee of 10% of the Contract Sum (Excluding VAT)</i>	43
(C) <i>A Fixed Construction Guarantee of 5% of the Contract Sum (Excluding VAT) and Payment Reduction of 5% of the Value Certified in the Payment Certificate (Excluding VAT)</i>	43
(D) <i>A Cash Deposit of 5% of the Contract Sum and a Payment Reduction of 5% of the Value Certified in the Payment Certificate (Excluding VAT)</i>	44
4.19.2.2 <i>GCC Contract Guarantees Flow Chart</i>	46
4.19.2.2.1 <i>Cash / Cheque Guarantee</i>	47
4.20 Security Register	47
4.21 Examination of Securities	48
4.22 Receipt and Release of Guarantees	48
 CHAPTER 5 : CONSTRUCTION PHASE	
5.1A Construction Phase Flow Chart	4
5.1B Contract Site Handover Flow Chart	5
5.2 Determination of Commencement Date	6
5.3 Handing Over of Site – Also See 5.2 Above	6
5.4 Site Meetings and Standard Agenda Items	8
5.4.1 <i>Site Instructions</i>	9
5.4.2 <i>Site Records</i>	9

PROVINCIAL ADMINISTRATION OF KWAZULU-NATAL

DEPARTMENT OF PUBLIC WORKS

CONTENTS

(continued)

PAGE

CHAPTER 5 : CONSTRUCTION PHASE (continued)

5.4.3	<i>Variation Orders</i>	10
5.4.4	<i>Phased Completion</i>	10
5.4.5	<i>Sub-Contractors</i>	10
5.4.6	<i>Nominated Sub-Contractors</i>	10
5.4.7	<i>Contract Programme</i>	11
5.4.8	<i>Weekend and Holiday Work</i>	11
5.4.9	<i>Claims For Delay</i>	11
5.4.10	<i>Site Establishment</i>	11
5.5	Supervision By Works Supervisor, If Appointed	13
5.5.1	<i>Contractor To Provide A Site Representative</i>	13
5.5.2	<i>Supervision By Departmental Personnel</i>	13
5.5.3	<i>Progress Reports</i>	14
5.6	Extension of Practical Completion Date	14
5.7	Penalties	15
5.7.1	<i>Introduction</i>	15
5.7.2	<i>Penalties For Late Completion</i>	15
5.7.3	<i>Penalties – Imposition and Application For Waiving of Penalties</i>	16
5.8	Default in Accordance with the Conditions of Contract	16
5.9	Site Instruction Book and Visitors Diary	17
5.9.1	<i>Site Instructions</i>	17
5.9.2	<i>Visitors Diary</i>	18
5.10	Interim Payments To Contractors	19
5.10.1	<i>Interim Monthly Payment Certificate</i>	19
5.10.2	<i>Advance on Account of Material</i>	19
5.10.3	<i>Advance on Account of Material Which Cannot be delivered On Site</i>	20
5.10.4	<i>Advances Only In respect of Contractor's bona fide Property</i>	21
5.10.5	<i>Recommendations for Interim Payments</i>	21
5.11	Work Flow Chart for Interim Payments	22
5.12	Procedure For Contract Payments	23
5.13	Professional Fee Claims	25
5.14	Cashflow Chart For Professional Fee Claims	26
5.14.1	<i>Procedure For Professional Fee Claims</i>	26
5.15	Electronic Funds Transfer: Electronic Media (ACB)	27
5.16	Monthly Cashflows and Project Management Milestone Dates	28
5.16.1	<i>Project Management Milestone Dates</i>	28

PROVINCIAL ADMINISTRATION OF KWAZULU-NATAL
DEPARTMENT OF PUBLIC WORKS

CONTENTS
(continued)

	PAGE
CHAPTER 5 : CONSTRUCTION PHASE (continued)	
5.16.2 <i>Cashflows</i>	33
5.16.3 <i>Cashflow For Orders (Once-Off Payments on 1450 Orders)</i>	34
5.17 Variation Orders	34
5.17.1 <i>Information on Variation Orders</i>	34
5.17.2 <i>Utilisation of Contingency Sums And Variation to Contract Sum</i>	36
5.17.3 <i>Clarification in regard to the matter of Variation Orders and the related Financial Implications</i>	38
5.17.4 <i>Processing of Variation Orders Increasing Contract Sum - Flow Chart</i>	40
5.17.5 <i>Requests For The Issue Of Variation Orders</i>	41
5.17.5.1 <i>Contingency Sum Variation Orders for which approval has already been Granted at Contract Award Time</i>	41
5.17.5.2 <i>Variation Orders for Expansion of Contract Sum (To Vary Scope of Works) : SCM Delegations 7.1.4 and 7.1.5</i>	41
5.17.6 <i>Payment To Contractors In Respect Of Work Covered By A Variation Order</i>	42
5.18 Cession of Contract	42
5.19 Sequestration/Liquidation of Estate of Contractor	43
5.20 Financial Control	43
5.21 Cost Control System	43
5.22 Financial and Budget Controls	44
5.22.1 <i>Financial Reports</i>	44
5.22.2 <i>Reasons For Excessive Cost Changes Must Be Furnished</i>	44
5.23 Budget Reports: Monthly Cashflows	45
5.24 Calculation Of Escalation For Budget Reports	45
5.25 Completion Certificate ("Practical Completion")	46
5.25.1 <i>Pre-Inspection</i>	46
5.25.2 <i>Practical Completion</i>	46
5.26 Unsatisfactory Work Performance By A Contractor	47
5.27 Guidelines For Cancellation – Termination of a Contract - Flow Chart	49
5.27.1 <i>Guidelines</i>	51
5.27.1.1 <i>Application of Different Contracts to Cancel a Contract</i>	51
5.27.1.2 <i>JBCC Principal Building Agreement</i>	51
5.27.1.3 <i>JBCC Minor Works Agreement</i>	53
5.27.1.4 <i>General Conditions of Contract (GCC)</i>	54
5.27.2 to 5.27.12 <i>Procedure For Cancellation – Termination of a Contract</i>	55

PROVINCIAL ADMINISTRATION OF KWAZULU-NATAL

DEPARTMENT OF PUBLIC WORKS

CONTENTS

(continued)

PAGE

CHAPTER 5 : CONSTRUCTION PHASE (continued)

5.28	Guidelines to Format a Financial Statement of Expenditure to Determine a Shortfall or a Refundable Balance where a "Contract is "Cancelled/Terminated" and a "Completion Contract" is Entered Into	57
5.29	Barring of Contractor	61
5.30	Reporting of Debt	61
5.31	Contract Completion Report, Contractor's Analysis Report and Imposition of Penalty	61
5.32	Appropriation (As Built) Drawings	63
5.33	Final Completion (Delivery)	64
	5.33.1 <i>Building Work</i>	64
	5.33.2 <i>Nominated Sub-Contracts</i>	64
5.34	Final Account	64
	5.34.1 <i>Responsibility for Preparation of Final Account</i>	64
	5.34.2 <i>Details To Be Included In The Final Account</i>	65
	5.34.3 <i>Settlement Of Final Account</i>	65
	5.34.4 <i>Format Of Final Account</i>	66
	5.34.5 <i>Number of Final Accounts Required</i>	66
	5.34.6 <i>Payment</i>	66
5.35	Procedure Relating To Obtaining Legal Advice And The Referral Of Contractual Matters To The State Attorney (KZN), Other Legal Matters, Etc.	66

CHAPTER 6 : DAY-TO-DAY MAINTENANCE

6.1	Day-To-Day Flow Chart On Split In Responsibilities	2
6.2	Building Contracts – Up to R500 000	3
6.3	Cession of Contract	3
6.4	Description	3
6.5	Description of Work	3
6.6	Grouping Of Services On WIMS	3
6.7	Cash Flow For Orders	3
6.8	"Period" Contracts	3
6.9	Compilation Of Lists Of Prospective Contractors Per Type Of Service	4
6.10	Application of SCM Delegations of Authority to Arrange for Work	4
	6.10.1 <i>Basic Requirement</i>	4
	6.10.2 <i>Level 1 : More Than R1 – R2 000 (incl. of VAT)</i>	4

PROVINCIAL ADMINISTRATION OF KWAZULU-NATAL

DEPARTMENT OF PUBLIC WORKS

CONTENTS

(continued)

PAGE

CHAPTER 6 : DAY-TO-DAY MAINTENANCE (continued)

6.10.3	Level 2 : R2 000 – R10 000 (incl. of VAT)	5
6.10.4	Level 3 : R10 000 – R500 000 (incl. of VAT)	5
6.10.5	Urgent and Emergency Cases : SCM Delegation 5.1 (Level 13 up to R250 000 incl. of VAT, Level 14 up to R1 000 000 incl. of VAT, HOD Unlimited)	6
6.11	Variation Orders	6
6.12	Final Accounts – Quotations	6
6.13	Requisition / Works Instruction For Repair Services	6
6.14	Administration Of The Particular Office	6
6.15	Recording Of Requests By The Helpdesk	6
6.17	Opening Of Sub-File By The Helpdesk	7
6.18	Inspectorate	7
6.19	Departmentally (i.e. using Departmental Staff and Drawing Material in Stock from Stores)	7
6.20	Using Departmental Staff And Suppliers (i.e. Using Departmental Staff and Purchasing Material from Suppliers)	9
6.16	By Contractor (i.e. Using a Contractor by the Placing of a Service order or Issue of Letter of Acceptance)	12

CHAPTER 7 : URGENT AND EMERGENCY CASES

7.1	Flow Chart for Quotation Processes	2
7.2	Definition for Urgent and Emergency Cases	3
7.3	SCM Delegation 5.1	3
7.4	Procurement Conditions Applicable to Services at all levels	4
7.5	Acceptance of a Contract Award	5
7.6	Contract Administration	5

**CHAPTER 8 : LISTINGS OF LETTERS AND FORMS/SPECIMENS/WIMS FORMS/
WIMS MENUS AND FUNCTIONS**

1.	Letters and Forms – Chapter Order	2
2.	Letters and Forms – Numerical Order	7
3.	WIMS Menus and Functions	13

STANDARD OPERATING PROCEDURES FOR CONTRACT ADMINISTRATION

EXECUTIVE SUMMARY

The purpose of producing this Handbook is aimed at

- (i) standardising procedures throughout the KZN Department of Public Works;
- (ii) updating documents and letters, frequently used by officials of the KZN Department of Public Works and,
- (iii) addressing critical needs and shortcomings insofar as standard operating procedures are concerned.

Compliance with these instructions is an important duty of supervisors to monitor and ensure that no member of staff summarily dispenses with operational detail or alters approved wording to letters and forms which, if not controlled, would lead to the eventual erosion of having introduced standard procedures. The departmental EXCO on the advice and recommendation of the Chief Directorate Operations can only approve amendments to procedures.

Over the past years many procedural changes were brought about as a result of the introduction of new Acts and Regulations, involving even amendments thereto. These changes affected the delivery of services and highlighted the need to revise previous procedures. Changes in the financing and tendering fields including the introduction of the Construction Industry Development Act, 2000 (Act No. 38 of 2000) probably had the greatest impact because of legislative amendments. Other areas which place great strain on the delivery of services are:

- (i) the decentralisation of functions and funds to the regions and,
- (ii) personnel having to attend to work for which they are not skilled to perform.

The upshot of the situation is that without internal human capacity, a high percentage of work must be outsourced to others to perform.

Whilst some of the procedures prescribed may seem to be almost unnecessary, it is often the small overlooked items which, when standardised and then complied with, ensures the smooth operation and flow of work. Many more complex matters of a general nature are also addressed in the document.

This Handbook provides background knowledge to procedures, as it is essential to understand the involvement of other disciplines in achieving goals and client satisfaction.

The Handbook covers in sequence of workflow, the following aspects:

- (i) Programmed Policy covering the pre-tender planning phase, the tender award phase, effecting payments and contract administration during the construction period and completion of the Works phase, effecting final payment and receipt of the appropriation drawings for future use.
- (ii) Maintenance Policy covering Day-To-Day and Maintenance from the request and planning stage, through to the completion stage, involving awarding of a contract, managing the contract, effecting payments and recovery of monies, where necessary.
- (iii) Functional Models depicting various stages of contract administration applying the Works Information Management System, is a management tool.
- (iv) Documents Design involves the standardisation of forms and letters as used by the Department.