

	PROCUREMENT INSTRUCTION 06 of 2019	Template Identifier	240-43921804	Rev	0	
		Document Identifier	240-147242898	Rev	0	
		Effective Date	11 June 2019			
		Review Date	June 2022			

TO:
ESKOM OFFICIALS, SENIOR MANAGERS,
PROCUREMENT PRACTITIONERS, CONTRACTS
MANAGERS

Ref No.:
P&CM-02/2019

Enquiries:
R Maghoo
Tel: +27 11 800 4501

PROCUREMENT INSTRUCTION 06 of 2019 – STANDARD FOR CONTRACT MANAGEMENT REPORTING

1. PURPOSE

This instruction Note seeks to address the minimum reporting standards required for contracts management in Eskom

2. BACKGROUND

The recent year-end audit highlighted shortcomings in the contract management that requires immediate attention. Some of these include:

- Management does not exercise oversight responsibility regarding compliance as well as related internal controls to appropriately have oversight of current contracts and supplier's performance on such contracts;
- Management does not design and implement formal controls over IT systems to ensure the reliability of the systems and the availability and accuracy of information and provide functions to record contract performances to allow or facilitate an oversight role; and
- Management did not implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support contracts awarded.

The impact of these shortcomings may result in

- The inability to conclude if appropriate contract management is being implemented by management;
- The inability to identify contracts that deviated from the appropriate procurement process and verify such deviations were appropriately approved and well supported;
- The internal control deficiencies do not allow for Eskom internal reviews and identification of contracts and quotations that may not be complaint to relevant laws and regulations;
- Inappropriate supplier management / supplier performance management;

Controlled Disclosure

When downloaded from the document management system, this document is uncontrolled and the responsibility rests with the user to ensure it is in line with the authorised version on the system.

No part of this document may be reproduced without the expressed consent of the copyright holder, Eskom Holdings SOC Ltd, Reg No 2002/015527/30.

	PROCUREMENT INSTRUCTION 06 of 2019	Template Identifier	240-43921804	Rev	0	
		Document Identifier	240-147242898	Rev	0	
		Effective Date	11 June 2019			
		Review Date	June 2022			

- Inappropriate oversight by those charged with governance to verify appropriate monitoring of contracts;
- Delays in identification of poor performing contracts that may require intervention of the accounting authority;
- Limited ability to demonstrate that Eskom has and maintains an appropriate contract management system that allows for effective contract management; and
- Non-compliance with 32-1034 P&SCM Procedure revision 4 in terms of Contracts Management.

3. MINIMUM STANDARDS FOR REPORTING ON CONTRACT MANAGEMENT

P&SCM contract management will consolidate the information at company level and provide the management reporting to Exco on the status of contracts in execution on a quarterly basis. The table below together with attached register have been developed to support the collation of Contracts Management information. As a minimum the information needs to be maintained at a divisional level for contracts in execution. Eskom Divisions may track other items as well. The identified items as per the table below must be captured per contract where any of those items apply.

Items	Required Information per Contract	Estimated costs per Contract
1. Claims	Number of claims per contract	Cumulative cost of total claims
2. Compensation events	Number of compensation events	Cumulative cost of the compensation events
3. Contract terminated	Not a natural termination	The remaining contract value/ termination cost
4. Contracts on Hold	Temporary Suspension of the contract until further deliberation	None
5. Delay Damages	Number of delay damages issued	Cumulative cost of the delay damages
6. Delayed Contracts	Contract commencement is delayed	Only when there is a quantified cost
7. Delayed Performance	Contractor is late in delivering. Performance is past a due date	Only when there is a quantified cost
8. Early warnings	Received from/issued to the contractor	Only when there is a quantified cost
9. Employer requirements	letters issued that are not covered in the NCR/CAR process for breaches in Employer Requirements	Only when there is a quantified cost
10. Insurance Events	Insurance claims for works in Progress	Cumulative cost of total insurance claims
11. Interest payments	Interest due to the supplier for late payment	Cumulative amounts of interest
12. Litigation	Adjudication, Arbitration or Court processes	Cumulative cost of event including legal costs
13. Modifications	Any material change to the contract conditions	Modification Value and time
14. Other Remedial Action taken	Any event not covered in other categories	None

Controlled Disclosure

When downloaded from the document management system, this document is uncontrolled and the responsibility rests with the user to ensure it is in line with the authorised version on the system.

No part of this document may be reproduced without the expressed consent of the copyright holder, Eskom Holdings SOC Ltd, Reg No 2002/015527/30.



**PROCUREMENT INSTRUCTION
06 of 2019**

Template Identifier	240-43921804	Rev	0
Document Identifier	240-147242898	Rev	0
Effective Date	11 June 2019		
Review Date	June 2022		

15. Parent Company Guarantee	Call on the parent Company Guarantee	Value of the guarantee
16. Penalties Imposed	Financial/Non-financial measures issued against a contractor	Only when there is a quantified cost
17. Performance bond called on	Call on the performance bonds	Value of the bond
18. Retentions	Call on the retention or part thereof	Value of the retention called
19. SD&L penalties	Non-performance on one or more SD&L criteria	Only when there is a quantified cost in the contract
20. Search for defects	Number of "search for defects" in a contract	Only when there is a quantified cost
21. Supplier issued with NCR	Number of NCR's issue	Only when there is a quantified cost
22. Supplier suspended	As an outcome of the supplier reconsideration committee (temporary)	None
23. Suppliers appointed to replace terminated contract	New supplier appointed to take over the contract	Only when there is a quantified cost
24. Suppliers restricted	As an outcome of the supplier reconsideration committee (restriction beyond Eskom and listed on the National Treasury register)	None
25. Variations	Number of Variations	cumulative cost of variations

4. IMPLEMENTATION

A completed register with required information must be submitted to P&SCM Contracts Management as follows:

Reporting Period	Reporting Due	Targeted Exco
April to June	Mid July	August
July to September	Mid October	November
October to December	Mid January	February
January to March	Mid April	May

The divisions must appoint a coordinator for this report who will verify the information for completeness and accuracy. The respective divisional executives will sign off on the report.

The supporting documents relating to the information provided must be maintained by the divisions in line with 240-102185830 - Standard for Management of Commercial Procurement Documentation as well as 32-202 Periods for Retention of Accounting and Other Records

For queries, please contact P&SCM Contracts Management department.

Controlled Disclosure

When downloaded from the document management system, this document is uncontrolled and the responsibility rests with the user to ensure it is in line with the authorised version on the system.

No part of this document may be reproduced without the expressed consent of the copyright holder, Eskom Holdings SOC Ltd, Reg No 2002/015527/30.

	PROCUREMENT INSTRUCTION 06 of 2019	Template Identifier	240-43921804	Rev	0	
		Document Identifier	240-147242898	Rev	0	
		Effective Date	11 June 2019			
		Review Date	June 2022			

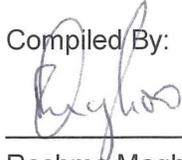
5. EFFECTIVE DATE

This Procurement and Contracts Management Instruction is effective from the date of the last signature herein and remains in effect until superseded by a new Procurement Instruction, a revision of Eskom Procurement and Supply Chain Management Procedure 32-1034 Rev 3 or if otherwise directed by National Treasury.

6. AUTHORITY

This Instruction note is issued under the authority of the Chief Procurement Officer.

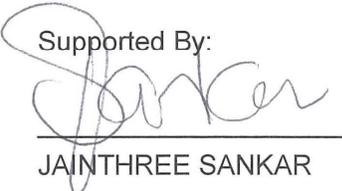
Compiled By:



Reshma Maghoo

CONTRACTS ADVISOR

Supported By:

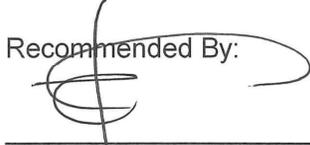


JAINTHREE SANKAR

SENIOR MANAGER: CONTRACT MANAGEMENT

Date: 14 June 2019

Recommended By:

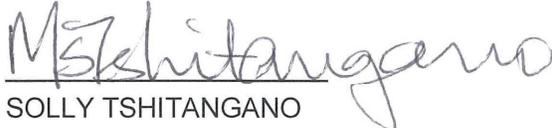


NTOMBIZODWA MOKOATLE

GENERAL MANAGER: SOURCING (ACTING)

Date: 20 June 2019

Approved By:



SOLLY TSHITANGANO

CHIEF PROCUREMENT OFFICER

Date: 21 JUNE 2019

Controlled Disclosure

When downloaded from the document management system, this document is uncontrolled and the responsibility rests with the user to ensure it is in line with the authorised version on the system.

No part of this document may be reproduced without the expressed consent of the copyright holder, Eskom Holdings SOC Ltd, Reg No 2002/015527/30.