



MOHOKARE
LOCAL MUNICIPALITY

**SUPPLIERS PERFORMANCE MONITORING TOOL
MOHOKARE LOCAL MUNICIPALITY**

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1. Legislation Consulted

- Municipal Systems Act, No.32 of 2000
- Municipal Finance Management Act, No 56 of 2003
- SCM Regulations
- Mohokare Local Municipality's Policies
- Municipal Staff

This policy will only apply to contracts that have been awarded or reviewed after of this policy.

The implementation of this policy, once adopted, will apply to contracts of the value greater than R200 000.00.

2. Purpose

Service providers play in vital role in the performance of the organisation as many municipal services and supporting services are outsourced to service providers. The Mohokare Local Municipality is responsible for insuring effective and efficient service delivery to the community. Therefore there is a need to monitor the performance of service providers.

The Vision of Mohokare Municipality is to become a Performance driven municipality that utilises its resources efficiently to respond to community needs. The Mission of Mohokare Local Municipality is to be a Community driven municipality that ensures sustainable quality service delivery applying principles of good governance.

The objective of performance monitoring of service providers is to obtain a measure of the service provider's performance under the contract. Performance assessments during the course of a contract help both the Municipality and the service provider to reach a common understanding of the requirements of both parties about the work.

A rigorous reporting system is an excellent tool to provide feedback to a service provider on its performance on each project. It helps to identify areas that the Service Provider is excelling in and any areas that need improvement.

Performance reports can be used in the assessment of a service provider on its performance on each project. It helps to identify areas the Service Provider is excelling in and any areas that need improvement.

Performance reports can be used in the assessment of a service provider for pre-qualification, selective tender list, registration, tender evaluation and – in the event of termination for unsatisfactory performance under a contract.

Further, business support strategies and interventions can be appropriately tailored to achieve government's developmental objectives for targeted enterprises.

The objectives of this policy are to:

- Ensure a high quality of service is maintained
- Detect underperformance early, thereby reducing the risks to projects.
- Create mechanisms to improve performance where targets are not being achieved
- Provide data to municipal officials so that informed decisions can be made.
- Assist in governments developmental objectives in the form of structuring appropriate business support strategies/interventions to targeted enterprises.
- Assess the suitability of a service provider for pre-qualification, selective tender lists or expressions of interest.

3. Contents of Policy Framework

This policy sets out the framework on monitoring and reporting on the performance of service providers in terms of Chapter 8 of the Municipal Systems Act Section 81 and Section 116 of the Municipal Finance Management Act.

Section 116 of Municipal Finance Management Act -**Contracts and Contract Management states that-** (1) A contract or agreement procured through the supply chain management system of a municipality or municipal entity must-

- (a) be in writing;
- (b) Stipulate the terms and conditions of the contract /agreement, which must include provisions providing for-
 - (i) The termination of the contract or agreement in the case of non or under performance.
 - (ii) Dispute resolution mechanisms to settle disputes between parties;
 - (iii) A periodic review of the contract or agreement once every three years in the case of a contract or agreement for longer than three years; and
 - (iv) Any other matters that may be prescribed.

(2) The accounting officer of a municipality or municipal entity must-

- (a) take all reasonable steps to ensure that a contract or agreement procured through the supply chain management policy of the municipality or municipal entity is properly enforced
- (b) monitor on a monthly basis the performance of the contractor under the contract agreement;
- (c) establish capacity in the administration of the municipality or municipal entity-
 - (i) to assist the accounting officer in carrying out the duties set out in paragraphs (a) and (b);
 - (ii) to oversee the day-to-day management of the contract or agreement; and (d) regularly report to the council of the municipality or board of directors of the entity, as may be appropriate, on the management of the contract or agreement and the performance of the contractor.

(d) regularly report to the council of the municipality or board of directors of the entity, as may be appropriate, on the management of the contract / agreement and the performance of the contractor

4. Notification to Service Providers

All service Providers of prospective service providers must be informed of newly adopted system of:

- An assessment and reporting of the service providers' performance.
- Setting of performance criteria in terms of the tender, (SCM specification phase) the required deliverables and service level agreement.
- The use of the service provider performance reports when evaluating service providers for registration, pre-qualification, selective tender list, expressions of interest or awarding or a contract;
- The exchange of information on service provider performance reports between government units/departments.

5. Evaluating the Performance of Service Providers

The Council must approve the thresholds (size and types of service provider contracts) that need to comply with the requirements of this policy. The thresholds that need to be reviewed annually include: (Monthly performance reviews gets supported by the Supply Chain Management Policy):

- The threshold will be 200 000 and above – competitive bidding which is in line with the Supply Chain Management Policy and has been approved by Council.
- This policy will apply to contracts that deliver goods and services procured through the Supply Chain system as well as contracts that render services.

The service provider must sign a service level agreement indicating the services to be delivered (as set out in the specifications during the SCM process), the timeframes and the evaluation methodology. The service providers performance must be assessed in the context of the project as a whole (KPI's to be established during the SCM specification phase for procurement).

Appropriate key performance indicators for the contract must be set by the Municipality as a yardstick for measuring performance.

The SMART principle as laid out in the Municipality's Organizational Performance Framework must be followed in developing key performance indicators, and how often should be this information be audited by internal audit.

The respective roles and obligations of the Municipality and service provider under the contract must be taken into account.

If it happens that after signing the SLA, the end user of the services/goods or the municipality for that matter would like to change the scope of work or criterion.

Officials preparing or reviewing the performance of a service provider must consider whether satisfactory progress or completion of a project has been affected by any matters which are:

- Outside the service providers control, or
- The result of some action by the Municipality.

The service providers performance must therefore be evaluated against set performance criteria, (KPI's – Key Performance Indicators) after taking into account matters beyond the service providers control.

Prescribed procedures to evaluate service providers

The following procedures need to be followed:

- The requirements of this policy must be included in the contract of the service provider.
- The performance of the service provider under the contract or service level agreement must be assessed monthly by the Reporting Officer.
- The assessment must be completed in the contract management system.
- The Reporting Officer must complete the Service Provider Assessment on the contract management system at the end of each month and on completion or termination of the contract.
- The quarterly assessment and reporting must be completed within 15 working days after the end of each quarter.
- The Reporting Officer must provide a copy of the assessment to the Service Provider at the end of each quarterly assessment period and on completion or termination of the contract.
- Supply Chain Management Unit (Person responsible for contract management) will review the quarterly.

Service Provider assessments within 20 days after the end of each quarter and submit a summary report to Council.

In the instance of under-performance:

- The Municipality will facilitate *support interventions* to service providers in the identified areas of underperformance. (Dispute resolution).
- Service providers who have been identified as under-performing in identified areas must be informed of these support interventions.
- The support interventions may be:
 - (a) Sponsored by the municipality;
 - (b) Subsidized by the municipality;
 - (c) Paid for by the attending service providers
- The impact of support interventions must be monitored by the Reporting Officer.
- Corrective action should be documented in writing within the contract management system
- The records of the support interventions must be documented, signed by both parties and appropriately filed in the contract management system.

If there is evidence that the underperformance or non-performance of the service provider is due to factors caused by the municipality then:

- There will be no penalization of service provider
- The accounting officer, or delegated official, must take corrective action where necessary

6. Roles and responsibilities of municipal officials

ROLE	RESPONSIBILITY
Reporting officer	<ul style="list-style-type: none"> • Line Departments • Monitor and assess work done or service provided as per the service delivery agreement/contract • Report on the performance of the service provider.
Reviewing Officer	<ul style="list-style-type: none"> • Review the assessment made by the reporting officer.
Supply Chain Management	<ul style="list-style-type: none"> • Manage the performance management process. • Report on contract management and service provider performance to council quarterly. • Report to Council annually on the performance of service providers • Investigate and report on the impact of the interventions on areas of underperformance as part of the quarterly and annually report. • Review the policy and process annually. • Facilitate support interventions to address the underperforming areas.
Accounting Officer: Delegated to Performance Management Unit	<ul style="list-style-type: none"> • Ensure that KPI's are included in the appropriate Individual performance plan of the Municipal Official. • Review the policy and process annually. • Facilitate the quarterly and annual report to internal audit. • Facilitate support interventions to address the underperforming areas.
Internal Audit	<ul style="list-style-type: none"> • Audit the performance information • Facilitate support interventions to address the underperforming areas.

7. Policy Reporting

Reporting will go concurrently with other reports compiled by the Performance Management Unit. Monthly, Quarterly, Midyear as well as in the Annual Report.

8. Policy Review

This policy will be reviewed annually together with the budget related policies.

9. Annexures

Annexure A – Report to Council: Performance of Service Providers

Annexure B – Performance Assessment Report

10. Supplier Performance Rating

Performance above target 3

Performance at target level 2

Performance below target but causing major problems 1

Performance below target and Unacceptable 0

A service provider's performance must be assessed in the context of the project as a whole. The respective roles and obligations of the Mohokare Local Municipality and service provider under contract must be taken into account.

11. Overall assessment unsatisfactory

11.1 Where the overall assessment is rated as unsatisfactory or the service provider is not recommended for further work of similar nature for Council, the following procedure applies:

11.1.1 A meeting between the service provider, the Reporting Officer and Reviewing Officer is to be convened.

11.1.2 At that meeting, reasons for the scoring seen in the performance report are to be discussed and the discussion minuted.

11.1.3 The service provider shall be given the opportunity to respond in writing i.e. 10 days of the meeting.

11.1.4 The service provider's response may provide grounds that would allow the performance report to be adjusted, however doing so is entirely at the discretion of the Reviewing Officer. An adjustment must be evidence based. The onus is on the Service Provider to produce the evidence.

11.2 If upon completion of steps in section 11.1.1 to 11.1.4 and the service provider's overall assessment remains unsatisfactory, the service provider is to be informed.

11.3 In cases where the service provider is unsatisfied about the outcome, a further review may be arranged by Council which will be undertaken in accordance with the review process indicated in section 20.

12. Appeal process for the Service Provider performance report.

12.1 If, after following the review process described, a performance report rates the service provider's overall performance as unsatisfactory or the service provider is not recommend for further work of a similar nature, the service provider must be given the opportunity to have an independent reviews as follows:

12.1.1 The review will be undertaken within a reasonable time, i.e. 10 working days of the receipt of an appeal by the service provider.

12.1.2 The Officer conducting the review must be a Senior Manager, not associated with the contract concerned.

12.1.3 Where a Review Committee recommended by the Accounting Officer should be established to deal with issues of reviews.

12.1.4 The review committee will consist of 3 senior officers and should include an independent representative, for example an official from other sphere of Government.

12.1.5 Political office bearers shall not be allowed to form part of the reviewal processes

12.1.6 The evidence provided by all parties shall be considered for decision making.

12.1.7 The committee will have powers to seek evidence, do investigative work and request any information either in person or writing from the all parties.

12.1.8 The committee will have in its powers to recommend findings to MPAC or National Treasury through the Accounting Officer if wrong doing is detected.

12.1.9 The service provider will be notified of the outcome of the review with 10 days of the review, where the performance report is changed as a result of the review, an adjusted copy of the report will be given to the service provider

13. End of contract performance report (closing report)

13.1 The end of contract performance report will be an important source of data for evaluation of performance of a service provider. For this reason, the final report should reflect the performance of the service provider throughout the entire contract period.

13.2 When performance is unsatisfactory, concise supporting evidence and all relevant details of the unsatisfactory performance must accompany the report.

13.3 All performance reports must be accompanied by documentary evidence supporting the reports, including minutes of meetings with the service provider

ANNEXURE A - REPORT TO COUNCIL: PERFORMANCE OF SERVICE PROVIDERS

No of service providers assessed:			
No of service providers contracted to the municipality:			
Assessment Criteria	No of poor performance	No of accepted performance	No of outstanding performance
List of KPI	Achieved	Not Achieved	
Interventions developed for areas of poor performance:			
List Service providers that underperformed:	Area of poor performance:	Attended Intervention	
	•	• <input type="checkbox"/>	

ANNEXURE B - PERFORMANCE ASSESSMENT REPORT

General information															
Contract Number				Department											
Service Provider's name															
Sector				Unit											
Contract description															
Contract Period				Original Due Date for Practical											
Date of Acceptance of Tender				Original Contract Sum											
Reason for report <input type="checkbox"/>															
Financial Year:															
Practical Completion Assessment Report															
Quarterly Assessment				Quarter 1			Quarter 2			Quarter 3			Quarter 4		
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monthly Assessment				J	F	M	A	M	J	J	A	S	O	N	D
Contract progress															
Extended Date for Practical Completion				Total Extensions of Time Approved (days)				(calculated)							
Percentage of Work Completed at Report Date				Actual Date of Practical											
Contract Sum as Varied at Report Date															
Service Provider's performance															
				Poor <input type="checkbox"/>				Accepted <input type="checkbox"/>				Outstanding			
Assessment Criteria															
KPIs															
				Achieved				Not Achieved							
Overall comments <i>(attach separate sheets if necessary)</i>															
Reporting Officer															
<i>In my opinion:</i>															
Name <i>(please print)</i>				Contact Number											

Signature		Date	
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<i>Reviewing Officer</i>		
<i>I concur I do not concur with the Reporting Officer's assessment detailed in the report.</i>		
In my opinion:		
The report has been forwarded to the Service Provider	Yes	No
Recommended for further work (to be answered on completion of contract)	Yes	No
If the recommendation is No, the unsatisfactory performance aspects have been discussed with:		
Minutes of meeting and Service Provider's response attached		
Yes	No	
Name of Service Provider's representative <i>(please print)</i>		
Contact number	Date of Discussion	
Signature	Date	

DRAFT