Service Provider Management Framework

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<th>APPROVED/REVIEWED</th>
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<tr>
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1. PREAMBLE

The use of information and communication technology (ICT) has become mission critical in the conduct of the municipal service delivery. It is used to render services directly to the citizenry or provide them with information and also in the operationalisation of the service and management activities. The availability, performance and integrity of these business functions are directly influenced by the performance and reliability of the service providers. It is thus important that a discipline is instituted to manage service providers of these enabling systems and their performance.

The purpose of the service provider management discipline for application and information systems is to ensure that these meet the municipal functional business requirements, the management of relationships, enters into business agreements, establishing service level agreements to manage these relationships and performing the review of service provider relationships. This is done to optimise the following risks:

- Reputational damage;
- Interruption in the provisioning of municipal and decision making information;
- Break in sustainability and reliability of services and reporting; and
- Compromising of confidentiality and security of information and processes.

In this regard this Service Provider Management Framework (herein called the Framework) is established.

2. LEGAL FRAMEWORK

The policy was drafted bearing in mind the legislative conditions, as well as to leverage internationally recognised ICT standards.

The following legislation, among others, were considered in the drafting of this policy:

- Copyright Act, Act No. 98 of 1978
- Electronic Communications and Transactions Act, Act No. 25 of 2002
- Minimum Information Security Standards, as approved by Cabinet in 1996
- Municipal Finance Management Act, Act No. 56 of 2003
- Municipal Structures Act, Act No. 117 of 1998
- Municipal Systems Act, Act No. 32, of 2000
- National Archives and Record Service of South Africa Act, Act No. 43 of 1996
- National Archives Regulations and Guidance
- Promotion of Access to Information Act, Act No. 2 of 2000
• Protection of Personal Information Act, Act No. 4 of 2013
• Regulation of Interception of Communications Act, Act No. 70 of 2002
• Treasury Regulations for departments, trading entities, constitutional institutions and public entities, Regulation 17 of 2005.

The following internationally recognised ICT frameworks and standards were leveraged in the development of this policy:

• Municipal Information and Communication Technology Governance Policy Framework, 2015
• COBIT 5®, 2012
• ISO 27002:2013 Information technology — Security techniques — Code of practice for information security controls
• ISO 38500:2008 Corporate Governance of ICT
• King IV Report, 2016

3. DEFINITIONS

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<tr>
<th>Terminology</th>
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<td>Application</td>
<td>Software that is used to facilitate a business process and manipulate its information.</td>
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<td>Business owner</td>
<td>The staff or line function functionary that is primarily responsible for the delivery of the service that is enabled through an application or information system.</td>
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<td>Change Management</td>
<td>Change Management refers to structured and authorised approach to transitioning the use of ICT in service delivery form an as-is to a to-be state.</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>Information System</td>
<td>An information system is computerised system for the collection, organization, storage and communication of information used to collect, filter, process, create and distribute electronic information.</td>
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<td>Service Level Agreement</td>
<td>A SLA is a contract between a service provider and the business owner that defines the service elements and the expected level of the service. It is output based with a specific purpose to define what the business owner will receive.</td>
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4. INTRODUCTION

The Municipal Corporate Governance of Information and Communication Technology (ICT) Policy (herein called the CGICT Policy) was approved by the Council on 29 September 2015. It guides the implementation of means and mechanisms to govern the use of ICT in service delivery at an executive level. This involves the actions of evaluating the municipal business landscape and the value that the use of ICT creates, directing how ICT will be used in enabling service delivery and monitor whether the value was created.

Due to the nature of the municipality all ICT enabling services are not provided by the in-house ICT department. In this regard the municipal business and ICT respectively makes use of service providers. This the Framework institutes a practice for the management of service providers. This is done according to the model below. The model addresses the following:

- **Identify and select suppliers** – this is a process that is addressed in the normal procurement practice of the municipality and is not discussed in this Framework;
- **Establish and manage supplier relationships** – involves the negotiation and establishment of business and service level agreements (SLA) in line with the business requirements of the municipality;
- **Manage supplier risk** – addresses a regular risk assessment of the continued ability of a service provider to render the service;
- **Monitor supplier performance** – involves the monitoring of the service received from the service provider in line with the requirements of the established SLA; and
- **Audit supplier performance** – involves audit reviews of the SLA and the performance of the service provider against its requirements where required.

![Diagram: Model for Instituting Service Provider Management]

Supplier management practice is established in the municipality through principles and practices as discussed in the following paragraph.
5. PRINCIPLES AND PRACTICES

5.1 Principles

The following principles apply. The Municipal Manager must ensure that:

5.1.1 External supplier relationships are formalised and managed;

5.1.2 Business agreements guide these relationships;

5.1.3 Service level agreements (SLA) guide service levels and quality;

5.1.4 External supplier related risks are managed;

5.1.5 External supplier performance is managed; and

5.1.6 External supplier performance against service level agreements may be audited.

5.2 Practices

With regards to these principles, the following practices apply:

5.2.1 Formalised and managed relationships:

   a. A line or staff business owner is assigned for each application or information system;

   b. Responsibilities with regards to the management of supplier relationships are assigned to business owners;

   c. The business owners formally review contracts, business and service level agreements;

   d. The business owner does a performance review on the relationship with the service provider; and

   e. An escalation path is established to escalate service provider problems where required.

5.2.2 Business Agreement:

The business owner must:

   a. Where a contractual arrangement with a service provider runs for longer than one year a Business Agreement must be entered into with the service provider. It determines the high-level terms of engagement with the service provider. These issues that should be addressed in this engagement are included in the attached draft Business Agreement (Annexure A).

5.2.3 Service Level Agreements:

The business owner must:

   a. Where a contractual arrangement with a service provider runs for longer than three months a SLA must be entered into with the service provider. It
determines the specifics of the terms of engagement with the service provider. These issues that should be addressed in this engagement are included in the attached draft SLA (Annexure B).

b. SLAs are also entered into with service providers with whom a Business Agreement is entered into. Where the Business Agreement is the umbrella arrangement more than one SLA can be entered into with the same service provider under one Business Agreement.

5.2.4 Risk Management:

a. The business owner manages the risk of the SLA in line with the risk management practice of the Municipality; and

b. The risk assessment must focus, amongst other areas, on the ability of the service provider to sustain the provision of the service.

5.2.5 Supplier Performance Management:

a. The business owner is responsible to establish the criteria for and manage the performance of service providers against the SLA;

b. The business owner must (based on the criticality of the application or information system) determine how regularly service provider performance against the SLA will be monitored and evaluated. In any agreement, this must happen at least quarterly;

c. The business owner must monitor and evaluate the service received against the requirements of the SLA in a minuted formalised meeting with the service provider;

d. Where required, review meetings should include the identification of measures to improve performance of the service provider and how this will be measured; and

e. Where necessary an independent review of the performance of the service provider against the SLA could be done.

5.2.6 SLA Audits:

a. The business owner should ensure that the SLA and the management of the relationship with the service provider is audited when required.

6. ADMINISTRATION

This policy is administered by the Senior Manager ICT and will be revised at least on a 3-yearly basis.