

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**COLLEGE OF ARCHITECTURE AND PLANNING**

**DEPARTMENT OF BUILDING TECHNOLOGY.**

**COMPLIANCE WITH CODE OF ETHICS ON PUBLIC PROCUREMENT IN**

**THE DEPARTMENT OF FEEDER ROADS.**

**KNUST**

**BY**

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## DECLARATION

I hereby declare that this submission is my own work towards the MSc Procurement Management and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University except where due acknowledgment has been made in the text.

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## DEDICATION

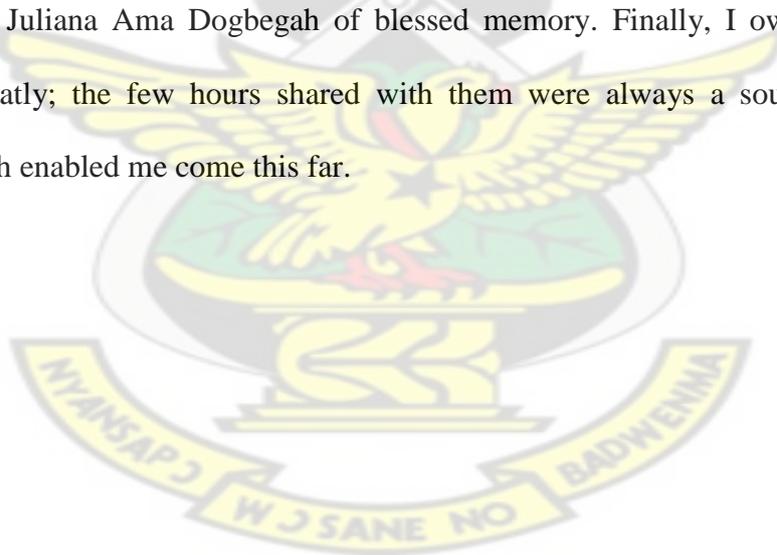
An appreciation to my humble and caring wife Esther Afefa Appasu-Govina, for her love and kind support. A dedication to my sons, Angelo and Henry Govina, daughter; Angel Govina with the hope to inspire them to achieve excellence.

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## ABSTRACT

The public procurement process is a huge policy within the discussions of every government given that it involves large acquisition of goods, services and works of a procuring entity with public funds. In some developing countries this accounts for 50-70% of their national budget and about 14% of their Gross Domestic Product. The level of compliance with the code of ethics in public procurement in Ghana specifically at the Department of Feeder Roads (DFR) is the subject of this research. The research investigates the level of compliance, associated challenges and identifiable strategies to improve the compliance of public procurement practices at DFR using a sample of 65 respondents from DFR. The compliance level was found to be high although non-compliance was challenging to quantify; with other challenges such as lack of management support for compliance, inadequate qualified personnel and lack of motivation emerging as key factors. The study recommends that capacity building for staff is key determinant for attainment of optimum success for compliance with code of ethics in public procurement.

The study adopted purposive and convenience sampling method since the target population 105 staff responsible for procurement are known out of which 65 staff selected for this research. Further the research used SPSS version 16.0 and Microsoft Excel 2013 for analyzing the data collected. The responses of the sample population is analyzed and presented in frequency tables, graph and percentages.

# CHAPTER ONE

## INTRODUCTION

### 1.1 BACKGROUND TO THE STUDY

Globally, public procurement has become an issue of public attention and debate, and has been subjected to reforms, restructuring, rules and regulations. Public procurement refers to the acquisition of goods, services and works by a procuring entity using public funds (World Bank, 1995a). According to Roodhooft and Abbeele (2006), public bodies have always been big purchasers, dealing with huge budgets. For example, the Organization for Economic Cooperation and Development (OECD, 2002) maintains that government expenditure on procurement is estimated to be US \$2,000 billion in 1998 which represent 7% of world gross domestic product (GDP) and 30% of world merchandise trade in advanced countries. Nonetheless, in developing countries and Ghana in particular, public procurement accounts for 50-70% of the national budget (after personal emoluments), representing about 24% of total imports and makes up about 14% of the country's Gross Domestic Product (GDP) (World Bank, 2003). Hence, public procurement has always been a big part of the developing countries economy and it is an area that needs attention in the face of increasing non-compliance (Odhiambo and Kamau, 2003).

Procurement managers and stakeholders in the public service serve institutions created and governed by a complex array of statutes, regulations, policies, and directives. They operate in an environment of increasingly intense scrutiny and accelerated changes driven by technology, program reviews, and public and political expectations for service improvements. These combined result into growing institutional complexity and risks. As observed by Ntayi (2009), that millions of dollars gets wasted due to inefficient and

ineffective procurement structures, policies and procedures as well as failure to impose sanctions for violation of procurement rules thus resulting in poor service delivery. Consequently, the level of compliance to procurement regulations can therefore determine whether a government meets its goals and objectives or not as well as how the compliance with procurement ethics affects many internal and external stakeholders. Schiele (2012), avers that public procurement professionals and stakeholders should adhere to a well-defined and established code of ethics. The code of ethics in public procurement identifies three main categories as the follow: confidence in the public procurement process; professionalism of employees and quality of execution. Lwamfa (2006) also explains the code of conduct is the principle that sets out standards of behavior for public officers in public service. It is designed to ensure the impartiality, transparency, integrity, efficiency and effectiveness of public officers when performing their duties. It is intended to guide public officers in their behavior and how they relate to each other and the public. Therefore, Baron (2000) posits that the effectiveness of such codes of ethics depends on the extent to which management supports them with sanctions and rewards. Violations of an organization's code of ethics usually can subject the violator to the organization's remedies. The code of ethics links to and gives rise to a code of conduct for employees. Therefore, professional standards of ethical conduct, no matter what the organization, contain typical characteristics including commitments to avoid conflicts of interest, behave honorably in all aspects of work and professional activity, and conduct oneself in such a manner as to maintain trust and confidence in the integrity of the acquisition process.

Ethical procurement prohibits breach of the public's trust by discouraging a public employee from attempting to realize personal gain through conduct which is not in agreement with the proper discharge of the employee's duties. Ethics are the principles

which define behavior as right, good and appropriate. Employees in public service are bound to uphold certain values (National Institute of Governmental Purchasing, NIGP, 2011). Any attempt to realize personal gain by conduct inconsistent with the proper discharge of the employee's duties is a breach of the public trust. The value of the transactions in the procurement process along with pressures to lower costs could result in bribery, corruption and other practices which could be deemed unethical. In the public sector where goods and services are funded by public expenditure, it is imperative that procurement operates ethically, with impartiality, transparency, and professionalism. Ethical procurement best practice starts with the employees in procurement following an ethical code which dictates their behavior and actions while conducting business.

In Ghana, procurement process is hinged on the Public Procurement Act 2003, (Act 663) which was enacted to harmonize public procurement processes in the public service, secure judicious, economic and efficient use of state resources, and furthermore, ensure that public procurement is fair, transparent and non-discriminatory (Ministry of Finance, 2001; Anvuur and Kumaraswamy, 2006). In addition, it presents comprehensive legislative framework designed to eliminate the shortcomings and organizational weaknesses, which were inherent in public procurement in Ghana. Furthermore, the PPA is established on the five basic pillars namely: comprehensive, transparent legal and institutional framework; clear and standardized procurement procedures and standard tender documents; independent control system; proficient procurement staff; and anti-corruption measures (World Bank 2003; Anvuur and Kumaraswamy, 2006). Notwithstanding public procurement in Ghana is characterized by anomalies such as poor contract management, contract variations, undue delay in payment for work done and failure to adhere to Act 2003,(Act 663) (Lamily, 2013). According to McDonald (2008), it sounds very administrative and technical that the rules that guide government

purchases of goods, works and services are the most controversial aspects of Good Governance agenda. In addition, Osei-Tutu et al. (2012) indicated that non-conformity of the Act in the MMDAs was very rife. On this basis, Anvuur and Kumaraswamy, (2006) argued that a framework for guiding the implementation of the public procurement Act and other alternative procurement arrangements and modalities will be required to sustain the momentum to reform, and improve the scope for achieving value for money in the public procurement function. Hence, the successful implementation of Ghana's Public Procurement Act 2003, (Act 663) has a bearing on the technical and ethical skills of those involved in the whole process. The problems of violations of procurement procedures, the use of high-ranking officials to influence procurement decision making and bribery-induced violations of procurement procedures by government officials in collaboration with providers are attributed not only to the technical skills of the experts but rather noncompliance with the Public Procurement Acts. Based on the above discussion, this study will attempt to find out the level of compliance with code of ethics on the public procurement in the Department of Feeder Roads, (DFR).

## **1.2 STATEMENT OF THE PROBLEM**

According to Adjei (2006), the Public Procurement Act of Ghana was intended to harmonize public procurement processes, secure judicious, economic and efficient use of state resources and ensure that public procurement is fair, transparent and non-discriminatory. However compliance with code of ethics by public institutions has been the greatest challenge in the attainment of the said objectives. Adjei (2006), further reported in his research that there was a low advertisement of tender opportunities and low awareness of publication of contract award which indicates a level of non-compliance. Consequently, Country's Assessment Procurement Report,(CAPR), 2003

recommended a prudent, periodic monitoring and assessing procurement entities compliance with the legal and regulatory framework at the local level where most of the Metropolitan, Municipal and District Assemblies (MMDAs) staff responsible for procurement are not procurement proficient even though they have been trained.

Non-compliance defeats the overriding objectives of the Public Procurement Act; Act 2003, (Act 663) to deliver economy and efficiency in the use of public funds, value for money, quality of services, goods, and works while adhering to the fundamental principles of non-discrimination and equal treatment, due process, access to information and transparency. Compliance is the key to the attainment of the objectives of the procurement Act 2003, (Act 663) such as transparency, competition, and value for money, accountability and the efficient use of state resources. Based on the above discussion, this research study intends to find out the level of compliance of code of ethics on public procurement at DFR.

### **1.3 AIM AND OBJECTIVES OF THE STUDY**

The aim of this study is to assess the level of compliance with code of ethics on public procurement in DFR.

The following objectives were proposed to guide the study:

- To assess the level of compliance with the code of ethics on public procurement at DFR
- To identify the challenges associated with the compliance level of code of ethics on public procurement practices at DFR.
- To identify the strategies to improve compliance level of code of ethics on public procurement practices at DFR.

## **1.4 RESEARCH QUESTIONS**

Following from the proposed objectives, the study sought answers to the following research questions:

1. What is the level of compliance with the code of ethics on public procurement at DFR?
2. What are the challenges associated with the compliance level of code of ethics on public procurement practices at DFR?
3. What strategies can be employed to improve the compliance level of code of ethics on public procurement at DFR?

## **1.5 SIGNIFICANCE OF THE STUDY**

The findings of the study will add to the existing body of knowledge on compliance level of code of ethics on public procurement sectors in the country. It is intended that the findings of this research may be useful to management and staff of DFR in strengthening the acquisition, implementation and integration of procurement practices at large. The study will also inform government and policy-makers of the challenges involved in compliance with code of ethics on public procurement; regards to design changes to streamline the acquisition of works, goods and services in public institutions as set by the Public Procurement Act 2003, (Act 663) for which DFR is mandated to comply with.

## **1.6 DELIMITATIONS OF THE STUDY**

This study was delimited to the compliance level with the code of ethics on public procurement in DFR. Further, this study was focused on management, engineers, quantity surveyors, auditors, finance and administrative of DFR to whom much responsibilities and obligations is assigned procedurally.

## **1.7 LIMITATIONS OF THE STUDY**

The study adopted survey research methods which employed the use of questionnaire to collect data from the respondents. One of the limitations associated with the use of questionnaire is that the respondents may not provide all the needed information because they may think that the study would expose the flaws that are associated with compliance with code of ethics on public procurement in DFR. This weakness might have affected the results of the study. Another significant limitation to this study was the use of one public institution for the study. It is often difficult to draw definitive conclusions from the findings because of the small scale of method. Thus, the findings of the study may have a low external validity and hence, inference making about the entire population outside the organization should be done with great caution.

## **1.8 ORGANISATION OF THE STUDY**

This study is organized into five chapters. Chapter one covers the background to the study, objectives, research questions, significance of study, research scope, as well as organization of study. Chapter two describes the review of literature relevant to the research theme, providing insight into previous studies relating to the research area and definitions. Chapter three describes the methodology including research design, sample and sampling procedure, method of data collection and method of data analysis. Chapter four presents analysis of data while chapter five describes the summary, conclusions and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter aims at providing a focus for the study as well as the basis for the assessment of the findings. The literature was reviewed on both conceptual and the empirical perspectives on compliance with code of ethics in public procurement.

#### **2.2 THE CONCEPT OF PUBLIC PROCUREMENT**

Public procurement has its origins in the fiduciary obligation of government administrations to deliver goods and infrastructure, and services (Odhiambo and Kamau, 2003). Public procurement refers to the government activity of purchasing the goods and services needed to perform its functions (Arrowsmith, 2010). According to Odhiambo and Kamau (2003), public procurement is broadly defined as the purchasing, hiring or obtaining by any contractual means, goods, construction works and services by the public sector. It involves the purchase of commodities and contracting of construction works and services if such acquisition is effected with resources from state budgets, local authority budgets, state foundation funds, domestic loans or foreign loans guaranteed by the state, foreign aid and revenue received from the economic activity of state. Based on the above discussion, public procurement can be defined as the function whereby public sector organizations acquire goods, services and development and construction projects from suppliers in the local and international market, subject to the general principles of fairness, equitability, transparency, competitiveness and cost-effectiveness. It includes many activities that support the service delivery of government entities, ranging from

routine items to complex development and construction projects. It also directly or indirectly supports government's social and political aims.

Public procurement is increasingly recognized as a profession that plays a key role in the successful management of public resources, and a number of countries have become increasingly aware of the significance of procurement as an area vulnerable to mismanagement and corruption and have thus made an effort to integrate procurement into a more strategic view of government efforts. As part of the efforts to adopt a long-term and strategic view of their procurement needs and management, most countries have resorted to using their annual procurement plans as a possible problem solver (Mahmood, 2010).

### **2.3 OVERVIEW OF PUBLIC PROCUREMENT IN GHANA**

Ghana has accumulated considerable and valuable experience on public procurement under civil and military administrations (World Bank, 2003). In the pre-independence era, that is prior to 1957 there was a public procurement policy in which public procurement was treated as part of the colonial administrative process in the British Empire. The colonial administration engaged Public Works Department (PWD) for procurement of works and Crown Agents for procurement of goods. From Independence 1957 to 1967, Government relied less frequently on Crown Agents for procurement of goods and procured goods directly through Ministries Departments Agencies (MDAs). For procurement of works, Government set up Ghana National Construction Corporation (GNCC) to carry out works and reduced the force account component of PWD. In 1960, the Government established the Ghana Supply Commission (GSC) for procurement of goods for all public institutions. Essentially GSC took over the functions of Crown Agents. In 1976, the Government established Ghana National Procurement Agency

(GNPA) for procurement of bulk items such as sugar, fertilizers, auto parts, etc. for sale to public and private sectors. GSC and GNPA had purchasing manuals for their use. In 1975, the Architectural and Engineering Services Corporation (AESC) was established to carry out consulting services for works contracts. Except for SOEs, public institutions were mandated to use GSC, GNPA GNCC and AESC for public contracts (World Bank, 2003). In 1967 the Government set up Central, Regional and District Tender Boards as advisory bodies for works contracts and subsequently in 1996 changed them to contract awarding authorities.

By 1996, GSC was overwhelmed by the demands from its clients, inefficiency was rampant, and there were numerous complaints on contract prices, delayed delivery and at times delivery of wrong items. MDAs began to handle procurement of goods following FAR rules but without institutional arrangements. Works procurement procedures, though not comprehensive, are described under the Central, Regional and District Tender Board procedures. There are still no guidelines for procurement of consultant services. AESC and GSC were transformed into limited Companies in 1996 and 1999 respectively, thus rendering them no more providing services to public institutions on a mandatory basis. Due to the inadequacy of public procurement procedures, procurement procedures under World Bank-financed project signed from 2000 are defined in a “Procurement Procedures Manual” prepared for the project. These manuals are based on World Bank guidelines and Bank’s standard bidding documents are used (World Bank, 2004).

## **2.4 DEFINITION OF KEY TERMS**

### **a. Public procurement**

Is the acquisition of goods, works and or services by any government through the civil service institutions, shall be in compliance with the procurement law (Act 663), financial regulations and rules (Act 654), and the alternative dispute resolution provisions (Act 798) as promulgated by parliament of the republic of Ghana. (CIPS - Pan African Conference, cited 2014). Public procurement is broadly defined as the purchasing, hiring or obtaining by any other contractual means of goods, construction works and services by the public sector. Public procurement is alternatively defined as the purchase of commodities and contracting of construction works and services if such acquisition is effected with resources from state budgets, local authority budgets, state foundation funds, domestic loans or foreign loans guaranteed by the state, foreign aid as well as revenue received from the economic activity of state (Odiambo and Kamau, 2003).

Public procurement thus means procurement by a procuring entity using public funds (World Bank, 1995a). The items involved in public procurement range from simple goods or services such as clips or cleaning services to large commercial projects, such as the development of infrastructure, including road, power stations and airports. Public procurement is different from private procurement, because in public procurement the economic results must be measured against more complex and long term criteria. Furthermore, public procurement must be transacted with other considerations in mind, besides the economy. These considerations include accountability, non-discrimination among potential suppliers and respect for international obligations. For these reasons, public procurement is subjected in all countries to enacted regulations, in order to protect the public interests. It is worth noting that unlike private procurement, public procurement is a business process within a political system and has therefore significant

consideration of integrity, accountability, national interest and effectiveness (Wittig, 1998).

### **b. Compliance**

Encarta World English Dictionary defines compliance as the act or state of conforming with or agreeing to do something. As cited by Gelderman et al (2006) in general, compliance refers to target “acting in accordance with an influence attempt from the source” (Payan and McFarland, 2005, p. 72). From the perspective of a formal concept of compliance, the conduct of the regulated actor is compared to a formal definition of the corresponding legal obligation (Lange, 1999).

Compliance has a negative connotation, because it is usually associated with enforced behavior. In the marketing-channel literature, compliance: is considered as giving in to “the wishes of a more powerful channel member” (Hunt et al., 1987, p. 377). Kelman (1958, p. 53) too points at the negative sides of compliance: an individual accepts influence not because he believes in its content but because he expects to gain specific rewards or approval and avoid specific punishments or disapproval by conforming.” Compliance occurs when the target performs a requested action, but is apathetic about it, rather than enthusiastic, and puts in only a minimal or average effort (Yukl, 1989). The scope of this study is limited to compliance, especially the level to which public entities and their employees act according to the Public Procurement Act.

### **C. Procurement Ethics**

In pursuance of section 92 (3) and (4) the civil service law, 1993, PNDC Law 327 ethics is defined as a behavior, attitudes, and character exhibited within and outside the working environment. The standards of conduct generally required are: selflessness, competence, integrity, impartiality, fairness and honesty in matters affecting work and

status in society. Further section 86 of Act 2003 (Act 663), states that the board (PPB) shall compile and publish a code of conduct with the approval of the Minister which shall apply to every official of a procurement entity, board, members of Tender Review Boards, as well as suppliers and consultants.

#### **D. Unethical behavior**

Misconduct is defined in section 76 of the civil service law 1993 (PNDCL 327), as an act done without reasonable causes which amount to failure to perform in a proper manner which contravenes and brings the civil service into disrepute. Ethics is the study of moral judgments and right and wrong conduct. Ethics and conflict of interest greatly affect supply chain management implementation. Enormous power is wielded by some chief financial officers but there is also a lack of proper consultation with other senior officials. While the National Treasury's guide to accounting officers prescribes a standard approach towards supply chain management procedure, in many instances there is lack of compliance and application of the guidelines. This has resulted in differentiation in approaches and a lack of standardization.

##### **2.4.1 The objectives and scope of the Public Procurement Act 663**

The main objectives of Act 2003, (Act 663) are to harmonize public procurement processes in the public service; secure judicious, economic and efficient use of state resources and to ensure that public procurement functions undertaken within the public sector are fair, transparent and non-discriminatory. The Act applies to procurement financed wholly or partly from public funds; procurement of goods, works, services and contract administration; disposal of public stores and equipment, not forgetting procurement financed by funds or loans taken by the government of Ghana, including

foreign aid funds. The Act however have some exceptions and does not apply to some situations such as: where the Minister decides that alternative procedures are in the national interest; where a loan or funding agreement specifies alternative procedures and excludes stores management and/or distribution.

#### **2.4.2 Functions of the Public Procurement Act 663**

The Public procurement Act establishes the Public Procurement Board, entity tender committees and tender review boards; it specifies rules for procurement methods, procedures, appeals by tenderers and disposal of stores; defines offences and applicable penalties and also specifies the thresholds in schedules to the Act 663. It also authorizes the issues of regulations, which are enforceable under the Act. The Act 663 applies to various institutions such as the central management agencies; ministries, departments and agencies (MDAs); subverted agencies and governance institutions. Others includes state own enterprises; public universities, schools, colleges and hospitals; the Bank of Ghana and financial institutions owned or majority owned by government and institutions established by Government for the general welfare of the public. Minister here refers to the Government of Ghana appointed political figure in charge of a government ministry for example the Minister in Charge of Finance.

#### **2.4.3 Structure of the legal and regulatory framework for public procurement in Ghana**

The basic structure of the legal and regulatory framework of public procurement in Ghana consists of the Public Procurement Act 2003, (Act 663); Public Procurement regulations, Public Procurement manual; Standard tender documents and Guidelines to assist public procurement practitioners. Under the Act 663, regulations are issued by the

Minister of Finance in consultation with the Public Procurement Authority under section 97 of the Act. They contain detailed rules and procedures for all aspects of the procurement system; the operations of the Public Procurement Authority and the procurement entities and the conduct of procurement activities (Public Procurement Board, 2007). As part of the legal framework of the Act 663, the Public Procurement Board is authorized to issue guidelines and to provide supplementary guidance on specific topic that are needed to help streamline the conduct of public sector procurement in Ghana. The legal framework also covers the issue of standard tender documents and manual for the conduct of procurement by the Public Procurement Board. The standard documents are issued by the Procurement Board and are listed in Schedule 4 of the Act. The standard tender documents comprises of standard invitation and contract documents for procurement of all values and includes standard tender documents for goods, works and services. While the manuals issued by the Public Procurement Board provides practical guidance and step by step procedures for undertaking of procurement functions in accordance with the Act 2003, (Act 663) and with standard forms to assist in procurement record keeping (Public Procurement Board, 2007).

## **2.5 CODE OF CONDUCT AND ETHICS**

According to Baron (2000), ethical standards in major corporations are coming under scrutiny, and financial institutions have been challenged about conflicts of interest and their investment advice. Considering that ethical scandals have been exposed even in the very large corporations managers are becoming more conscious of how they are perceived by the public, and want to be seen as ethical. However, since it is also the fiduciary duty of these managers to make profits and increase shareholders wealth, it is no wonder that there has been an increasing interest in the relationship between being ethical and financial performance.

Apart from the academic research undertaken, studies have also been carried out by several bodies, such as Institute of Business Ethics (IBE) and Ethical Investment Research Services (EIRIS), in order to provide useful advice to practitioners on how to improve and measure their own corporate social performance. Corporate codes of business ethics studies generated evidence of a positive relationship between ethics and Corporate Social Responsibility (CSP) and financial performance. (Orlitzky, et al, 2003). Orlitzky et al (2003), described business ethics as the application of moral philosophies to issues in business and its goal is to describe morally good behavior for managers and corporations as a whole. It can also be defined as the study of business situations, activities and decisions where issues of right and wrong are addressed and it deals with those issues not explicitly covered by law. In some cases, ethical and, or socially responsible behavior can be considered an investment in transparency and trust, and consequently, help reduce transaction costs within and across an organization. Ethical Investment Research Services (2005) defines business ethics as how a company conducts its business and the behavior of its employees. Therefore, in present times, it is expected that most, if not all companies should have a code of ethics and also an ethical identity. Procurement Ethics is defined as standards and norms of behavior prescribed for promoting good governance for civil servants for the sustenance of self-esteem locally and internationally, (Ghana Vision 2020), Public Administration System, (PAS 1999). Ethics requirements includes: selflessness, integrity, justice and fairness, accountability, transparency and leadership, adherence to these requirements renders an entity socially responsible. PPA 2003, (Act 663) section 86 refers; the board shall compile and publish a code of conduct with the approval of the Minister which shall apply to every official of procurement entity, the Board, members of Tender Review Boards, as well as suppliers, contractors and consultants.

Dobler and Burt (1996) defined a profession as a calling requiring specialized knowledge and often long and intense preparation including instruction in skills and methods, maintaining by force of organization or concerted opinion high standards of achievement and conduct, and committing its members to continued study and to a kind of work to which has for its prime purpose the rendering of a public service” This definition is echoed by Millerson (1964), who lists the following essential features of a profession. A profession, according to Millerson, has the following essential features: a skill based on theoretical knowledge, a skill requiring training and education; the demonstration of competence by professional by passing a test; maintenance of integrity by adherence to a code of conduct and service provided for the public good and that the profession is organized. Procurement professionals need to acknowledge and devise strategies for managing all these complex challenges. The professionals must be seen as champions of efficiency and effectiveness and must acknowledge the challenges and their various forms, and their sources. The requirements to educate professionals and equip them with new and higher-level skills have consequently become urgent (Sauber et al., 2008). A skill is the ability either to perform some specific behavioral task or the ability to perform some specific cognitive process that is related to some particular task (Peterson and Van Fleet, 2004). However, Lan et al, (2005) reports that finding, hiring and retaining dedicated, energetic, and ethical employees with special skills is always hard. While we understand that professionalism is a key mechanisms for, and primary targets of institutional change, the precise role of professions and professional service firms in processes of institutional change remain under-theorized (Hwang and Powell, (2009), Scott, (2008).

### **2.5.1 Training and Compliance on procurement regulations**

According to a study by Public Procurement Oversight Authority (PPOA, 2007), the procurement regulations were meant to ensure that efficient training had been offered to professionals to serve in procurement. It was also revealed by the study by the PPOA that the available expertise at the procurement units did not meet the need for specialized procurement knowledge despite there being steps towards developing a professional procurement workforce. The overall lack of procurement knowledge remains a major weakness to the efficiency of procurement operations. Short-term procurement training was also found to be in short supply, although it was noted that the PPOA is currently offering a series of sensitization sessions targeting both the public and private sector. On lead time, it was found out that the laws and procedures do not support timely procurement, contract execution and payment. For example, there were no legal provisions, procedures and or guidelines on the time limits for appropriation of funds, the processing of invoices and payments (KACC, 2007). In a study by KPMG International carried out after the introduction of the Regulations, it was still found out that public procurement still suffers from fraud and misconduct (KPMG, 2008). In yet another study by KACC, it was noted that public officials distort the Regulations to restrict the participation of interested firms in procurement, or still direct the outcome of others. In a survey of public institutions by the Kenya Anti-Corruption Commission (KACC), in 2007 after the public procurement and disposal regulation (PPDR 2006), had been implemented, it was revealed that procurement had become more transparent, formal and clearer. The procurement exercise follows steps according to the PPOA of 2007 and these steps must be observed in order to ensure that all the stakeholders involved in the procurement exercise obtain fair treatment. The steps include; planning for the required procurement over a given period, identifying the source of the items, highlighting

specifications/initiation of procurement, determination of procurement procedure, Sourcing (soliciting) offers, evaluation of offers, post qualification, commencement of contract, contract performance (delivery) and management, record keeping and accountability, payment and post contract performance (PPOA: Act, 2007).

Many corporate board members in Africa, especially of state-owned companies, have limited understanding of their roles, and are usually open to manipulation by management, chairmen, or principal shareholders. Some are outright incompetent. Non-executive directors in Africa need to play any meaningful role in the ensuring compliance. However many simply act as rubber stamps for decisions taken outside the board (Charles and Oludele, 2003). In this perspective, compliance arises from a dynamic equilibrium between the various powers of the state and understanding what their roles are (Fisher, 2004). According to De Boer and Telgen (1998), as quoted by Gelderman et al., (2006), one of the factors causes of non – compliance with procurement regulations is the level of awareness with the procurement regulations. De Boer and Telgen (1998) assert that during the early days of the inception of public procurement regulations in The Netherlands, many municipalities could not comply to the regulations because they were not familiar with them. Gelderman et al., (2006) confirmed this position in a survey on compliance with EU procurement directives. On the other hand, it is possible that those who are familiar with the regulations know it so well that they know how to beat the loopholes to their advantage. It is worth noting that the ambiguity in the public procurement procedures may provide a chance for dubious acts including tendering and discriminate supplier selection which may progress into poor compliance levels. According to Guy (2000), there are six dimensions though which we can judge the level of institutionalization of any structure and its ability to adapt to change, including: autonomy, complexity, coherence, congruence and

exclusivity. Implementation of organizational activities depends on the relationships between and within organizations.

## **2.6 CODE OF CONDUCT AND ETHICS IN PROCUREMENT**

The values of integrity, transparency and accountability in public administrations have enjoyed resurgence within the past three decades. Sound public administration involves public trust. Citizens expect public servants to serve the public interest with fairness and to manage public resources properly on a daily basis. Fair and reliable public services and predictable decision-making inspire public trust and create a level playing field for businesses, thus contributing to well-functioning markets and economic growth (Elia, 2005). The basic objectives of good procurement are to procure the right quality of goods, works or services from a reliable supplier in the right quantity ensuring cost effectiveness; delivered at the right time; to the right place; in the right quantity and at the right price whilst achieving the lowest total cost. In the achievement of the objectives of a good procurement system the following factors are of utmost importance: professionalism; transparency; value for money; competitiveness and accountability. Among other factors include fairness; efficiency and ethical approach to the conduct of procurement functions.

### **2.6.1 Professionalism and transparency in public procurement**

Professionalism is the discipline whereby educated, experienced and responsible procurement officers make informed decisions regarding procurement functions and therefore can be argued that the role that procurement professionals play in the procurement system of the Ghanaian economy is critical to the economic development of the country (Public Procurement Board, 2007). It is therefore in recognition of this fact

that one important object of the Public Procurement Board is stated as follows: ‘the professional development, promotion and support for individuals engaged in public procurement and to ensure adherence to ethical standards by trained persons’(Adjei, 2006). Transparency on the other hand means the application of the same rules to all suppliers of goods, works and services and that these rules are publicized as the basis of procurement decisions prior to their use. Transparency enables the creation of open, fair and transparent procurement procedures. Transparency helps in the growth of in-country investments and competitiveness as the public sector is seen as a responsible business partner. Transparency is considered one of the best deterrents to corruption and allows access to information by the public.

#### **2.6.2 Value for money and competitiveness in public procurement**

Value for money (Adjei 2006), refers to the optimum combination of ‘whole life cost’ and ‘quality’ to meet the customer or the end-users requirement of the procured goods or service under consideration and usually reflected in the price of the item procured. The object of the Public Procurement Board is ‘to harmonize the processes of public procurement in the public service to secure a judicious, economic and efficient use of state resources in public procurement’ attest to the value for money principle of the procurement system (Public Procurement Act 2003, Act 663). Competitiveness on the other hand refers to the active participation of the private sector and or suppliers in the procurement process through the making of procurement information accessible to all; through advertising of tenders; sourcing reviews; prequalification and the adoption of transparent procedures in the procurement systems. The benefits of competitiveness cannot be over emphasized and includes potential savings for the economy; increases in

the supplier base; and the development of the local industries within the economy and thereby eventually leading to economic development and poverty reduction.

### **2.6.3 Accountability, fairness and efficiency in public procurement**

Accountability, fairness and efficiency are three cardinal pillars that procurement reforms seek to achieve in that a very fair and accountable procurement system helps in the efficient utilization of the state resources judiciously (Adjei 2006). Procurement practitioners need to be very fair in their day-to-day dealings with their suppliers and potential bidders and the public at large in order to earn the trust of the various actors within the procurement system. Accountability refers to the process of holding an individual or an organization fully responsible for actions and functions they are engaged in over which they have authority to exercise those functions. The benefits of accountability and fairness are as follows: the strengthening of the perception of transparency and fairness; the reduction of the incidence of corruption; the development of mutual trust and the fact that procedures are adhered to for example in all stages of the tendering process. An efficient public procurement system has the benefit of being operated in a very timely manner with little or no bureaucracy and thereby helping to instill and underpin the trust worthiness of the procurement system.

## **2.7 CHALLENGES IN PUBLIC PROCUREMENT**

Payan and McFarland (2005, p72) define compliance as referring to ‘acting in accordance with an influence attempt from source’ as reported by Gelderman et al. p702, (2006). The concept of compliance looks at the conduct of the regulated actor in comparison to the corresponding obligation that the actor is supposed to obey. Compliance is usually assumed to have a negative connotation since it is usually

associated with enforced behavior. This negative connotation of compliance is given further emphasis by its definition in the marketing literature as 'giving in to the wishes of a more powerful channel member' (Hunt et al., 1987; Gelderman et al., 2006).

Gelderman et al. (2006), equally reported that an individual accepts influence not because he believes in its content but because he expects to gain specific rewards or approval and avoid specific punishments or disapproval by conforming' (Kelman, 1958).

In relating this to principal-agent theory, an agent acting on behalf of a principal may be forced to comply with the laid down rules since the actor assumes that he/she may be sanctioned for non-compliance or rewarded for compliance. A public procurement practitioner therefore acting on behalf of the government of Ghana (principal) is enforced to comply with the regulatory regime of the new public procurement Act 2003, (Act 663) since the inability to comply may result in the agent being sanctioned as mandated by the law. This was evidenced in the assessment report of the Public Procurement Authority where for ethics and compliance with the regulatory framework, Ghana achieved a score of 52.88% which was considered quite satisfactory in view of the relatively short time that the reform process was implemented. It has also been found that academic research in public procurement has been very inadequate (Thai, 2001) not to mention research with respect to compliance (Gelderman et al., 2006). Most compliance research in developing countries are 'more or less fact finding missions' with Public Procurement Board (2007). Non-compliance is considered a major hindrance when it comes to compliance issues since it shows that the directives, rules and regulations are not being followed and therefore would be difficult to achieve the objectives of such reform programs. The significance of the compliant process cannot be overstated in that it helps determine if the procurement of goods, services and works are done efficiently and economically. It also helps to assess if the procurement process is

being undertaken in accordance with the rules and regulations as pertaining to the regulatory framework within which the reform takes place. The compliance process also helps in identifying weaknesses within the procurement system and how to take corrective measures so as to correct deficiencies within the system. The enforcement of the rules and regulations, the reward of incentives and the sanctioning of practitioners is deemed to influence compliance rates or the degree to which public procurement practitioners/governmental purchasers comply with the rules.

**a) Lack of proper knowledge, skills and capacity**

According to Sheoraj (2007), skills and capacity shortages have been identified as the single greatest impediment to the success of public procurement in South Africa. Adequate capacity in the form of appropriate structures with fully skilled and professional supply chain management personnel is a key success factor for proper supply chain management implementation. In some government entities, the quality of supply chain management personnel's skills and ability are well below standard. Migiro and Ambe (2008), assert that many supply chain management actors in the South African public sphere have attended a number of training workshops on supply chain management, but they still lack the appropriate knowledge for proper implementation. McCarthy (2006), contends that there is a lack of capacity and knowledge by supply chain management actors to handle procurement processes that have led to bad governance. The South African government embarks on programs that educate practitioners, but implementation of its programs always falls short.

Non-compliance with policies and regulations supply chain management is guided by a number of related policies and regulations (National Treasury, 2005). Compliance with these policies and regulations is a problem. As indicated by Matthee (2006), some of the practices relating to non-compliance with the rules and procedures relate to the tendency

not to utilize a competitive process for both quotations and bids, and incorrect utilization of the preference points system. Van Zyl (2006), also asserts that there is a lack of appropriate bid committees; use of unqualified suppliers, passing over of bids for incorrect reasons; utilization of the incorrect procurement process in respect of the thresholds; extensions of validity periods; and incorrect utilization of the limited bidding process. Furthermore, Ambe and Badenhorst-Weiss (2011b), noted that there are inadequate controls and procedures for the handling of bids; appointment of bid committee members not aligned to policy requirements; and insufficient motivation for deviations from Supply Chain Management procedures.

**b) Inadequate planning and linking demand to the budget**

Demand management is integral to the supply chain management process. It defines the decision-making process that allows departments to procure at the right time, at the right place and at the right cost. However, many government entities are still faced with the challenges of improper planning and linking demand to budget (Ambe and Badenhorst-Weiss, 2011a). Cost-effective procurement depends on a specialist's skills to ensure that buying requirements are reliably determined, appropriate contract strategies are developed, contracts are well managed and opportunities are seized to secure the best deals at the right time and at the right price. The importance of drawing up accurate and realistic strategic plans cannot be overestimated.

At times there is an absence of coherent plans. Some government entities cannot properly quantify the needs of those requiring their services or properly estimate costs, nor can the officials accurately track, control or report on expenditure (Luyt, 2008). Luyt further indicates that there is a need to monitor the delivery of services properly to ensure that scarce resources are efficiently and effectively procured. Poor planning and budgeting have also affected the implementation of supply chain management. It is

therefore vital that supply chain management practitioners adequately link demand planning to budget.

**c) Accountability, fraud and corruption**

Accountability constitutes a central pillar to public procurement (Soudry, 2007). Without transparent and accountable systems, the vast resources channeled through public procurement systems run the danger of being entangled with increased corruption and misuse of funds (Jeppesen, 2010). According to Mahlaba (2004), fraud and corruption cost South African tax payers hundreds of millions of rand each year. Over the last few years, the impact of fraud has led to the promulgation of special legislation and improvement in existing legislation that led to the creation, among others, of the Directorate of Special Operations, commonly known as the Scorpions, the Asset Forfeiture Unit, the Public Protector, the Special Investigation Unit, Commercial Crime Units, Internal Audit Units, Special Investigation Units within departments, and the appointment of forensic consultants (Mahlaba, 2004).

According to Boateng (2008), since 1994, South Africa has enjoyed unprecedented social and infrastructural programs. Yet, the majority of people who had hoped freedom would bring with it relative socio-economic liberation and improvement are feeling increasingly bitter towards government over issues that include a lack of perceived quality of governance, service delivery failure, fraud and corruption in some spheres of the economy and disillusionment with empowerment policies (De Lange, 2011). The Public Service Commission Committee (2011) indicated that a total of 7,766 corruption cases had been reported through the National Anti-Corruption Hotline since its inception in September 2004 until June 2010. Corruption, incompetence and negligence by public servants were to be blamed (De Lange, 2011). About 20 per cent of government's procurement budget alone 'went down the drain each year. This was because officials

had their fingers in the till, overpaid for products and services or failed to monitor how money was spent' (De Lange, 2011). Among government entities probed for procurement irregularities was the Tshwane Metro where about 65 municipal officials were investigated for striking business deals worth about R185 million with their own Council (Pauw, 2011). The National and Provincial Governments and their entities notched up R21 billion in irregular expenditure in 2010, a 62% rise (R13 billion) over the previous year (De Lange, 2011). The auditor general highlighted weaknesses in supply chain management, controls over information technology, human resource management, and capital assets and performance reporting during a briefing to Parliament's Standing Committee on Public Account (Smart Procurement, 2011). Hence, there is an urgent need to rethink innovative ways of curbing corruption and some other administrative malpractices within South African spheres of government. To fight the scourge of maladministration, mismanagement of finances, fraud and corruption, government needs to strengthen and review existing internal control systems to detect deficiencies.

Inadequate measures for monitoring and evaluation of supply chain management for effective policy-making requires information on whether governments are doing things right and whether they achieve the results intended (Acevedo, et al, and Hwang, 2010). Strong monitoring and evaluation systems provide the means to compile and integrate this valuable information into the policy cycle, thus providing the basis for sound governance and accountable public policies (Acevedo et al., 2010). Inadequate monitoring and evaluation is linked to the absence or the poor presence of a control environment, and the government entities are placed in a difficult position to give effect to or implement supply chain management as required by the policy. Hence, deviations or non-compliance goes undetected or is identified after the fact. According to a

Business Day report (2011), procurement actors in government have spent millions of rand in ways that contravened laws and regulations. The national and provincial governments and their entities have notched irregular, unauthorized, fruitless and wasteful expenditures that contravene laws and regulations. There is lack of proper monitoring and evaluation as required (Stemele, 2009).

## **2. 8 MEASURES TO ENHANCE CODE OF ETHICS PRACTICE COMPLIANCE**

Strategies proposed to promote compliance with code of ethics on public procurement discussed.

### **2.8.1 Sanctions for non-compliance with code of conduct in public procurement**

The adherence to the provisions of the Act and Regulations by public officials is obligatory and therefore failure to do so is considered an offence which is subject to sanctions. Officials suspected of non-adherence to the rules and regulations and found guilty following investigations would be suspended and his or her benefits including salary withheld while officials found misappropriating government funds regardless of the value were to be summarily dismissed. Hence section 92 of the Public Procurement Act 2003, establishes that contravention of any provision of the Act is an offence and stipulates the penalties to be applied while section 93 of the Act defines corrupt practices in terms of article 284 of the Ghanaian constitution, and the Criminal Code, 1960 (Act 29). The Act also stipulates that any tenderer, supplier, contractor or consultant who attempts to influence a procurement process, or the administration of a contract by any unfair method, will be subject to sanctions which may include debarment of the company from Government of Ghana contracts. Hunja (2003), in reporting on the assessment of procurement systems in developing countries found out that the abuse of procurement systems arises largely due to weak or inconsistent enforcement of the prevailing rules

and regulations. He said that the weak enforcement of the rules was clearly reflected by the dissonance between prevailing (formal) rules and what actually takes place in practice during the procurement process. Hunja (2003), further argued that public entities usually go the extra length to create a semblance of formal compliance with procedural and other requirements while seriously compromising the intent and spirit of such rules. Ambiguities and gaps in the rules also lead to different interpretations requiring revisions and reviews. The lack of enforcement therefore could be traced to weaknesses in the rules and therefore Hunja (2003), suggested a multi-faceted approach like for instance strengthening the right of bidders to obtain redress when public entities breach the rules; forcing greater transparency into the decision making process<sup>36</sup> coupled with other institutional oversight mechanisms such as procurement audits. Hunja (2003), concluded that the challenge when it comes to the enforcement of the rules and regulations lies in achieving a proper balance so that mechanisms of enforcement do not become a barrier so as to make the system inefficient, bureaucratic and costly. The non-compliance to procurement rules and regulations do not help in the achievement of the objectives by which procurement reform programs are implemented and this is therefore considered a major hindrance to the effective implementation of such programs.

Thus, the sanctioning of agents (public procurement practitioners) who do not comply and the reward of those who comply in terms of incentives is expected to increase the intensity or degree of compliance (Gelderman et al., 2006). Blau and Scott (1962) and Murray and Heide (1998) also argued that in addition to the incentive effect of monitoring, monitoring arrangements can also increase member compliance because the monitoring process in itself may place uncomfortable social pressure on the agent. Ghana for example scored 57.64% for monitoring and control considered very satisfactory during the assessment of its procurement systems. Hence, though the principal may have

some information about the agent in terms of the agent's characteristics and capabilities, the principal's knowledge about the agent is limited and incomplete and this is termed hidden information or adverse selection. It is possible to therefore argue that the human resource base of a reform program in public procurement is indispensable for a successful reform and for achieving public procurement in organizations (Public Procurement Board, 2007).

Also, a high degree of compliance because of the lack of knowledge or familiarity with the procurement rules can lead to non-compliance. Ghana achieved a score of 40.39% with respect to human resource base of the reform program which may not be considered very satisfactory and shows the lack of capacity and knowledge that need to be addressed with the necessary training and development. It is important to note that practitioners need to be very clear about the various rules and regulations governing public procurement, since the lack of clarity can lead to non-compliance. The lack of clarity is believed to increase the possibilities of un-deliberate non-compliance (Gelderman, 2002). Similarly, Rokkan and Buvik (2003), proposed that the lower the level of goal conflict the less likely it is that the agent will behave in opposition to the interests of the principal. For example, the goals and objectives of the procurement entity could be in conflict with what the reform program seeks to achieve or the other way, the goals and objectives of the public sector organization could be in conflict with that of the procurement reforms thereby making it difficult for the organization to achieve its goal while adhering to the rules and regulation of the public procurement law, and thereby making compliance with the rules a problem.

### **2.8.2 Training and Professional Development on Procurement Regulations**

Public Procurement Oversight Authority (PPOA, 2007), posits that the procurement regulations were meant to ensure that efficient training had been offered to professionals to serve in procurement. It was also revealed by the study by the PPOA that the available expertise at the procurement units did not meet the need for specialized procurement knowledge despite there being steps towards developing a professional procurement workforce.

Public procurement is increasingly recognized as a profession that plays a key role in the successful management of public resources, and a number of countries have become increasingly aware of the significance of procurement as an area vulnerable to mismanagement and corruption and have thus made an effort to integrate procurement into a more strategic view of government efforts. As part of the efforts to adopt a long-term and strategic view of their procurement needs and management, most countries have resorted to using their annual procurement plans as a possible problem solver (Mahmood, 2010). Sauber et al., (2008), emphasize that procurement professionals need to acknowledge and devise strategies for managing procurement challenges. The professionals must be seen as champions of efficiency and effectiveness and must acknowledge the challenges and their various forms, and their sources. The requirements to educate professionals and equip them with new and higher-level skills have consequently become urgent. According to Peterson and Van Fleet (2004), a skill is the ability either to perform some specific behavioral task or the ability to perform some specific cognitive process that is related to some particular task. However, Lan, Riley and Cayer, (2005), report that finding, hiring and retaining dedicated, energetic, and ethical employees with special skills is always hard. While we understand that professionalism is a key mechanisms for, and primary targets of institutional change, the

precise role of professions and professional service firms in processes of institutional change remain under-theorized.

The procurement exercise follows steps according to the PPOA of 2007. These steps must be observed in order to ensure that all the stakeholders involved in the procurement exercise obtain fair treatment. The steps include; planning for the required procurement over a given period, identifying the source of the items, highlighting specifications/initiation of procurement, determination of procurement procedure, Sourcing (soliciting) offers, evaluation of offers, post qualification, commencement of contract, contract performance (delivery) and management, record keeping and accountability, payment and post contract performance (PPOA, Act, 2007).

### **2.8.3 Involvement of Top Management and Stakeholders in Ethical Procurement Practices**

Public procurement malpractices could be limited through the employment of stakeholders such as civil society organizations to be part of the procurement process. The current status of the procurement system requires the creation of three bid committees, namely the bid specification committee, the evaluation committee and the adjudication committee. For the purpose of compliance and to minimize unethical and corrupt practices, stakeholders should be involved in the evaluation and adjudication process. This will ensure and support open governance. Open governance creates the conditions for effective collaboration between governments and citizens in a process that enhances legitimacy and accountability of public decision-making. Therefore, stakeholder involvement will also encourage public servants to be more deliberate about decisions they make and will provide citizens as well as stakeholders with the opportunity to hold their leaders accountable. It will improve the efficiency of

government institutions, reduce fraud and waste of public finances, strengthen the management of natural resources and ensure better service delivery.

#### **2.8.4 Compliance with Ethical Procurement Practices**

Kangogo and Kiptoo (2013), conducted a study on factors affecting ethical standards in public procurement in Kenya and recommended that frequent independent procurement audits and rigorous monitoring to ensure compliance to the procurement code of conduct as a way of enhancing the ethical standards in public procurement. Further, the study recommended that proper documentation of all public procurement activities ensures complete audit trails to trace fraudulent (unethical) procurement practices. Consequently, the adherence to the provisions of the Act and Regulations by public officials is obligatory and therefore failure to do so is considered an offence which is subject to sanctions. According to Section 92 of Ghana Public Procurement Act 633 (2003), officials suspected of non-adherence to the rules and regulations and found guilty following investigations would be suspended and his or her benefits including salary withheld while officials found misappropriating government funds regardless of the value are to be summarily dismissed. Hence, Section 92 of Act 2003, (Act 663) establishes that contravention of any provision of the Act is an offence and stipulates the penalties to be applied while Section 93 of the Act defines corrupt practices in terms of article 284 of the Ghanaian constitution, and the Criminal Code of Ghana, Act 29 (1960). Act also stipulates that any tenderer, supplier, contractor or consultant who attempts to influence a procurement process, or the administration of a contract by any unfair method, will be subject to sanctions which may include debarment of the company from Government of Ghana contracts. In an assessment of procurement systems in developing countries, Hunja (2003), found out that the abuse of procurement systems arises largely

due to weak or inconsistent enforcement of the prevailing rules and regulations. He says that the weak enforcement of procurement rules was clearly reflected by the dissonance between prevailing (formal) rules and what actually takes place in practice during the procurement process. Hunja further argues that public entities usually go the extra length to create a semblance of formal compliance with procurement procedures and other requirements while seriously compromising the intent and spirit of such rules. Similarly, Falvey et al. (2007), state also that corruption depends on the lack of enforcement and monitoring systems and on the lack of an effective system of debarment for suppliers who have been accused of corruption. They suggested the following for limiting the opportunities for corruption at the stage of the procurement process:

- i. The criteria for the selection of suppliers could be set by law or regulation and the procuring authority should be bound by those criteria, in so limiting the discretion of the public authority and avoiding the use of ad hoc solution aimed at favoring corrupted bidders.
- ii. Clear and unambiguous rules regarding publication and advertisement of solicitation documents should be included in the law defining in clear and succinct terms time allowed for adverts for each procurement method used. Advertising rules and limits must be reviewed with the view to prescribing clear time limits for publication. The law should clearly state the criteria for setting the minimum time between advertisement and submission of tenders. Additionally, the law should clearly prescribe “sufficient time” for advertising for both national and international competitive tenders.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 INTRODUCTION**

This chapter describes the research design, target population, sample and sampling procedures, data collection instruments, validity and reliability of the instruments, procedure for data collection and data analysis techniques.

#### **3.2. RESEARCH DESIGN**

This study employed quantitative research design. Quantitative research involves counting and measuring of events and performing the statistical analysis of a body of numerical data. The main concerns of the quantitative paradigm are that measurement is reliable, valid and generalizable in its clear prediction of cause and effect (Saunders, Lewis and Thornhill, 2007). Under the quantitative research design, survey research method will be employed in this study. Survey can be useful when a researcher wants to collect data on phenomena that cannot be directly observed. Further, cross-sectional survey used to gather information on a population at a single point in time. An example of a cross sectional survey would be questionnaires that collect data. A different cross-sectional survey questionnaire might try to determine the relationship between two factors. According to Bryman and Burgess (2007), the major techniques or tools used in collecting data in this type of research are the questionnaire, interview and observation. Since this study intends to assess the compliance level of code ethics on public procurement at DFR.

### **3.3 POPULATION**

The population of the study covered all the personnel of Department of Feeder Roads of Ghana who are directly involved in procurement process. The target population of the study comprised top management, engineers, quantity surveyors, audit, finance and administrative officers who are mostly involved with procurement activities at DFR.

### **3.4 DATA COLLECTION, SAMPLING AND SAMPLING PROCEDURES**

As mentioned earlier, this aspect of the research methods addresses data collection instruments, methods, and procedures. It provides detailed explanations of each method employed and how the methods adopted were used to address the aims, objectives and research questions.

#### **3.4.1 Questionnaires Development**

Among the various data collection methods, the questionnaire survey is the most popular and most cost-effective means to collect information about attitudes, opinions and behaviors (Gravetter and Forzano, 2012). A questionnaire survey was therefore considered as an appropriate tool for this study and this was used to collect data from the respondents sampled in this research.

The questionnaires were designed to address the aims and objectives formulated in this research. It was important to first establish the information to be gathered so that relevant questions are solicited (Nachimias and Nachimias, 1996). Once the survey questionnaires were drafted, they were pre-tested by trying it out on a small number of respondents having characteristics similar to those of the target group of respondents. This helped to re-design the questionnaires, making it more consistent focusing it on strategic issues.

### 3.4.2 Details of Questionnaire

The questionnaire was developed from the literature review based on research questions proposed for the study and covered three major sections. Section “A” of the questionnaire indicated demographic data of respondents. The section “B” examined the compliance level with code of ethics in public procurement and Section “C” finally, identifies challenge facing the compliance with code of ethics in public procurement and finally, section “D” identifies strategies that can be employed to improve compliance level of code of ethic in procurement.

The respondents were asked to indicate their level of agreement on the compliance with code of ethics in public procurement at DFR. A Likert scale was used where 1= strongly agree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, and 5 = strongly agree. The results are as indicated in Table 4.1

### 3.4.3 Developing the Sample Size

Israel (1992) reported that there are several approaches used in determining the sample size. These, include using a census for small populations, imitating a sample size of similar studies, using published tables, and lastly applying formulas (e.g. Kish formula) or probability techniques to determine a sample size. It was therefore imperative for the researcher to clearly define the target population and sampling size. The population was defined keeping in mind the objectives of the study

The sample size was determined using the Kish (1965) statistical formula as stated below:

$$n = \frac{n^1}{(1 + \frac{n^1}{N})}$$

Where:

$n$  = Sample Size

$$n^1 = \frac{S^2}{V^2}$$

$N$  = Population Size

$S$  = Maximum standard deviation in the population element

(Total error = 0.1 at a confidence level of 95%)

$V$  = Standard error of sampling distribution = 0.05

$P$  = The proportion of the population elements that belong to the defined class.

$$S^2 = P(1-P) = 0.5(1-0.5) = 0.25$$

In calculating the sample size for the number of respondents to select for the study we had

$$n = \frac{n^1}{\left(1 + \frac{n^1}{N}\right)}$$

$N = 105$  (Staff of Department of Feeder Roads relating to Procurement)

$$n = 100 / \left(1 + \left(\frac{100}{105}\right)\right) = 51.21 = 52$$

According to Israel (1992), the sample size reflects the number of obtained responses and not necessarily the number of questionnaires distributed. This number was however increased to by 10% to compensate for non-response as opined by Israel (1992). This gives a total of fifty-seven (57) as the minimum number of questionnaires to be sent out.

#### 3.4.4 Characteristics of Sample Size

- Levy and Lemeshow (1991) reported that a suitable sample size from the population being sampled should have the following characteristics:
- The size should contain a list of members of the defined population
- The size should be a complete, up-to-date list of the population

- Devoid of multiple listing of members of the population, this suggests that no population member should be listed more than once.
- The list should contain information about each individual that could be used for stratifying the sample.

### **3.4.3 Survey Coverage and Response Rate Validity**

The convenience sampling approach was adopted to distribute the survey questionnaires to the targeted DFR staff in the Greater Accra Regions. The researcher personally did the distribution of the questionnaires and the number of questions issued out was up to 80 given that 57 was the minimum since a response rate of less than a 100% was envisaged. Follow-up visits were made to remind the respondents of the completion of the survey. From Table 3.3 below, sixty-five (65) questionnaires were returned completed. However, fifteen (15) of the questionnaires were discarded because most of the questions were not completely answered. The reason for this was not known to the researcher. Sixty-five (65) questionnaires were therefore usable for the analysis, representing a response rate of eighty-two percent (82%). The response rate is the proportion of completed questionnaires in the total number of eligible respondents and literature assumes that higher response rate demonstrates validity of the study findings (Coffey, et al 1996). Research on survey methods have usually advised that response rates of 60% and over are necessary to ensure that the responses give an accurate picture of the population, hence their validity (Armstrong and Ashworth, 2000). With this in mind, the researcher had to ensure considerable high response rate from the survey questionnaires.

### **3.5 SOURCES OF DATA**

The study made an extensive use of both primary and secondary sources of information from selected public institutions. The primary sources of data include information that was gathered from the questionnaires that were administered to the respondents. The advantage of using primary data is that, they are more reliable since they come from the original sources and are collected especially for the purpose of the study. The secondary sources of data included annual reports, brochures and manuals. A number of both published and unpublished materials on public procurement in general from journals and articles as much as possible were used.

### **3.6 DATA COLLECTION PROCEDURE**

An introductory letter was collected from the Kwame Nkrumah University of Science and Technology, Department of Building Technology and this enabled the researcher who is also employee of DFR to have a good rapport with the respondents selected for the study. The purpose of the study was explained to the respondents as well as the instructions for completing the questionnaire. The study took three weeks (from 4<sup>th</sup> to 25<sup>th</sup> August, 2014) to collect the data and throughout these periods the researcher availed himself to answer questions that bordered on the study.

The researcher personally administered the questionnaire which contained series of structured questions which were related to the research work and directed to respondents with the aim of gaining first-hand information. The questionnaire consisted of both open ended and close-ended questions. Thus, in some cases, respondents were to choose the option that best reflected their opinions. The questionnaire afforded respondents much flexibility and privacy in answering the questions without any undue influence. The questionnaire was in simple and unambiguous language and as such, did not pose any

problem as regards interpretation. The respondents were also assured that the information would be kept confidential. All questionnaires were filled and returned by the respondents.

### **3.7 RELIABILITY AND VALIDITY**

Reliability is defined as be fundamentally concerned with issues of consistency of measures (Bryman and Bell, 2007). There are three prominent factors related to considering whether a measure is reliability: stability, internal reliability and inter-observer consistency. In this study, internal reliability will be considered. Bryman and Bell suggested that a multiple-item measure in which each answers to each questions are aggregated to form an overall score, we need to be sure that all our indicators are related to each other.

Validity is defined as how much any measuring instrument measures what it is intended to measure. Bryman and Bell (2007), also suggested that the important issue of measurement validity relates to whether measures of concepts really measure the concept. Validity refers to the issue of whether an indicator (or set of indicators) that is devised to gauge a concept really measures that concept. In this thesis, construct validity has been used.

### **3.8 Data Analysis**

The responses to the item on the questionnaires will be analyzed using frequencies and percentages, with the use of Statistical Package for Social Science (SPSS) Version 18.0. To ensure consistency, the responses in the questionnaires will be edited and coded. The responses for the open-ended questions will be grouped based on common ideas that the respondents expressed. The results will be presented using frequencies and percentages.

Other statistics used include the mean and the standard deviation that was used in summarizing the data collected on the Likert scale.

- The *Arithmetic mean* or simply, the *mean* is the best known and most commonly used average. It is defined for both ungrouped and grouped data as follows:

Let  $x_1, x_2, x_3, \dots, x_n$  be the observations forming the data set. Then the mean of the  $n$  observations is defined by which sum of observations is divided by the total number of observations. However, if the observations,  $x_1, x_2, x_3, \dots, x_k$  occur in a frequency distribution with corresponding frequencies,  $f_1, f_2, f_3, \dots, f_k$ , then the mean is given by

$$\bar{x} = \frac{1}{n} \left( \sum_{i=1}^n x_i \right) = \frac{1}{n} (x_1 + x_2 + \dots + x_n), \text{ OR}$$

$$= \frac{1}{n} \left( \sum_{i=1}^k f_i x_i \right) = \frac{f_1 x_1 + f_2 x_2 + \dots + f_k x_k}{f_1 + f_2 + \dots + f_k},$$

where  $n = \sum_{i=1}^k f_i$  the total frequency.

When the observations are grouped in a frequency distribution, then  $x_i$  becomes the class mark or midpoint of the  $i^{\text{th}}$  class boundary with frequency,  $f_i$ . The mean is then defined

by 
$$\bar{x} = \frac{1}{n} \left( \sum_{i=1}^k f_i x_i \right).$$

The variance (or standard deviation) is the most preferred used measure of dispersion.

The variance of a set of observations  $x_1, x_2, x_3, \dots, x_n$  is the average of the squared deviations from the arithmetic mean. It is denoted by  $\sigma^2$  and  $s^2$  population and sample data respectively. That is,

$$\sigma^2 = \frac{1}{N} \sum_{i=1}^n (x_i - \mu)^2 \quad \text{and} \quad s^2 = \frac{1}{n-1} \sum_{i=1}^n (x_i - \bar{x})^2,$$

where  $\mu$  and  $\bar{x}$  are the population and sample means respectively. The computation of sample variance ( $s^2$ ) divides by  $(n-1)$  instead of  $n$  to provide good estimator for the population variance ( $\sigma^2$ ), which will underestimate it. It is noted that for large sample size ( $n > 30$ )  $s^2$  and  $\sigma^2$  are approximately the same.

The *standard deviation* is defined as the positive root of the variance,

$$\sigma = \sqrt{\frac{1}{N} \sum_{i=1}^N (x_i - \mu)^2} \quad \text{or} \quad s = \sqrt{\frac{1}{n-1} \sum_{i=1}^n (x_i - \bar{x})^2}$$



## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **4.1 INTRODUCTION**

This chapter is a presentation of data collected complemented by a thorough data analysis and discussion on the results obtained on compliance with code of ethics on public procurement at DFR. The survey data were gathered from 65 staff members of Department of Feeder Roads (DFR) using questionnaire administered personally to the sampled respondents. The chapter is structured based on a questionnaire administered in the survey.

The research uses SPSS version 16.0 and Microsoft Excel 2013 for analyzing the data collected. The responses of sampled staff of DFR was analyzed and presented in frequency tables, graphs and percentages. Further, the chapter was organized into four main sections which capture the demographic data of the respondents, an investigation into extents to which the DFR comply with the code of ethics on public procurement, identification of challenges associated with the compliance level of code of ethics and finally a consideration of different strategies that can be adopted to improve the compliance level of ethics on public procurement practices at DFR.

#### **4.2 DEMOGRAPHIC INFORMATION ON RESPONDENTS**

This section presents background information of data collected on 65 respondents subject to their gender, age group, level of education and years of experience. The purpose of this presentation is to ascertain whether the respondents are qualified to answer questions relating to compliance levels of ethics in public procurement practices at DFR.

#### 4.2.0 Age of Respondents

**Table 4.2.1: Ages of Respondents**

	Frequency	Percentage	Cumulative
18-25 years	2	3.1	3
26-33 years	10	15.2	18
34-41 years	18	27.7	46
42-49 years	20	30.8	77
Above 49 years	15	23.1	100
Total	65	76.8	

Table 4.2.2 shows the summary of the ages of the respondents in this search. Majority of the respondents representing 54% were found to be 42 years or older with the remaining 46% below 42 years. Only up to 18% of the respondents were below 33 years with almost 28% of the respondents between 34 – 41 years.

#### 4.2.3 Level of Education of Respondents

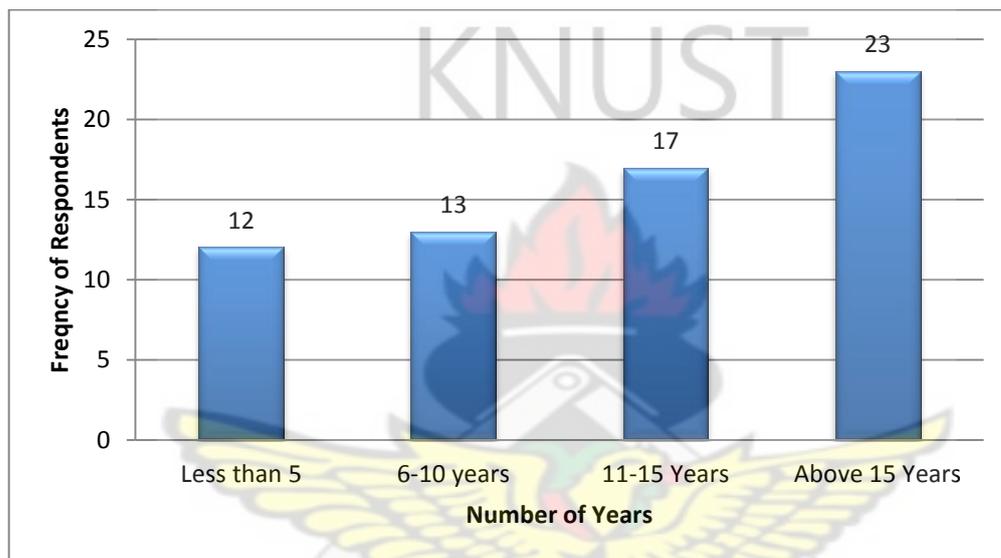
There were more than half of the respondents who had had some form of tertiary education representing 95% with the remaining 5% having had secondary or technical education. The group that constituted the majority was individuals who had Bachelor's degrees representing 43%, then Postgraduate degree holders also representing 34% and then 18% attaining HND or Diploma statuses. This is summarized in Table 4.2.3.

**Table 4.2.2: Respondents' Level of Education**

	Frequency	Percentage (%)	Cumulative
Secondary/Technical	3	5	5
HND/Diploma	12	18	23
Bachelor's Degree	28	43	66
Postgraduate	22	34	100
Total	65	100	

### 4.2.3 Number of Working Years

Figure 4.1 shows the progression of the number of respondents who have had working experiences. Only 12 individuals have worked for less than five years with the remaining 53 individuals having worked for more than five years. Altogether, there were 13 respondents who had worked for 6 – 10 years and the remaining 30 working for more than 10 years.



**Figure 4.1: Years of Working Experience of Respondents**

Based on the demographic data collected, although the respondents constituted majority of males, there is enough evidence to show that they had enough formal education given that majority of the respondents representing 95% had tertiary education. Also more than half of the respondents had worked for more than 5 years and therefore had enough experience to provide responses on the subject of compliance level of code of ethics on public procurement practices at the Department of Feeder Roads (DFR).

### 4.3 COMPLIANCE WITH CODE OF ETHICS IN PUBLIC PROCUREMENT AT DEPARTMENT OF FEEDER ROADS

Table 4.3.1 shows the summary statistics including the mean, standard deviation (SD) and the rank of the factors used to indicate the level of compliance with code of ethics in public procurement at the Department of Feeder Roads (DFR). The information was collected based on a Likert scale from 1 indicating strongly agree to 5 indicating strongly disagree. The mean value of a factor represents the average of the collective responses of the respondents. An average close to 5 means the factor was agreed on and an average close to 1 means the factor is disagreed collectively by the respondents.

**Table 4.3.1: Factors on the Level of Compliance with Public Procurement**

Responses	Mean	SD	Rank
DFR has policy documentation on procurement laws and practices	3.51	1.25	4
DFR publishes code of conduct for public procurement practices	3.55	0.83	3
The management supports code of ethics on public procurement	3.43	0.79	10
The code of ethics on procurement is clearly understood by the staff	3.48	0.79	5
Reports on procurement activities are audited annually	3.48	0.87	6
Procurement plans are linked to DFR's budgets	4.09	1.53	1
Procurement officers provide timely information to tenders/suppliers	3.66	0.87	2
Procurement activities are advertised in DFR's formal website, media or journals	3.22	1.15	13
There is regular education and training on code of ethics on public procurement	3.4	3	8
Procurement officials always notify unsuccessful tenderers of the evaluation results	3.46	0.94	9
Procurement officers adhere to higher standards of conduct by ensuring that conduct will be open to scrutiny	3.37	0.82	11
All procured works, goods and services meet the concept of value for money	3.34	0.85	12

Source: Field Data, 2014

The results indicate based on the mean and standard deviation that majority of respondents comprising the sample population agreed with statement that DFR has policy documentation on procurement laws and practices which guide the staff on code

of ethics on public procurement. The study findings agree with a publication by Public Procurement Board manual (2007), which contains detailed rules and procedures for all aspects of the procurement system; the operations of the Public Procurement Authority and the procurement entities and the conduct of procurement activities. Thus, the Public Procurement Board is authorized to issue guidelines and to provide supplementary guidance on specific topic that is needed to help streamline the conduct of public sector procurement in Ghana.

The second statement “DFR publishes and compiles code of conduct for procurement practices for its staff” elicited the following responses from the 65 respondents: (Mean = 3.55, SD=.83). The results revealed that 64.7% forming the majority of the respondents said they agreed with the statement that DFR publishes and compiles code of conduct for procurement practices for its staff confirms Public Procurement Authority (2003), which emphasizes that Procurement Board, must publish and compile code of conduct for procurement activities.

Again, the statement “The management supports code of ethics on public procurement” with the highest mean of 4.09 and standard deviation of 1.53 elicited the following responses from the 65 respondents: 12 respondents comprising 18.5% disagreed with the statement, 13 respondents comprising 20.0% neither agreed nor disagreed with the statement while 40 respondents comprising 61.5% agreed with the statement. The results revealed that 61.5% forming the majority of the respondents agreed with the statement that the management supports code of ethics on public procurement. The findings of the study corroborate with Baron’s (2000), observation that the effectiveness of codes of ethics on public procurement depends on the extent to which management supports them with sanctions and rewards. Therefore, professional standards of ethical conduct contain typical characteristics including commitments to avoid conflicts of interest, behave

honorably in all aspects of work and professional activity, and conduct oneself in such a manner as to maintain trust and confidence in the integrity of the acquisition process.

Furthermore, the statement “The code of ethics on public procurement for DFR is clearly understood by all the staff” recorded the following results: 18 respondents representing 27.7% disagreed with the statement, 14 respondents representing 21.5% neither agreed nor disagreed with statement while 35 respondents representing 55.4% agreed with the statement that the code of ethics on public procurement for DFR is clearly understood by all the staff. The results show that most of the respondents comprising 55.4% believe that the code of ethics on public procurement is clearly understood by DFR staff agree with a study by (Gelderman, 2002), that the lack of clarity is believed to increase the possibilities of not deliberate non-compliance.

The statement “Reports on procurement activities are audited annually” recorded the following responses: 12 respondents representing 18.5% strongly disagreed with the statement, 11 respondents representing 16.9% neither agreed nor disagreed with the statement while 42 respondents representing 64.6% agreed with the statement. The results revealed that 81.5% forming the majority of the respondents agreed with the statement that the reports on procurement activities are audited annually.

As shown in the table, the responses to the statement “Procurement plans are linked to DFR’s budgets” recorded the following responses: 11 respondents representing 16.9% strongly disagreed with the statement, 8 respondents representing 12.3% neither agreed nor disagreed with statement while 40 respondents representing 61.5% and 7 respondents representing 10.8% strongly agreed with the statement that DFR has policy documentation on procurement laws and practices. The results indicated 82.3% respondents agreed that procurement plans are linked to DFR budgets confirms Ambe

and Badenhorst-Weiss's (2011a) study that many government entities are still faced with the challenges of improper planning and linking demand to budget.

From the table, the statement "Procurement officers provide timely information to tenderers or suppliers" elicited the following responses: 11 respondents representing 16.9% strongly disagreed with the statement, however 40 respondents representing 61.5% and 14 respondents representing 21.5% strongly agreed with the statement that statement procurement officers provide timely information to tenderers or suppliers. The results indicated 64.7% respondents agreed with statement that statement procurement officers provide timely information to tenderers or suppliers gives credence to earlier study by the statement by Smith-Deighton (2004), that procuring entities need to consider the most effective way of notifying tenderers, taking into account postal delays, particularly if there are international tenderers.

Further, the statement "Procurement activities are advertised in DFR's formal website, media or journals" elicited the following responses: 10 respondents representing 15.4% disagreed with the statement, 13 respondents representing 20% neither agreed nor disagreed with statement while 38 respondents representing 58.5% and 4 respondents representing 6.2% strongly agreed with the statement that procurement activities are advertised in DFR's formal website, media or journals given a least mean of 3.22 and high standard deviation of 1.15. The results indicated 64.7% respondents comprising the majority of the sample population agreed with the statement that procurement activities are advertised in DFR's formal website, media or journals is consistent with PPA (2003), that requires public procurement be done in newspapers, Authority's website and Journal.

As illustrated in the table, the responses to the statement “There is regular education and training on code of ethics on public procurement” recorded the following responses: 11 respondents representing 16.9% strongly disagreed with the statement, 8 respondents representing 12.3% neither agreed nor disagreed with statement while 40 respondents representing 61.5% and 7 respondents representing 10.8% strongly agreed with the statement that DFR has policy documentation on procurement laws and practices. The results indicated 81.5% respondents agreed that there is regular education and training on code of ethics on public procurement corroborates with the report of Professionalism is the discipline whereby educated, experienced and responsible procurement officers make inform decisions regarding procurement functions and therefore can be argued that the role that procurement professionals play in the procurement system of the Ghanaian economy is critical to the economic development of the country (Public Procurement Board, 2007). It is therefore in recognition of this fact that one important object of the Public Procurement Board is stated as follows: ‘the professional development, promotion and support for individuals engaged in public procurement and to ensure adherence to ethical standards by trained persons’(Adjei, 2006).

Finally, the statement “All procured works, goods and services meet the concept of value for money” elicited the following responses: 14 respondents representing 21.5% 11 respondents representing 16.9% disagreed with the statement, 13 respondents representing 20.0% neither agreed nor disagreed with statement while 38 respondents representing 58.5% agreed with the statement that all procured works, goods and services meet the concept of value for money. The results show that 58.5% respondents forming the majority agreed with statement that all procured works, goods and services meet the concept of value for money. This supports the main objectives of Act 663 which posits that public procurement processes in the public service should ensure

judicious, economic and efficient use of state resources and to ensure that public procurement functions undertaken within the public sector are fair, transparent and non-discriminatory. Also, Elia (2005); asserts that the basic objectives of good procurement are to procure the right quality of goods, works or services from a reliable supplier in the right quantity ensuring cost effectiveness; delivered at the right time; to the right place; in the right quantity and at the right price whilst achieving the lowest total cost.

#### **4.3.2 Challenges**

What are the challenges impeding the implementation of ethical procurement practices in DFR? Table 4.2 displays results of the survey data on challenges impeding the implementation of ethical procurement practices in DFR during the time of the study. Respondents answered questions on a Likert-type scale using a 5-point scale: 1= strongly disagree, 2 = disagree, 3= neither agrees, 4= agree and 5 = strongly agree.

The mean provided in the Table 4.3.1 is an average of the responses per factor. Therefore using the Likert scale, an average value close to 5 indicates general agreement of a factor while an average close to 1 indicates general disagreement.

**Table 4.3.2: Challenges Affecting Ethical Procurement practices at DFR**

<b>Responses</b>	<b>Mean</b>	<b>SD</b>	<b>Rank</b>
Difficulty in finding new suppliers to replace non-performing suppliers	3.55	0.83	3
Lack of management support for compliance with code of ethics on public procurement	3.35	1.04	7
Inadequate qualified procurement personnel	3.75	1.29	2
Problem of proper records management	3.77	0.86	1
Failure to impose sanctions for noncompliance with code of ethics on public procurement	3.46	1.21	4
Lack of motivation on the part of the procurement officers to comply with code of ethics on procurement	3.37	0.82	6
Lack of regular education and training to support staff development	3.35	1.04	7
Problem of government or external influences in procurement process	3.42	0.83	5

Source: Field Data, 2014

As shown in Table 4.2, the responses to the statement “Difficulty in finding new suppliers to replace non-performing suppliers” recorded the following responses: 10 respondents representing 15.4% disagreed with the statement, 13 respondents representing 20% remained neither agreed nor disagreed while 38 respondents representing 58.5% agreed with the statement and 4 respondents representing 6.2% strongly agreed with the statement given a mean of 3.55 and a standard deviation of .83. The results indicated that majority of the respondents representing 64.7% agreed that difficulty in finding new suppliers to replace non-performing suppliers was one of the challenges facing DFR in achieving successful compliance with ethical procurement practices as supported by Elia (2005), asserts that the basic objectives of good procurement are to procure the right quality of goods, works or services from a reliable supplier in the right quantity ensuring cost effectiveness; delivered at the right time; to the right place; in the right quantity and at the right price whilst achieving the lowest total cost.

The second statement “Lack of management support for compliance with code of ethics on public procurement” elicited the following responses: 20 respondents representing

30.8% disagreed with the statement, 6 respondents representing 9.2% neither agreed nor disagreed with statement while 39 respondents representing 60% strongly agreed with the statement that lack of management support for compliance with code of ethics on public procurement. The results indicated 60 % respondents strongly agreed with the statement that lack of management support for compliance with code of ethics on public procurement supports the assertion of Baron (2000), that the effectiveness of such codes of ethics depends on the extent to which management supports them with sanctions and rewards. Consequently, the code of ethics in public procurement identifies three main categories as the follow: confidence in the public procurement process; professionalism of employees and quality of execution.

The statement “Inadequate qualified procurement personnel” revealed that 21 out of 65 respondents representing 32.3% disagreed with the statement, 12 respondents representing 18.5% neither agreed nor disagreed with the statement while 34 respondents representing 52.3% strongly agreed with the statement. The results of the study showed that 52.3% strongly agreed that inadequate qualified procurement personnel that inadequate qualified procurement personnel imposed a challenge for compliance with code of ethics on public procurement confirms a study by Public Procurement Oversight Authority (PPOA, 2007); that the available expertise at the procurement units did not meet the need for specialized procurement knowledge despite there being steps towards developing a professional procurement workforce. Accordingly, the study reported that the overall lack of procurement knowledge remains a major weakness to the efficiency of procurement operations in developing countries.

Furthermore, in response to “Problem of proper records management” out of 65 respondents, 16.9% disagreed with the statement while 83.1% agreed (strongly agreed and agreed) with the statement given a highest mean of 3.77 and a standard deviation of

.86. The statement “Failure to impose sanctions for non-compliance with code of ethics on public procurement” elicited the following responses from the respondents: 11 out of 65 respondents representing 16.9% strongly disagreed with the statement, 7 respondents representing 10.8% disagreed with the statement and the remaining 48 respondents representing 73.8% strongly agreed to the statement. The majority of the respondents representing 73.8% strongly agreed with the statement that inadequate controls and procedures for the handling of bids supports earlier study by Ntayi (2009), that millions of dollars gets wasted due to inefficient and ineffective procurement structures, policies and procedures as well as failure to impose sanctions for violation of procurement rules thus resulting in poor service delivery. Consequently, the level of compliance to procurement regulations can therefore determine whether a government meets its goals and objectives or not as well as how the compliance with procurement ethics may affect many internal and external stakeholders.

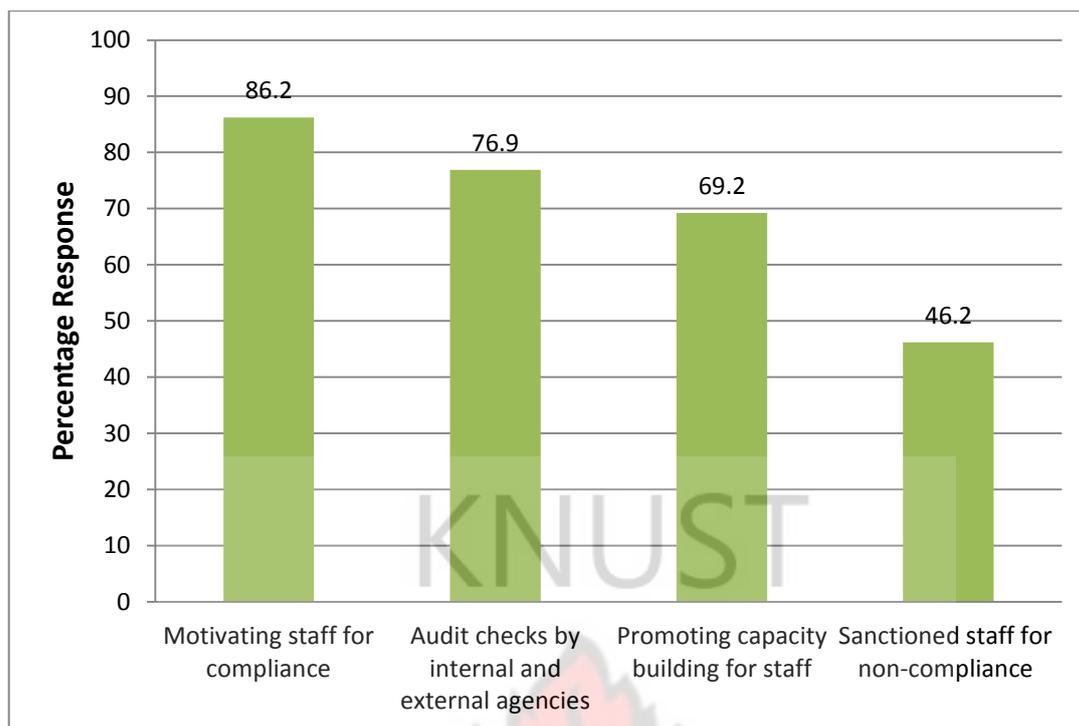
From the table, the statement “Lack of motivation on the part on the procurement officers to comply with code of ethics on procurement” elicited the following responses: 10 respondents representing 15.4% disagreed with the statement, 13 respondents representing 20% neither agreed nor disagreed with the statement while 42 respondents representing 64.6% agreed with the statement. The results of the findings show that most of the respondents (64.6%) claim that lack of motivation on the part of the procurement officers could contribute to non-compliance with ethical procurement practices gives credence to a study by Ogachi (2011). According to Ogachi, the reward (pay) affected the extent to which procurement professionals comply with code of ethics on public procurement. Accordingly, with better pay the public procurement professionals tended to observe the professional code of ethics.

As indicated Table 4.2, the responses to the statement “Lack of regular education and training to support staff development” recorded the following responses: 20 respondents representing 30.7 % disagreed with the statement, 8 respondents representing 12.3% neither nor agreed or disagreed while 37 respondents representing 56.9% strongly agreed with the statement given a least mean of 3.35 and a standard deviation of 1.04. The results indicated that majority of the respondents representing 56.9% strongly agreed with the statement that lack of regular education and training to support staff development agrees with Sheoraj’s (2007), research study. According to Sheoraj, skills and capacity shortages have been identified as the single greatest impediment to the success of public procurement in South Africa. In supports of the earlier discussion, McCarthy (2006), contends that there is a lack of capacity and knowledge by supply chain management actors to handle procurement processes that have led to bad governance.

Moreover the statement “Lack of regular monitoring and auditing check on public procurement” elicited the following responses from the 65 respondents: 12 respondents comprising 15.4% strongly disagreed with the statement, 18 respondents comprising 27.7% neither agreed nor disagreed with the statement while 39 respondents comprising 60.0% agreed with the statement. The results revealed that 60.0% forming the majority of the respondents said that lack of regular monitoring and auditing check on public procurement is one of the hindrances in procurement. According to Luyt (2008), some government entities cannot properly quantify the needs of those requiring their services or properly estimate costs, nor can the officials accurately track, control or report on expenditure. Luyt indicates that there is a need to monitor the delivery of services properly to ensure that scarce resources are efficiently and effectively procured.

Finally, the statement “Problem of government or external influences in public procurement process” elicited the following responses: 14 respondents representing 21.5% disagreed with the statement, 10 representing 15.4% neither agreed nor disagreed with the statement while 41 respondents representing 63.1% agreed with the statement. The findings of the study showed that majority of the respondents representing 63.1% averred that problem of government or external influences is one of the challenges facing compliance with code of ethics in public procurement gives credence to assertion by Public Procurement Act 2003 (Act 663), that the problems of violations of procurement procedures and the use of high-ranking officials to influence procurement decision making and bribery-induced violations of procurement procedures by government officials in collaboration with providers are attributed not only to the technical skills of the experts but rather their ethical skills. Also, Rokkan and Buvik (2003), proposed that the lower the level of goal conflict the less likely it is that the agent will behave in opposition to the interests of the principal.

On the strategies employed to enhance compliance with code of ethics on public procurement in DFR, the results of the survey data on measures to promote ethical procurement practices in DFR are presented in Figure 4.6.



**Figure 4.6: Strategies to enhance compliance with code of ethics on public procurement**

As shown in Figure 4.6, the respondents were asked to indicate their responses on the strategies to enhance compliance with code of ethics on public procurement received varied responses. Fifty- six out of 65 respondents representing 86.2% said that one of the ways of improving compliance with code of ethics on public procurement is through staff motivation. This finding implies that when staff reward adequately they will the compliance level with code of ethics on public procurement improves through seminars and workshop, regular coaching among others.

Moreover, 50 out of 65 respondents representing 76.9% said that frequent audit checks from both internal and external agencies for compliance with code of ethics on public procurement. The finding is consistent with the assertion by Luyt (2008) that there is a need to monitor the delivery of services properly to ensure that scarce resources are efficiently and effectively procured.

Again, Table 4.3 shows that 45 respondents representing 69.2% said that promoting capacity building for staff on compliance with code of ethics on public procurement will improve procurement practices at the department. The results of study buttress the assertion by Public Procurement Oversight Authority (PPOA, 2007), that the procurement regulations were meant to ensure that efficient training had been offered to professionals to serve in procurement. Hence, continuous education and training by providing the procurement practitioners the needed skills will go a long to hence their skills and practices.

Finally, 30 respondents representing 46.2% said that sanctioning staff for non-compliance with code of ethics on public procurement will promote compliance with code of ethics on public procurement in the organization. The results of study agree with the assertion by Gelderman et al. (2006) that sanctioning public procurement practitioners who do not comply and the reward of those who comply in terms of incentives is expected to increase the intensity or degree of compliance.



## CHAPTER FIVE

### CONCLUSION AND RECOMMENDATIONS

#### 5.1 INTRODUCTION

This chapter presents the summary of findings, conclusion drawn from findings, recommendations and suggestions made for further research. The study sought to provide information on ethical procurement practices at DFR. Three research questions were used to guide the study and they included assess the level of compliance with code of ethics on public procurement in the DFR, the challenges impeding the implementation of ethical procurement practices and identify strategies to enhance ethical procurement practices in DFR.

The study adopted the descriptive survey method by the use of questionnaire to collect from DFR staff. A sample size of 65 respondents was selected for the study through the use of purposive and simple random sampling techniques were used to select respondents for the study. Data gathered through the administration of questionnaire were analyzed and presented with the help of percentages, graphs and frequency tables.

#### 5.2 CONCLUSION

This part of the thesis concludes the main findings of the research per objective, based on the opinions of the respondents as follows:

##### **5.2.1 Compliance level with code of ethics on public procurement in Department of Feeder Roads**

The results indicated 72.8 % respondents comprising the majority of the sample population agreed with statement that DFR has policy documentation on procurement

laws and practices which guide the staff on code of ethics on public procurement. The study findings agree with a publication by Public Procurement Board (2007), which contains detailed rules and procedures for all aspects of the procurement system; the operations of the Public Procurement Authority and the procurement entities and the conduct of procurement activities. Thus, the Public Procurement Board is authorized to issue guidelines and to provide supplementary guidance on specific topic that is needed to help streamline the conduct of public sector procurement in Ghana.

The findings of the study revealed that 61.5 % forming the majority of the respondents agreed that the management supports code of ethics on public procurement which corroborates with Baron's (2000), observation that the effectiveness of codes of ethics on public procurement depends on the extent to which management supports them with sanctions and rewards. Therefore, professional standards of ethical conduct contain typical characteristics including commitments to avoid conflicts of interest, behave honorably in all aspects of work and professional activity, and conduct oneself in such a manner as to maintain trust and confidence in the integrity of the acquisition process.

The findings indicated that majority of the respondents representing 74% agreed that procurement officials always notify unsuccessful tenderer or bidders of the evaluation results agrees with the statement by Smith-Deighton (2004), that procuring entities need to consider the most effective way of notifying tenderers, taking into account postal delays, particularly if there are international tenderers. Therefore, it is good practice to always provide information in writing, whether in hard copy or electronic form. Once the successful tenderer has been appointed, all unsuccessful tenderers should know the results of the evaluation as soon as possible.

The results show that most of the respondents comprising 55.4 % believe that the code of ethics on public procurement is clearly understood by DFR staff agrees with a study

by (Gelderman, 2002) that the lack of clarity is believed to increase the possibilities of deliberate non-compliance.

The results indicated 64.7% respondents comprising the majority of the sample population agreed with the statement that procurement activities are advertised in DFR's formal website, media or journals is consistent with PPA (2003), that requires public procurement be done in newspapers, Authority's website and Journal.

Finally, the results show that 58.5% respondents forming the majority agreed with statement that all procured works, goods and services meet the concept of value for money. This supports the main objectives of Act 663 which posits that public procurement processes in the public service should ensure judicious, economic and efficient use of state resources and to ensure that public procurement functions undertaken within the public sector are fair, transparent and non-discriminatory.

### **5.2.2 Challenges associated with the compliance with the code of ethics in public procurement**

The results indicated 60% respondents strongly agreed with the statement that lack of management support for compliance with code of ethics on public procurement supports the assertion of Baron (2000), that the effectiveness of such codes of ethics depends on the extent to which management supports them with sanctions and rewards. Consequently, the code of ethics in public procurement identifies three main categories as the follow: confidence in the public procurement process; professionalism of employees and quality of execution.

The findings of the study showed that majority of the respondents representing 63.1% averred that problem of government or external influences is one of the challenges facing compliance with code of ethics in public procurement gives credence to assertion by

Public Procurement Act 2003 (Act 663), that the problems of violations of procurement procedures and the use of high-ranking officials to influence procurement decision making and bribery-induced violations of procurement procedures by government officials in collaboration with providers are attributed not only to the technical skills of the experts but rather their ethical skills.

The results indicated that majority of the respondents representing 56.9 % strongly agreed with the statement that lack of regular education and training to support staff development agrees with Sheoraj's (2007), research study that skills and capacity shortages have been identified as the single greatest impediment to the success of public procurement in South Africa.

The results of the findings show that most of the respondents (64.6 %) claim that lack of motivation on the part of the procurement officers could contribute to non-compliance with ethical procurement practices gives credence to a study by Ogachi (2011). According to Ogachi, the reward (pay) affected the extent to which procurement professionals comply with code of ethics on public procurement. Accordingly, with better pay the public procurement professionals tended to observe the professional code of ethics.

The results revealed that 60.0% forming the majority of the respondents said that lack of regular monitoring and auditing check on public procurement is one of the hindrances in procurement. According to Luyt (2008), some government entities cannot properly quantify the needs of those requiring their services or properly estimate costs, nor can the officials accurately track, control or report on expenditure.

### **5.2.3 Strategies for improving compliance level with code of ethics on public procurement**

The results showed that 86.2% respondents said that one of the ways of improving compliance with code of ethics on public procurement is through staff motivation. This finding implies that when staff reward adequately they will the compliance level with code of ethics on public procurement improves through seminars and workshop, regular coaching among others.

Furthermore, the results revealed that 76.9% respondents said that frequent audit checks from both internal and external agencies for compliance with code of ethics on public procurement. The finding is consistent with the assertion by Luyt (2008), that there is a need to monitor the delivery of services properly to ensure that scarce resources are efficiently and effectively procured.

Finally, the study indicated that 46.2% respondents said that sanctioning staff for non-compliance with code of ethics on public procurement will promote compliance with code of ethics on public procurement in the organization. The results of study agree with the assertion by Gelderman et al. (2006), that sanctioning public procurement practitioners who do not comply and the reward of those who comply in terms of incentives is expected to increase the intensity or degree of compliance.

### **5.3 RECOMMENDATIONS**

The following recommendations are proposed for management, stakeholders and policy makers.

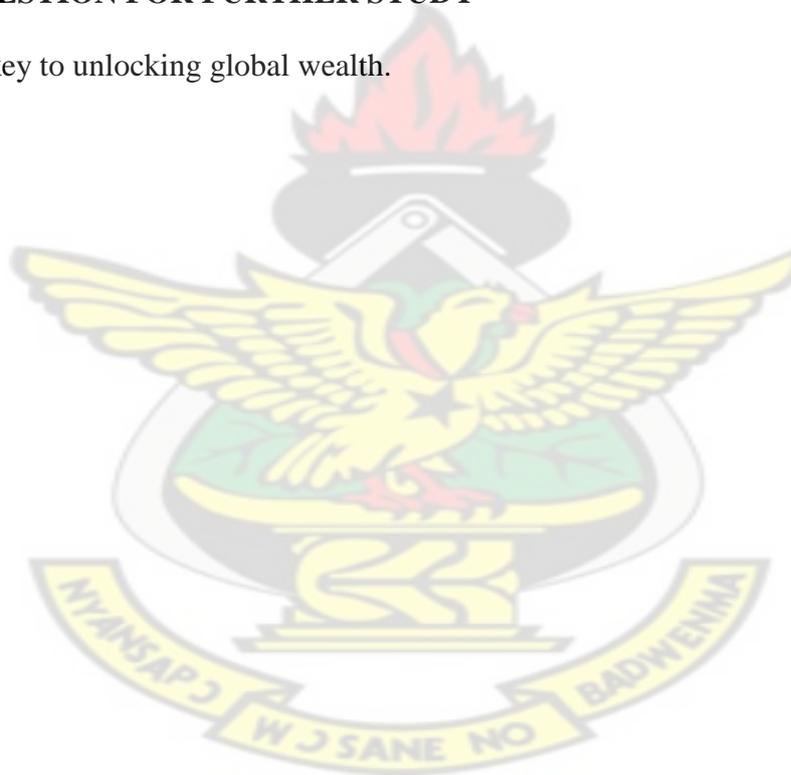
- The study recommends that capacity building for staff is a key for optimum success of compliance level in public procurement.

- It is recommended that procurement officials who do not comply with procurement practices be sanctioned non-compliance while incentives are rewarded for increased the degree of compliance.
- The study recommend that document on compliance with code of ethics in public procurement be made available to all the procurement officials as well as all officials who are directly involved in procurement activities to ensure compliance with code of ethics in public procurement.

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#### **5.4 SUGGESTION FOR FURTHER STUDY**

Ethics: A key to unlocking global wealth.



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## APPENDIX

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**DEPARTMENT OF BUILDING TECHNOLOGY**

**MSc. PROCUREMENT MANAGEMENT**

**TOPIC: COMPLIANCE WITH CODE OF ETHICS IN PUBLIC  
PROCUREMENT AT THE DEPARTMENT OF FEEDER ROADS (DFR)**

### QUESTIONNAIRE FOR DEPARTMENT OF FEEDER ROADS STAFF

Dear respondents:

This is a questionnaire designed to collect data on compliance with code of ethics on public procurement at the Department of Feeder Roads which will be used as an input for a dissertation in a partial fulfillment of Master of Science degree. Your objective response will be solely used for academic purpose and the data will be treated with utmost confidentiality. Therefore, your kind cooperation is appreciated in advance.

#### SECTION A:

##### Demographic Data of Respondents

Please tick [] the appropriate box that corresponds to your response.

1. Gender :

a. Male [  ]

b. Female [  ]

2. Age:

a. 18 – 25 [  ]

b. 26 – 33 [  ]

c. 34 – 41 [  ]

d. 42 – 49 [  ]

e. 50 years and above [  ]

3. What is your level of education?

a. Secondary School / Technical Education [ ]

b. HND / Diploma [ ]

c. Bachelor's degree [ ]

d. Masters / Postgraduate degree [ ]

e. Any other.....

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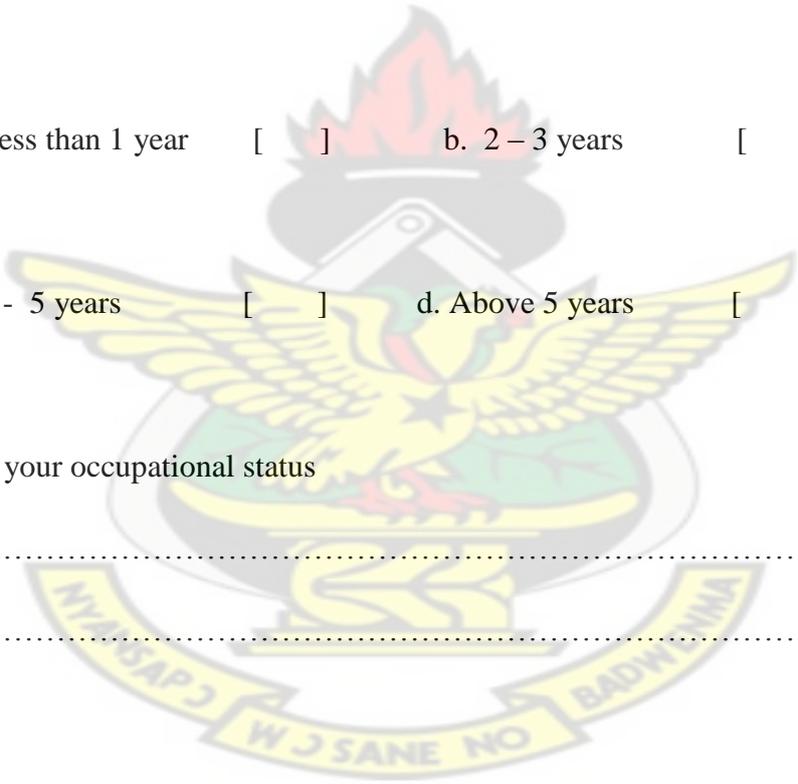
4. State the number of years you have worked at Department of Feeder Roads

a. Less than 1 year [ ] b. 2 – 3 years [ ]

c. 4 - 5 years [ ] d. Above 5 years [ ]

5. Indicate your occupational status

.....  
.....



**SECTION B:**

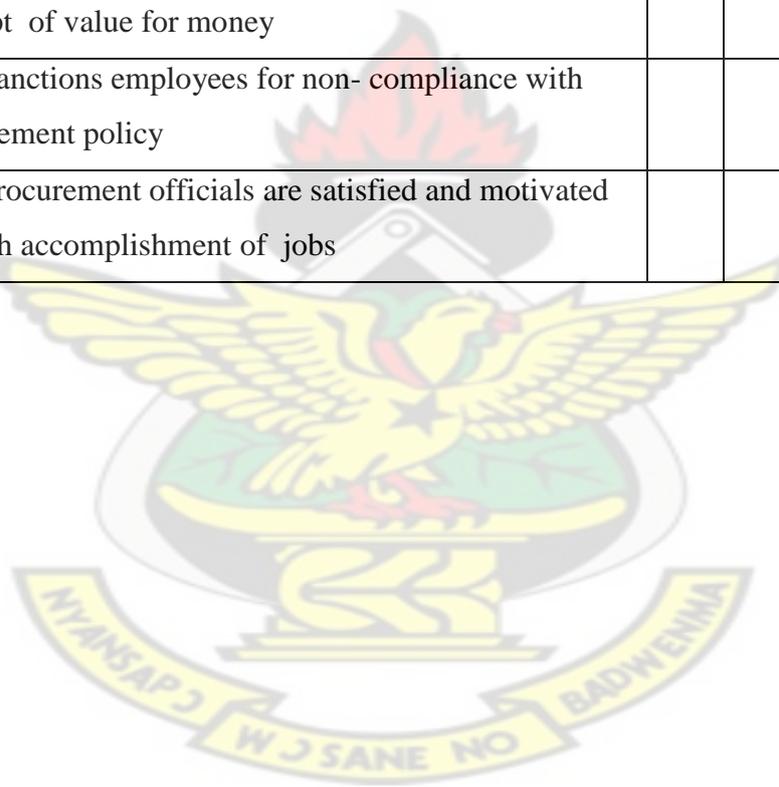
The key for the following responses:

Rank on the Likert scale of 1 to 5 your level of agreement to these statements as compliance with code of ethics in public procurement at DFR.

1	2	3	4	5
Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

	<b>Compliance with code of ethics in public procurement at DFR</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
6	DFR has a policy documentation on procurement laws and practices					
7	The management strictly supports procurement laws and policy of DFR					
8	The code of ethics on public procurement for DFR is clearly understood by all staff					
9	Reports on procurement activities are audited annually					
10	Procurement plans are linked to DFR's budgets					
11	Procurement officers are required to provide timely information to all contractors and suppliers					
12	Procurement activities are advertised in DFR's formal website, procurement bulletin, media and journals					
13	Procurement activity at DFR characterizes economy and efficiency					
14	There is proper documentation of procurement activities at DFR					
15	There is regular education and training to support staff development					

16	The contractors / tenderers are required to sign a formal declaration before participating in any procurement process					
17	Procurement officials always notify unsuccessful tenderers / bidders of the evaluation results					
18	Procurement officers adhere to higher standards of conduct by ensuring that conduct will be open to scrutiny					
19	There is an appropriate competitive process in procuring work, goods and services					
20	All procured works, goods and services meet the concept of value for money					
21	DFR sanctions employees for non-compliance with procurement policy					
22	The procurement officials are satisfied and motivated through accomplishment of jobs					



**SECTION C:**

The key for the following responses:

Rank on the Likert scale of 1 to 5 your level of agreement to these statements as Challenges associated with the compliance with code of ethics on public procurement at DFR.

1	2	3	4	5
Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

<b>Challenges associated with the compliance with code of ethics on procurement at DFR</b>		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
23	Lack of punishment for ethical breaches					
24	Inadequate knowledge, skills and capacity					
25	Inadequate planning controls and procedures for the handling of bids					
26	Employees are not motivated enough to adhere to procurement procedures of DFR					
27	Insufficient audit checks / inadequate control and evaluation					
28	Lack of proper organizational culture to support ethical conduct					

**SECTION D:**

The key for the following responses:

Rank on the Likert scale of 1 to 5 your level of agreement to these statements as Strategies employed to enhance compliance with code of ethics in public procurement in DFR.

1	2	3	4	5
Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree

	<b>Strategies employed to enhance compliance with code of ethics on procurement in DFR</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
29	Incentive and reward scheme for ethical compliance					
30	Agents / actors should comply with Act 663 particularly sections 92, 93 and 97					
31	Capacity building for staff is key for optimum success					
32	The conduct of the regulated actors and or agents should be of public concern					
33	Whistle blower Act should be promulgated and promoted					
34	Corrupt practices defeats the objective: value for money					
35	Publication and communication of ethical code of conduct should be continual for agents					

**SECTION E: Optional**

Kindly suggest any other strategies to be employed to enhance compliance with code of ethics in public procurement at DFR.

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