



**INVESTIGATION OF FACTORS INFLUENCING NON-COMPLIANCE  
WITH PROCUREMENT PRACTICES: A CASE STUDY OF HEAD  
OFFICE SUPPLY CHAIN MANAGEMENT DIRECTORATE AND  
HOSPITALS WITHIN ETHEKWINI DISTRICT, KWA-ZULU NATAL**

Submitted in fulfillment of the requirements of the degree of  
Doctor of Philosophy in Management Sciences  
Specialising in  
Public Administration  
In the  
Faculty of Management Sciences  
At the Durban University of Technology

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May 2023

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Date: 13 April 2023

## **DECLARATION**

I, the undersigned, Sithembile Gadosa Mkhize student number 2124092, hereby declare that this thesis entitled: Investigation of factors influencing non-compliance with procurement practices: A case study of Head office supply chain management directorate and hospitals within eThekweni District, Kwa-Zulu Natal is my work and that it has not been submitted in part or in full to any other degree or any other institution for other purposes. Subsequently, all sources used or referred to have been documented and acknowledged accordingly.

**Signature:**

**Mrs. S.G Mkhize**

**Date: 24 March 2023**

## **ABSTRACT**

Regardless of the reforms and the employment of Supply Chain Management (SCM) as a strategic tool, South Africa still faces immense challenges in its procurement practices. Non-compliance with public procurement guidelines cannot be ignored because it has a significant cost to the government and the public as taxpayers. This study investigated the factors influencing non-compliance with procurement practices within the Kwa-Zulu Natal Department of Health. The Auditor General's reports for the financial year 2017/2018 and 2018/2019 confirmed that this Department had received qualified audit opinions for two consecutive years for incurring irregular expenditure on procurement and contract management following non-compliance with procurement guidelines.

A mixed-method of data collection was employed on this study to gather information from the relevant decision makers including officials in finance and SCM components. The results of this study demonstrated that unavailability of SCM staffing norms, shortage of staff, lack of supervision, shortage of skills, unavailability of E-procurement system, and negligence are major determinants for non-compliance. These findings have relevance for the Kwa-Zulu Natal Department of Health and also for the South African Public Sector as it strives to achieve clean audits on procurement and contract management. Furthermore, this study acknowledges the policies and the guidelines on public procurement and contract management. However, it argues that policies and guidelines alone cannot prevent irregular expenditure.

Public procurement and contract management policies and guidelines need to be complemented by human resources, appropriate skills, updated technologies, implementation of consequences management, and monitoring and evaluation.

Furthermore, this study presented the researcher's proposed model for addressing non-compliance with procurement and contract management policies, as shown in Figure 4.2. Moreover, this model could play a crucial role in reviving and supplementing the public procurement and contracting objectives thus enhancing compliance.

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## DEDICATION

This study is very personal and therefore I am dedicating it to no one, but myself **@Sithembile KaMyeza**. With it, I am applauding myself for finishing what I have started because it wasn't easy. There were lots of sleepless nights, a lot of sacrifices, a lot of disappointments, and financial constraints.

During this study, I experienced radical life challenges that were threatening my psychological being, while I had submission deadlines to meet. Consequently, I would capture data with pain in my heart and tears rolling down my face, but I have never had a thought of giving up, instead this study was the only positive thing that kept me going stronger.

“Last but not least, I wanna thank me for believing in me. I wanna thank me for doing this hard work. I wanna thank me for having no days off, I wanna thank me for never quitting”. **Snoop Dogg**

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# **CHAPTER 1 INTRODUCTION TO THE STUDY**

## **1.1 Introduction**

This study investigates the factors influencing non-compliance with procurement practices within the Kwa-Zulu Natal Department of Health and it was conducted within eThekweni District.

This chapter presents the background of the study. It also presents the research problem, the aims of the study, objectives, research questions, hypothesis, and the rationale for the study.

## **1.2 Background to the study**

Public procurement is an evolution that started during the 1990s as governments from rich and poor countries came under increasing pressure to do more with less and to provide efficiency, fairness, and equity in the procurement system (Thai 2009: 3). The South African Constitution (1996) regulates that, contracts for goods or services must be done following a system that is equitable, transparent, competitive, and cost effective. Mazibuko (2018: xiv) believes that the South African public sector has challenges in the administration of procurement practices. He further adds that despite having government policies and supply chain management codes of conduct, there seems to be an ongoing exhibition of unethical procurement practices.

The Global and South African literature review indicates that there are common challenges in the administration of procurement and contract management in line with the relevant guidelines. Unfortunately, non-compliance with the legislation governing public procurement comes with a high cost to the government and the public as taxpayers and therefore could not be ignored. The Kwa-Zulu Natal Department of Health is not excluded from the entities that showed non-compliance with procurement and contract management guidelines. This study will investigate the factors and challenges influencing non-compliance to procurement and contract management including the utilization of expired contracts.

This study sought amongst other things to determine techniques that could be explored by the department of health to eliminate irregular expenditure on procurement and contract management as well as to promote compliance with procurement guidelines. A mixed-method of data

### **1.3 Research problem**

According to the report of South Africa's Department of Health (2019: 111-120), the Kwa-Zulu Natal Department of Health received a qualified audit opinion for incurring irregular expenditure on procurement and contract management. The qualified audit results were due to non-compliance with procurement and contract management practices. Mnguni (2012: 4) is of the view that there are some existing challenges and deficiencies that hinder the appropriate implementation of procurement and contract management thus resulting in irregular expenditure. Mazibuko (2018: 1) contend that public procurement is most exposed to irregularities and non-compliance with legislation.

The researcher concurs with Mnguni (2012: 4) when he states that, there are deficiencies that hinder the proper implementation of procurement management practices, which are resulting in qualified audit opinion. This sought to investigate factors that are influencing non-compliance with procurement and contract management practices thus resulting in irregular expenditure.

### **1.4 Aim of the study**

To investigate factors influencing non-compliance with procurement practices within the Kwa-Zulu Natal Department of Health thus resulting to unclean audit findings.

## **1.5 Objectives of the study**

- 1) To examine factors and challenges influencing noncompliance with procurement guidelines within KZN Dept. of Health.
- 2) To assess the contract management administration challenges faced by the department.
- 3) How is the nature of human resources skills and expertise in the procurement and contracting management unit?
- 4) To explore techniques that can be explored to eliminate irregular expenditure on procurement management.

## **1.6 Research questions**

- 1) What are the factors and challenges influencing non-compliance with procurement guidelines within the KZN Dept. of Health?
- 2) What are the techniques that can be explored to eliminate irregular expenditure on procurement management?
- 3) What are the contract management administration challenges faced by the department?
- 4) What are the required human resources skills and expertise in the procurement and contracting department?

## **1.7 Study hypothesis**

- 1) Inadequate staff in the procurement and contract management unit is one of the factors to the qualified audit finding on procurement and contract management.
- 2) There are weaknesses in procurement and contract management implementation processes.

- 3) There are deficiencies in procurement and contract management monitoring and evaluation.

## **1.8 Rationale for the study**

Mazibuko (2018: 14) revealed that the South African public sector has challenges with the administration of procurement practices. He further adds that, despite government codes of conduct mechanisms and policies developed, there seems to be a manifestation of unethical procurement practices. Non-compliance with key legislations relating to procurement and contract management remains a huge problem in all spheres of government as stated in the audit report (South Africa, Auditor General 2018: 6).

In the past two consecutive financial years: 2017/2018,2018/19, the Kwa-Zulu Natal Department of Health has been receiving qualified audit opinions, for incurring irregular expenditure on procurement and contract management following noncompliance with SCM guidelines. For the Department to receive a qualified audit opinion in the two consecutive years, is an indication that non-compliance with procurement practices remains a challenge within the Kwa-Zulu Natal Department of Health and it is worth investigating. The audit reports motivated the researcher to conduct a study that sought to investigate the factors that are influencing noncompliance with procurement and contract management practices.

## **1.9 Research methodology**

In accordance with Van Rensburg et al. (2017: 57), research methodology is referred to the precise technique chosen by the researcher for conducting the study. John and Creswell (2014: 16) believe that, the main constituent in the research framework is the specific research methods that involve the types of data collection, analysis and interpretation that the researchers propose for their studies. They further add that, qualitative, quantitative and mixed methods are three approaches of data collection that the researcher may choose to collect data relevant to the research. In view of the

aforementioned various research methods, Saldana and Jonny (2011: 11), recommends the mix-method of data collection and they add that, this method utilizes a strategic combination of both qualitative and quantitative data collections. Locharoenrat (2017: 96-97) affirms that, basic applied research can be both qualitative and quantitative.

According to Maree (2012:51), qualitative research methodology is concerned with understanding the processes, and social and cultural contexts which underlie various behavioural patterns and most concerned with exploring the why questions of the research. Leedy and Ormrod (2010: 136) are of the opinion that qualitative method enables the researcher to gain new insights on a particular phenomenon and to develop the new concept of theoretical perspectives about the phenomenon. An alternative view is presented by Saldana and Jonny (2011:32) is that qualitative research studies rely on interviews with participants to understand their perceptions, feelings, beliefs, principles, attitudes and views about their personal and experiences and social world, in addition to factual information about their lives. Qualitative research design according to Venter *et. al* (2017: 99) focuses on generating and analysing non-numeric data such as written documents, behaviour and images or verbal data such as interviews. Creswell (2014: 4) defines qualitative research is an approach for exploring and understanding the meaning of individual or groups ascribe to a social or human problem. Locharoenrat (2017: 96-97) briefly clarifies that qualitative data are concerned with quality and it cannot be graphed.

Locharoenrat (2017: 96) defines quantitative data as an approach that is based on the measurement of quantity. He further adds that data of this research are set of numbers that are analysed by using statistical or mathematical analysis and it results are often presented in tables and graphs. According to John and Caswell (2014: 13) survey research provides a quantitative or numeric description of trends or populations studying a sample of that population. Venter et al (2017: 132,138 &139) described a survey as a strategy for acquiring information about one or more groups of people, perhaps about their characteristics, opinions, attitudes or previous experiences by asking questions and tabulating the answers. They further reveal that a variety of methods can be used to collect numerical data including:

- Interview based surveys, which could be: personal face to interviews and telephone interview.
- Questionnaire based surveys which could be: mail/postal surveys, systematic observation and web based surveys

This study employed mixed method, both qualitative and quantitative approached were used to collect data relevant to the research objectives. Mixing or blending method of data collection is well defined by all authors cited. Adopting mixed method of data collection on this study assisted the researcher to combine the strengths of the two approaches to conduct an ample data collection and analysis. Furthermore, mixed method of data collection aided in developing a concentrated understanding of the research problem through using qualitative data to explain quantitative data.

The use of qualitative method in this study assisted was appropriate and it assisted in understanding the perceptions of the participants on the phenomenon being studied through interviews. Thirteen questions were formulated for the semi-structured interviews. Furthermore, the interviews were conducted with 15 various senior managers from different hospitals within the eThekweni District and the interviews took place in the manager's boardrooms. These senior managers were relevant for this study because they are decision-makers in the field of procurement and contract management. Furthermore, interviewing the decision-makers was essential for this study and it helped in understanding their perceptions and believes on the phenomenon being studied.

In collecting quantitative data, this study used the web-based survey, questionnaires were formulated in way that provided the researcher with the sensation of how the respondents felt about the phenomenon being studied. Twenty questionnaires were constructed in such a way that made it easy for the respondents to express their perceptions. Also the responses were constructed in a less complicated manner that required the despondences to indicate either they agree or disagree with what was said. Invitation to participate in the survey was sent to respondents via email. Self-completion questionnaires with clear instructions of what was required including submission date was also attached to the email. The survey consisted of 84 responses from finance and supply chain management component. It was beneficial for this study

results to involve officials who are directly involved in the procurement and contract management.

The results of this study were analyzed and interpreted with the aid of Statistical Package for Social Science (SPSS) IBM version 23 for qualitative methods and NVivo 12 software for quantitative methods.

### **1.10 Anonymity and confidentiality**

This study adhered to the principles of anonymity and confidentiality. In doing so, questionnaires and questions did not have personal description of participants such as: name, gender, the hospital name etc. Questionnaires were distributed by the researcher electronically through emails directly to the selected participants email addresses. Furthermore, to maintain confidentiality, for qualitative data collection, interviews were conducted by the researcher.

### **1.11 Ethical considerations**

Van Rensburg, et al. (2017: 57) state that, it is important to consider ethical issues in the planning phase of the research project; most academic institution requires students and staff to obtain ethical clearance before commencing with a research project. They further add that ethical considerations are not only limited to academic research but should also be taken into account by research practitioners in general. Ethical conducts protect both the researcher and the participants; researchers need to obtain ethical clearance before commencing with the research. Research ethics is conceptualized by Tshabalala (2016: 74) as the structure that provides guidelines on how to conduct research in a morally acceptable way and he further adds that basic ethical measures must be taken to protect participants from any form of harm.

The researcher adhered to all the Durban University of Technology ethical consideration requirements and obtained the ethical clearance approval. Participants of this study were informed that the researcher is guided and working under university

ethical framework. Gatekeepers letter and concerned forms were issued out and participants were told that, they reserve the right to request to be withdrawn from the study if they felt that ethical issues were met by the researcher.

## **1.12 Structure of chapters**

### **□ Chapter one: Study Introduction and orientation**

Chapter one presents an introduction and the background of the study. It clarifies the research problem statement, aims, objectives, hypothesis, and the significance of the study. This chapter also provides the research methodology and the design that was used in this study.

### **□ Chapter two: Theoretical perspectives on public procurement**

Chapter two presents literature relevant to the study objectives. It covers the theoretical perspective of global, national, provincial, and local government Supply Chain Management with specific reference to procurement and contract management.

Non-compliance with procurement and contract management guidelines is a global buzzword. This study investigates the determinants of non-compliance with procurement guidelines. It presents global public procurement theoretical perspectives, namely public procurement practices, general principles of public procurement, global common procurement challenges during the COVID-19 pandemic as well as the manifestation of non-compliance with procurement and contract management practices.

### **□ Chapter three: South African perspectives on public procurement**

This chapter discusses South African theoretical perspectives on Public Procurement. It presents the pillars of South African Public Procurement. It also discusses the legislative framework governing public procurement and contract management. Public procurement processes including the formulation of quotation committees are deliberated on, including procurement cash flow management and contract management practices. It further presents the general procurement and contract

management audit findings, as well as the determinants for non-compliance with procurement and contract management guidelines.

#### □ **Chapter four: Supply chain management compliance model**

This chapter displays the Supply Chain Management Model which was introduced by the South African National Treasury in 2004 to be used by the public sector in South Africa. The objective of this model was to provide guidelines on the flow of public procurement processes. This study argues that while this model is in existence, noncompliance with procurement and contract management remains an audit query. In this chapter, the researcher also presents a self-generated model for addressing noncompliance with SCM practices, including human resources, skills, organizational culture, technology, and internal control. The South African National Treasury's Supply Chain Management Model, which comprises demand, acquisition, logistics, and disposal, are also discussed and aligned with the researcher's self-generated model for SCM.

#### □ **Chapter five: Research Methodology**

Chapter five presents the research methodology and the design that was applied by the researcher to acquire data relevant to the study objectives. This chapter, therefore, expounds on how the population and sample were selected. It further describes the sampling techniques that were employed. Issues of ethical considerations; confidentiality; anonymity; limitations; reliability; and validity are also explored in this chapter.

#### □ **Chapter six: Data analysis and interpretation**

In this chapter the analysis of data collected, the interpretation of results, and the discussion of findings are presented. The results of this study were analyzed and interpreted with the aid of Statistical Package for Social Science (SPSS) IBM version 23 for qualitative methods and NVivo 12 software for quantitative methods. Furthermore, this chapter discusses the study results per each theme and sub-themes that emerged. The discussions on this chapter are supported by relevant literature.

## □ Chapter seven: Conclusions and recommendations

Chapter seven provides an overview of all chapters. It presents the summary of the key findings; the limitations of the study; the recommendations from the study; recommendations for further research; and the conclusion.

### **1.13 Conclusion**

This chapter presented the background and the orientation of the study. It clarified the research problem and presented the study aims which were to investigate the factors influencing non-compliance with procurement and contract management guidelines within the Kwa-Zulu Natal Department of Health. The primary objectives of the study and the research question to address the research problem were also presented in this chapter. The study hypothesis and the justification of the study were also presented. The following chapter discussed the theoretical perspectives on public procurement.

# **CHAPTER 2 THEORETICAL PERSPECTIVE ON PUBLIC PROCUREMENT**

## **2.1 Introduction**

This chapter presents literature relevant to the study objectives. It covers the theoretical perspective of global, national, provincial, and local government Supply Chain Management with specific reference to procurement and contract management.

Non-compliance with procurement and contract management guidelines is a global buzzword. This study investigates the determinants of non-compliance with procurement guidelines. It presents global public procurement theoretical perspectives, namely public procurement practices, general principles of public procurement, global common procurement challenges during the COVID-19 pandemic as well as the manifestation of non-compliance with procurement and contract management practices.

## **2.2 Supply Chain Management (SCM) defined**

According to the South African Department of Health (2010), supply chain management is the interconnected process of planning, buying, storing, using and disposing of goods. This is done by optimizing the economic return on the capital invested in goods, stores and services. Tutorial.com (2017) defines SCM as the process of managing the flow of goods and services that starts from the origin of products and ends with the end-user's consumption. According to the South African National Treasury (2015), SCM is a crucial system of managing the flow of goods and services within an organization.

The South African National Treasury (2015:1) describes SCM as a crucial system that government utilizes for the procurement of goods and services. In addition, its undervaluation has resulted in supply chain management standards not being met. The Global Compact Network India (2017:1) views supply chain management as a process of procuring goods, services or works by competitive bids or through sourcing.

The concept of Supply Chain Management, based on Muhammad (2016:3), is considered to be the automated flow of information, products, and finances.

The definition of SCM by various authors cited highlighted that SCM is a process of planning, procuring, storing, utilizing, and disposing of obsolete goods. In addressing the research problem, this study focuses on the procurement and contract management part of supply chain management.

### **2.2.1 Theoretical perspectives on SCM**

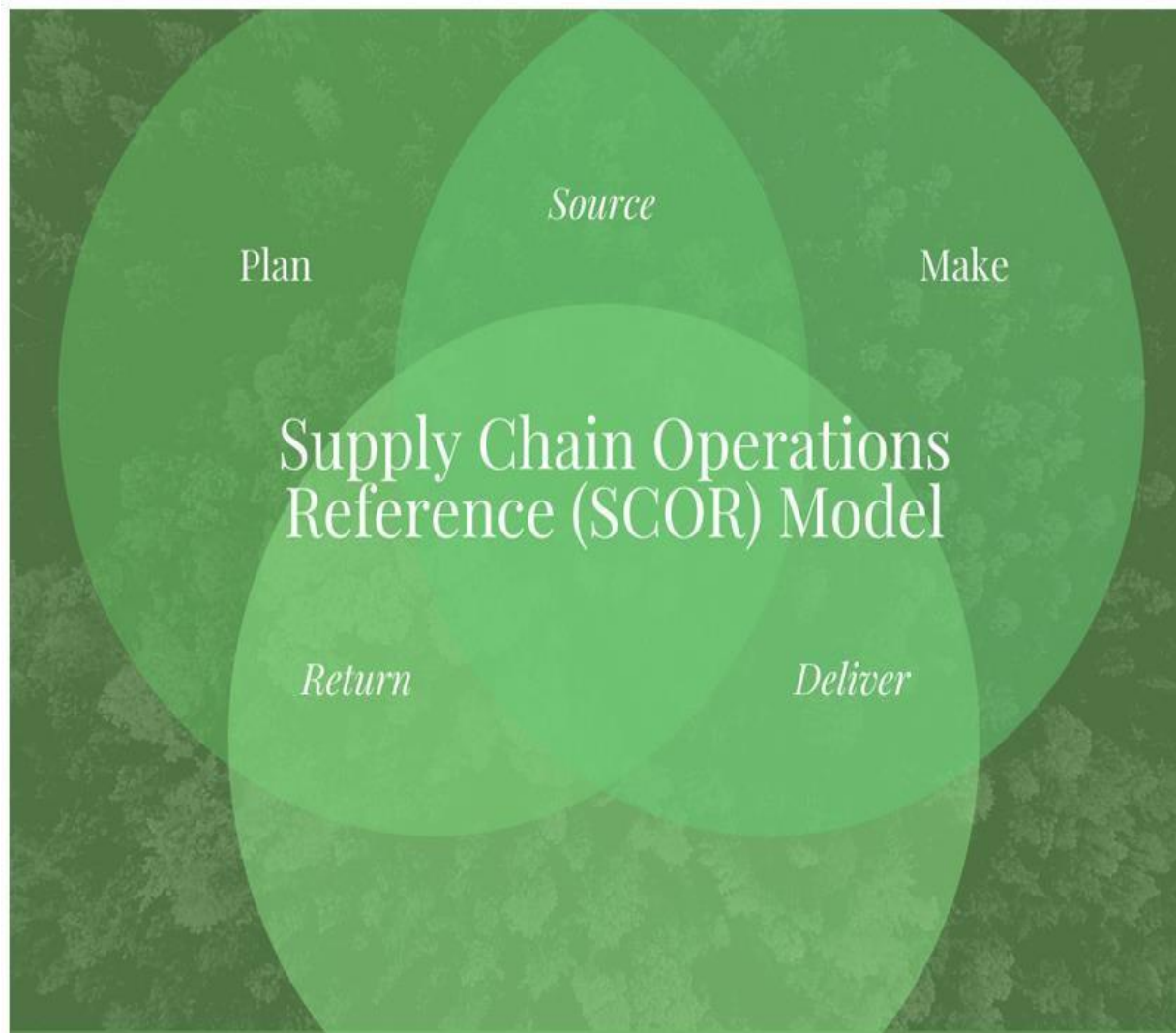
According to the South African National Treasury (2020:34), the public Supply Chain Management unit must be standardized and consistent in all spheres of government. It further regulates that the SCM unit must have (South Africa, Department of National Treasury 2020:34):

- (a) “Institutional and governance arrangements;
- (b) demand management;
- (c) procurement planning and budgeting;
- (d) acquisition management;
- (e) contract management;
- (f) risk management;
- (g) logistics management;
- (h) movable asset management;
- (i) disposal management;
- (j) Monitoring and assessment of procurement performance; and reporting mechanisms”.

The purpose of SCM, according to Ambe and Badenhorst-Weiss (2012), is to promote efficiency in the procurement process. In addition, the value of procurement should be seen from the first stage till the last stage of public SCM. According to Hyatt (2016:1), SCM is an enterprise that integrates a wide range of activities that can be overwhelming for the public as well as private sectors. She suggests that in order to monitor progress, SCM should be divided into several strategic areas. Bhardwaj

(2020:1) suggests dividing the stages of supply chain management into five basic components, namely plan, source, make, deliver and return, as shown in Figure 2.1.

**Figure 2.1 Five basic components of Supply Chain Management**



**Source: Adapted from Bhardwaj (2020:1)**

### **2.2.2 Components of Supply Chain Management**

#### **□ Plan**

In the Supply Chain Management process, planning is the first step. Planning ensures that the goods and services required are quantified, budgeted for, delivered at the right locations on time, and are of the appropriate quality (South Africa, National Treasury

2020:10). Planning allows SCM to get the details of all procurement requirements and it is essential for the achievement of the long-term success of any project (Dent 2021:1).

#### □ **Source**

The Tutorial Point (2021:1) explains that after planning, the next logical step is sourcing, where procurement officials establish relationships with suppliers that supply the desired products or services. Furthermore, research is required to find reliable suppliers as well as choose the most efficient methods for distribution, delivery and payment of the products.

Dent (2021:1) believes that sourcing is a process of purchasing goods and services that includes evaluating and engaging suppliers to provide goods and services to the organisation. In order to execute this component of the supply chain, sourcing practitioners must ensure that goods and services are procured on time for delivery and that the organisation's plan is put into action. According to the South African National Treasury (2020:9), sourcing as the second component of SCM can acquire goods and services through the following means (South Africa, National Treasury 2020:9):

- “petty cash purchases up to the transaction value specified in the Delegation of Authority;
- written quotations for the procurement of goods and services up to the transaction value specified in the Delegation of Authority;
- formal written price quotations for the procurement of goods and services up to the transaction value specified in the Delegation of Authority; and
- a competitive bidding process for the procurement of goods and services above the transaction value specified in the Delegation of Authority”.

#### □ **Make**

The making of merchandise as in line with end-user`s needs is a vital step in the Supply Chain Management process, wherein the goods are designed, created, verified, packaged and synchronized for delivery. This degree is taken into consideration the maximum important section of the deliver chain due to the fact it's far wherein

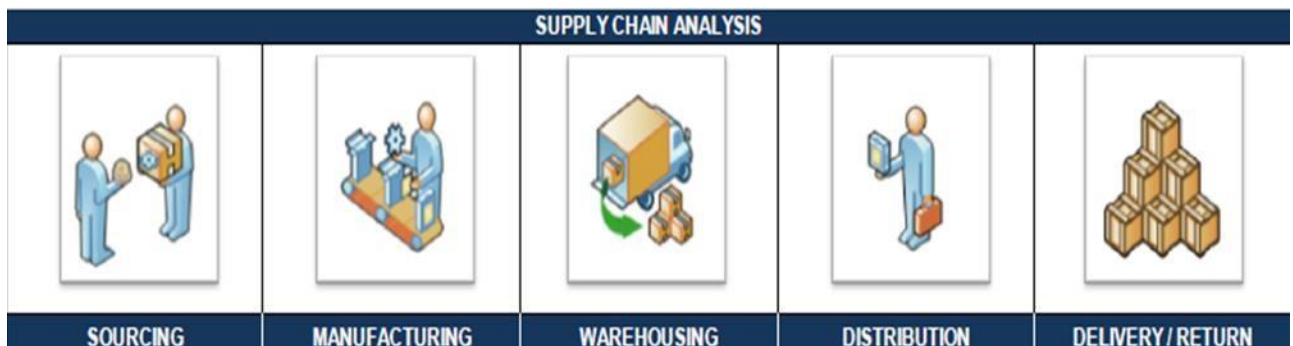
businesses can degree their exceptional levels, manufacturing output, and employee productivity (Tutorials Point 2021:1).

#### □ Deliver

Dent (2021:1) shares that the supply chain comes to an end when the product or service is delivered to the customer. Hyatti (2016:1) wrote that the stage of delivery includes all of the steps from processing consumer questions to deciding on distribution techniques and transportation methods.

The South African National Treasury (2016:131) concurs with Bhardwaj (2020:1) when categorizing the stages of the supply chain as basic components. However, the author argues that the supply chain must be analysed in order to determine which stage requires improvement in order to shorten the time it takes to deliver the product to the end-users without sacrificing the quality of the product and service delivery. The National Treasury further present the stages of supply chain that need to be analysed in order to achieve optimal supply chain results as shown in Figure 2.2.

**Figure 2.2 Supply Chain Management analysis**



**Source: Adapted from the South African National Treasury (2016:131)**

Figures 2.1 and 2.2 illustrate the stages of Supply Chain Management that are believed to provide optimal and value-for-money provisioning of SCM. La Pointe (2017:1) argues that in spite of the transparent stages of SCM provided by the public and private sectors, the public sector still has challenges in making Supply Chain Management more efficient in all indicated stages.

The researcher is in agreement with La Pointe (2017:1) in that there are challenges in the implementation of SCM, including non-compliance with the relevant legislative

frameworks, while there are various components of Supply Chain Management which need to be complied with, as presented by the different authors cited. The researcher also concurs with the South African National Treasury (2016:131) when it dictates that all stages of SCM must be analysed continuously to ensure that it performs according to the required standards. This study, however, only focuses on analysing one component/stage of Supply Chain Management, which is procurement, because it intended to ascertain determinants for non-compliance with procurement and contract management guidelines in the Kwa-Zulu Natal Department of Health.

### **2.3 Defining public procurement**

The concept of Public Procurement is defined by Khan (2018:2) as a critical method of controlling the spending of state and tax payer's money on the procurement of goods and services required for the attainment of public programs and projects. According to Khan (2018), the procurement planning process involves estimating government agencies' needs, preparing budgets and finally executing procurement plans after budget allocations have been made.

Kissflow.com (2021) explains that public procurement is a technique and means used by government to rationalize the procurement process to achieve desired results while cutting costs, reducing time and strengthening supplier relationships. The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) (2019) views public procurement as a process that begins with procurement planning and moves towards advertising, invitations to bid, bid evaluation, contract award and contract administration.

The Global Compact Network India (2017:4) explains that procuring goods or services from external sources is a process of receiving those goods or services through tendering or competitive bidding and that it also plays an important role in government's financial management process. According to Lister (2021:1), public procurement refers to a regulated system by which government purchases goods and services from private entities by following a set of guidelines. The definition of public

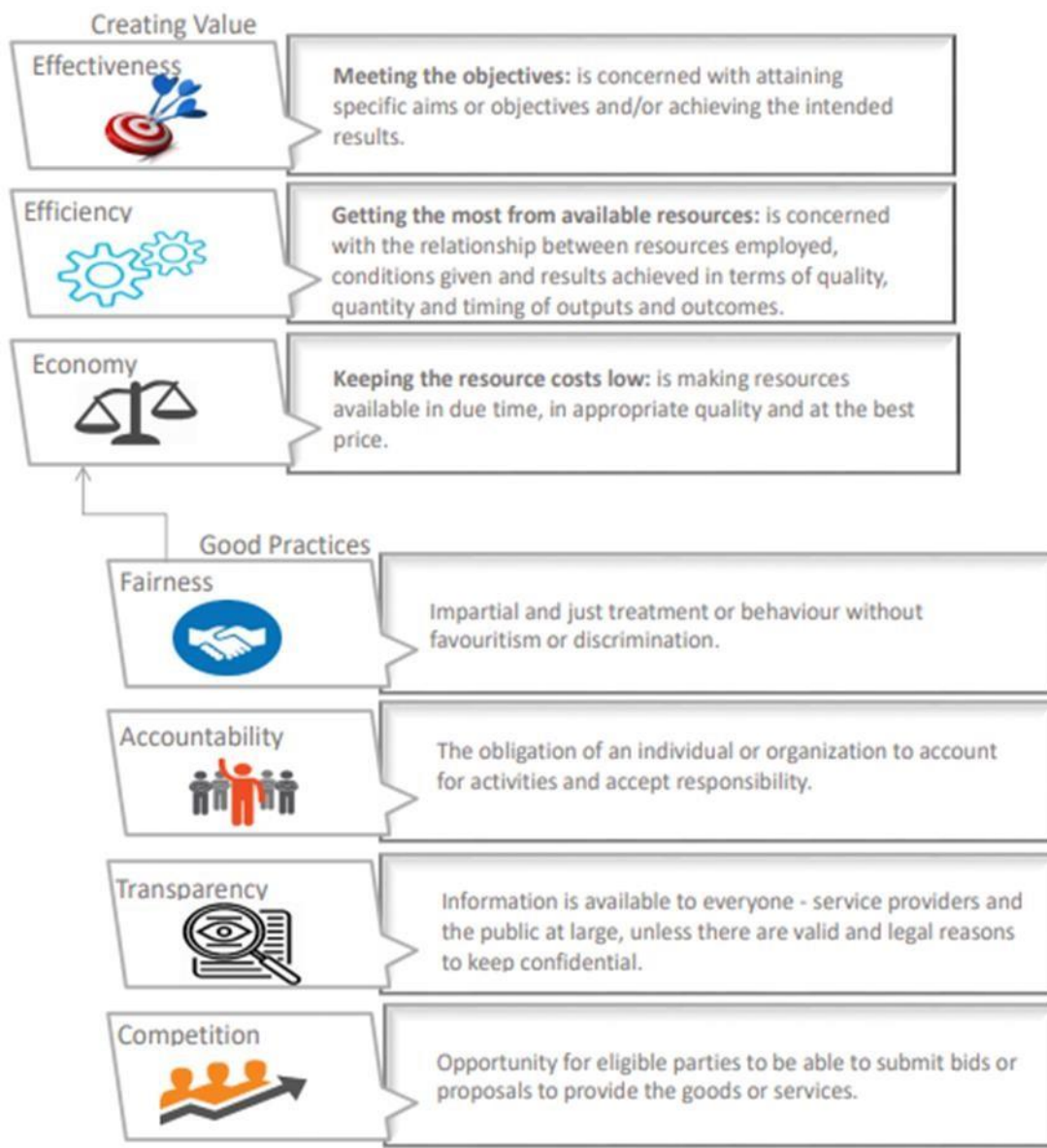
procurement in Mantzaris (2014:61) is simple: “obtaining goods and services with the assistance of a marketable business”.

### **2.3.1 General principles for public procurement**

The public procurement principles provide a transparent structure where governments acquire goods and services through value for money. It encourages economic development, which needs to be followed to achieve an open and competitive procurement process. If procurement processes fail to conform with openness and competition, it could imply that the processes are purposely manipulated by politicians and public officers for their family and friend’s benefits. (Anti-Corruption Evidence Global Integrity 2019:1). According to Kabega, Kule and Mbera (2016:377), cited in Mazibuko (2018:115), public procurement is an important component of economic policies and programs that aim to improve the effectiveness of public financial management.

In accordance with the Jamaican Auditor General's report (2019:14), government procurement should be managed in such a way that maximizes value for money. It further adds that public procurement processes should therefore incorporate effectiveness, efficiency, economy, transparency, accountability, competition and fairness, as highlighted in Figure 2.3, in order to attain value for money.

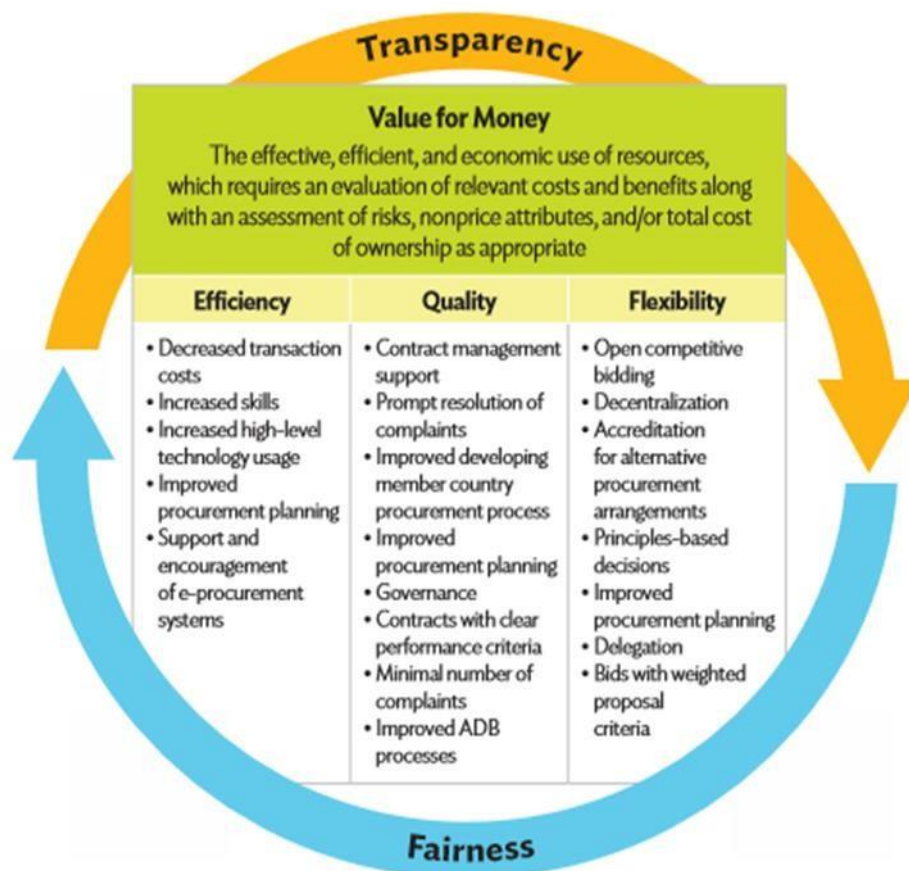
**Figure 2.3 General principles for attaining value for money in public procurement**



**Source: Adapted from the Jamaica Auditor General (2019:28)**

The Asian Development Bank (2018: vii) is in agreement with Jamaica’s Auditor General (2019:14) in claiming that effective public procurement provisioning adds to the principle of value-for-money (VFM) as part of a universal procurement system. It further presents how it perceives the elements of value for money in Figure 2.4 and it believes that if all VFM elements could be adhered to, public procurement provisioning could improve.

**Figure 2.4 Elements of Value-for-Money**



**Source: Adapted from the Asian Development Bank (2018: vii)**

## **2.4 Global perspectives on public procurement**

Public procurement first emerged in 1990 as governments around the world aimed to increase efficiency, equality and impartiality in their purchasing activities (Thai 2009:3).

Ambe and Badenhorst (2012: 245) believe that public procurement was established to positively enhance governments' social and political objectives. In order to ensure that government procurement meets the needs of the public to the best of its abilities, a large portion of the government budget goes towards procuring goods, services and infrastructure. Awarding contracts on the basis of lowest price rather than value-for-money across the globe remains a challenge that needs to be addressed

(International Institute for Sustainable Development 2020:1). Public procurement generally assumes that bids that do not meet the minimum requirements outlined in a bid document are non-responsive and will be rejected without further consideration (Volmink 2014:12).

The elementary structures for public procurement best-practices are well known and are rooted in the procurement guidelines that are used by multilateral development banks. The guidelines embrace guaranteeing transparency and inspiring the employment of competition through open tendering to stop collusion between bidders; clarity on the analysis criteria that may be accustomed confirm the winning bid, together with the relative weight that may incline to cost as opposition qualitative criteria or technical quality and whether or not there'll be a preference given; providing feedback to bidders when award is made; and complaints mechanisms allowing suppliers to contest perceived non-compliance by procuring entities with domestic law and acquisition rules (World Bank 2018:9).

In line with the World Bank (2018:9), the European Union's public procurement and contract administration are regulated and administered by legislation and policies set by the European Union. It is also based on the principles of transparency, nondiscrimination, equal treatment and proportionality, and it emphasises compliance with the legislative governing procurement. It further warns that defaulters can be subjected to law enforcement action by the European Union. GO Shared Services (2015:6) suggests that in order to uphold public procurement principles, procurement practitioners need to be up-to-date with the legislative requirements regulating public procurement, as well as to ensure that all procurement is carried out in accordance with the regulations. In support of the World Bank (2018:9), the World Health Organisation (2020:1) discloses that it is committed to providing procurement service that is timely and effective, while observing the overall procurement guiding principle of obtaining the best value for money on procurement for organizations. KusiSarpong and Sarkis (2017), as cited in Adjei-Bamfo, Malareh-Nyamekye and Ahenkan (2017:1), articulates that the global public procurement practices are being reviewed in accordance with the United Nations sustainable development outcomes which encourage social justice, environmental sustainability and minimising economic imbalances as part of governments' efforts to uphold sustainable development.

The Nigerian Economic Summit Group (2017:1) reports that public procurement has become an important factor in the public and business spheres globally. Pautz *et al.* (2003: 5) suggests that for public procurement to be successful, it must be accepted as part of the management's strategic function because it cannot not be effective unless it is supported by a fiscal policy and dedicated budgetary cycle. In an influential article, AFROSAI-E (2011: 5) affirms that public procurement is regulated in the national legislation of a country to give direction on procurement practices. Public procurement is perceived by Khan (2018:1) as an important system that is used by governments for spending public funds on the acquisition of goods and services needed for public programs and projects. Gurría (2016:3), as cited in Ambe (2016: 278), shares the view that governments recognize the potential of procurement in enhancing public sector efficiency through savings and economies. According to the United Nations (2020:42), evolving a strategic approach to public procurement is a vital component that is required for the effective implementation of projects for the successful procurement of goods and services. It however requires an “understanding of the nature of the requirements, the capacity of the contractors, the complexity of the operating environment, the risks involved and the available internal capacities and resources”.

Mazibuko (2018:1) shares the view that waste, fraud, irregularities and noncompliance with legislation are always associated with public procurement. The World Bank (2012:10) argues that public procurement systems should not be measured by compliance with procedures only, but also by the achievement of developments and other policy objectives. It also acknowledges that public procurement is at the centre of service delivery, results and performance. Ambe (2016:279) agree that the big amount of money involved in the public procurement exposes the officials to waste, fraud and corruption. Pule (2014:1) is of the view that to mitigate corruption, inefficiency, and wastefulness, the authorities need to intensify public procurement regulations. Wisner *et al.* (2016:66) regard public procurement as the “management of purchasing and supply in the government and non-profit sectors. Although public procurement is subject to political pressure and public scrutiny, its goals are similar to the private sector”. Khan (2018:8) affirms that most countries base their public

procurement processes on the seven principles, namely: “value for money, economy and integrity, fit for purpose, efficiency, transparency and fairness”. The World Bank (2020:1) add that confirms the most governments goals was to promote an effective and successful procurement system which will enhance value for money, improving public service delivery.

Abd Razak *et al.* (2016: 48) believe that the public sector focuses more on improving its environmental impact rather than becoming preoccupied with the robustness of its procurement internal environmental control systems. Noronha (2017: 9) reveals that, the European countries have started working on promoting Sustainable Procurement within environmental, social, innovation and public procurement policies to improve public procurement management. Khan (2018:17) shares this view and believes that Public procurement is serving as a device for governments to reap their intention of enhancing the lives and financial prosperity of the people. Many international locations already provide home desire for home providers of goods, works and services. Others reserve positive procurement contracts for minority corporations and for socially deprived groups, which include merchandise synthetic with the aid of using prisoners.

The Purchase Control (2020) shares that procurement is turning into be an essential part of an organization’s efforts to lessen rate and increase efficiency. Moreover, it further mentioned that procurement activities must be guided by the availability of funds as per the initial procurement plan. Munyera (2014) as cited in Chikwere, Dzandu and Dza (2019:1) cautioned that it is critical for governments to prioritize public procurement and strengthen its processes in order to ensure compliance and create wealth for the growth and development of their economies. While discussing procurement processes, Lynch (2020) reveals that, in accordance with principles and procedures of the public procurement, acquisition’s goal is to award and issue orders on time to the qualifying contractors in order to speed up the delivery of service.

Nyabira and Olotch (2020:1) reported that at the dawn of the COVID-19 pandemic, government agencies round the world came stressed to deliver essential merchandise - significantly those needed for health services- in bigger quantities and at intervals a shorter timeframe than would be expected beneath traditional circumstances. Grandia and Meehen (2017:3) argue that, more often, irregularities in public

procurement occur because public institutions lack strategic maturity and critical issues, particularly around how to demonstrate and evaluate its impact and success. Even though several studies have been conducted on this phenomenon, researchers still have a desire for exploring much in aspects of public procurement processes, because poor performance has been observed in respect to procurement practices despite the set regulations and guidelines (Ivambi 2016:10). Relatedly, Majemula (2014:64) shares the view and belief that if public procurement could be done carefully, it could help to save the government's finance. He then recommends that the public sector should consider procurement activities as one of the activities which should be taken into consideration and be given priority.

In view of the aforementioned, it can then be argued that the effective implementation of public procurement practice remains a global challenge that all governments from both rich and poor countries are faced with, regardless of government policies and procedures. The researcher agrees that public procurement is exposed to irregularities as a result of non-compliance with the prescribed legislation and policies. The department selected for this study is also exposed to procurement irregularities following non-compliance with relevant guiding prescripts. The researcher concurs with Pautz *et al.* (2003: 5) when they suggested that "public procurement must be taken as a strategic management function and it must be supported by the management", which is why one of the study questions was to determine the level of hospital management involvement in the procurement management process, as well as the support they are providing in promoting compliance with procurement guidelines.

#### **2.4.1 Universal procurement process**

Kiss flow (2020) shares the view that general procurement processes involve many components, including: - needs determination, provider analysis, price analysis, raising an acquisition request, conversion to buy order, contract administration, monitoring/evaluation of received order, tripartite matching, payment fulfilment and record-keeping It further demonstrates the flow of these procurement elements in Figure 2.5.

**Figure 2.5 The flow of procurement elements**



**Source: Adapted from Kissflow (2020)**

In addition to the stages of procurement seen in Figure 2.5, Procure Port (2020) elaborates that the basic procurement process involves: need identification, purchase requisition, approval of procurement plan, procurement of goods and services, approval of invoices and lastly, payment of invoices as briefly explained below (Procure Port 2020).

### **2.4.1.1 Identification**

Procurement officers have to identify the goods and services needed within the organisation as the first step of the procurement process. All relevant stakeholders within the organisation must provide a list of their procurement needs for consolidation and costing.

#### **2.4.1.2 Purchase requisition**

With the requirements known, purchase requisitions square measure to be sent to vendors. a listing of doable vendors which will deliver the desired product and services ought to have already been drawn and accessed. once the vendors receive the acquisition requisition, they're to send out value quotations if they're fascinated by activity product and services.

#### **2.4.1.3 Approval of purchase requisition**

The price quotations received from vendor's square measure to be reviewed by the pinnacle of the procurement department or any licensed workers. Not simply worth ought to be examined, however different factors like quality and merchandiser name ought to even be thought of. merchandiser negotiation conjointly contains a role to play. once the best merchandiser has been elite for all product and services, the acquisition requisition is then approved.

#### **2.4.1.4 Supply of goods and services**

Having received the order to deliver the products or services at the required destination, the delivery is going to be inspected to confirm that the products or services provided square measure following the contract agreement. If so, a procurement receipt from the seller are going to be signed for validation. it's right to reject the acquisition receipt if the delivery falls wanting the agreement.

#### **2.4.1.5 Invoice approval**

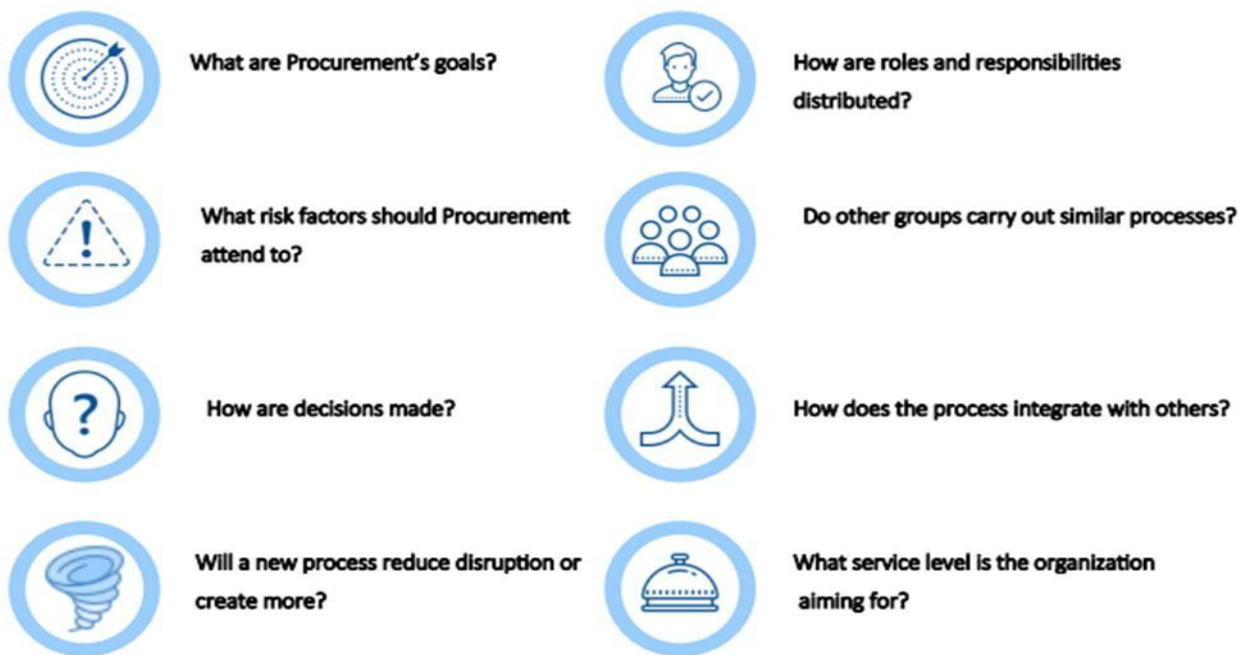
The vendor's invoice gets approved for payment at the in agreement time frame when delivery. For the invoice to induce approved, the seller submits the acquisition order and get receipt for analysis and additionally for record-keeping. Any error at intervals the 3 documents will result in invoice disapproval. If so, the explanation is explicit for the seller in order that the correction will be created.

#### **2.4.1.6 Payment**

When the vendor's payment invoice is approved, the corporate should acquire the delivered product or services. A duplicate of the invoice is shipped to the Finance

department for payment to be processed. the tactic or length of payment ought to follow the agreement with the seller. Not maintaining with payment can be harmful to not solely provider relations, however additionally for the corporate as an entire Source One (2020:4) is in agreement with Kissflow (2020) when it indicated that the “procurement process involves several elements” and it supports that procurement processes should include an intense period of research and asking the right set of questions with the product end-users’ inputs. It further suggests that in order for procurement processes to be successful, critical questions as shown in Figure 2.6 must be considered and asked before the commencement of the procurement (Source One 2020:4).

**Figure 2.6 Critical required questions during the procurement process**



**Source: Adapted from Source Once (2020:4)**

#### **2.4.2 Universal aims of procurement and contract management practices**

The strategic universal objectives of public procurement and contract management practices according to the European Union (2015:6) are:

- a) “to establish a clear strategic direction and ensure that the importance of efficient procurement is recognised throughout the partners, including the political level;
- b) to be clear about what each partner wants to achieve with robust business cases and clearly drafted tender specifications based on outcomes;
- c) to ensure that current legislation and good practice is applied to all procurement and contract management activity;
- d) to explore creative and innovative solutions in order to improve contributions to sustainable development through procurement;
- e) to explore opportunities for partnering and collaborative procurement to aggregate purchasing power and reduce risk;
- f) to reduce budget expenditure by providing more for less through continuous review and improvement;
- g) to encourage all partners to continuously improve their procurement practice;
- h) to purchase environmentally and socially preferable goods and services where this is consistent with best and social value, defined as an optimum combination of whole life costs and community benefits;
- i) to maximise the value of e-procurement to increase value for money of goods, services and works procured;
- j) to stimulate the local economy and support local businesses and communities;
- k) to continue to reduce the number of suppliers by increasing the proportion of total spend against contracted and approved key suppliers;
- l) to consolidate invoices, deliveries and payments to reduce transactional processing costs and ensure that suppliers are paid promptly;
- m) to develop the performance management system for procurement and deliver contract management training to key personnel; and
- n) to take into account duties to promote equalities, diversity and safeguarding at each stage of the procurement and contract management process”.

### **2.4.3 Common global procurement challenges during the COVID-19 pandemic**

The Global Compact Network India (2017) views public procurement as an essential part of governance and the financial management system of any country. However, the COVID-19 pandemic brought about unprecedented challenges upon every nation, affecting the conduct of business, disrupting supply chains and exacerbating corruption. In an article, Mahlangu (2020:1) reported that “South Africans have witnessed in recent months of the COVID-19 pandemic how our procurement policies and laws can create opportunity for corrupt people, including government officials, to steal from the state’s purse. An obvious consequence of this is that the looting hinders the implementation of essential programmes designed to eradicate poverty. In an emergency situation like the current pandemic, this could become a matter of life and death. The media is brimming with accounts of public servants and representatives alike disregarding these policies. Many headlines point to the looting of funds meant for the provision of vital, life-saving personal protection equipment (PPE) such as sanitizers, surgical gloves and masks”.

As reported on the Zimbabwe Situation News (2020:1), public procurement and irregular spending of public funds challenges under emergency situations like the COVID-19 pandemic do not only affect Zimbabwe. In the neighbouring country, South Africa, an about R500 billion grant for COVID-19 relief has been stained by many irregularities. “The Special Investigating Unit (SIU) revealed that the Gauteng education department did not follow due process in the procurement of services to decontaminate schools during the COVID-19 pandemic. The department did so on the basis that emergency procurement was warranted, given the urgent and pressing need to appoint service providers to de-contaminate schools exposed to COVID-19. The request for the deviation expressly stated that the department would ‘appoint accredited service providers from the central supplier database (CSD)’. The department had however paid more than R431m to service providers for a process that was haphazard, unfair and littered with procurement irregularities” (Sonjica and Makinana 2021). On the eNCA News (2020), Kwa-Zulu Natal Premier, Mr Sihle Zikalala, shared his concerns that there has been abuse of the COVID-19 emergency procurement provision and confirmed that disciplinary action will be taken against all those responsible. He reported that in terms of the findings, the investigation

highlighted significant irregularities which were caused by inadequate and inefficient systems of procurement internal control by provincial departments. Regarding procurement challenges during the COVID-19 pandemic, the Auditor General South Africa (2020:11) shares that her concerns about the reported findings are not solely regarding legislative compliance, however rather regarding the fairness within the choice method and also the ability of such businesses to deliver on the PPE contracts. She additionally suggested that these contracts be investigated as she believes that such circumstances are often a red flag for fraud or abuse of the availability chain management method.

According to Alicestine (2021:1), Dr Allison Anthony, who is the Deputy Director for the African Procurement Law Unit, confirmed that “COVID-19 is in fact an emergency for which emergency rules have been created”. Alicestine (2021:1), however, cautions that emergency procurement is not a way of bypassing procurement rules. He further adds that there must be a set criterion to evaluate whether the procurement required is an emergency and COVID-19 related, and should be treated as such. With regard to COVID-19 procurement irregularities, Uche *et al.* (2021) believe that the high rate of corruption in the public procurement is hindering Africa’s efforts of containing COVID-19. They also share that, Africa had public procurement corruption challenges way before the COVID-19 pandemic. Unfortunately, the increased cases of corruption during the pandemic have become an extra burden and it is weakening the continent’s health systems. The Hackett Group (2021) encourages that in times of such great uncertainty with global health pandemic and substantial economic disruption, procurement must provide stability to the enterprise through cost reduction and supply assurance. It further presents the 10 global procurement key issues (as shown in Figure 2.7) that it believes requires universal intervention.

**Figure 2.7 Global procurement key issues for 2021**



**Sources: Adapted from the Hackett Group (2021)**

In line with Figure 2.7, the Auditor General South Africa (2020:11) states that another key issue discovered in South Africa was that companies that supplied PPEs across the country were not treated in a fair and equal manner. She reported that some companies were disqualified for not complying with the quotation requirements, whilst others were awarded for the same occurrence. She continues to reveal that a number of contracts were awarded to businesses that were not registered.

The literature revealed that issues of non-compliance with procurement guidelines are a global concern and are actually worsened by the Covid-19 pandemic. Procurement processes must be followed even during the pandemic period. In a situation where emergency procurement has to take place, authority to deviate from procurement processes must be granted by relevant authorities before the commencement of procurement in order to avoid irregularities.

## **2.5 Global contract management**

According to the United Nations Office on Drugs and Crime (UNODC) (2020:139), contract management commences after the award of a contract agreement and it consists of dealer overall performance monitoring, payments, agreement closure, report retention and upkeep of the agreement file. Furthermore, the primary objective of contract management is to certify that the contract provides quality goods/services and that the right quantities are delivered on time as per agreed-upon contract terms. The World Bank (2018:19) confirms that although awarding the contract is the last phase of the procurement process, the contract must still be managed to ensure that services are rendered as required and that suppliers are paid on time for their performances. It also believes that contract management is as important as the bidding process and it should be included in the procurement life-cycle. However, it shares concerns that the procurement models that represent internationally accepted procurement good practices, such as the UNCITRAL Model Law on Public Procurement, does not provide guidance for contract management and execution (World Bank 2018:19).

UT Health San Antonio (2017:16) argues that planning is the first crucial phase of contract management as it involves identifying contract need; choosing the best method for procuring it; drafting specifications; and setting terms and conditions as well as performance monitoring plans. It further suggests that the contract management elements in Figure 2.8 be considered during the contract planning phase for effective contract management (UT Health San Antonio 2017:16).

**Figure 2.8 Elements of Contract Management**



**Plan** – Identify contracting objectives and contracting strategy.

**Procurement** – Fairly and objectively select the most qualified contractor(s).

**Contract Formation/Rate/Price Establishment** – Ensure the contract contains provisions that hold contractor(s) accountable for producing desired results, including all relevant terms and conditions as well as establishing processes that are cost-effective and aligned with the cost of providing the goods/services.

**Contract Oversight** – Monitor and enforce the terms of the contract.

**Source: Adapted from UT Health San Antonio (2017:16)**

### **2.5.1 Contract amendment, extension and renewal**

The United Nations (2020:144) describes contract amendment as the management of changes that arise during contract performance, including price variations and requirements that were not on the initial contract. It further cautioned that it is a responsibility of contract management officials in consultation with the End-user to (United Nations 2020:144):

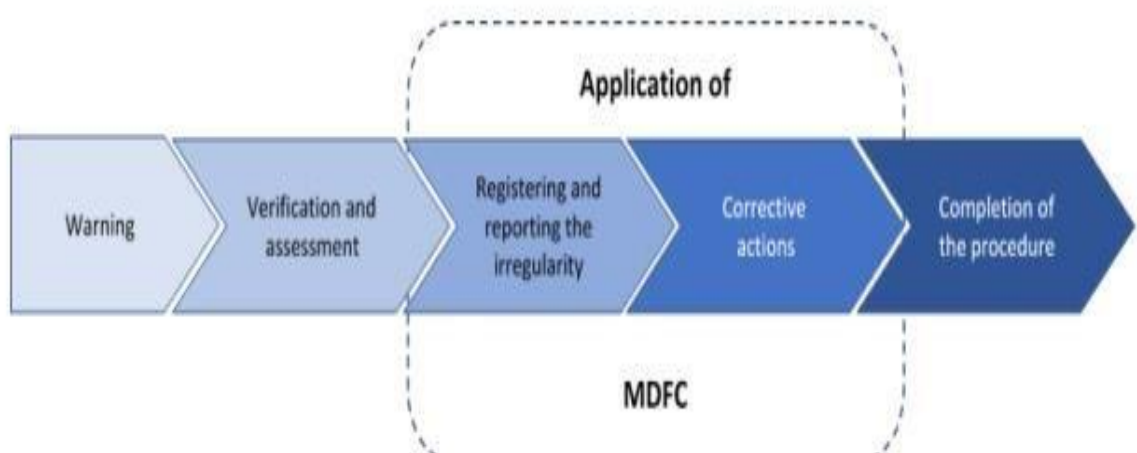
- a) “Negotiate the appropriate contract changes regarding price, schedule, quality and performance, and ensure that the contract is amended so that, at all times, it defines the agreed expectations of both parties under the contract;
- b) Ensure that the change conditions are reasonable and justifiable in terms of price, time and quality; and

- c) Any such amendment should be requested, reviewed, approved and signed prior to the expiry date of the original contract. Retrospective contract extensions after contract expiry are not possible”.

### 2.5.2 Managing procurement and contract irregularities

According to the Organization for Economic Co-operation and Development (OECD) (2017:10), managing irregularities entails detecting procurement irregularities, entering it into irregular registers, reporting and making a follow-up on each case. It further suggests that the officials responsible for managing procurement and contracts must be forced to maintain regular expenditure registers for all warnings through following the processes as shown in Figure 2.9.

**Figure 2.9 Process of managing irregularities**



**Source: Adapted from OECD (2017:10)**

In managing and addressing procurement and contract irregularities, the Auditor General South Africa (2019:24) emphasizes adherence to the segregation of duties in the process. It stipulates that, officials responsible for initiating the contract must not

be the same official to manage it after it has been awarded. Contracts must be managed according to their terms and conditions and should not deviate from the values, conditions, prices and defined goods and service awarded. Moreover, control measures must be in place for scrutinizing the contract and checking if all requirements of the contract were met before processing the payment. In conclusion, it reminds the accounting officers to take the following steps to prevent procurement and contract irregularities (Auditor General South Africa 2019:24):

- i. “Conduct preliminary investigations to determine the facts and collect information on what caused the transgression, including who is responsible for it;
- ii. Avoid any further losses;
- iii. Institute a formal investigation if there are confirmed cases of fraud and corruption, report the matter to the South African Police Services;
- iv. Recover any financial losses from an external party;
- v. Implement consequence management against the responsible official; and
- vi. Recover any financial loss from the official responsible”.

According to the United Nations Office on Drugs and Crime (2016:34), there is a series of control measures that must be implemented in managing procurement and contract irregularities at all levels and in all functions, including the United Nations Office on Drugs and Crime (2016:34), namely:

- “Authorization and approval procedures;
- Segregation of duties, authorizing, processing, recording and reviewing;
- Controls over access to resources and records;
- Verifications;
- Reconciliations;
- Reviews of operating performance;
- Reviews of operations, processes and activities; and
- Supervision, assigning, reviewing and approving, guidance and training”.

### **2.5.3 Global manifestation of non-compliance with procurement practices**

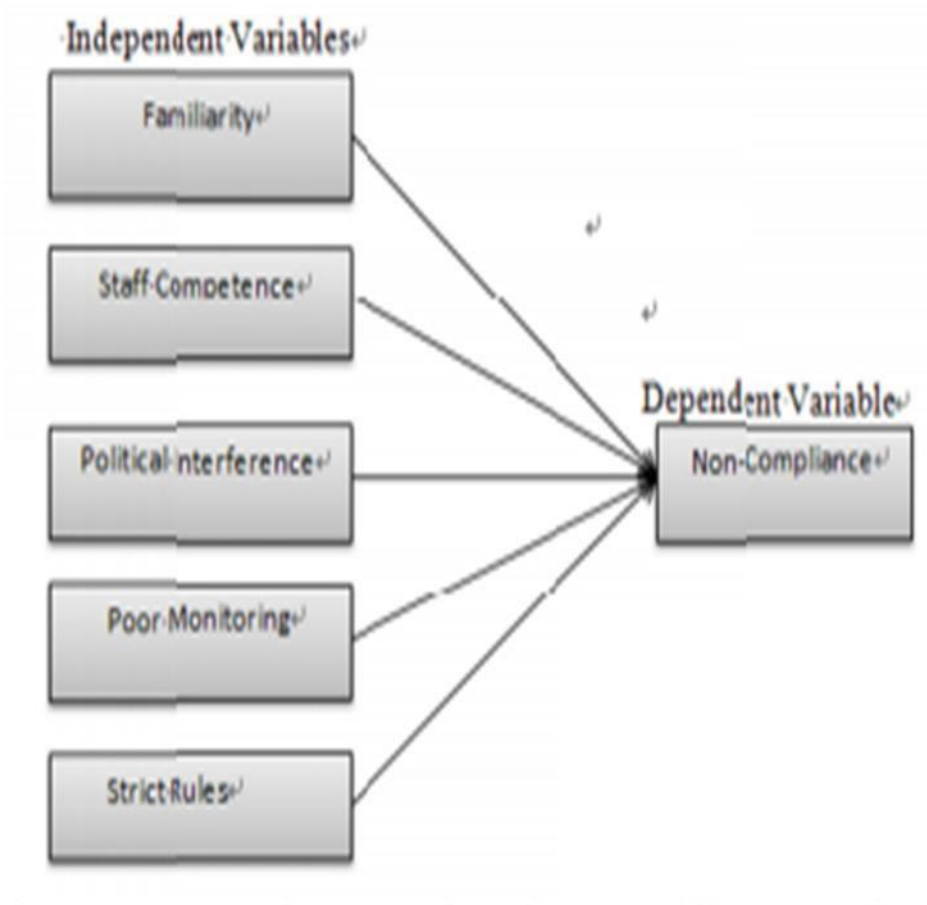
The report on Anti-Corruption Evidence Global Integrity (2020:1) for a study conducted in more than 100 countries showed eight red flags associated with different ways of

non-compliance with the public procurement process (Anti-Corruption Evidence Global Integrity 2020:1), namely:

- (a) “Single-bidding, i.e., where only one bid is received;
- (b) Use of non-open procedures;
- (c) Spending on consultancy, which is more difficult to scrutinize;
- (d) Signature period longer than 14 days, which may signal negotiations over kickbacks;
- (e) Advertisement period less than 14 days, which can exclude bidders without warning;
- (f) Share of contract awards that are published, an indicator of transparency;
- (g) Cost over-runs: final spend higher than the original budget; and (h) Supplier being registered in a tax haven”.

The Global Fund (2018:1-8) are not solely intolerance for fraud, corruption and waste that forestall resources from reaching the those who want them. It dictates that the procural of products and services should adapt to the core principles, which incorporates getting worth for cash. Zadawa, Hassin and Osmadi (2018:1) argue that even though most developing countries have already endorsed their procurement laws and policies, they are still facing similar problems of non-compliance with these policies. Chikwere, Dzandu and Dza (2019:1) are of the opinion that global public procurement and contract management have shown some progress in improving compliance with procurement regulations. However, they believe that critical components such as knowledge of the regulations, staff competency, political interference, poor monitoring, and instituting strict rules still need to be strengthened as they can have negative effects on procurement practices. The authors add that compliance with public procurement practices depends mostly on these critical components, as shown in Figure 2.10.

**Figure 2.10 Critical components required to improve compliance with procurement guidelines**



**Source: Adapted from Chikwere, Dzandu and Dza (2019:2)**

The researcher believes that in addressing the determinants for non-compliance as listed in Figure 2.10, as well as to promote compliance with procurement rules, it is imperative for the accounting officers to provide procurement practitioners and political office-bearers with on-going training on rules and regulations governing the procurement processes, which will assist during procurement decision-making and implementation, thus eliminating cases of non-compliance.

#### **2.5.4 Determinants of non-compliance with procurement and contract management guidelines**

According to Mazibuko (2018:45) and Fourie (2017: 4), non-compliance with procurement practices involves non-competitive bidding; inadequate contract management; awarding quotations of family members; non-disclosure by suppliers; and acceptance of less than 3 quotations without being granted authority for deviation. According to the South African National Treasury (2015:18), there are numerous issues that prevent public sector procurement from performing well, including the fact that the strategic importance of procurement has not been well understood by the key role-players in procurement. While ascertaining the determinants for non-compliance with procurement guidelines, an article (Godi 2015:2) shares the views that the negative procurement audit outcomes that are consistently found are a result of noncompliance with procurement guidelines. Godi (2015) also believes that the determinants for non-compliance are a result of unclear and standard directives, insufficient human resource capacity and a lack of competency in the public procurement division. Additionally, Mazibuko (2018:207) believes that, lack of professionalism contributes to non-compliance with public procurement guidelines. He further adds that, it is concerning that unethical procurement practices continues even though the code of conduct for public procurement officers and other procurement guidelines are in place.

Mujemula (2014:4) shares the above views and believes that non-compliance with procurement guidelines hampers the smooth operation of the organization. He emphasizes that important organizations must strengthen their control measures and strive to improve performance. Uromi (2014), as cited in Majemula (2014:30), argues that the benefits of public procurement regulations and standard operating procedures are not understood by the procurement officers. The Association of Corporate Counsel (2014:7) confirms that South Africa does not have special authorities to review claims of non-compliance with procurement legislation. It adds that although the National Treasury, the Auditor General and the Public Protector can investigate procurement non-compliance claims and assist, the regulated authority may have an internal appeal procedure, but once this has been exhausted, matters may be taken to the courts. According to Zitha (2016:72), compliance with procurement guidelines remains a

critical accomplishment for government. He adds that even though government made efforts in introducing legislative frameworks for improving compliance in procurement processes and enhancing service delivery, there is still much that needs to be done to ensure that the policies are effectively implemented.

The researcher agrees that non-compliance with procurement guidelines has a significant effect on the organisations' finances and on service delivery. This study focuses on identifying factors that influence non-compliance with procurement policies in the Kwa-Zulu Natal Department of Health and the ways to mitigate it. The researcher believes that there are numerous determinants for non-compliance with procurement guidelines, including:

- "Lack of commitment and motivation;
- Fraud and corruption; and
- Consequence management".

#### **2.5.4.1 Lack of commitment and motivation**

According to Employee Connect (n.d), a lack of commitment and motivation can have disastrous consequences for an organisation and it can no longer be overlooked. Moreover, managers should be on the lookout for the following warning signs that often translate into a lack of commitment and motivation (Employee Connect n.d):

- "Lower levels of involvement or commitment;
- Unusual delays or unexplained and repeated sick leave;
- Impression that the employee is intentionally sabotaging projects or acting as a roadblock;
- Repeated mistakes or signs of thoughtlessness;
- Negative behaviours and attitudes; □ Lower productivity and performance; and □ Disregarded warnings and comments".

In an influential article, Hartman (2017:1) outlines that employees who lack motivation may stop caring about the quality of their work. He then suggests that managers need to take steps to address a lack of morale in their organisations. Hartman (2017) adds that listening to employees and considering their complaints is one way of identifying the source of a problem. Al-Madi *et al.* (2017:3) argue that investing in motivational factors, such as giving incentives when due, is important in improving employees'

commitment to work. They believe that when employees are motivated and committed, production activities will increase harmoniously.

The researcher concurs with the cited authors. In South Africa, government issued the frameworks regulating the procurement of goods and services. However, there seems to be a lack of commitment and motivation which results in non-compliance. It is unfortunate that non-compliance impacts negatively on service delivery and on the public as a whole since public procurement is rendered by tax-payers' contributions.

#### **2.5.4.2 Fraud and corruption**

Mazibuko (2018:143) postulates that procurement fraud and corruption caused by non-compliance with procurement practices can have a negative impact on the country's economic development because of the large budget allocated for the procurement of goods and services. He adds that public-sector managers and decision-makers must be made aware of the consequences of unethical procurement practices that normally take place in procurement. Malts (2017:3) explains that fraud and corruption take place when public procurement practitioners are influenced by personal interests and want benefits for rendering procurement services. The Presidency Corruption Watch (2020:4) promotes whistle-blowers and they have lodged a number of complaints for corruption related to procurement and contract management. It further states that procurement corruption affects service delivery as individuals certify their personal interests before the public's interests. Mothibi as cited in Reddy (2020:1) confirms that, corruption is extensive in the public sector and he believes that it is growing because consequence management is not effectively implement. He adds that people commit fraud knowingly and expect that they will not be charged for it. In an article, the Time Live News (2020:1) reported that in South Africa, bribery, procurement irregularities, misappropriation of funds and theft of resources were identified as other threats in procurement during 2017 and 2018. The study further demonstrates these types of corruption and percentages in Table 2.1.

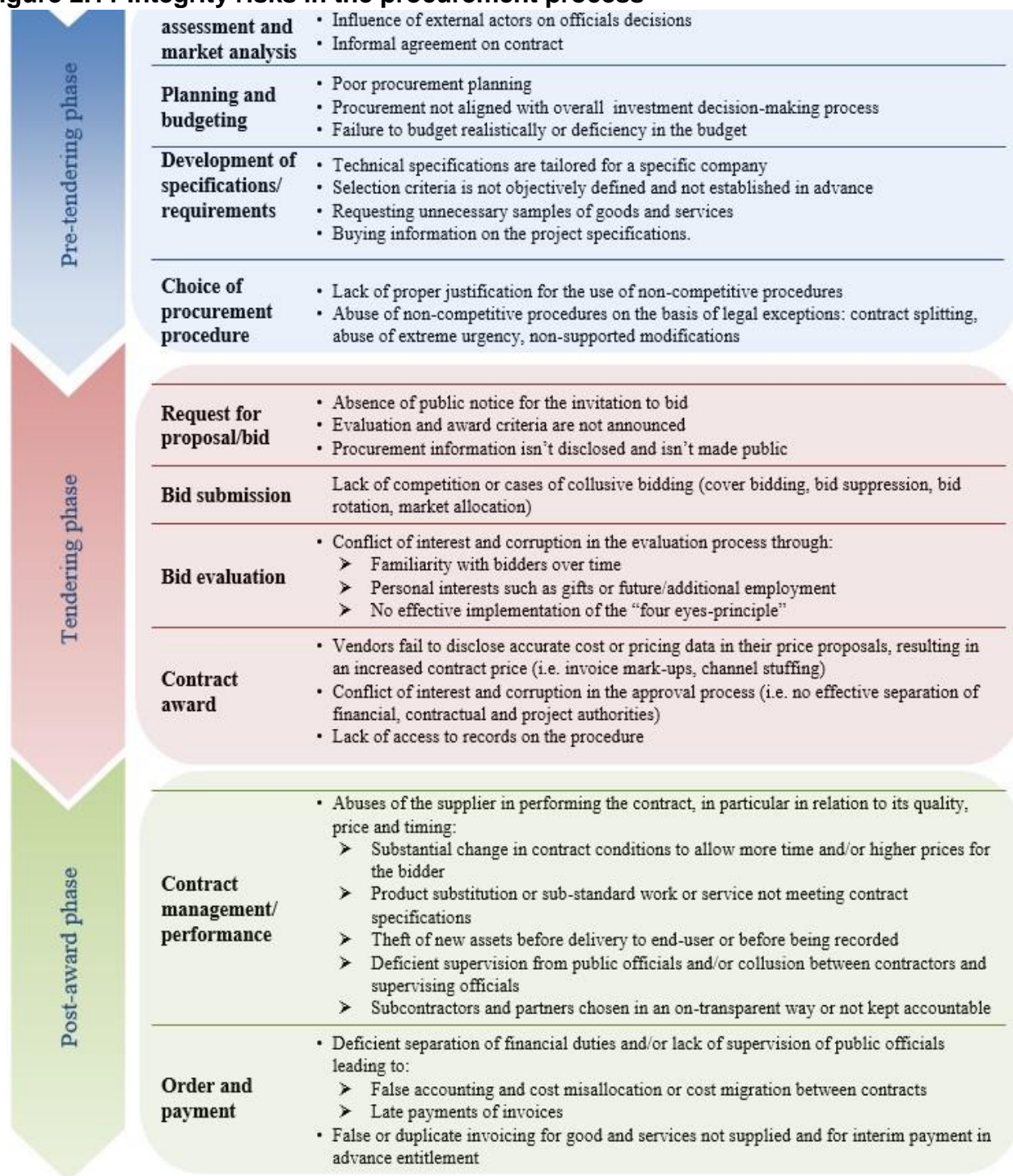
**Table 2.1 Common types of corruption**

FIGURE 2: TYPES OF CORRUPTION	2017	2018
BRIBERY	29.5%	23%
IRREGULARITIES IN PROCUREMENT	12.7%	16.9%
EMBEZZLEMENT OF FUNDS & THEFT OF RESOURCES	14.4%	11.3%

**Source: Adapted from Time Live News (08 August 2020)**

Zitha, Sebola and Mamabolo (2016) are of the view and believe that conflicts of interest; a lack of proper procurement planning; and not having a credible supplier database are the major contributory factors in fraud and corruption. Davey and Gatenby (2015:273) state that irregularity and corruption within government procurement departments has become a norm. Sewpersadh and Mubangizi (2017:2) argue that procurement irregularities and fraud arises in both the private and public sectors. However, the manifestation of procurement irregularities and corruption in the public sector is receiving more attention than in the private sector which maybe because public sector is answerable to the public. The Organisation for Economic Cooperation and Development (OECD) (2016:9) confirms that fraud and corruption does exist **at some point of** public procurement processes, and a holistic **method for hazard** mitigation and corruption prevention is needed. The OECD adds that the occurrence of fraud and corruption may differ for each procurement stage and refers to it as “Integrity risks in the procurement process”, as presented in Figure 2.11.

**Figure 2.11 Integrity risks in the procurement process**



Source: Adapted from the Organisation for Economic Co-operation and Development (OECD) (2016:9)

### 2.5.4.3 Consequence management

According to the City of Cape Town (2019:7:8), Consequence Management is an appropriate methodology for addressing accountability and responsibility concerning

non-compliance, monetary misconduct and codes of conduct defaulters. It adds that before implementing consequence management, it's necessary to notice that managing compliance includes creating applicable rules that area unit noted, understood and followed, and that consequences of non-compliance area unit clear and in proportion to with risk and context.

In a leading article, Venter (2017:1) revealed that the public sector is struggling to recover irregular expenditure because consequence management is not effectively implemented. In mitigating non-compliance procurement processes, Chikwere, Dzandu and Dza (2019:1) suggest that the authorities must also strengthen its monitoring systems to ensure that delinquents are apprehended and sanctioned accordingly. According to South Africa's National Treasury (2016:15) compliance with public procurement processes, legislation, norms and requirements is important in reaching authority's coverage objectives. It additionally facilitates to lessen waste, get rid of corruption and enhance public quarter overall performance Hence ethics, integrity, transparency and responsibility want to be strengthened. According to Alicestine (2021:1), even though government has introduced consequence management, "the lack of consequences and consequence management in government and other entities that engage in procurement runs in the higher levels of leadership and not only amongst practitioners. Once we start applying or implementing the constitutional principle of accountability, it will already be a huge step in the right direction".

Procurement regulations including consequence management are clear, but they are not implemented as envisioned. This is attested to by the ongoing non-compliance with procurement legislative frameworks which call for the strictest enforcement of Consequence Management (Mazibuko 2018:219). Non-compliance and irregular expenditure in the public procurement is influenced by deficiency of Consequence Management.

The researcher believes that the officials knows that nothing will happen to them when violating procurement practices, which is why procurement fraud, corruption and noncompliance cases are increasing. Fraud, corruption and non-compliance are buzzwords in South African public procurement. Hence, this study seeks to ascertain

the factors and challenges influencing non-compliance with procurement guidelines within the KZN Department of Health, resulting in qualified audit findings.

## **2.6 Effects of non-compliance with procurement guidelines on service delivery**

According to Mind Controversy (2020:1), the impact of procurement irregularities on public life can be very hard as it can de-range the country's economy, health and quality of life. It further adds that despite this negative impact, it appears as though corruption and non-compliance with procurement guidelines is ever-rising and unstoppable in the public sector. A report by How South Africa (2020:1), reveals that "the South African investigators are investigating 10.5 billion rand of the government's coronavirus procurement spending for corruption. Instances where personal protective equipment was over-priced, procurement rules flouted and services not delivered despite money being paid have also been uncovered". According to a report of SABC News (2020:1), in the Eastern Cape, it is alleged that "the use of a guest house owned by a politician's daughter as an isolation facility for payments by the OR Tambo District Municipality, improper procurement of sanitizers and the Scooter project are issues of non-compliance. The provincial Health Department's Scooter project worth R10 million was aimed at transporting COVID-19 patients, but Health Minister Dr. Zweli Mkhize stated that the scooters do not qualify to transport patients as they do not meet the requirements. There are allegations that amongst the 216 companies awarded the tenders, some belong to government officials, their friends, and relatives of senior politicians, while others did not qualify".

Gabela (2016:14) agrees that non-compliance with procurement prescripts impact negatively on the country's economy and disadvantages members of society that solely depend on public services. The five major effects of non-compliance with procurement processes are (Zitha (2016:69):

1. "Undermining the constitutional democracy and the rule of law;
2. Wasting tax-payers' money;
3. Contributing to the growing scourge of unemployment and poverty;
4. Poor quality service delivery; and
5. Violent service delivery protests".

According to the South African National Treasury (2015:22), non-compliance with public procurement deprives those that are in need of public services such as education, health, infrastructure, and it also decreases wealth to hard-working entrepreneurs who supply goods and services to government and reduces jobs.

The reviewed literature revealed that non-compliance with procurement guidelines has a negative impact on service delivery and on the economy of the state. While the government is trying to manage the COVID-19 pandemic and to save the lives of its citizens, public officials are looting funds for their personal benefit. One of the examples of irregular procurement highlighted in the literature was “the scooter project worth R10 million aimed at transporting COVID-19 patients, but Health Minister Dr. Zweli Mkhize said the scooters do not qualify to transport patients as they do not meet the requirements”. This actually means that patients at OR Tambo District Municipality are suffering from a lack of transport to take them to Isolation sites due to the incorrect scooters that were procured.

## **2.7 Conclusion**

Chapter Two presented a discussion on public procurement. In summary, most of the authors cited shared the common belief that public procurement is a government system of controlling the use of funds. The global common objectives of governments are to provide procurement systems that are fair, equitable and cost-effective. The literature in this chapter further revealed that even though governments of all countries want effective procurement, there is still no global procurement standard. Each country has its own legislative frameworks governing public procurement.

The literature reviewed also discovered that the issue of non-compliance with public procurement legislative frameworks is a common problem facing governments globally. The literature highlighted the objectives of government for public procurement and contract management. However, other authors raised their views that public procurement and contract management irregularities remain a grave concern within

the public sector, while a number of regulations and standard operating procedures are presented. The researcher presented her views and believes that there are numerous determinants for non-compliance with procurement guidelines, including a lack of commitment and motivation, fraud and corruption and consequence management. She also shared that the department in which this study was conducted was not excluded from the present global manifestation of non-compliance with procurement and contract management guidelines.

# **CHAPTER 3 PUBLIC PROCUREMENT IN SOUTH AFRICA**

## **3.1 Introduction**

This chapter discusses the practices of Public Procurement in South Africa. It therefore presents pillars of the South African Public Procurement. It also discusses the legislative framework governing public procurement and contract management. Public procurement processes including the formulation of quotation committees are deliberated on, including procurement cash flow management and contract management practices. It further presents the general procurement and contract management audit findings, as well as the determinants for non-compliance with procurement and contract management guidelines.

## **3.2 Pillars of public procurement and contract management**

In South Africa, government procurement is dealt with in terms of Section 217 of the Constitution. Furthermore, this section regulates that the procurement for goods and services be done in accordance with a system that is fair, equitable, transparent, competitive, and cost effective in all spheres of government. These five significant principles for public procurement are echoed in various pieces of legislation, including the Public Finance Management Act (PFMA) and the Municipal Finance Management Act (MFMA)

(Davey and Gatenby 2015:261). Instantly after taking office in 1994, the newly-elected South African government introduced a series of budgetary and financial reforms on procurement. The objective of the procurement reforms was to modernize the administration of the public sector and to make it more sensitive in meeting the needs of the communities it serves (Ambe and Badenhorst 2012: 245). According to the SATender (2020), the South African Government introduced five pillars of public procurement to encourage and cultivate Small, Medium, and Micro Enterprises. It also regulates that every state department's procurement policy should include these five pillars and ensure compliance with its application during procurement processes. The

five pillars of the South African public procurement are listed and explained below (SATender 2020):

- i. “Value for Money;
- ii. Open and Effective Competition;
- iii. Ethics and Fair Dealing;
- iv. Accountability and Reporting; and
- v. Equity”.

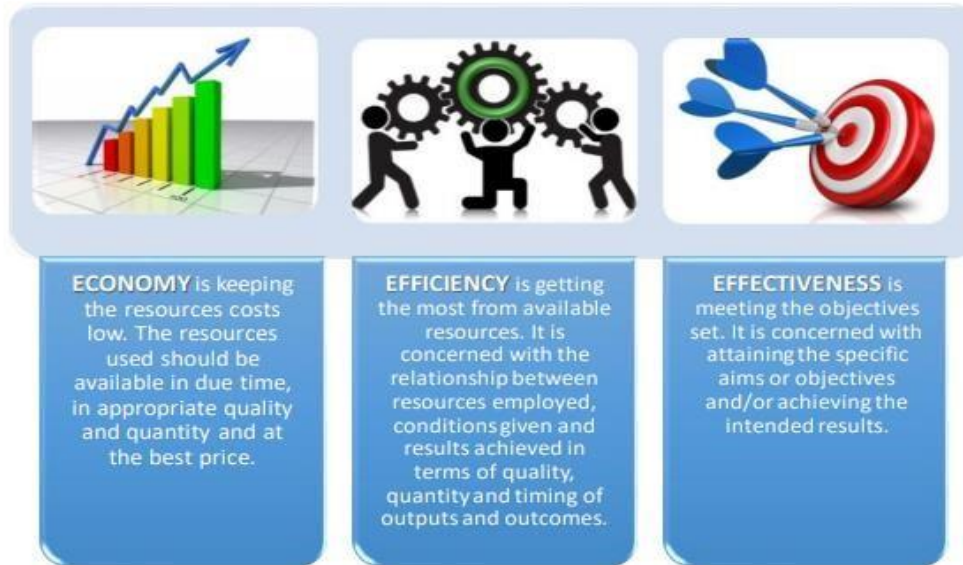
### **3.2.1 Pillars supporting South African public procurement**

Effective and efficient public procurement is influenced by fundamental principles, which are referred to as the five pillars of public procurement this principle are called pillars of public procurement because of their advantages. Furthermore, all these pillars must work concurrently, otherwise the procurement system could collapse. The five pillars are discussed below (South Africa, National Treasury 2000):

#### **3.2.1.1 Value for money (VFM)**

According to the World Health Organization (2020:1), the concept of value for money in procurement is about accepting the offer that represents the best combination of technical specifications, quality, and price. It adds that the outcome of best Value for Money includes obtaining the quality of services that allows the organization to meet its objectives. The SA-Tender (2020) advises that the concept of VFM in public procurement does not necessarily promote awarding the lowest quotes. Furthermore, quotation committees should consider value for money including the quality of the product when evaluating and awarding quotations to ensure that the product is of good value for money. Jamaica’s Auditor General (2019:14) shares the view that in order to achieve value for money in procurement, economy, efficiency and effectiveness need to be considered as the building blocks of value for money, as described in Figure 3.1.

**Figure 3.1 Building Blocks for Value for Money**



**Source: Adapted from Jamaica’s Auditor General (2019:31)**

### **3.2.1.2 Open and effective competition**

The SA-Tender (2020) dictates that government departments should take into account that everybody has a reasonable risk to compete for tenders, and that they must make certain that their procurement strategies are obvious and absolutely understandable

Moreover, government departments at all levels must ensure that there is no favouritism during the bidding process. Zitha (2016:67) suggests that the principle of openness and competitive bidding must be incorporated into the procurement processes. According to the South African National Treasury (2015:5), Open contracting is a powerful tool to combat corruption and ensure quality services. Transparency also helps to prevent waste and abuse of funds. Table 3.1 highlights information that needs to be made available to the public.

**Table 3.1 Demand, acquisition, and contract management information-sharing**

<b>Phases</b>	<b>Publication (online) and participation</b>
Demand management	Annual procurement plans
	Specifications: Allow for comments (high value/complex)
	Allow observers in <b>Bid Specifications Committee</b> (public sector or civil society)
Acquisition management	Bidding documents and neutral contact addresses
	Written clarifications sent to all participants
	Publish register/bid opening Public bid opening Prices read aloud
	Allow observers into the BEC/BAC (public sector or civil society)
	Bid evaluation report (or summary)
	Introduce notification period before contract execution
	Quotation awards (above certain thresholds)
Contract management.	Amendment notices
	Financial and physical progress information

**Source: Adapted from the South African National Treasury (2015:5)**

### **3.2.1.3 Ethics and fair dealing**

Ivambi (2016:16) believes that promoting adherence to ethical and fair dealing in the public procurement process is one of the challenges faced by the public sector. He adds that ethical matters include disqualifying a supplier in favor of another particular supplier; bribery, nepotism, corruption, and other malpractices. Concerning ethics and fair dealing in public procurement, Zitha (2016:67) encourages procurement officials to disclose their conflicts of interest, including gifts received from potential suppliers. The Global Compact Network India (2017:7) argues that the concept of ethics and fair dealing binds both procurer and bidder. The concept of ethics and fair dealings in procurement, according to Khan (2018:7), refers to the effective utilization of funds,

resources and authority according to their intended purposes, which is aligned to the strategic goals of government. Fair dealings refer to (Khan 20118:7):

- equal opportunity and treatment for bidders and consultants;
- the equitable distribution of rights and obligations between the bidders and
- Credible mechanisms for addressing procurement-related complaints and providing recourse.

#### **3.2.1.4 Accountability**

The Global Compact Network India (2017) believes that achieving effective and efficient procurement service requires a collective effort from all relevant stakeholders. Everyone must strive to attain transparency in public procurement systems and not to shift the blame. It further adds that transparency and accountability are the stamps of good public procurement systems and that the public has the right to know what and how public funds are being used. Uromi (2014:3) shares the views and beliefs that accountability a one of the philosophy for good governance that is highly pursued by most Governments in Africa. He adds that accountability requires the public procurement sector to hold its practitioners accountable for not obeying rules and regulations.

According to the South African National Treasury (2013:3), accountability is about ensuring that individuals and organisations are answerable for their plans, actions and outcomes. Additionally, openness and transparency in procurement through public reporting is an essential element of accountability and in the procurement framework, everyone involved is accountable, for example (South Africa, National Treasury 2013:3):

- “Heads of department are accountable to their ministers for the overall management of procurement activities;
- Heads of procurement and senior procurement directors are accountable to Heads of department for various high-level management and co-ordination activities;
- individual procurement officers are accountable to Heads of Procurement and to their clients for the services they provide; and

- all people exercising procurement functions must have regard to these guidelines and are accountable to management”.

UC San Diego (2017) concurs with Uromi (2014:3) that accountability must be enforced in public procurement. Moreover, the potential consequences of not complying with accountability in procurement are (UC San Diego 2017):

- “unauthorized, unnecessary or fraudulent purchases;
- unauthorized work performed by suppliers;
- lost supplier discounts due to late payments; and
- improper charges to incorrect account/ funds resulting in a misappropriation of funds”.

### **3.2.1.5 Equity**

According to the South African National Treasury (2000), equity is one of the important pillars of public procurement which must be considered in all procurement activities. Equity shows the commitment of the government to promoting economic growth by implementing measures to support Small, Medium, and Micro Enterprises and Historically Disadvantaged Individuals (HDIs). SA-Tender (2020) supports the application of equity in government tender processes as it believes that it promotes the business of Previously Disadvantaged Individuals (PDI’s) The Local Procurement Accord (2011) is in agreement with the South African National Treasury (2000) on the aims of equity. It adds that the application of equity in public procurement processes will allow the government to designate specific industries where tenders should prescribe that only locally manufactured products will be considered. Every public institution must establish a procurement unit which is responsible for, amongst other things (South Africa, National Treasury (2020:53):

- “the implementation of functions allocated to the unit in terms of this Act and the supply chain management system of the institution;
- maintenance of the supply chain management system to ensure effectiveness and efficiency;
- regular reporting to the institution on the performance of the supply chain management system;
- ensuring compliance with the section;

- rendering assistance and administrative support to the line function managers and other officials of the institution in the performance of their procurement responsibilities;
- providing advice to a procurement committee on request; and
- any other functions that the accounting officer or accounting authority may consider necessary”.

Mnguni (2012: iv) shares the concern that even though government departments have started implementing procurement strategies, existing challenges and deficiencies hinder appropriate implementation. He further states that procurement implementation challenges are continuing because government departments are lacking in monitoring, evaluation, and reporting. Urría (2016:4) as cited in Ambe (2016:278) argues that practitioners responsible for the implementation of procurement policies need to be guided on how to put departmental policies into practice. Sustainability (2020:3) confirms that The bulk of demanding situations faced with the aid of public procurement in South Africa can possibly be attributed to the implementation of the system, as opposed to the system itself. In addition, inside the shorter and longertime period public procurement system will haven't any preference however to end up a stronger, greater resilient, streamlined and, green issuer of goods and services.

Treasury perceives the public procurement objectives as service delivery, socioeconomic objectives, getting value for money, and getting the right balance of objectives. However, the current SCM system is fragmented due to poor SCM performance management; insufficient human resource capacity; and a lack of competency, which hampers quality outputs. SCM need to be able to accurately making plans demand, efficaciously managing providers and successfully scheduling materials and settlement management. To mitigate the present day demanding situations of the SCM, models inclusive of the Central Supplier Database, e-tendering, and e-commerce were advanced (Godi 2015).

### **3.3 Legislative and statutory framework governing SCM**

This section discusses the legislative frameworks regulating the application of public procurement in South Africa. It is worth mentioning that these procurement legislative frameworks were designed to provide guidelines and procedures to be followed by the organs of the state when dealing with procurement and contract management. Hart (2019) concurs that public procurement and contract management in South Africa are conducted under strict legislative requirements. He also shares that the predominant legislative framework governing public procurement is the Constitution of the Republic of South Africa of 1996. He further wrote that a number of Acts were promulgated in line with the Constitution in order to give practical effect to the legislative requirements on matters concerning public procurement and contract management practices. Since this study investigates the determinant for non-compliance with procurement and contract management guidelines, it is imperative to review some of the important legislative frameworks governing the public procurement and contract management, to list but a few: the supreme law of the country, which is the Constitution of the Republic of South Africa of (1996); the Public Finance Management Act 1 of 1999; the Preferential Procurement Policy Framework Act 2000 (PPPFA); the Municipal Finance Management Act 56 of 2003 (MFMA); the Republic of South Africa Draft Public Procurement Bill 2020; National Treasury Regulations (2005); Broad-Based Black Economic Empowerment; Local Production and Content. These listed and more legislative frameworks are discussed in this chapter with the purpose of highlighting the significance of procurement and contract management in government, thus ascertaining the level of compliance with it in the department selected for this study.

Mazibuko (2018:110) believes that legislative frameworks are the initial point for the implementation of public procurement and contract administration processes in South Africa. Thai (2001) as cited in Mantzaris (2014:16) concurs that public procurement policies were formulated to give guidance to administrative processes. He adds that these regulations were formulated to assist government to produce reasonably economical and honest procurement transactions. Watermeyer (2011:1-5) shares the view and beliefs that the legislative frameworks governing procurement management were established to provide order in the procurement system, which is also supported by Watermeyer (2011:1-5):

- **“processes:** a succession of logically related actions occurring or performed in a definite manner that culminates in the completion of a major deliverable or the attainment of a milestone;
- **procedures** - the formal steps to be taken in the performance of a specific task, which may be revoked in the course of a process; and
- **methods** - a documented, systematically-ordered collection of rules or approaches”.

Watermeyer (2011:1-5), concludes by presenting eight legislative frameworks that he believes are the primary pieces regulating public procurement, as they are important in promoting effective, efficient, and economical procurement provision. The legislations are shown in Table 3.2 below.

**Table 3.2 Primary legislation that regulates procurement**

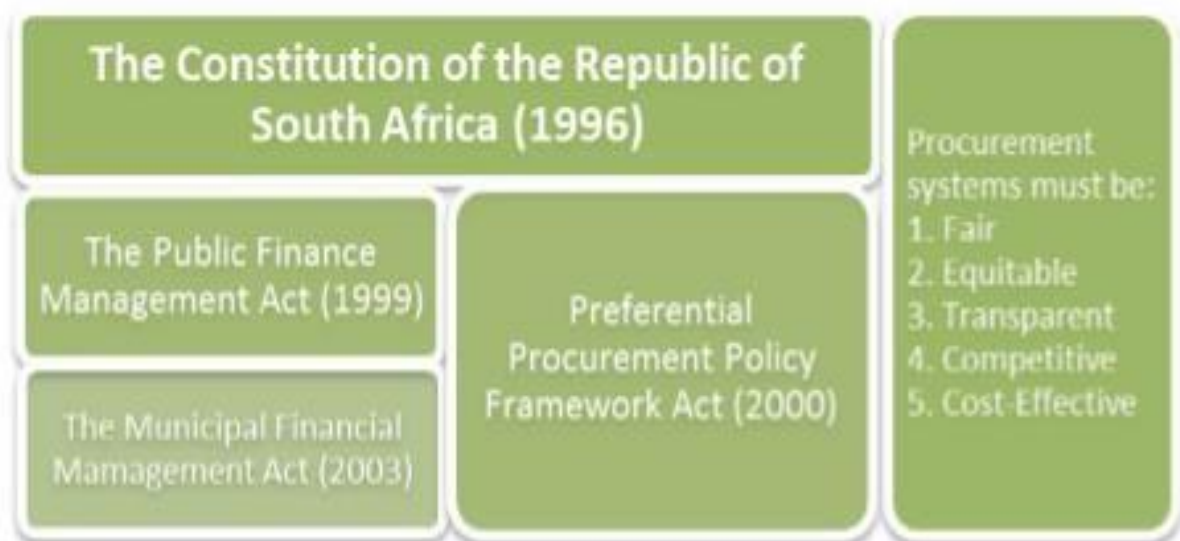
<b>Act</b>	<b>What it does in respect of procurement</b>
Public Finance Management Act (Act 1 of 1999)	Establishes a regulatory framework for supply chain management which includes procurement within national and provincial departments and state owned enterprises.
Promotion of Administrative Justice Act (Act 3 of 2000)	Establishes fair administrative procedures, permits those affected by unfair administrative action to request reasons for such administrative action and requires administrators to respond to such requests. (Administrative actions are presumed to be have been taken without good cause where an administrator fails to respond within the prescribed period.) Provides for procedures for the judicial review of administrative actions and remedies in proceedings for judicial review including the prohibition of an administrator from acting in a particular manner, setting aside the administrative action, correcting the defective action and the ordering of the administrator to pay compensation.
The Promotion of Equality and the Prevention of Unfair Discrimination Act, 2000 (Act 4 of 2000)	Prohibits the state or any person from discriminating unfairly against any person on the grounds of race or gender through the denial of access to contractual opportunities for rendering services or by failing to take steps to reasonably accommodate the needs of such persons.
Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000)	Establishes the manner in which preferential procurement policies are to be implemented
Construction Industry Development Board Act, 2000 (Act 38 of 2000)	Establishes the means by which the Board can promote and implement policies, programmes and projects, including those aimed at procurement reform, standardisation and uniformity in procurement documentation, practices and procedures within the framework of the procurement policy of government, through the establishment of: a) a national register of contractors (and if required, consultants and suppliers) to manage public sector procurement risk and facilitate public procurement; b) a register of projects above a financial value with data relating to contracts awarded and completed and a best practice project assessment scheme; c) best practices Establishes a code of conduct for the parties engaged in construction procurement.
Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)	Establishes a code of good practice to inform the: • development of qualification criteria for the issuing of licenses or concessions, the sale of state owned enterprises and for entering into partnerships with the private sector; and • development and implementation of a preferential procurement policy.
Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)	Establishes a regulatory framework for supply chain management which includes procurement within municipalities and municipal entities.
Prevention and Combating of Corrupt Activities Act, 2004. (Act No. 12 of 2004).	Makes corruption and related activities an offence, establishes a Register in order to place certain restrictions on persons and enterprises convicted of corrupt activities relating to tenders and contracts; and places a duty on certain persons holding a position of authority to report certain corrupt transactions.

**Source: Adapted from Watermeyer (2011:5)**

According to Turley and Perera (2014:6), the Constitution of the Republic of South Africa of 1996, Public Finance Management Act (PFMA) of 1999, Municipal Financial Management Act of 2003, and Preferential Procurement Policy Framework Act of 2000 are the principal legislation governing public procurement in South Africa. They add

that these four legislative frameworks share the same main principles that require “public procurement to be conducted in accordance with a system that is: fair, equitable, transparent, competitive and cost-effective”. They summarise these four primary legislative frameworks and their common principles in Table 3.3.

**Table 3.3 Primary frameworks governing public procurement in South Africa**



Source: Adapted from Turley and Perera (2014:6)

### 3.3.1 Constitution of the Republic of South Africa, Act 108 of 1996

The Constitution of the Republic of South Africa Act 108 of 1996 provides the superseding principles relating to public procurement and contract management, namely fairness, equitability, transparency, competitiveness, and cost-effectiveness to all spheres of government. Organs of the state are compelled to provide procurement and contract management services that are in accordance with these five constitutional principles (Tucker, Grimwood and Mandlana 2016:1). The importance of public procurement and contract management was proven when it received constitutional status (Pule 2014:1). Amber (2016:281) shares the views and believes that even though the constitution provides clear directives on how public procurement

and contract management activities must be conducted, there are still many variables influencing the effective implementation of procurement regulations.

The Constitution mandates that procurement and contracts must be done in a cost-effective manner. It is however perceived that South Africa has a good constitution, but there are huge gaps in the implementation and adherence thereof, including non-compliance with procurement management practices. In this study, the researcher explores the determinants of non-compliance with procurement guidelines, including the supreme law of the country, which is the Constitution of the Republic of South Africa.

### **3.3.2 Public Finance Management Act of 1999 as Amended by Act 29 of 1999 (PFMA)**

The Public Finance Management Act (PFMA) regulates financial matters in the national and provincial government department (Tucker and Kwamukwamba 2020:2). The PFMA promotes the efficient utilization of resources including the efficient conduct of procurement, as well as a system of controls to ensure that budget entities use budgets with care (Khan 2018:9).

The Public Finance Management Act was formulated in line with the Constitution of the Republic of South Africa. Its main purpose was to regulate Financial Management in the national and provincial governments and to ensure that financial resources are managed efficiently and effectively. Section 38 of this Act regulates the specific roles and responsibilities of an accounting officer with regard to the management of public procurement. The South African National Treasury (1999) mandates accounting officers to ensure that the departments, trading entities and constitutional institutions maintain the following (South Africa, National Treasury 1999):

- “an effective, efficient, and transparent system of financial and risk management and internal control;
- an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive, and cost-effective; and
- effective and appropriate steps to prevent unauthorized, irregular, fruitless and wasteful expenditure”.

The PFMA in terms of section 16A.3.2 concerning public supply chain management further mandates accounting officers to provide at least the following (South Africa, National Treasury 1999):

- “demand management;
- acquisition management;
- logistic management;
- disposal management;
- risk management; and
- regular assessment of supply chain management”.

In accordance with Hart (2019:1), the statutory rules which govern the conduct of the officials engaging in contracts as a representative of an organ of State are restricted by section 38 of the PFMA, where it directs that "An accounting officer may not commit a department, trading entity or constitutional institution to any liability for which money has not been appropriated." Hart (2019:1), explained that section 39 of this Act requires the accounting officers to take "effective and appropriate steps to prevent unauthorized expenditure and to prevent any overspending". With regard to noncompliance with procurement and contract management guidelines, Hart (2019:1), further adds that the provisions of the PFMA clearly indicate that non-compliance such as unauthorized, irregular, fruitless, or wasteful expenditure are regarded as acts of financial misconduct and should be dealt with in terms of consequence management.

The PFMA ultimately enforces accounting officers to provide a procurement system that allows for equal treatment of suppliers, and it promotes transparency with an aim of avoiding irregular expenditure in procurement provisioning. It appears as though, despite the PFMA instructions to accounting officers on the implementation of effective procurement systems, the Kwa-Zulu Natal Department of Health still shows some weakness in preventing unauthorized, irregular, fruitless and wasteful expenditure on the procurement of goods and contract management.

### **3.3.3 Treasury Regulations (TR)**

Treasury Regulations (TR) regulate “accounting officers to develop and implement an effective and efficient supply chain management system, as well as to establish a

separate supply chain management unit within the office of the Chief Financial Officer”. In addition, the procurement of goods and services either by quotations or through a bidding process, it must be in accordance with the threshold values as determined by the National Treasury. Part 16A8 of TR regulates SCM officials to comply with ethical standards, while in Part 16A9, it provides directives with regard to avoiding the abuse of the supply chain management system (South Africa, National Treasury 2005).

### **3.3.4 Preferential Procurement Policy Framework Act 2000 (PPPFA): Preferential Procurement Regulations, 2017**

The Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) and its accompanying regulations were promulgated to prescribe a framework for a preferential procurement system. The promulgation of this Act and its regulations was made to give effect to government’s socio-economic responsibilities within the procurement environment. It promotes that tenders must be evaluated in terms of functionality and regulates that (South Africa, National Treasury 2020):

- “organs of state must highlight in the tender documents if the tender will be evaluated on functionality;
- evaluation criteria for measuring functionality must be objective;
- tender documents must stipulate the evaluation criteria for measuring functionality;
- the minimum qualifying score for functionality for a tender to be considered;
- points scored for functionality must be rounded off to the nearest two decimal places;
- tenders that fail to obtain the minimum qualifying score for functionality as indicated in the tender documents are not an acceptable tender; and
- each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria”.

This Act further dictates that when organs of the state procure goods and services for the rand value equal to or above R30 0000 and up to R50 000 000, the 80/20

preference point system must be applied through the following formula, as shown in Figure 3.2.

**Figure 3.2 Formula for calculating preferential points**

$$P_{min} = \left[ \frac{P_t - P_s}{80} \right] \times P_{min}$$

Source: Adapted from South Africa, National Treasury (2020)

The PPPFA further directs that points must be awarded to a bidder for achieving the B-BBEE status level of contribution in accordance with Table 3.4.

**Table 3.4 Calculation of points for the B-BBEE status level of contributors**

B-BBEE Status Level of Contributor	Number of points (90/10 system)	Number of points (80/20 system)
1	10	20
2	9	18
3	8	16
4	5	12
5	4	8
6	3	6
7	2	4
8	1	2
Non-compliant contributor	0	0

**Source: Adapted from South Africa, National Treasury (2011:17)**

A bid should no longer be disqualified from the bidding manner if the bidder does not post a certificate substantiating the B-BBEE repute degree of contribution, or is a non-compliant contributor. Such a bidder will rating zero (0) out of a most of 10 or 20 factors respectively for B-BBEE. Government carried out the Preferential Procurement Policy Framework Act as the inspiration on which all procurement activities are to be based totally and it aims to (South Africa, National Treasury 2000):

- “advance the development of SMMEs and Previously Disadvantaged Individuals (HDIs);
- promote women and physically handicapped people;
- create new jobs;
- promote local enterprises in specific provinces, in a particular region, in a specific local authority, or in rural areas; and support local products”.

Nkwanyane (2018:54) shares the view that this act was created with the purpose of giving bearing to Section 217(3) of the Constitution by means of presenting a framework for the implementation of preferences in the public procurement system. While it promotes the use of 80/20 and the allocation of 10 and 20 points to previously disadvantaged bidders, this policy also helps to address past injustices because the previously disfavored are now alleged to receive priority in the award of tenders. The South African government believed that the PPPFA would have a positive impact on enhancing the lives of South African citizens as a whole. Tucker and Kwamukwamba (2020:8) agree that the application of preferential procurement policies protects individuals that were previously disadvantaged before 1994.

This study mainly focuses on procurement and contract management. The researcher believes that the application of a preferential points system is an important framework that guides the award for contracts and services and that if it is not applied accordingly, the contract becomes irregular.

### **3.3.5 Local Government: Municipal Finance Management Act 56 of 2003 (MFMA)**

According to the South African Local Government Association (SALGA) (2003:1-110), all municipalities must have and implement a supply chain management policy that is fair, equitable, transparent, competitive, and cost-effective, and comply with a prescribed regulatory framework for the municipal supply chain management. In terms of the procurement of goods and services, this Act further regulates that accounting officers must (South Africa, Local Government 2003: 1-110):

- “implement a supply chain management system for the municipality;
- ensure that proper mechanisms, including segregation of duties, are in place;
- take reasonable steps to minimize the probability of irregular practice comprising fraud, corruption, favoritism, unfair and irregular practices; and
- promote ethics amongst officials and other role-players involved in the municipal procurement system”.

In terms of contract management, the Act regulates that all procurement contracts for the municipality must be in writing and must specify the terms and conditions of the contract, including the termination date. It further instructs the accounting officers in municipalities to enforce compliance with the provision of this Act through (South Africa, Local Government 2003: 1-110):

- “overseeing the day-to-day management of the contract or agreement;
- monthly monitoring of contractors’ performance in line with the contract agreement; and
- reporting regularly to the council of the municipality or the board of directors any findings on contract performance”.

Tucker and Kwamukwamba (2020) agree that the Municipality Financial Management Act (MFMA) legalises how municipalities and other institutions in the local sphere of government should manage their financial affairs, including the procurement of goods and services. Tucker, Grimwood and Mandlana (2016:9) believe that municipalities and other institutions in the local sphere of government are required to uphold the MFMA when dealing with procurement and contract management, including other financial affairs. Mazibuko (2018:113) add that “the MFMA aims to secure sound and

sustainable management of financial affairs of municipalities and other institutions in the local sphere of government”.

The directive of the MFMA to the accounting officers of municipalities on procurement and contract management is to provide supply chain management provisions that are “fair, equitable, transparent, competitive and cost-effective” in accordance with the Constitution of South Africa’s procurement and contract management provisioning requirements. It can then be said that government wants the provision of public procurement and contract management at all levels to be regular. Hence accounting officers are mandated to implement measures to mitigate non-compliance with procurement and contract management practices.

### **3.3.6 Republic of South Africa Draft Public Procurement Bill 2020**

According to the South African National Treasury (2020), the objectives of the draft Public Procurement Bill 2020 are to regulate public procurement and to prescribe a framework for procurement policy as envisaged in section 217(3) of the Constitution. The draft bill includes various principles and instruments aimed at leveraging public procurement to support previously disadvantaged people, including women, youth, and people with disabilities, and to promote the expansion of the country’s productive sectors. It regulates the general public procurement requirements, which are (South Africa, National Treasury 2020):

- (1) “Institutions must, in the execution of their duties, strive to achieve the highest standards of equity, taking into account:
  - a) equal opportunity for all bidders;
  - b) fair treatment of all parties;
  - c) ethics;
  - d) open and effective competition; and
  - e) the need to obtain the best value for money in terms of price, quality and delivery, having regard to set specifications and criteria.
  
- (2) A bidder may not be excluded from participating in procurement on the basis of nationality, race, religion, gender or any other criterion not related to his or her eligibility or qualification, except to the extent prescribed in terms of this Act; and

(3) An institution may only contract with bidders that:

- a) are tax compliant; and
- b) comply with the requirements of the Employment Equity Act, 1998 Act No. 55 of 1998”.

In promoting procurement integrity, the draft bill regulates that, all those involved in the procurement process should follow the prescribed Code of Conduct as follows:

#### **3.3.6.1 General conduct of officials in procurement**

The procurement officials are mandated to (South African, National Treasury 2020):

- a) “: exercise powers and perform duties for a purpose, consistent with their responsibilities, and with the degree of care and diligence that a reasonable person would exercise in similar circumstances;
- b) perform duties impartially so as to ensure fair competitive access to procurement;
- c) not use their position or information obtained because of their position improperly to gain an advantage for themselves or someone else, or cause a detriment to an institution;
- d) not interfere with or exert undue influence on any person to affect any procurement process;
- e) avoid conflicts of interest;
- f) not commit or abet corrupt, fraudulent, collusive or coercive practices;
- g) safeguard the confidentiality of information relating to procurement, including a bidders’ proprietary information; and
- h) disclose any financial or other interest related to any procurement that the official participates in”.

#### **3.3.6.2 Disclosure of interest by official**

1. If an official, or a close relative or close associate of an official, has, or intends to acquire, a direct or indirect personal interest in a matter requiring the institution’s decision, the official (South Africa, National Treasury 2020):

- “must disclose such interest as soon as possible after receiving the agenda of the meeting of the procurement structure of the institution regarding a

procurement, or on notification of a matter being brought to the attention of the procurement structure or at the time during the evaluation or adjudication of the bid when the official becomes aware of the interest; and

- may not be present at or participate in the deliberations or decision-making process of the institution in relation to the agenda item or the matter in question”.

2. A disclosure of interest made in terms of this section must be recorded in the minutes of the meeting at which it is made or it relates to (South Africa, National Treasury 2020):

### **3.3.6.3 Conduct of bidders and suppliers**

Bidders or suppliers participating in procurement (South Africa, National Treasury 2020):

- a) “must comply with this Act and code of conduct;
- b) may not commit or abet corrupt, fraudulent, collusive, or coercive practices; and
- c) before being appointed, the institution must consider, where necessary, subjecting bidders to vetting”.

### **3.3.6.4 Declarations of Interest by bidders and applicants for registration on database**

All bidders are required to sign the Declaration of Interest and to be registered on the Central Suppliers Database (CSD). Failure to comply with this requirement will result in disqualification of the bid (South Africa, National Treasury 2020).

The researcher understands that the goal of the government is to enhance public procurement by formulating a new Procurement Bill. The Conversation (2020) however argues that South Africa’s draft Procurement Bill falls short of what is required to fight corruption. It adds that the draft bill and current procurement practices are also light on real-time monitoring arrangements and provisions to stop bad practices as they occur.

### **3.3.7 National Treasury Regulations (2005)**

The National Treasury Regulations support the provisions of the PFMA and MFMA; finalize the devolution of the supply chain management feature to the accounting officers; and formalize the integration of numerous functions right into a particular Supply Chain Management(SCM) function. The South African National Treasury (2005) provides the broad legislative framework for Supply Chain Management by (South Africa, National Treasury 2020):

- “defining the various elements of supply chain management such as demand management, acquisition management, logistics management, disposal management, and supply chain management performance;
- institutionalizing the creation of a SCM unit in the office of the Chief Financial Officer;
- specifying the roles of the accounting officer in the management of the bidding process;
- providing for processes and procedures in the case of abuse of the SCM system within a department; and
- requiring the National and Provincial Treasury and Municipal Finance Department to establish a system to collect and report on the performance of the SCM system within their defined jurisdictions”.

### **3.3.8 Broad-Based Black Economic Empowerment Act (BBBEEA) No. 53 of 2000**

According to The Presidency (2014:6-9), broad-based black economic empowerment refers to the feasible economic empowerment of all black people. It further clarifies that this Act economically empowers women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include (The Presidency 2014:6-9):

- a) “growing the number of black people that manage and control their own enterprises;
- b) preferential procurement from enterprises that are owned and lead by black people; and
- c) investment in enterprises that are owned and directed by black people”.

While the Act promotes BEE, it also encourages contractors to disclose their BEE ranks when bidding for tenders and regulates that organs of state and public entities may cancel any contract awarded where incorrect and misleading information concerning the contractor's broad-based black economic empowerment status is provided. It further regulates that to ensure compliance with the provisions of this Act, all organs of the state must apply the code of good practice during procurement processes, which includes (The Presidency 2014:6-9):

- “formulating and executing a preferential procurement policy;
- defining qualification criteria for the sale of state-owned enterprises;
- developing principles for entering into partnerships with the private sector; and
- determining award criteria in support of broad-based black economic empowerment”.

In an article, Manoko (2013:1) shares that Broad-Based Black Economic Empowerment has moved from being a narrow-based approach, where its application was utterly on black ownership and administration, to embrace all the important domains of economic activities. He continues that, although the private sector is not legally obligated to meet with all the requirements of this Act, there are necessary economic reasons for big businesses to adhere and ensure that their service providers and distributors are complying with BEE requirements. According to Nkwanyane (2018:54), the BBEEA is concerned with the transformation and structuring of the economy in a manner that enables participation by the majority of its citizens, mainly black citizens. It ensures that within public procurement processes, points are given to those companies that contribute meaningfully to the economy. The Act also ensures that people are united, protected and receive equal opportunity and access to the market as it aims to upturn the employment rate, grow the economic system, and result in equitable profit distribution amongst South African residents. Even though the BBEEA aims at promoting Blacks as previously disadvantaged groups. Mambo (2019: 49) argues that the BBEEA needs to restructure socio-economic statuses of formerly deprived people, notwithstanding their racial backgrounds.

### 3.3.9 Local Production and Content

The guidelines for the application of Local Content are as follows (South Africa, National Treasury 2011:11):

1. "Bids in respect of services, works or goods that have been designated for local production and content must contain a specific bidding condition that only locally produced goods, services or works, or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered.
2. Accounting Officers (AO) must stipulate in bid invitations that the exchange rate to be used for the calculation of local content (local content and local production are used interchangeably) must be the exchange rate published by the SARB at 12:00 on the date, one week prior to the closing date of the bid.
3. Only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:201x must be used to calculate local content. The following formula to calculate local content must be disclosed in the bid documentation: The local content (LC) as a percentage of the bid price must be calculated in accordance with the SABS approved technical specification number SATS 1286: 201x, as shown in Figure 3.3.

**Figure 3.3 Local content calculation formula**

$$\left\{ LC = 1 \frac{X}{Y} \right\} \times 100$$

**Source: Adapted from South Africa National Treasury (2011:11)**

4. The SBD / MBD and the Declaration Certificate for Local Content must form part of the bid documentation.
5. The Declaration Certificate for Local Content (SBD / MBD) must be completed and duly signed. AOs / AAs are required to verify the accuracy of the rates of exchange quoted by the bidder".

The Department of Trade and Industry (DTI) (2013) as cited in Ambe (2016:286) stated that the 2011 revisions of the PPPFA empowered the DTI to designate industries, sectors and sub-sectors for local production at a specified level of local content. The selected sectors, along with the prescribed minimum thresholds for local content, are shown in Table 3.5.

**Table 3.5 Prescribed minimum threshold for local content**

Industry/sector/sub-sector	Minimum threshold for local content
Buses (bus body)	8%
Textiles, clothing, leather and footwear	100%
Power pylons	100%
Canned / processed vegetables	80%
Rolling stock	65%
Pharmaceutical products (oral solid dosage tender)	73%
Set-top boxes for TV digital migration	30%
Furniture	
• Office Furniture	85%
• School Furniture	100%
• Base and Mattress	90%
Power and telecom cables	90%
Solar Water Heaters (collectors and storage tanks/geysers)	70%

**Source: Adapted from South Africa, Department of Trade and Industry (2013) as cited in Ambe (2016:286)**

In support of the designated sectors and products as presented in Table 3.5, the [www.ocpo.treasury.gov.za](http://www.ocpo.treasury.gov.za) as cited in Kwa-Zulu Natal Department of Health (2021:23) dictates that bid specifications must contain a specific bidding condition that only locally produced goods with a stipulated minimum threshold for local production and content will be considered.

### **3.4 South African procurement processes**

According to the South African Department of National Treasury (2013:9), as part of public procurement processes, Accounting Officers must ensure that goods and services are procured in accordance with the following criteria (South Africa, National Treasury 2013:9)

- “petty cash purchases up to the transaction value specified in the Delegation of Authority;

- written quotations for the procurement of goods and services up to the transaction value specified in the Delegation of Authority;
- formal written price quotations for the procurement of goods and services up to the transaction value specified in the Delegation of Authority; and
- a competitive bidding process for the procurement of goods and services above the transaction value specified in the Delegation of Authority”.

In relation to procurement processes, the Construction Industry Development Board (CIDB) (2007:1) advises that, when planning procurement activities, the stages must include internal controls in order to eliminate irregularities in all procurement activities, as shown in Table 3.6.

**Table 3.6 Procurement activities with internal control**

ACTIVITY #	DESCRIPTION	STEPS	
		Inputs	Procedural milestone (control point)
1	Establish what is to be procured	1. Prepare broad scope of work for procurement	
		2. Estimate financial value of proposed procurement	
			3 Obtain permission to start with the procurement process
2	Decide on procurement strategies	1. Establish applicable preferential procurement policy	
		2. Establish contract and pricing strategy	
		3. Establish targeting strategy	
		4. Establish procurement procedure	
			5. Obtain approval for procurement strategies that are to be adopted
3	Solicit tender offers*	1. Prepare procurement documents	
			2. Obtain approval for procurement documents
			3. Confirm that budgets are in place
		4. Invite contractors to submit tender offers or expressions of interest#	
		5. Receive tender offers or expressions of interest#	
		6. Evaluate expressions of interests #	
		7. Prepare evaluation report on shortlisting process#	
	8. Confirm shortlist #		
4	Evaluate tender offers*	9. Invite tender offers from shortlist#	
		1. Open and record tender offers received	
		2. Determine whether or not tenders offers are complete	
		3. Determine whether or not tender offers are responsive	
		4. Evaluate tender submissions	
		5. Perform a risk analysis.	
6. Prepare a tender evaluation report			
		7. Confirm recommendation contained in the tender evaluation report.	
5	Award contract*	1. Notify successful tenderer and unsuccessful tenderers of outcome	
		2. Compile contract document	
		3. Formally accept tender offer	
6	Administer contracts and confirm compliance with requirements	4 Capture contract award data	
		1. Administer contract in accordance with the terms and provisions of the contract	
		2. Ensure compliance with requirements	
		3. Capture contract completion / termination data	

**Source: Adapted from the Construction Industry Development Board (2007:1)**

Bowmans (2016:12) suggests that for procurement processes to flow as required by government, public departments must formulate internal procurement policies in line with the Treasury guidelines. He emphasises that public departments must follow prescribed processes, which include quotations or bidding procedures for certain value thresholds. The author further states that the legislative regime permits flexibility for exemptions to be granted if it can be justified, but it must comply with the constitutional principles of fairness, equitability, transparency, competitiveness and costeffectiveness. According to (www.spendedge.com 2018), Innovation is important to governments because it helps them save money and create jobs. But when it

comes to the procurement process, there are many obstacles that prevent governments from making the best use of technology. These challenges include the lack of standards, poor communication, and outdated procedures. Governments need to streamline the procurement process to get the most out of their innovative ideas. Ivambi (2016:12) is of the opinion that public procurement processes are crucial factors that must be followed when procuring because non-compliance with existing procurements regulations has serious repercussions for the organization. According to the Next Level Purchasing Association (2018), the purpose of a procurement unit in each organisation is to perform three main functions, namely (Next Level Purchasing Association 2018):

- I. **“Manage the organization’s spending:** - a good procurement function is essential in deploying an effective Annual Buying Plan, leveraging robust forecasting and market analysis, purchasing processes, and cost reduction methodologies.
- II. **Support operations:** - ensuring the timely acquisition of high quality, low-cost inputs and raw materials to be converted into products and services purchased by an organization’s internal customers. An organization exists to create value for its customers.
- III. **Protect the organization from risk:** - setting up procurement and contract risk management strategies”.

According to the South African National Treasury (2015), procurement processes involve three key stages: pre-tender, tendering, and post-tender, which are known as demand, acquisition, and performance management. These processes are discussed below (South Africa, National Treasury 2015):

### 3.4.1 Demand management

According to the South African National Treasury (2020:30), an accounting officer of an institution must ensure that the institution has and maintains an effective and efficient demand management system that is responsible for ensuring that (South Africa, National Treasury 2020:30):

- “Goods, services or infrastructure required to support the strategic and operational commitments of the institution are delivered at the right price, at an appropriate time and to the correct location; and
- The quality and quantity of the goods, services or infrastructure satisfy the needs of the institution”.

In the pre-tender stage, demand planning, procurement planning, item and specification management, and supply chain management are all crucial parts of the procurement process. These processes ensure that goods, services, projects, and other purchases are properly aligned to the procuring entities’ strategies and resource plans. This alignment is critical because it ensures that goods are delivered at appropriate times, places, and prices, in the right quantities and of the right quality, and that the procurement process runs smoothly. (South Africa, National Treasury 2015:18). According to Ethekwini Municipality (2018:12), the aim of demand management is to ensure that the resources required to support the strategic and operational commitments are delivered at the right time, right price, right location, and that the quantity as well as quality satisfy the need. Wisner *et al.* (2016:136) believe that forecasting is an important element of demand management that provides estimates for future demand and the basis of planning and business decisions. The Municipality adds that as businesses deal with an unknown future, some error between a forecast and actual demand is to be expected. Consequently, the goal of good forecasting is to minimize deviations between actual demand and the forecast.

As part of Demand Management (DM) processes, the South African, National Treasury (2015:16), as cited in Mazibuko (2018:145), alluded that the public sector should procure goods and services only if there is a need identified. It further regulates that before procurement commences, the demand management component must

remember that (South Africa, National Treasury 2015:16 as cited in Mazibuko 2018:145):

- “Procurement needs analysis involves deciding whether the envisioned procurement and its quantity is required at all;
- It should also take cognisance of the technical requirements, the specific time and location where goods or services will be delivered;
- The need to conduct market research on the estimated cost for the goods, services or works to be purchased;
- Cost estimates to be based on past procurement, or on sound forecasting methods; and
- The availability of funds must be verified”.

Manyathi (2019:64) perceives demand management as a process where the assessment and processing of strategic plans, budgets, preferential procurement objectives, and annual performance plans in order to produce annual procurement plans are conducted. The objective of Demand Management, according to the KwaZulu Natal Department of Health (2010:18), is to ensure that the goods and services required to fulfil the needs as identified in the procurement plan are delivered at the correct time, price and place and that the quantity and quality will satisfy those needs. The department further states that, demand management is responsible for ensuring that all procedures for procuring goods and services are adhered to before quotations are called out. It then provides the Demand Management Compliance Checklist to that effect as seen in Table 3.7. In strengthening compliance processes, DM is required to use the compliance checklist and it requires this checklist to be attached in all quotation files.

**Table 3.7 Demand Management Compliance Checklist**

A	Procurement process and deviations	Legislation	Impact	Action Required	Responsible Of	Signed Off by Se	Signed Off by Comp
14	Mandatory advertisement of bids on the eTender Publication Portal	National Treasury Instruction No.1 of 2015/2016	Irregular Expenditure				
15	The bid was advertised on the Department website	SCM Delegations of Authority of 2017/18	Non-compliance				
16	If the deviation was based on goods/ services being available from a sole supplier, in the users knowledge and/or research, there are no other available suppliers for the commodity/ service or there is evidence that a thorough market analysis was done to substantiate the sole-supplier.	TR16A6.4 PN 6 of 2007/08	Irregular expenditure, if finding is supported by sufficient evidence.				
17	If the deviation was based on the procurement being an emergency case, the reasons are reasonable and justifiable in that:-  (i) Immediate action was necessary in order to avoid a dangerous or risky situation or misery;	TR 16A6.4; PN 6 of 2007/8; TR16A3.2(a) "fairness & competition"	Irregular expenditure, if finding is supported by sufficient evidence.				
	(ii) The time available would have made it impossible/ impractical to go through a competitive bidding process.						
18	The deviation from inviting competitive bids:  i) was recorded and approved by the accounting officer	TR16A6.4, PN 6 of 2007/08 TR16A6.1	Irregular expenditure				
	ii) is not a result of lack of proper planning.		Irregular expenditure, if finding is supported by sufficient evidence.				
19	Accounting officer reported within ten (10) working days to the Provincial Treasury and the Auditor-General all cases where goods and services above the value of R500'000 (VAT inclusive) were procured in terms of Treasury Regulation 16A6.4.	PN 8 of 2007/05 par 3.4.3	Irregular expenditure				
20	Bid documents together with the Tender Opening Register and Demand SCM process documents submitted and signed for to Acquisition .i.e. NSI, Cashflow Certificate, Procurement Plan, Specification minutes, GM approval of Advert and Advert.	SCM Processes Guidelines of 2010/02 par 8.2.10	Non-compliance				
DEMAND MANAGEMENT SECTION HEAD:					SIGN:		
COMPLIANCE UNIT:					SIGN:		

**Source: Adapted from Kwa-Zulu Natal, Department of Health (2018)**

The literature reviewed presented the crucial role that is expected to be performed by demand management units in order for the departments to achieve effective, efficient and economical procurement provision as required by the legislative frameworks, including the Constitution of the Republic of South Africa of 1996. The DM quotation compliance checklist as specified in Table 3.7 requires these activities to be done by

the “Demand Management Section Head and Compliant Unit signatures”. This implies that the demand management unit must have a section head and compliance unit. It may therefore be argued that the unavailability of these two aforementioned key roleplayers may lead to the Demand Management unit being regarded as non-compliant.

#### **3.4.1.1 Procurement plan**

According to Zitha (2016:67), procurement plans remain a critical tool for improving procurement provision. Nonetheless, it is quite often used for compliance for the sake of meeting the department submission dates. He continues to share that procurement planning as part of demand management is often neglected by programme managers and procurement officials, which results in a wide range of shortcomings with negative impact on service delivery. Mishra (2021) suggests that procurement plans should have a list of all the effective and efficient ways to acquire the needed raw materials and services.

The European Union (2015:15) emphasises the importance of developing the procurement plan and it suggests that the plan must be divided into four priorities, as well as be updated annually to reflect progress and new objectives. The European Union adds that the four priorities must be broken down into high, medium, low and annual for ease monitoring and evaluation of progress as explained below (European Union 2015:15):

- **“high** –these tasks, some of which require immediate action, should all be achieved within six to nine months of the launch of the strategy;
- **medium** – to be achieved within two years;
- **low** –to be completed within the five-year period of the plan; and
- **annual / ongoing** – reviewed annually or ongoing continuous process”.

According to the South African National Treasury (2020:40), within its demand management plan, an institution must have a rationally prepared annual procurement plan which is approved by the accounting officer. It further adds that the institutional procurement plan must (South Africa, National Treasury 2020:40):

- “be aligned to the budget of the institution;
- void emergency procurement wherever possible;
- aggregate an institution’s requirements wherever possible, both within the institution and between institutions, to obtain value for money and reduce procurement costs;
- avoid splitting procurement to avoid the use of the applicable procurement method; and
- integrate the procurement budget with the allocated funds of the institution”.

According to the Kwa-Zulu Natal Department of Health (2010), the procurement plan is a list of all the needs that the department requires to procure in a given financial year. The process of procurement planning enables the department to plan what is required to be procured and when it is going to be procured, whilst taking into consideration the government procurement targets. The plan should be in line with the procurement budget of the department. The South African National Treasury (2015) clarifies that procurement plans indicate what purchases an institution will undertake in the short, medium and long-term. Proper planning should reduce service delivery delays; eradicate recurring contracts and unnecessary extensions; and eliminate the need for emergency procurement.

#### **3.4.1.2 Advantages of the procurement plan**

Procurement planning has a number of advantages, including (United Nations 2020:42):

- a) “Improved sourcing, ensuring appropriately qualified vendors and an adequate number of vendors, leading to increased competition, and potentially stronger offers at lower prices;
- b) Less waste of resources on last-minute actions;
- c) Early identification and management of risks;
- d) Reduction of delays and lead times due to the ability to perform tasks proactively;
- e) Better planning and monitoring of procurement activities;

- f) Identification of time periods when a high percentage of procurement actions are required (which can be useful in planning and distributing the workload); and
- g) Early consideration of logistics aspects and factors for the procurement of goods and equipment”.

The Procurement Class Room (2020) is in agreement with the United Nations (2020:42) when it encourages organisations to invest in procurement planning as it believes that proper procurement planning (The Procurement Class Room 2020):

- i. “Allows the planners to determine if expectations are realistic: particularly the expectations of the requesting entities, which usually expect their requirements to be met on short notice and over a shorter period than the application of the corresponding procurement method allows.
- ii. Allows opportunity for all stakeholders involved: which could be the requesting entity, end-users, procurement departments, technical experts and even vendors, to give relevant inputs on specific requirements.
- iii. Permits the creation of a procurement strategy for procuring each requirement that will be included in the procurement plan. Such a strategy includes a market survey and determining the applicable procurement method, given the requirements and the circumstances.
- iv. Allows planners to estimate the time required to complete the procurement process.
- v. Allows time for technical expertise to develop technical specifications and/or scope of work”.

#### **3.4.1.3 Alignment of procurement plan to budget**

The alignment of procurement plans to budget procurement is an important element for successful procurement. In order for the procuring entities to justify procurement, they need to undertake feasibility studies to establish financial viabilities of the procurement. They must conduct a benefit-cost analysis, and establish whole life costs including capital, maintenance, management, operating and disposal. It is also crucial for procuring entities to establish the timing of the procurement in order to establish

cash flow demands. When preparing procurement budget estimates, it is important to consider VAT, currency fluctuations and to make provision for price escalations, where appropriate (The Construction Industry Development Board (CIDB) 2007:4). The importance of budgeting for procurement is over-emphasised by Mishra (2021:1), who believes that each organization, whether public or private, if it procures goods and services, it must set a specific budget for procurement. The author adds that the allocated budget must be aligned to the organizational procurement needs for the agreed period and further advises that the procurement budget must be reviewed and updated according to the organisational procurement plan and strategic goals.

According to Khan (2018:9), procurement is more than a process for executing transactions- it is an important part of government mechanisms to provide service to the public and is budgeted for by tax-payer's money. He adds that procurement and budget are linked to the government policy statement and therefore, in order to achieve procurement goals, procurement plans must be linked to budgets, as it is both linked directly to service delivery and government policy aims.

Government is the greatest spender in South Africa and it must promote good financial management in order to maximise service delivery through the efficient and effective use of limited resources during procurement processes. A well-performing procurement function is therefore critical in achieving the strategic objectives and goals of government (South Africa, National Treasury 2015). Expenditure for public procurement accounts for a high portion of South Africa's gross domestic product and with the economic growth being relatively slow, there has been a remarkable escalation in competition for government contracts (Davey and Gatenby 2015:273). Procurement planning is an important step in the annual budgeting process, because it helps departments understand what they need to buy and when. It also allows them to estimate the cost of the items they will purchase (United States Agency for International Development 2010). According to the Kwa-Zulu Natal Department of Health (2010:18), procurement planning and cash flow management are the functions of responsibility managers and they must ensure that the (Kwa-Zulu Natal, Department of Health 2010:18):

- “future and current needs for procurement are understood and linked to the budget;
- suitable and careful selection of goods and services required is within the scope of the available budget;
- quantity required and the specifications are correctly determined; and □ the fulfilment of the need forms part of strategic procurement”.

The South African Department of Health (2011:4) is in agreement with Khan (2018:9), and it commands that “no procurement shall take place in the absence of a Cash Flow Certificate confirming availability of funds which are aligned to the procurement plan”. The importance of budgeting is articulated by Purchase Control (2020) as part of financial and procurement management, both in the private and public sectors. Spendedge (2020) rightly suggests that for proper alignment of budgets to procurement, there should be an open and fluid relationship between budget holders, the finance department and the procurement team. The Cash Flow Committee (CFC) must ensure that the projects identified are in line with the strategic plan and linked to the budget and the operational plan (Kwa-Zulu Natal, Department of Health 2010:20).

### **3.4.2 Acquisition management**

Muhammad (2016:13) defines Acquisition Management as a process of arranging and ordering of the product in order to be certain of its availability at the right place, at the right price, and at the right time. According to the South African National Treasury (2020:53), an accounting officer must ensure that the institution has and maintains an effective and efficient acquisition management system and must ensure that (South Africa, National Treasury 2020:53):

- “Expenditure for goods, services are incurred when funds are available;
- Goods and services are procured in accordance with authorised procurement processes;
- The prescribed threshold values for the different range of procurement are complied with; and
- quotation documentation, general and special conditions of contract are in accordance with this Act”.

Acquisition management functions include the invitation of quotations and preparing the quotation documents for the evaluation and adjudication of tenders. It must ensure that all potential bidders have access to the same tender information. Information in the bid documents should include details of the product or service to be procured; specifications; quantities; the time-frame for delivery; realistic closing dates and times; where to obtain documentation; where to submit tenders; and the selection/award criteria. Public institutions must have clear procedures for opening the tender box. Quotations received must be opened publicly and recorded in a register (Kwa-Zulu Natal, Department of Health 2010:12).

### **3.4.3 Performance management**

According to the South African National Treasury (2015:5), procurement and contract management performance is weakened by institutional practices, which include (South Africa, National Treasury 2015:5):

- “poor alignment between strategy, demand management and procurement planning;
- poor decision-making about sourcing strategies;
- lack of aggregation of procurement transactions;
- poor bid specifications;
- improper bid evaluation and adjudication;
- poor contract management, and
- insufficient supplier performance management”.

The Kwa-Zulu Natal Department of Health (2010:12) clarifies that performance involves monitoring processes and undertaking a retrospective analysis to determine whether proper processes have been followed and whether the desired objectives were achieved. It further mentions that reviewing procurement and contract management performances should include reviewing the following crucial elements (Kwa-Zulu Natal, Department of Health 2010:12):

- “achievement of goals;
- compliance to norms and standards;
- cost variance per item, and □ contract breach”.

Gabela (2017:10) suggests that there should be ongoing performance management that monitors performance, thus ensuring compliance with the relevant prescripts. He adds that effective performance management helps in identifying and mitigating risks. Additionally, Khan and Zhang Yu (2019:220) are of the opinion that the public sector needs to develop a proper system for procurement and contract performance management that is quick to respond to change. Mazibuko and Fourie (2017) argue that performance management should be undertaken in all the SCM stages and not limited to procurement and contract management only. They add that public institutions need to monitor performance on an ongoing basis and enforce compliance without any compromise.

### **3.5 Quotation committees**

According to the Global Compact Network India (2017:7), quotation committees were formulated to assist the government to reach its procurement objectives of providing fair competition as guided by the spirit of public procurement policy and law. Quotation committees are responsible for ensuring compliance with procurement policies and they must provide justification if there are deviations from the tendering process. The Provincial Treasury Practice Note (SCM-03 of 2006), as cited in the Kwa-Zulu Natal Department of Health (2018:9), dictates that Quotations Committees should regulate supply chain management in an honest, fair and impartial manner in accordance with the delegated powers of the Accounting Officer. Quotations Committees should also be transparent, cost effective and accountable. It concludes that quotation committees are responsible for ensuring compliance with the prescribed procurement guidelines, including the code of conduct for committee members.

#### **3.5.1 Code of conduct for quotation committee members**

Mafunisa (2008) as cited in Zitha (2016:72) encourages the importance of government departments to have procurement codes of conduct and clear procurement guidelines as he believes that policies are important in any organization because they provide

the principles and procedures to be followed when executing duties. According to the Kwa-Zulu Natal Department of Health (2018:4), all quotation committee members are required to sign a code of conduct, committing themselves to abide by matters pertaining to conflict of interest; accountability; openness, and confidentiality, which are discussed below (Kwa-Zulu Natal, Department of Health 2018:4):

**a) Conflict of interest**

This refers specifically to the Quotation Committee members who will be responsible for reviewing all quotations submitted to the company. These members must declare any business, commercial, and financial interests or activities that could potentially create a conflict of interest. Quotation Committee members should also not place themselves under any obligations to outside individuals or organizations seeking to influence them in the review of quotations.

**b) Accountability**

The Public Finance Management Act requires that accounting officers are responsible for the financial management of the department. In order for accounting officers to be able to fulfill their duties, it is important that they have access to information about the finances of the department. A good reporting system allows them to make informed decisions. Periodic reports must be submitted to the National and Provincial Treasuries. Quotations Committee members are responsible for their decisions and actions. They must use public property scrupulously. Only Accounting Officers or their delegates have the right to commit the government to a transaction for the procurement of any goods or services. All transactions conducted by a practitioner must be recorded and accounted for appropriately. No practitioner may enter any false or misleading information into an accounting system for any reason whatsoever, including those reasons listed above.

### **c) Openness**

All parties involved should deal with each other with respect and trust. Furthermore, they should conduct their businesses in a fair and reasonable manner and with integrity. Government officials working in procurement should deal with suppliers even-handedly and ensure that they do not compromise the standing of the state through the acceptance of gifts. At all times, they should provide assistance in the elimination of fraud and corruption.

### **d) Confidentiality**

All information that belongs to the government or its suppliers must be protected at all times, even when it is not required to be disclosed. Information about bids, contracts, bidders, and other matters related to procurement processes should never be released. If you see something that shouldn't be shared, report it immediately.

The discussion around the composition of quotation committees by various authors highlights the importance of the committee's involvement in curbing non-compliance with procurement guidelines. The researcher supports the formation of a Quotation Award Committee by the Kwa-Zulu Natal Department of Health (2018:5) because it consists of senior management who are decision-makers. However, this study disputes the exclusion of quotation evaluation committees as it believes that committees with more than two people can minimize risks of conflict of interest during the evaluation and recommendation process. The dispute is supported by the critical responsibilities of the quotation evaluation committee cited in Turley and Perera (2014:17). The report of the Auditor General (2017) as cited in the South African National Treasury (2015:16) revealed that the common non-compliance findings on procurement of goods and services were perpetuated by the lack of appropriate bid committees.

Van Zyl (2015) as cited in Maserumule (2019:117) argues that non-compliance with procurement guidelines continues in the public sector because quotation committees lack relevant skills. He adds that the use of unqualified suppliers, passing over of bids

for invalid reasons, and utilisation of the incorrect procurement process in respect of the thresholds, extensions of validity periods and incorrect utilisation of the limited bidding process can be reduced if the public sector could invest in providing ongoing training to quotation committees, which are discussed below:

### **3.5.2 Quotation specification committee**

“The Quotations Specifications Committee should consider whether any amendments to the bid specification could potentially undermine the integrity of the auction. If there is a possibility of unfairness, then the committee should ensure that all bidders are given an equal opportunity to respond to any changes to the bid specification. (Davey and Gatenby 2015:268).

#### **3.5.2.1 Functions of quotation specification committees**

The South African National Treasury (2020:36) regulates the functions and proceedings of Quotation Specification Committees. It mandates the committee to provide the accounting officer or delegated authority with accurate specifications for the procurement of goods, services or infrastructure. It summarises the functions of the Quotation Specification Committee as follows (South Africa, National Treasury 2020:36):

- a) “compilation of specifications;
- b) setting up specification terms of reference;
- c) clarifying Evaluation criteria; and
- d) putting up special conditions of contract”.

The Treasury adds that the specification committee is responsible for ensuring that all specifications are (South Africa, National Treasury 2020:36):

- a) “drafted in an unbiased manner to allow all potential suppliers to bid equally;
- b) in a manner that takes into account any generally accepted industry standards in relation to the goods and services to be procured;

- c) defined in terms of the performance required rather than in terms of descriptive characteristics for design;
- d) created in a manner that eliminates trade barriers in the form, plans, drawings, design, testing and test methods, packaging and marking or labelling of conformity certification; and
- e) may not make any particular reference to trade mark, name, patent, type, specific origin or producer unless there is no other precise way of describing the characteristics of the work, in which case such reference must be accompanied by the words equivalent to”.

Following the functions of Bid Specification Committees as regulated by the South African National Treasury (2020:36), the Kwa-Zulu Natal Department of Health (2016:12) revealed that even though the guidelines are in place, it still has shortfalls in the implementation process and it confirmed that during the internal audit, it was discovered that in some instances, the specifications were drafted on a biased manner which did not allow all potential suppliers to offer their goods and services.

### **3.5.3 Quotation evaluation committee**

According to the South African National Treasury (2020:37), the quotation evaluation committee must be composed in such a way that it is cross-functional in terms of the activities of the institution and it must consist of at least three members, namely (South Africa, National Treasury 2020:37):

- (a) “the chairperson - must be an official with relevant skills;
- (b) other members - including the supply chain management practitioner; and (c) the product end-user”.

Procure-To-Pay (2020:1) agrees that quotation evaluation committees should comprise product end-users, technical and administrative personnel. It however adds that this committee may include individuals from outside the organization who bring a special expertise to the process.

### 3.5.3.1 Functions of quotation evaluation

SA Tender (2019:2) explains that the functions of a quotation evaluation committee are to evaluate quotations in accordance with the specifications as set out in the original tender document. Furthermore, when evaluating quotations, the committee should assess whether the bidder has the capacity to render the required service efficiently or deliver the right product at the desired time. Procure-To-Pay (2020:1) shares the view and believes that the Quotation Evaluation Committee's function is mainly to (The Procure-To-Pay 2020:1):

- “determine evaluation criteria;
- evaluate tender proposals against specifications; and □  
make recommendations for award”.

According to the South African, National Treasury (2020:37), the Quotation Evaluation Committee must evaluate quotations in accordance with the criteria set in the quotation documents, including the preference points system. The committee must also verify (South Africa. National Treasury 2020:37);

- (a) “the capacity of the bidder to deliver the goods and services being procured;
- (b) the tax compliance status of the bidder;
- (c) the declaration of interest of the bidder;
- (d) that the bidder is registered on the Central Suppliers Database (CSD); and (e) that the bidder is not listed on restricted bidders”.

The Bill further adds that the Quotation Evaluation Committee is responsible for submitting to the Quotation Adjudication Committee, a report and recommendation on the awarding of the quotations. The functions of the quotation committee are perceived by Turley and Perera (2014:17) as a critical role which involves the evaluation of tender documents for the purpose of checking compliance with the terms and conditions of the advertised specification, following the evaluation processes as shown in Figure 3.4.

**Figure 3.4 Quotation evaluation process**



**Source: Adapted from Porteous and Naudé (2012) cited in Turley and Perera (2014:17)**

The researcher concurs with Turley and Perera (2014:17) on the Quotation Evaluation Committee’s responsibilities. However, she believes that there are discrepancies unaccounted for in the evaluation process. The report of South Africa’s Auditor General (2019) revealed that the Kwa-Zulu Natal Department of Health incurred irregular expenditure on the procurement of goods and services, and the following findings show weakness in bid evaluation processes (South Africa, Auditor General 2019):

- “reasons for the disqualification of suppliers not in line with criteria indicated in the original request for quotations; and
- evaluation criteria applied in evaluating the quotations not as those indicated in the original request for quotations”.

### 3.5.3.2 Quotation evaluation criteria

The Construction Industry Development Board (CIDB 2015:6) states that all legislation governing public procurement must include the threshold values of a procurement or contract as part of the quotation evaluation criteria to be used. For a quotation evaluation to be successful, a minimum qualifying score for functionality must be indicated and the bid should be disqualified if it does not meet the scoring required, and the bids that meet the minimum score are then evaluated relatively on BEE and price. The evaluation criteria for measuring the technical specifications of tenders, known as functionality in the PPPFA Regulations, must be objective and must be specified clearly. Moreover, it must be included in all quotation documents (Bowmans 2016:13).

According to the Namibian Ministry of Finance (2015), evaluation criteria can be divided into two categories, which are price related factors and non-price factors. However, the following criteria should be adhered to (Namibia Ministry of Finance 2015):

- “the Bidding document should state the criteria and methodology that the Bid Evaluation Committee will apply to select the successful bid;
- the criteria must be described fully here and followed precisely during the selection process;
- each criterion should be an element that is critical to the selection of the best bid;
- each criterion should be an element that is capable of being compared so that the Bid Evaluation Committee can compare and distinguish between and amongst competing bids;
- each criterion should be objective and expressed in monetary terms; and
- it is best to use only a limited number of criteria so that the evaluation process can be completed efficiently”.

According to the Kwa-Zulu Natal Department of Health (2018:4), product end-users shall conduct evaluations on technical and quality requirements in consultation with procurement official as specified on the quotations received. It further guides that the

evaluation criteria must include checking the ability of the vendor to execute the contract, assessing whether the quotation is according to specification and to take cognisance of Table 3.8 criteria.

**Table 3.8 Quotation evaluation criteria**

1. Performance:	→ What are the basic operating characteristics of the product or service? (very important)
2. Features:	→ What extra characteristics does the product or service have, beyond the basic performance operating characteristics? (important)
3. Reliability:	→ How long can a product go between failures and the need for maintenance? (guarantee) (very important)
4. Durability:	→ What is the useful life for the product? How will the product hold up under extended use? (important)
5. Conformance:	→ Was the product made or service performed to specifications? (most important)
6. Aesthetics:	→ How well does the product or service appeal to the senses? (not important)
7. Serviceability:	→ How easy is it to repair, maintain or support the product or service? (customer support) (important)

**Source: Adapted from the Kwa-Zulu Natal Department of Health (2018:4)**

### **3.5.4 Quotation award committee (QAC)**

According to the Kwa-Zulu Natal Department of Health (2018:9), the Quotation Award Committee comprises senior management who are accountable and responsible for implementing effective and efficient procurement provision. The categories of that senior management are shown in Table 3.9 below.

**Table 3.9 Quotation award committee members**

Membership	Head Office	Institutions	District Offices
Chairperson	Director: Finance	CEO / Finance Manager	District Manager
Members	<ul style="list-style-type: none"> <li>✓ Director: Corporate Services</li> <li>✓ Director: Acquisitions Management</li> <li>✓ Deputy Director: Acquisitions Management</li> <li>✓ Assistant Director: Logistics / Inventory Management</li> </ul>	<ul style="list-style-type: none"> <li>✓ Clinical Manager</li> <li>✓ Systems Manager</li> <li>✓ Finance Manager</li> <li>✓ SCM Manager</li> </ul>	<ul style="list-style-type: none"> <li>✓ Relevant Programme Manager</li> <li>✓ Deputy Director: Monitoring &amp; Evaluation</li> <li>✓ Deputy Director: Finance</li> <li>✓ SCM Manager</li> </ul>
Alternate Members	If any of the above members are absent for any meeting, they must delegate their authority in writing (via email) to the Chairperson, to a suitably qualified and experienced member of an equivalent post level.		
Appointment	Appointed by the CFO	Appointed by the District Manager	Appointed by the Chief Director: District Health Services

**Source: Adapted from (Kwa-Zulu Natal, Department of Health 2018:5)**

### 3.5.4.1 Functions of quotation award committee


According to the SA-Tender (2020), the Quotation Award Committees are responsible for awarding competitive quotations presented and they must consider the recommendations of the Quotation Evaluation Committee. Furthermore, award committees must ensure that (SA-Tender 2020):

- “all necessary quotation documents have been submitted;
- disqualifications are justified and valid;
- motivations were furnished for passing over of bids; and
- scoring has been fair, consistent, correctly calculated and applied”.

The South African National Treasury (2020:37) shares the same views with SA-Tender (2020), and adds that the Quotation Award Committee may cancel, amend, extend or transfer any contract resulting from an awards by the institution. It further states that the Quotation Awards Committee may refer any recommendation of the Quotation

Evaluation Committee to the evaluation committee for consideration. The Kwa-Zulu Natal Department of Health (2018:9) is in agreement with both SA-Tender (2020) and South Africa's Procurement Bill (2020:37) when it then emphasises that the Quotation Award Committee is responsible for ensuring that presentations brought forward by the Quotation Evaluation Committee has relevant and logical information required for decision-making. It however cautions the award committee members that they are not obliged to award the lowest or any quote that does not meet the criteria, and that it is also responsible for checking and confirming that the price quoted is not exorbitant before awarding. In conclusion, The Kwa-Zulu Natal Department of Health (2018:), further adds that the Quotation Award Committee's function also includes ensuring compliance with procurement guidelines through the use of the Quotation Documents Compliance Checklist as displayed in Table 3.10.

**Table 3.10 Quotation documents compliance checklist**



**health**  
Department:  
Health  
PROVINCE OF KWAZULU-NATAL

### Supply Chain Management

The following compulsory SCM documentation must be attached for orders resulting from quotations (ZNQ files)

Name of Institution: \_\_\_\_\_

Order Under Review: \_\_\_\_\_

ZNQ Number: \_\_\_\_\_

Comply: Yes No

1	NSI/Replenishment/Requisition Form-duly completed and signed		
2	Cash flow certificate/Stamp - duly completed and signed. <i>(IF NOT UNAUTHORIZED EXPENDITURE)</i>		
3	Specification document & TOR's		
4	Approval of specification(s) by the Specification Committee		
5	Copy of the Advert (must show duration of advert)		
6	Copy of the quote Opening Register		
7	Top three recommended quotations fully completed (No Deviation - <i>IRREGULAR</i> )		
8	Are quotations numbered, stamped, dated and signed off by relevant officials.		
9	SB D4 documents fully completed <i>(IF NOT IRREGULAR)</i>		
10	Minutes of the QAC - duly completed & signed showing quorum <i>(IF NOT IRREGULAR)</i>		
11	Declaration of Interest Forms completed by Members. <i>(IF NOT IRREGULAR)</i>		
	note: QAC Members must be appointed in writing, Code of Conduct forms completed, their financial disclosures must be submitted to Head Office & Committee approved by HOD		
12	Confirmation of Central Suppliers Database (CSD) registration <i>(IF NOT IRREGULAR)</i>		
13	SARS valid Tax Clearance Certificate or compliant Tax Status on CSD <i>(IF NOT IRREGULAR)</i>		
14	Confirmation of Supplier Bank Account (available on CSD)		
15	B-BBEE Affidavit/Scorecards, SANAS accredited original or certified by a commissioner of oaths (for quotes over R30'000.00)		
16	The preference point system used and scoring (80/20) for quotes over R30'000.00 <i>(IF NOT IRREGULAR)</i>		
17	Confirmation that the Successful Bidder is not on the Restricted Supplier's List (available on CSD) <i>(IF NOT IRREGULAR)</i>		
18	Confirmation that there is no Conflict of Interest by Officials Employed by the State at time of award & during the contract period <i>(IF NOT IRREGULAR)</i>		
19	Confirmation of CIPC registration/ Business status (available on CSD) <i>(IF NOT IRREGULAR)</i>		
20	Confirmation of VAT if claiming (available on CSD)		
21	Copy of confirmation received of no appeals lodged (for quotes over R30'000.00)		
22	Copy of the Purchase Order, Payment Advice, Tax Invoice, Delivery note, BAS Remittance Advice		
23	Has Payment been effected within 30 days		
24	End user confirmation of receipt. Ensure that all invoices have been certified with the "certification by "certification by responsibility manager" stamp, or is accompanied by SCM form 14.  For stock items, copy of receipt book entry (Cat No: CPS 2309001) or receipt voucher (CPS Cat No: 0206101).		

Note:

Assessed By: Name: \_\_\_\_\_

Checked By: Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Source: Adapted from Kwa-Zulu Natal, Department of Health (2020)

### 3.6 Contract Management

According to the Kwa-Zulu Natal Department of Health (2010:20), Contract Management is a process of monitoring whether the contractor is performing according to contractual obligations and ensuring that payments to suppliers are according to services rendered. It adds that the process involves administering processes to ensure that contracts entered into are suitable and that there are mechanisms in place that ensure that goods and services are fully compliant with bid specifications and contract service level agreements. Manyathi (2019:64) views Contract Management as a process that involves elements such as contract creation, execution, administration, review and contract close-out. He further mentions that Contract Management is meant to ensure that the procuring entities get value for money for each contract. Contract management is appropriately summarized by Procurement Classroom (2016) as a critical element that requires more attention for ensuring the success of the public contracting process because it involves a significant amount of waste and abuse of public funds, including corruption.

The South African National Treasury (2020:41) regulates that the accounting officer must ensure that the institution has and maintains an effective and efficient Contract Management system which ensures that (South Africa, National Treasury 2020:41):

- “contracts for the procurement of goods, services or infrastructure are recorded in a contract register;
- contracts are monitored and regularly reported on;
- service level agreements are evaluated for compliance with the applicable transversal term contracts;
- timelines in relation to the expiry of period contracts and specific clauses within a contract that are subject to timelines are monitored;
- applications for price adjustments, cancellations, amendments, expansions, variations, extensions or transfer of contracts are considered;
- service complaints against or failures by suppliers to meet their contractual obligations are recorded;
- performance in accordance with contracts is enforced; and
- appropriate measures are taken in the case of non-performance or underperformance”.

According to Source One (2020:6), Contract Management involves taking a proactive hands-on approach in ensuring that contracts are administered effectively, including monitoring critical dates like expirations and auto renewals. The author adds that the process of managing contracts involves identifying contract need sourcing, contract and managing, as shown in Figure 3.5

**Figure 3.5 Contract management process**



**Source: Adapted from Source One (2020:6)**

According to the Kwa-Zulu Natal Department of Treasury (2015:5), Contract management is about ensuring that the parties work together towards achieving the goals of the contract. It is based on the idea of a contract as an agreement, a partnership, with rights and obligations that need to be fulfilled by all parties to achieve those goals. It also clarifies the fact that Contract Management is not about finding fault, but rather about identifying problems and finding solutions with all parties involved. The Kwa-Zulu Natal, Treasury (2015:) further concludes that, Contract administration is similar to project management, whereby each agreement is treated as a mini project which has a specific goal, consumes resources, has a beginning and

end, and requires planning and coordination. Documentation is required throughout the contract' lifecycle as presented in Figure3.6.

**Figure 3.6 Contract life-cycle**



**Source: Adapted from the Kwa-Zulu Natal, Treasury (2015:5)**

With the definition of Contract Management provided by different authors, the researcher finds the Source Once (2020:6) definition more comprehensive, precise and relevant to the study objective. This study therefore summarises Contract Management as an administration process involving monitoring that contract awarded are:

- “rendering the service as per contract agreement,
- in line with the specification,
- at the right time,
- with the same prize quoted; and
- lastly, operates within its contract period”.

### **3.6.1 Contract management irregularities**

According to the South African, Natal Treasury (2016), over the years there has been consistently weak control measures in the administration of contracts across the provincial departments. It further adds that in its efforts of mitigating contract management irregularities, it has established the Contract Management Directorate, which is responsible for implementing policies and providing support on contract management to all provincial departments. In view of contract management irregularities, Lynch (2020:1) explains that Contract administration is an important function within the supply chain management system. It ensures that all parties involved in the supply chain are operating according to the agreed upon terms and conditions. If there are issues with the contract, then the contract administrator will notify the appropriate parties and help resolve the issue.

In an article by Taddele (2019), it is argued that contract management irregularities remain a huge challenge facing the public service. He further suggests that in order to promote efficiency and value for money, effectiveness, transparency and morality in government contract administration, officials involved in public procurement processes must be made accountable for their actions.

The Kwa-Zulu Natal Department of Health (2016:12) is in agreement with Taddele (2019), and it revealed the major contributory factors to irregular expenditure in the Department of Health on Contract Management as follows (Kwa-Zulu Natal, Department of Health 2016:12):

- “contract amendments and extensions without approval by the delegated official;
- payments made to suppliers in excess of the approval or quoted amounts;
- goods and services supplied/ delivered without a written signed contract;
- contracts in conflict with the general conditions of contract as issued by National Treasury;
- the performance of contracts not monitored to ensure that they comply with the specific goal; and

- no action taken against suppliers who failed to perform up to the standard agreed upon in the contract”.

Makhosini on SABC News (2020) reported that the “Special Investigating Unit (SIU) was investigating up to R5 billion worth of contracts alleged to be improperly awarded to various companies, nationally, provincially and at the municipal level, in the procurement of PPEs. Makhosini on SABC News (2020) further reported “There have been more allegations referred to SAPS and other law enforcement for further investigation”. The recent audit report of the South African Department of Health (2020) confirms that adherence to Contract Management practices remain a challenge, as it presents the following findings (South Africa, Department of Health 2020):

- “possible collusive bidding;
- non-compliance with local content requirements;
- quotes awarded to suppliers not meeting specifications;
- non-compliance with local content requirements;
- false sbd4 declarations submitted and conflicts of interests; and
- insufficient evidence provided to indicate processes implemented to award new contracts where contracts have expired”.

As part of internal control for addressing non-compliance with Contract Management guidelines thus alleviating irregular expenditure, the Kwa-Zulu Natal Department of Health (2019:1) encourages accounting officers to directly monitor Contract Management activities and to ensure that contract documents meet all requirements as provided in Table 3.11 of contract file management.

**Table 3.11 Contract management bid compliance**

A	Procurement process and deviations	Legislation	Impact	Action Required	Responsible Official	Signed Off by Section Head	Signed Off by Compliance Unit
1	Contract Management will invite awarded bidder to sign Service Level Agreement or Bid Document as binding contract.	SCM Process Guidelines of 2010/02 par 11.8.2	Non-compliance				
2	Bid Document and/or SLA is signed by the Accounting Officer	SCM Process Guidelines of 2010/02 par 11.8.5	Irregular Expenditure				
3	Institutions are advised of appointment of supplier and where applicable Notice to Terminate notification sent to existing service providers/suppliers	SCM Process Guidelines of 2010/02 par 11.8.6	Non-compliance				
4	If Transversal Contract, circular was posted on Departments Intranet.	SCM Process Guidelines of 2010/02 par 11.8.8.	Non-compliance				
5	Contract Register was updated	SCM Process Guidelines of 2010/02 par 11.8.8	Irregular Expenditure				
6	Service Provider performance report	SCM Process Guidelines of 2010/02 par 12.2	Non-compliance				
7	Price and exchange rate adjustments	SCM Process Guidelines of 2010/02 par 12.5 and 12.6	Non-compliance				
8	Extension of contract	SCM Process Guidelines of 2010/02 par 12.7	Irregular Expenditure				
9	Cancellation/Termination of contract	SCM Process Guidelines of 2010/02 par 12.8	Non-compliance				
10	Cession process subject to approval	SCM Process Guidelines of 2010/02 par 12.9	Non-compliance				
CONTRACT MANAGEMENT SECTION HEAD:					SIGN:		
COMPLIANCE UNIT:					SIGN:		

Source: Adapted from the Kwa-Zulu Natal Department of Health (2018)

### 3.7 Procurement and contract management audit findings

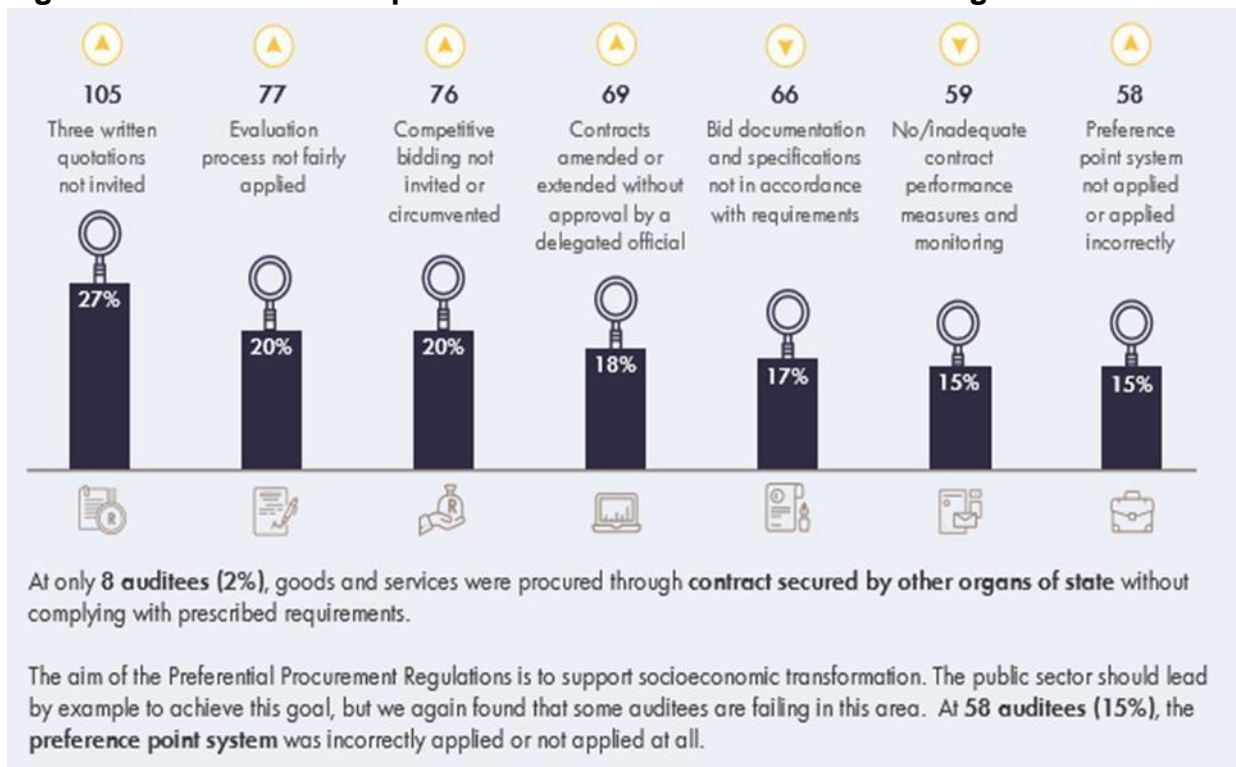
The Kwa-Zulu Natal Department of Health’s (2021:1) recent internal audit revealed that the common non-compliance areas within the hospitals at eThekweni District are as follows (Kwa-Zulu Natal, Department of Health 2021:1):

- “expired contracts are not renewed but extended on a month-to-month basis;
- procurement off an expired contract;
- entire procurement processes were circumvented;
- limitation of scope, incomplete or no documents provided; and
- procurement was done without obtaining financial authority to procure”.

The report of South Africa’s Auditor General (2020:117) revealed that in the Kwa-Zulu Natal Department of Health, Despite the overall improvements in outcomes and the fact that many companies had implemented effective internal controls, accounting officers and senior managers at most auditees failed to effectively implement and

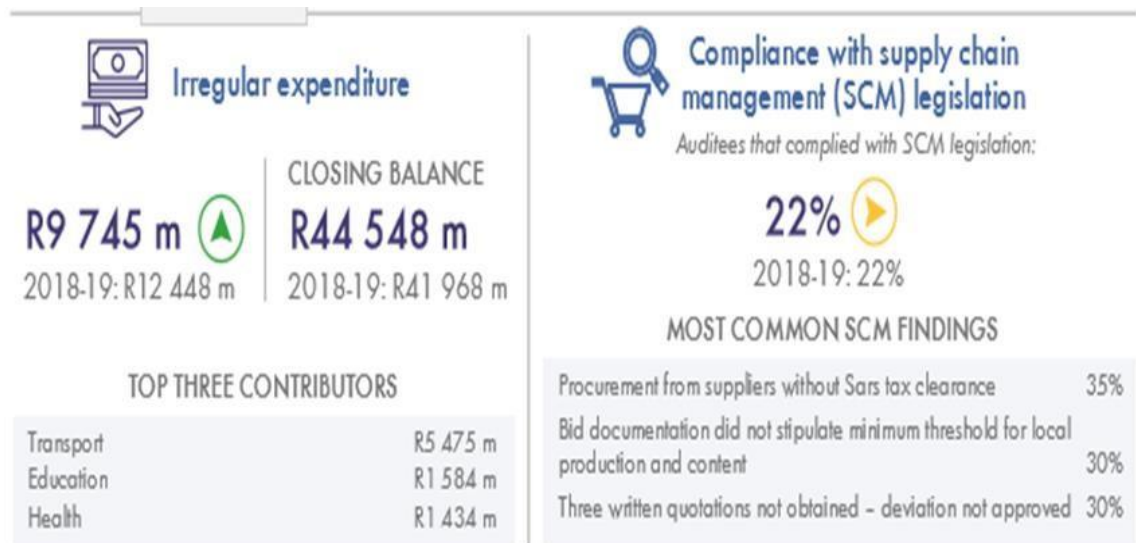
monitor progress against their action plans. The lack of responsiveness by management in addressing audit concerns; breakdowns in basic reconciliations and reviews; poor record keeping; and a disregard for statutory requirements remained widespread.” The KwaZulu-Natal Department of Health was again unable to clear past qualifications as they did not address audit findings from prior years and disciplinary steps were not taken, as investigations against officials who had transgressed were either not started or not concluded timeously. The provincial Department of Health, being at the centre of service delivery, could still not account for its reported performance due to basic lapses in record management. It further adds that during the financial year 2018/2019, the findings on uncompetitive and unfair procurement processes was at 54% of the auditees and 32% was material non-compliance, which was a slight regression from 53% in the previous year. The findings on Contract Management was at 30% of auditees, 10% of which was material non-compliance and a slight progression from 29% in the previous year. The most common procurement and contract audit findings were as reflected in Figure 3.7 and Figure 3.8 below.

**Figure 3.7 Most common procurement and contract audit findings**



Source: Adapted from South Africa’s Auditor General (2020:84)

**Figure 3.8 Overall audit outcome**



**Source: Adapted from South Africa’s Auditor General (2020:84)**

According to the report of South Africa’s Auditor General (2018), non-compliance with key legislation remains a problem in all spheres of government, and the following areas were identified as the most non-compliant: Quality of financial statements 50%; prevention of unauthorised, irregular, fruitless and wasteful expenditure 36%; and management of procurement and contract management 30%. The report of South Africa’s Auditor General (2019:) stated that eThekweni Municipality incurred R736.65m of irregular expenditure due to non-compliance with supply chain management regulations with respect to procurement and contract management. The report further stated that inadequate implementation and monitoring by the leadership to prevent and detect instances of non-compliance was regarded as the main root cause of this audit outcome. The South African Department of Health (2016:12) acknowledges that the findings of non-compliance with procurement practices within the department was because (South Africa, Department of Health (2016:12):

- “the department incurred expenditure related to Public-Private Partnerships entered into without prior written approval of the relevant Treasury;

- the procurement of goods and services was done without following procurement processes and the deviations were not approved by the delegated person;
- there was splitting of orders to avoid complying with the requirements of procurement policy and legislation
- procurement of bids above R200 000.00 were not procured by means of competitive bidding processes and the deviation was not approved by the Accounting Officer or delegated person in accordance with SCM Policy;
- approval of deviations from competitive bidding on the basis of it being an emergency, even though immediate action was not necessary;
- calling for quotations without following delegated amounts; and
- deviations from competitive bidding processes for above R1million was not reported to the relevant treasury”.

According to the South African, National Treasury (2015), non-compliance with procurement practices involves interruptions in the procurement of goods, services and works. Moreover, there was failure to source goods and services at the right price and at the right time. The South African, National Treasury (2015), further lists the common non-compliance and irregular procurement audit findings for all public departments as (South Africa, National Treasury 2015):

- “appointment of suppliers who are not tax compliant;
- failure to use competitive processes for quotations and bids;
- incorrect use of the preference points system;
- a lack of appropriate bid committees;
- the use of unqualified suppliers;
- passing over of bids for incorrect reasons;
- the use of incorrect procurement processes in relation to threshold values for quotations and competitive bidding;
- extensions of validity periods;
- incorrect use of the limited bidding process;
- inadequate controls and procedures for handling bids;

- the appointment of bid committee members not aligned with policy requirements; and
- insufficient motivation for deviations from SCM procedures”.

According to the Kwa-Zulu Natal Department of Health (2016:12), the findings of noncompliance with procurement practices revealed that the department (Kwa-Zulu Natal, Department of Health 2016:12):

- “incurred expenditure related to Public-Private Partnerships entered into without prior written approval of the relevant Treasury;
- procured goods and services without following SCM processes and delegations and the deviations were not approved by the delegated person;
- split orders to avoid complying with the requirements of SCM policy and Legislation
- did not ensure any final acceptance of quotations not done by a delegated official or committees;
- procured bids above R200 000.00 that were not procured by means of competitive bidding processes and the deviation was not approved by the Accounting Officer or delegated person in accordance with SCM Policy;
- approved deviations from competitive bidding on the basis of it being an emergency, even though immediate action was not necessary or sufficient time was available for bidding processes/ from sole suppliers, even though other suitable suppliers are available on the market;
- called for quotations without following delegated amounts; and
- deviated from competitive bidding processes for above R1million that were not reported to the relevant treasury”.

Mantzaris (2014:72) affirms that non-compliance and unfair procurement processes remain the most prevalent, and the number of such audit findings continues to increase. The researcher concurs with Mantzaris (2014:72) and in view of the financial year 2015-2021 National and Provincial procurement and contract management audit findings cited in this study, it is clear that non-compliance with procurement and contract management guidelines remains a challenge in the public service, including

the department selected for this study. The ongoing non-compliance therefore encourages the researcher to continue investigating its determinants.

### **3.8 Determinants of non-compliance with procurement and contract management guidelines**

The South African National Treasury (2015:15) states that compliance with Public Procurement and Contract Management guidelines is critical in ensuring that government's policy objectives are achieved. In order to reduce waste, eradicate corruption and improve public sector performance, ethics, integrity, transparency and accountability must be reinforced. The South African National Treasury (2015:15) further adds that the common compliance failures result in fraudulent activities including fronting, bribery, nepotism, collusion, cover quoting, conflicts of interest, forgery and tender splitting. The South African National Treasury (2015:15) concludes by explaining that, the determinants for non-compliance are the result of (South Africa, Department of National Treasury 2015:15):

- “poor demand and procurement planning, resulting in large deviations and price escalations;
- poor development of specifications;
- dysfunctional bid committees; □ weakly-skilled SCM practitioners; and
- poor contract and supplier management”.

The main contributory factors for non-compliance / irregular expenditure on procurement and contract are as follows (Kwa-Zulu Natal, Department of Health 2016:11-12):

#### **3.8.1 Procurement and contract management**

- “Awards to individuals who have made significant contributions to the advancement of the institution and/or its programs.

- Awards to close family members of those who have made significant contributions.
- Combating the abuse of the system and following up on previous reports, complaints and allegations”.

### **3.8.2 Procurement needs assessment and economy**

- “procurement of goods and services through means other than Departmental contracts;
- procurement on major projects without proper needs assessments in the form of project evaluation; and
- The appointment of consultants for which the necessary skills were available, or the Accounting Officer had enough time to recruit and train people with the time available”.

### **3.8.3 Procurement process and deviations**

- “expenditure incurred through PPPs entered into without prior written authorisation of the relevant Treasury;
- the procurement of goods and services without using the standard procedures and delegations, and then the deviations were not approved;
- splitting of orders to avoid complying with the requirements of SCM policy and legislation;
- final acceptance of quotations not done by a delegated official or committees;
- procurement of bids above R200 000.00 not procured by means of competitive bidding processes and the deviations not being approved by the Accounting Officer or delegated person in accordance with SCM Policy;
- approval of deviations from competitive bidding on the basis of it being an emergency, even though immediate action was not necessary or sufficient time was available for bidding process/ from sole suppliers, even though other suitable suppliers are available on the market; and
- calling for quotations without following delegated amounts”.

### 3.9 Conclusion

The South African perspectives on public procurement were discussed in this chapter in line with the legislative frameworks governing Public Procurement and Contract Management. In studying South African public procurement, the pillars of South African public procurement, namely value for money; ethics and fair dealings; open and effective competition; equity and accountability were deliberated on. Legislative frameworks governing Public Procurement and Contract Management were presented. However, the literature reviewed shows that despite the prescripts from the legislative framework, non-compliance with legislation persists in the public sector. Concerning the ongoing non-compliance with the legislative frameworks, Mazibuko (2018:211) cautions regulators about the shortage of staff in the procurement arena of the public sector. He further added that procurement frameworks and guidelines are not self-implementing but requires to be supported by human resources. This study argues that there is a contradiction between what the regulators are saying and what it has been put in place to ensure compliance with regulations. The World Bank (2019) agreed that while the big step has been taken to formulate legislative frameworks to regulate Public Procurement and Contract Management, government still needs to engage and capacitate all relevant stakeholders on procurement legislative frameworks.

The literature reviewed in this chapter further indicated that, despite the reform processes in South African public procurement and the employment of SCM as a strategic tool, South Africa continues to face enormous challenges in its procurement practices, including the department selected for this study. The literature also indicated the important role of Quotation Committees in procurement processes- from the drafting of specifications to the evaluation of quotations up until the final stage of awarding the quotation. Looking at the functions of Specification Committees, Quotation Evaluation Committees and Quotation Award Committees, it can be summarised that these committees were formulated to promote effective, efficient and economic provisioning of procurement services as required by the legislative frameworks governing Public Procurement. Quotation Committee members' functions also indicated that they are trusted with the responsibility of scrutinizing quotation documents in order to eliminate non-compliance with procurement guidelines. The

responsibilities of the Quotation Committee as seen in Table 3.8 and Table 3.10 can be interpreted by saying that if the procurement audit reveals that there was noncompliance with guidelines, the committees should be answerable for those findings, while in most cases only procurement officials are made to account.

The presentation of the most common procurement and contract audit findings and the determinants of non-compliance with procurement and contract management guidelines showed that the issue of non-compliance is a national problem. Unfortunately, non-compliance with the legislation governing Public Procurement comes with a high cost to the state and therefore, it cannot be ignored. The Kwa-Zulu Natal Department of Health is not excluded from the entities that showed noncompliance with Procurement and Contract Management guidelines.

## **CHAPTER 4 SUPPLY CHAIN MANAGEMENT COMPLIANCE MODEL**

### **4.1 Introduction**

This chapter discusses the Supply Chain Management Model which was introduced by the South African National Treasury in 2004 to be used by the public sector in South Africa. The objective of this model was to provide guidelines on the flow on public procurement processes. This study argues that while this model is in existence, non-compliance with procurement and contract management remains an audit query. The report of South Africa's Auditor General (2020:84) confirmed that the overall rate of non-compliance with procurement and contract management guidelines is at 30% in all spheres of government, which remains a huge concern. Godi (2015:2) shares the view that the determinants for non-compliance with procurement and contract management guidelines, including the South African National Treasury's model, result

from insufficient human resource capacity and a lack of competency in the public procurement division.

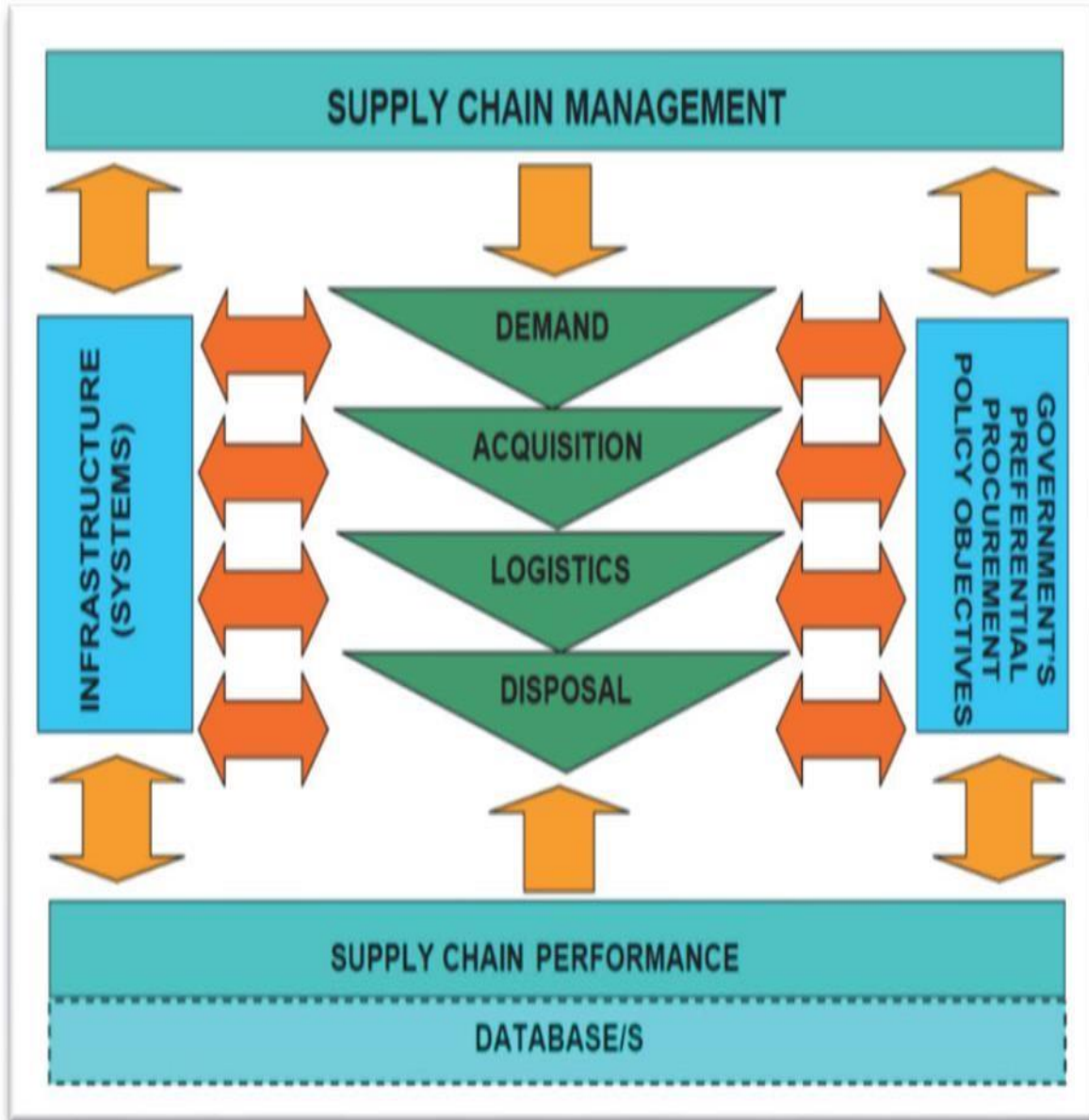
In this chapter, the researcher also presents a self-generated model for addressing non-compliance with SCM practices, including human resources, skills, organizational culture, technology and internal control. The South African National Treasury's Supply Chain Management Model, which comprises demand, acquisition, logistics and disposal, is also discussed and aligned with the researcher's self-generated model for SCM.

## **4.2 Supply chain management model**

According to the South African National Treasury (2004:9), Supply Chain Management Model was established in 2004 with four main objectives, namely:

- “Transform government procurement and provisioning practices into an integrated SCM function;
- Introduce a systematic approach for the appointment of consultants;
- Create a common understanding and interpretation of the preferential procurement policy; and
- Promote the consistent application of 'best practices' throughout the government's supply chain”.
- 

### **Figure 4.1 Supply Chain Management Model**



**Source: South Africa, National Treasury (2004)**

According to the Kwa-Zulu Natal Department of Health (2021:9), supply chain management is not only crucial to enable effective service delivery, but also to assist the government's preferential procurement policy objectives. It adds that integrated supply chain management intends to add value at every stage of the procurement cycle, from the demand to the acquisition, use and eventual disposal of goods and services. It also cautioned that the vulnerability to abuse as well as the monetary commitment associated with SCM processes requires that the procurement of goods and services be properly managed. While the Figure 4.1 model is in practice in the public sector, Ambe (2016: 279) argues that this model is not well implemented and

that public procurement remains vulnerable to waste, fraud and corruption. The researcher agrees that this model has weaknesses in the implementation process, which influenced this study to investigate the determinants of non-compliance with procurement and contract management guidelines following the audit findings that were presented in Chapter 2. The variables in Figure 4.1, which are: demand, acquisition, logistics and disposal, were comprehensively discussed in Chapter 2. The researcher further unpacks them in this chapter in line with the study objectives.

**Demand Management:** The Kwa-Zulu Natal Department of Health (2021:11) shares that the main activities involved in Demand Management include procurement planning, requisitioning and the compiling of bid specifications. Runyon (2018:1) suggests that for Demand Management to do its activities effectively, its capabilities need to be strengthened in both the public and private sectors. He further states that demand instability and the lack of demand visibility are two of the top challenges that both the private and public sectors face in SCM.

Considering the DM functions as listed by the Kwa-Zulu Natal Department of Health (2021:11), it is clear that this crucial element of Supply Chain Management needs to be performed by skilled officials who understand its importance. However, the report of the Kwa-Zulu Natal Department of Health (2021:22), as cited by the Auditor General (2021), confirmed that there are challenges of non-compliance with provided guidelines as it revealed that “quotes were awarded to the supplier not meeting specifications and the valuation criteria was not the same as that indicated in the original specification”. These mentioned audit findings therefore show the weakness of Demand Management as the first variable of Figure 4.1 (Supply Chain Management Model). It also means that although the model is in place, it cannot implement itself.

**Acquisitions Management:** This is the process of obtaining goods and services required for a business to produce the products sold to consumers (Vitez 2022).

Acquisition Management is described by Freelancer (n.d) as a process encompassing “inviting, evaluating and awarding bids; using contracts; companies obtaining resources such as goods and services to support a firm’s operations. Acquisition and contracting processes include purchasing goods and services, pricing, negotiating

contracts, administration of contracts, contract law and responsibilities from contract award to termination of the contract”.

The critical functions of Acquisition Management are clearly articulated by the cited authors and are also presented in Figure 4.1 for public sector use. However, the KwaZulu Natal Department of Health (2021:31) as cited by the Auditor General (2021) presented that there were inconsistent evaluation processes applied in the award of quotations. The report revealed that “on assessment of the awards, it was noted that the principles prescribed by Treasury Regulation 16A3.2 have not been applied: On inspection of the schedule of price and points, the award was not awarded to the highest scorer as indicated in finding (4) above. Award was awarded to Philani Sizwe Medical for being second-highest scorer”.

The objective of this study is to investigate the determinants for non-compliance with procurement guidelines, including the National Treasury’s 2004 model for Supply Chain Management which is currently used by the Kwa-Zulu Natal Department of Health. The audit report indicates non-compliance with Figure 4.1 guidelines. This study therefore argues that there is a lack of adherence to the Figure 4.1 model, which can be perceived as its weakness.

**Logistics Management:** According to Lupiensi (2021), this is an ongoing process whereby the business requires constantly elevating the supply chain to save on costs and meet customer demands. He adds that poor Logistics Management results in the escalation of logistics prices, which can negatively impact the business. The report of the Kwa-Zulu Natal Department of Health (2021:10) as cited by the Auditor General (2021) confirmed that poor Logistic Management resulted in irregular expenditure when it reported that “I was unable to obtain sufficient appropriate evidence that payments made were in respect of goods and services that were received by the department, as internal controls had not been established to confirm the receipt of goods and services. I was unable to confirm these goods and services by alternative means”.

Given the qualified audit on Logistic Management, the researcher believes that Logistics Management is an important element of Supply Chain Management that still

needs to be strengthened and capacitated in order to achieve a clean audit at the Kwa-Zulu Natal Department of Health.

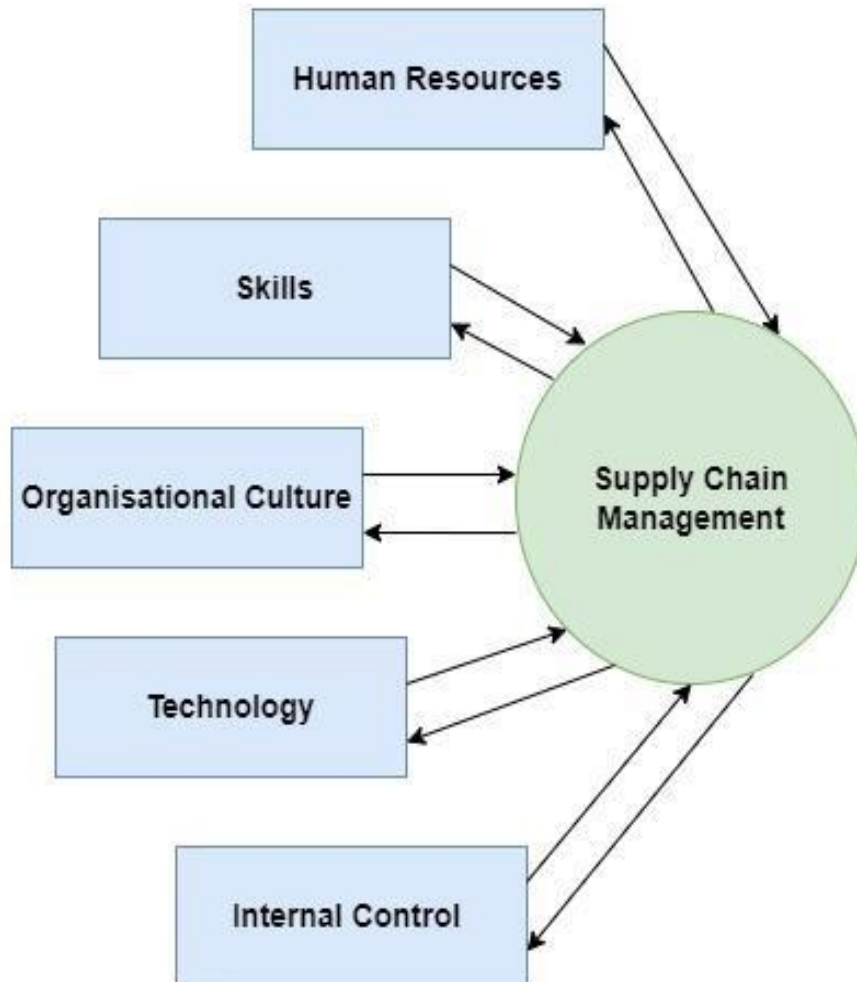
**Disposal Management:** “is the process for the disposal of damaged and unserviceable, expired, surplus, obsolete, redundant and unusable inventory. The Accounting Officer must appoint a disposal committee to dispose of stock” (Kwa-Zulu Natal Department of Health 2021:68). This study is only limited to procurement and contract management. Therefore, disposal as the last stage of Supply Chain Management is not discussed.

### **4.3 Researcher’s proposed model**

Challenges of non-compliance with procurement and contract management practices remain a problem in the public sector while the Figure 4.1 model is in existence. This study therefore argues that there are gaps in the South African National Treasury’s (2004) model, which negatively impacts the implementation of procurement and contract management processes. The researcher agrees that Supply Chain Management stages as highlighted in Figure 4.1 provide a clear workflow but suggests that its implementation strategies need to be fully supported by the accounting officers for it to be effective.

Given the aforementioned, this study upheld that as good as the workflow in Figure 4.1 appears to be, it cannot implement itself and therefore it has to be supplemented by various elements for it to achieve its goals. This study presents the researcher’s new model for addressing non-compliance with procurement and contract management guidelines, as shown in Figure 4.2. The researcher believes that this study’s proposed model could play a vital role in resuscitating and complementing the Figure 4.1 model, thus improving compliance with procurement and contract management guidelines in the sphere of supply chain management.

**Figure 4.2 Model for addressing non-compliance with procurement and contract management guidelines**



**Source: Self-generated by the researcher**

The alignment of Figure 4.1 variables from the South African Treasury (2004), as well as Figure 4.2 variables, which are the researcher's self-generated model for addressing non-compliance with procurement and contract management guidelines, are further elaborated on:

### 4.3.1 Human Resources

Human resources are an essential need for the success of both the private or public sector. In addition, most businesses have significant resources spent on staffing and management for the success of their businesses (Hinkin and Tracey 2000 as cited in Cheema and Asrar-ul-Haq 2017). The Centre for Disease Control and Prevention (2021) believes that it is essential to maintain an appropriate staffing level in healthcare facilities in order to ensure a positive work environment for healthcare professionals and patient safety. Healthcare facilities must understand the minimum staffing needed for the provisioning of patient care. Furthermore, the Centre for Disease Control and Prevention (2021) emphasized that, Healthcare facilities and employers should collaborate with HR and Occupational Health Services to create contingency plans for staff shortages. Bohmer *et al.* (2020) share this view and believe that hiring Supply Chain Management staff is crucial to all companies in ensuring the provision of resources required to do jobs. Furthermore, the SCM unit must consist of (South Africa, National Treasury 2000):

- “Demand management;
- Acquisition management;
- Logistics management;
- Disposal management;
- Risk management; and
- Regular assessment of supply chain performance”.

In accordance with UC San Diego (2017:1), procurement units must have sufficient staff to promote the segregation of duty and mitigate risks. Likewise, it continues to emphasize that shortages of staff can lead to noncompliance with procurement and therefore urges accounting officers to make sure that procurement units have the minimum number of staff so that no one person has complete control of all purchasing activities. Instead, related purchasing functions should be assigned to different individuals. Dent (2021:1) encourages organizations to establish adequate procurement personnel because he believes that the shortage of these individuals causes delays in the procurement process, which negatively impacts the delivery of services. As a means of eliminating non-compliance with procurement guidelines,

eThekwini Municipality (2018:28) suggests that procurement units should have direct supervisors, who would monitor services and ensure compliance. As Thai (2016: 51) explains, in order for public sector procurement units to achieve their performance goals, which include ensuring the successful procurement of goods and services and effective monitoring of contracts, adequate human resources must exist.

Concerning the shortage of procurement personnel, Mazibuko (2018:211) warns regulators that “procurement frameworks are not self-implementing. Printing them and putting them on a wall will not make them work. Human resources are necessary to implement the principles”. One of the objectives of this study was to evaluate Supply Chain Management structural balance and consistency in various levels of health establishments to see its impact on complying with procurement guidelines.

#### **4.3.1.1 Effect of the shortage of Human Resources on service delivery**

Inadequate human resources, amongst other things, have adversely affected healthcare quality and service delivery in South Africa (Maphumulo and Bhengu 2019). The shortage of human resources is one of the factors that has a significant effect on any organizational outcomes. In situations where there is not enough staff, existing employees are forced to take on more work, leading to mistakes and other inefficiencies. Insufficient staff negatively impacts individual performance, client care and ultimately the effectiveness of the organization (Cheema and Asrar-ul-Haq 2017). According to Matemani and Ndunguru (2019), the shortage of human resources occurs when the demand for workers for a specific business exceeds the availability of qualified, available employees who are willing to work under current conditions. They added that staff shortages are a major problem for businesses and is caused by several factors, including lack of promotion, lack of motivation and low pay. Antwerpen and Ferreira (2016:81-96) share the view that poor service delivery is crippling South African businesses and obstructing growth. They also believe that service delivery is compromised because the public sector does not employ sufficient staff to meet the demands. They further state that even though various newspapers, research and published articles on service delivery in the public sector are available, they are concerned that there is little literature specific to the administrative staff in the public service in South Africa.

Given the effect of human resources on service delivery, the Becker's Hospital Review (2021: para.1 line1) revealed that the "healthcare industry's staffing shortage crisis has had clear consequences for care delivery and efficiency, forcing some health systems to pause non-emergency surgeries or temporarily close facilities. Less understood is how these shortages are affecting care quality and patient safety". According to Nestor-Harper (2021), although insufficient human resources may make sense to the executive management, it hurts production and the existing staff as listed (Nestor Harper 2021) below:

### **Quality**

- Shortages of staff compromise both the product and service delivery, whereby fewer staff may be required to work faster to meet job demands; and
- Mistakes increase when quotas are stressed over quality.

### **Employee stress**

- Stress affects everyone differently. Some people thrive under pressure while others become overwhelmed. Stress is a major factor in workplace productivity. It can lead to poor decision making, increased errors, decreased focus, and reduced efficiency. Stress can also cause employees to leave their jobs, leading to lost revenue and higher turnover costs.
- When an employee quits, turnover rates increase because there is not enough time to train them on new skills and processes. When employees leave, they often take valuable knowledge and experience with them.

### **Lost business**

- If a business does not have enough staff to handle all the orders, customers may get frustrated and leave the company.
- If a business does something wrong, it could lose the business and damage the company's reputation.

- Businesses need to consider the costs of hiring employees before making any decision about whether to hire someone. A business may miss out on growth opportunities if it does not have enough staff to meet customer needs.

The cited authors share the same sentiment concerning the minimum staffing requirement in the procurement division. They further agreed that adequate SCM staffing allows demand, acquisition, logistics and disposal to function effectively. The researcher believes that the National Treasury's (2004) Supply Chain Management model requires the implementation of adequate SCM human resources to complement it. Moreover, SCM staffing could contribute negatively and positively to the achievement of the Figure 1 variables. The negative part of it is that there will be less segregation of duties which will lead to noncompliance with SCM practices. The positive part of aligning variables in Figure 8 with variables in Figure 9 is that providing adequate human resources will allow a segregation of duties, which will minimize the risks associated with procurement and contract and improve compliance with SCM practices.

#### **4.3.2 Procurement skills gaps**

In accordance with the World Bank (2018:14), in order for the public sector to be able carry out its strategies and to accomplish its procurement objectives, it needs to have skilled human resources in the procurement division. Chege and Wanjiru (2020:1) affirm that skills development enhances productivity, quality, safety, communication and teamwork. They believe that skills development should not be compromised to inspire procurement officials' performance and the organization's focus should move to skills of doing jobs and demonstrating competencies. Employees in the Procurement and Contract Management Unit need to be equipped with professionalism doctrines that comprise integrity, confidentiality, ethics, conflict of interest, competencies in the area of procurement and contract management, as well as a level of procurement knowledge. Closing the skills gaps in procurement and contract management is reinforced by the National Treasury (2020:13), as it states

that the regulators must guide, develop, promote and support training development. It adds that the professional development of officials involved in procurement and contract management is important as having skilled officials is more likely to increase compliance with procurement processes.

Thai (2016:3) emphasized the importance of training public procurement professionals as he believes that they are faced with a constantly changing environment, characterized by rapidly emerging technologies and increasing product choice. He further recommends that there should be a global procurement standard that could assist in reaching a recognized public procurement profession. Deloitte (2014:1) argues that Providing appropriate training is essential if processes are to work well and as expected. The Hackett Group (2021) maintains that procurements lack critical skills. Furthermore, procurement must have the appropriate skills and competencies to support its transformation efforts. Mazibuko (2018: 215) emphasizes that, skills programs are important for all employees in any company. Procurement professionals are no different. There is a need to assess them regularly to ensure that they are meeting the required standards. These assessments should be done on an ongoing basis. At regular intervals, the assessment results should be shared with the employee so that he/she can understand what areas need improvement. Munzhedzi (2013), as cited in Zitha (2016:71), says that government procurement is known to have a shortage of procurement skills and capacity. He also suggests that public sector skills development programs must address the important subjects of procurement processes that hurt non-compliance, including planning, legislative framework, conflict of interest, as well as the impact of procurement decisions on service delivery. He concludes that political office-bearers must also be included in such skills development programs so that they can have a clear understanding of the impact of their political interference on service delivery. Harteis and Billet (2008:209) as cited in Antwerpen and Ferreira (2016:81-96) are of the view that the government needs to invest in acquiring a skilled and flexible workforce to uphold its wealth and to improve service delivery. They also share that in the private sector, Businesses are more interested in finding employees that are capable of responding to the changes in the market and adapting to them. These employees will be able to adapt to the needs of the company and its customers.

According to the Tompkins (2020), procurement processes require procurement officials to understand that they are strategic leaders. They must also acknowledge that the lowest bid does not always mean the best value and that in the public sector every cent spent during the procurement process must receive maximum benefits. Tompkins (2020), concludes by presenting Figure 4.3, which shows innovative procurement processes that require procurement officials to stay up-to-date with current innovative procurement processes.

**Figure 4.3 Innovative Procurement Process**



**Source: Adapted from Tompkins (2020)**

The variables of the procurement process presented in Figure 4.3 indicate the crucial activities that need to be done by SCM officials in the attainment of effective procurement provisioning. The exhibited variables are the definition of need;

procurement method selection; solicitation development; evaluation of responses; negotiations; and contract formation and award; contract administration. The researcher believes that these variables cannot be done by just anyone, but by skilled SCM officials only. The World Bank (2012:10), suggests that the training of procurement practitioners should be an important aspect of any procurement program because it has a direct positive effect on service delivery results and performance. Ambe and Badenhorst-Weiss (2012:250) argue that the South African government embarks on programs that educate practitioners, but the implementation of programs always falls short. According to the National Association of State Procurement Officials (2020:1), public procurement officials are strategic leaders who understand that the lowest bid does not always mean the best value and in public funds, all money spent should be stretched to receive maximum benefit. Public procurement officials operate within a complex network of statutes and regulations to find the efficient and value-centered path of each procurement, while upholding the highest standards of transparency and ethical accountability. Procurement professionals must be trained to understand the requirements of the government contract and the legal implications of those requirements. Procurement officials must also be evaluated regularly to ensure that they are meeting the required procurement standards (Mazibuko 2018:215). In addition, Christopher (2016), as cited in Ngobese (2018:27), cautions that the achievement of procurement excellence in the global market can only be attained through the administrative advancement of employee skills and competencies.

The literature reviewed highlighted the importance of skills and competencies in achieving effective procurement and contract management provisioning. Therefore, this study argued that supply chain management elements as mentioned in Figure 4.1 cannot be achieved until the public sector invests in developing the skills of staff employed to put it into practice. Furthermore, this study believes that the attainment of qualified SCM practitioners and ongoing training of staff are important in improving work confidence. In addition, Figure 4.2 suggests that all SCM elements in Figure 4.1 must be implemented by staff that has minimum SCM qualifications and skills in all spheres of government. Moreover, it believes that this will improve compliance with the provided guidelines.

The importance of training procurement officials as well as the critical functions involved in the procurement process was emphasized by cited authors. The variables in Figure: 4.3 confirm that for procurement processes to be effective, the public sector needs to have qualified or skilled procurement officials to undertake its procurement process. The researcher concurs with the cited authors on the importance of having skilled procurement practitioners and she believes that the shortage of procurement skills in the public sector has an impact on the continuing transgressions of procurement guidelines.

### 4.3.3 Organizational Culture

According to Wong (2021), organizational culture is what makes the company/organization what it is. It comprises values, expectations and practices that guide and direct the activities of all personnel within the organization. She believes that it is important for companies to impart a great culture that makes employees feel more comfortable, supported and valued, which might lead to improved performance. She further cautioned that a dysfunctional company culture could bring out qualities that can obstruct even the most successful organizations. However, she acknowledges that every organization's culture is different and believes that it is important to retain what makes the company unique and successful. In conclusion, she shares her views and believes that the cultures of high-performing organizations have certain qualities that assist in cultivation, as listed below (Wong 2021):

- **Alignment** this happens when the company's objectives and its employees' motivations are all pulling in a similar direction. Exceptional companies work to build continuous alignment with their vision, purpose, and goal.
- **Appreciation** a culture of appreciation is one in which everyone appreciates each other's contributions. It means that you appreciate your teammates' hard work, even if you didn't contribute directly to it. You also appreciate the efforts of those who did contribute.

- **Trust** allows employees to feel safe enough to try new ideas and take risks. When you have a culture of trust, your team will feel comfortable expressing their opinions and trying out new ways of doing things. This means that they will be more likely to come up with innovative solutions to problems.
- **Performance** great companies create a culture that motivates employees to excel. The best companies encourage innovation and foster an environment where everyone feels comfortable sharing ideas and working together. These companies also provide opportunities for growth and development. As a result, employees become motivated to excel and create value for the company. Performance is key, as great businesses create a culture that means something. In these companies, talent drives success.
- **Resilience** is a culture teaches leaders to watch for and react to change with ease. It also helps them to understand what needs to happen next. Resilient cultures are not afraid of change because they understand that change is inevitable. They embrace it and even welcome it. Change is an opportunity to grow and evolve.
- **Teamwork** encompasses collaboration, communication and respect between team members. If your company doesn't foster a positive workplace culture, you may see an increase in turnover rates. When employees work as a team and supports each other, production increases drastically.

Cranefield College (2017) portrays organizational culture as the social glue that holds the organization together. Furthermore, organizational culture educates employees on how to think and behave and what processes to follow in certain situations. Organizational culture also allows staff to feel safe and knowledgeable about their boundaries. Leaders of organizations should not regard the organizational culture as “by the way”, but rather as an important part of their managerial function. It must be included in the overall vision and strategic plan of each organization and be presented as a guide to the employees. It concludes by sharing the following benefits of a strong organizational culture (Cranefield College 2017):

#### **4.3.3.1 Benefits of a Strong Organizational Culture**

- **Unity**

Organizational culture is a shared set of beliefs, attitudes, behaviors, practices, traditions, and history that shape the behavior of individuals within an organization. A strong organizational culture will result in a high level of trust among team members, and a low level of turnover. When the organizational culture is shared across all employees, this creates a sense that everyone understands what others are doing and why. This results in a feeling of unity and a mutual respect for one another. This leads to clear communication, less conflict, and equality.

- **Loyalty**

When employees feel that their ideas and suggestions are being considered, they will be more willing to participate and contribute to the organization 's success. Employees need to feel like their opinions matter and that their contributions are valued. If an employee feels that his or her opinion doesn't matter, then he or she may not want to participate in the organization at all.

- **Competition**

Organizational culture is the shared values, beliefs, attitudes, behaviors, and practices of an organization. When the organizational culture is established healthy competitiveness develops amongst employees, which leads to improved quality of work. This results in an increase in productivity, which ultimately helps the organization thrive and flourish.

- **Direction.**

Organizational culture is the shared beliefs and attitudes of an organization. These beliefs and attitudes are passed down from leaders and managers to employees. Organizational culture helps define the boundaries and expectations of each role within the organization. Understanding the role and the expectations of the job helps in completing tasks before deadlines. Furthermore, if role is not understood, positive outcome cannot be achieved.

- **Identity**

When employees recognize the values and beliefs of the company, a certain brand image is formed that customers can identify with. Employees should understand what the company stands for and why it exists. A strong sense of purpose will help employees feel connected to the company and its mission.

Non-compliance with procurement guidelines has become a culture in the South African public sector. In order to change government procurement practice culture, which is negligence, corruption and greediness, the proposed model is of the view that non-compliance with procurement practices are continuing because of the organizational culture that has been practiced for a long. The proposed new model suggests that the public sector invest in aligning Figure 4.1 with Figure 4.2 and motivate procurement practitioners to adopt the ethical culture. The culture of complying with procurement practices can be imparted through ongoing workshops and its results would be the improvement of compliance with SCM practices.

#### **4.3.4 Technology**

The e-Procure Team (2020) defines e-procurement as “the combined use of electronic information and communications technology to enhance the links between customer and supplier, and with other value chain partners, and thereby to improve external and internal processes. E-Procurement is a key component of B2B e-commerce”. The further explains the remarkable difference between e-procurement and traditional procurement as follows (E-Procure Team 2020):

- “In traditional procurement, procurement officers have to search various suppliers’ catalogues and may not know whether they offer discounts or not, then seek the suppliers over numerous phone calls, which is usually in-person conversation-based or done through pen-and-paper.
- In e-Procurement, via a laptop or smartphone, one will be able to easily compare hundreds of online catalogs of different suppliers at the same time and

communicate with the supplier online to confirm the availability and quantity, which makes the purchase order activity instant”.

According to Meduis (2021), e-procurement is an evolution that started in the 1980s, when electronic data interchange (EDI) was developed. It explains that the EDI allows files and documents to be shared electronically between people in business without physically sending hard documents. Furthermore, EDI allows customers and suppliers to send and receive purchase orders and invoices using call-forward networks, which were eventually superseded by email. The primary functions of e-procurement for business include to (Meduis 2021):

- “Automate processes to free up resources and reduce errors;
- Improve communication between stakeholders and partners to streamline the procurement cycle;
- Provide a single platform for all procurement activity, giving stakeholders and managers a centralized platform for managing and auditing;
- Offer real-time updates for vendors, management, stakeholders, and partners, as well as the chance to curate and store procurement data; and
- Allow for streamlined negotiation between multiple partners and stakeholders”.

Anthony (2018: para 3 line 1) confirms that electronic procurement has been used in several countries for many years and it plays a vital role in decreasing administrative costs involved in the procurement process. He highly favors e-procurement and believes that it is faster and user friendly than a paper-based tender process, and it enhances value for money. He further articulated his concerns that e-procurement has not been widely used in Africa. In conclusion, Anthony shared that the World Bank reported the three main reasons for the slow adoption of e-procurement in African art (Anthony 2018: para 3 line 1):

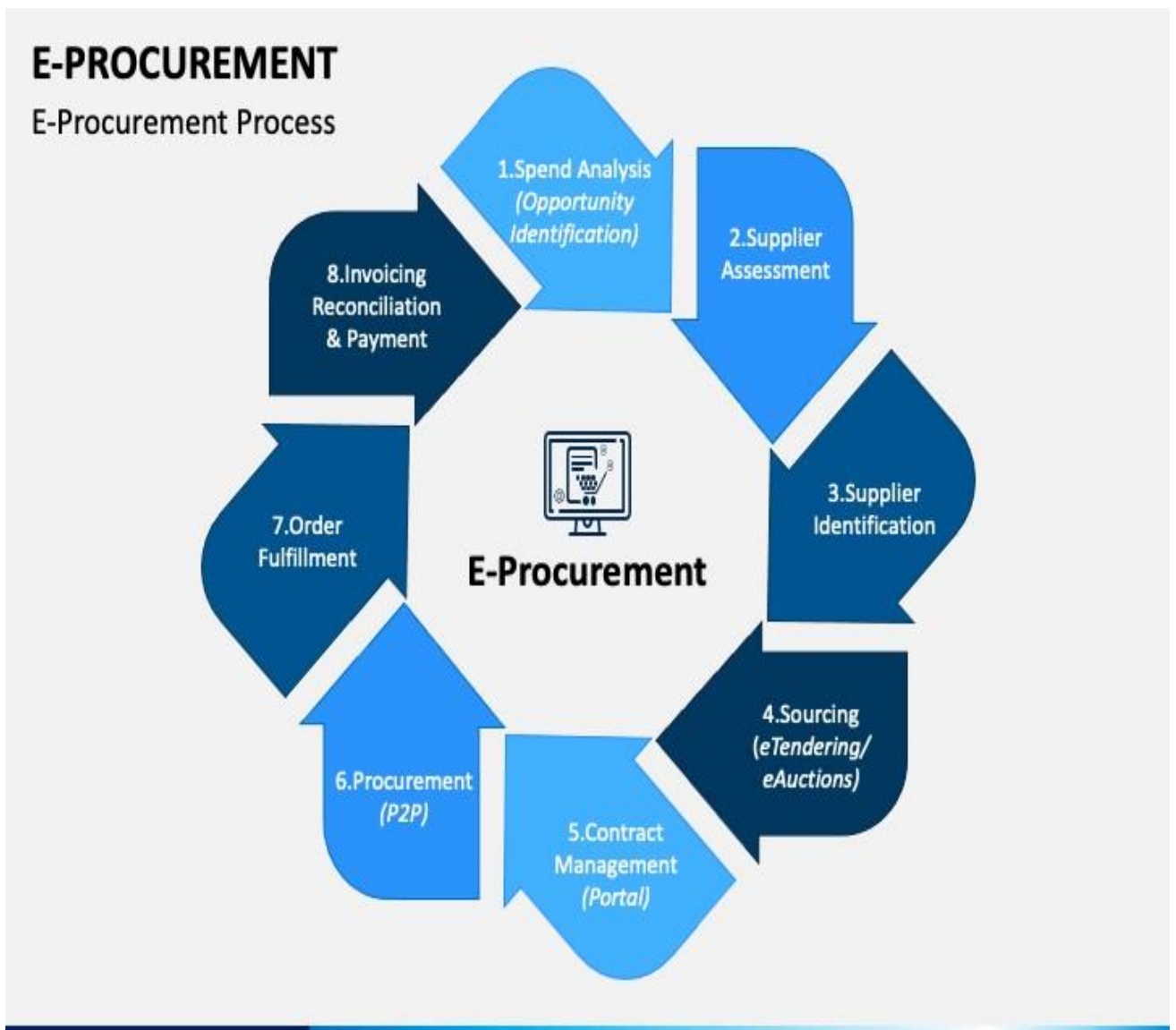
- (i) “African governments being slow in putting in place the necessary capacity required;
- (ii) A lack of information technology infrastructure, as well as a lack of mass internet access; and
- (iii) Antiquated administrative cultures that exist in African governments”.

The Organisation for Economic Co-operation and Development (OECD) (2016:12) describes e-procurement as the use of information and communication technologies in public procurement. It adds that the use of technology can increase transparency; facilitate access to public tenders; reduce direct interaction between procurement officials and companies; increase outreach and competition; and allow for easier detection of irregularities and corruption, such as bid-rigging schemes. “Electronic Procurement is an important business avenue for lowering purchasing prices and enhancing process efficiency. The e-procurement value chain consists of indent management, Informing, e-Tendering, e-Auctioning, vendor management, catalog management, purchase order integration, order status, ship notice, e-invoicing, e-payment, and contract management. Effective supply chains are crucial for a firm to remain competitive in today’s competitive economic environment. This effectiveness is driven by striving for proper synchronization and coordination of all activities across the entire supply chain network, ranging from end customers to suppliers. As a result, once relegated functions such as procurement, a primary determinant for the organization’s relationship with suppliers become important. Major changes are currently taking place within purchasing functions of manufacturing firms” (Waithaka and Kimani (2021: 32-42).

Cloete, *et al.* (2014) as cited in Ngobese (2018) encourage the use of electronic procurement and they believe that the unavailability of procurement software is the main factor that hinders the achievement of efficient procurement provisioning.

According to Logan *et al.* (2020), “the implementation of automated procurement software allows for the easy set-up of a vendor portal and offers streamlined, fully automated vendor evaluation and management, which helps greatly with mitigating supply chain risk. Another valuable feature of procurement software is its ability to reduce or eliminate maverick spending, by defining and assigning roles for each facet of the procurement process: requests, approvals, and purchasing. With such implementation, you can also expect to see streamlined strategic sourcing to negotiate better deals with suppliers”. Discussions on the use of E-procurement show that procurement processes are the same whether electronic or manual, as illustrated in Figure 4.4.

**Figure 4.4 E-procurement process**



**Source: Adapted from the Sketch Bubble (2020)**

Del Vecchio (n.d) confirms that the e-procurement processes as shown in Figure 4.4 are comparable to the manual procurement process, but it moves quicker, is highly flexible and customizable to meet business needs. He believes that with eprocurement software, it is easier to manage the flow of documents through automation and electronically generate and transmit any purchase-related documents to the suppliers. Furthermore, e-procurement helps to streamline business processes by speeding up the procurement cycle. Uromi (2014:5) agrees that e-procurement moves the procurement process much faster and is beneficial to both the organization

and the client. He therefore encourages governments to support information technology and to have a reliable database in the public procurement system. He adds that an electronic procurement system can offer several advantages over a normal paperwork-based system of procurement. Other benefits of e-procurement are shown in Figure 4.5 below.

**Figure 4.5 E-procurement advantages**



**Source: Adapted from Maughan (2005)**

Kissflow.com (2021) agrees that a solid public procurement system can streamline the tangled process of buying goods and services for government agencies. E-procurement makes transactions visible, it also keeps them transparent. Furthermore, with a computerized procurement system, information is protected and

it also allows participants to issue orders, authorize, and to cancel orders on time. Kissflow.com (2021) concludes that an efficient procurement automation software can:

- “Minimize the chaos made by paperwork;
- Shorten the procurement lifecycle;
- Reduce human dependency intervention and errors;
- Lessen the workload of all stakeholders;
- Keep the process accurate and consistent;
- Inject transparency into the process flow; and ● Stick to the predefined procurement cycle”.

According to Melta’s Department of Contract (2017:17) E-procurement can improve opportunities for civil society to track procurement processes. Conducting procurements online can help civil society get access to information, monitor individuals' processes and facilitate citizen monitoring of procurement activities. E-procurements can increase the number of potential suppliers and the amount of competitive bidding by making access easier and increasing transparency through centralized public reporting. E-procurement can also reduce opportunities for corruption by automatizing procedures and limiting discretion exercised by procurement officials. Khan (2018: 31) posits that There is a need to establish standards for information technology systems within public procurement. These standards should help ensure that the government spends its money wisely and efficiently.

The researcher concurs with the cited authors and supports the implementation of computerized procurement software. The researcher believes that if the procurement variables listed in Figure 4.1 could be processed in a National standardized electronic program with less paperwork, the administration errors resulting in SCM processes being irregular could be eliminated.

#### **4.3.5 Procurement and contract management internal control measures**

The implementation of internal control is vital in providing managers and staff with procedures of how the everyday jobs should be performed in order to comply with the

relevant legislation (Ngcobo and Malefane 2017: 1). Purchase Control (2020), encourages the segregation of duties as part of internal control measures in the procurement process and it believes that failing to separate your accounting functions from other areas of your business can lead to unauthorized purchases or fraud.

Charges made against the wrong budget or expense account can result in extra costs. Duplicate payments and chasing exceptions can also cause problems. The Association of Government Accountants (2016:21) recommends that requests for the procurement of goods and services must be initiated and approved by authorized individuals, following a budget and appropriate guidelines. In addition, purchase orders must be approved by the relevant authorities, after taking careful consideration of price, quantity, and supplier. The City of Cape Town (2019:32), dictates that in procurement and contract management, a comprehensive system of internal control must be implemented to track and follow up on the implementation process to ensure that risk exposures have been adequately and timeously addressed to curtail the impact and prevent the recurrence of non-compliance.

Procurement and Contract Management procedures need adequate internal controls to prevent irregularities and non-compliance with relevant guidelines. Monitoring and evaluating Procurement and Contract Management processes are an integral part of management activities. Formulating standard operating procedures and implementing processes requires management attention in ensuring that the processes are followed accordingly and that fraud and corruption are mitigated. Furthermore, to achieve accountability and transparency, procurement procedures must have effective internal controls measures (Mantzaris 2014:77). The report of South Africa's National Treasury (2009: 8) states that the operation of internal control systems is the responsibility of the relevant line managers. Ibrahim, Dibuzie and Abubakari (2017:1) are of the view and believe that the significance and importance of maintaining an effective internal control system within an organization has been persistently and greatly emphasized due to its positive effect on financial performance. In addition, organizations can detect fraudulent activities timely by use of effective internal control. Mazibuko (2018: 6) argues that the government's Internal auditors focus on planning and controlling risk. Government departments may be able to avoid many types of risk, like theft, waste, fraud, abuse, and mismanagement.

According to the report by AFROSAIE (2011:3), Due to the great financial value associated with procurement, an effective procurement system helps avoid the misuse and waste of public funds through the proper management of public resources. Auditors can help limit risk by ensuring that all purchases are made according to regulations and procedures. Lisboa (2010: 121) believes that in some financial audit approaches, the procurement process is examined as an integral part of the internal control system that has been established to safeguard assets and prevent fraud or financial error.

For continuous monitoring and evaluation of SCM practices and the implementation of consequence management. The National Treasury's model requires internal controls to be strengthened for it to be more effective.

As part of internal control, the Kwa-Zulu Natal Department of Health (2019:1) emphasizes that accounting officers are responsible and accountable for the procurement and contract management activities in their areas of jurisdiction and it encourages the use of the checklist provided in Table 4.1 to check compliance in all procurement files.

**Table 4.1 Internal control checklist for accounting officers**

Question	Assessment	Standard Documents	Audit Trail
Is there a need for the item/service?	Is it in the approved Procurement Plan?	Procurement plan, NSI and Specifications	Yes
	Is there no stock available?		
	Is there no National or provincial Contract?		
	Is there an alternative we have ?		
Do you have money to buy item/service and is it within your budget?	Do you have an estimated price based on market research?	NSI, Cashflow Certificate	Yes
	Is there budget available?		
What is the best way to get the right item/service at the right time and the right price	How will you advertise or source for quotes?	This will be to the discretionary of the institution as the requirement for advertising in GTB no longer prerequisite. Attention is drawn to the fact that <b>NO</b> faxed quotations will be accepted for over R30 000.	Yes
	Have you ensured you will get a minimum of 3 quotes?		
	Have you made the process transparent and fair?		
Did everyone respond and on time?	Did you close the quote on time (11am)?	Signed Quotations open register	Yes
	Have you accepted any late quotes?		
Have you recommended compliant quote?	Is there any conflict of interest?	Central suppliers database verifications, NSI, declaration of interest and specification	Yes
	Is it according to specification/end user requirements?		
	Is it within market related estimate?		
	Are the tax matters in order?		
	Have I calculated the B-BBEE points correctly?		
Can an order be placed?	Has QAC made award?	QAC minutes, QAC attendance register and SCM evaluation report.	Yes
	Was QAC quorum met?		
	Was the award made to supplier recommended by SCM official?		
	Did QAC interrogate and analyse information presented to them?		

**Source: Adapted from the Kwa-Zulu Natal Department of Health (2019)**

The researcher concurs with Mantzaris (2014:77) that the “procurement process deserves a high level of attention from management to ensure that it does not fall prey to fraud and corruption”. Table 4.1 also shows the involvement of senior management in procurement internal control. However, irregularities continue. The cited authors share the same views about the important role of internal control measures in eradicating non-compliance with procurement practices. The remaining concern is that non-compliance with procurement guidelines continues in the public sector, including

the Kwa-Zulu Natal Department of Health, regardless of the measures that have been put in place. This concern is indeed the factor that attracts the researcher to continue investigating this aspect of procurement and contract management to determine the root cause for non-compliance with the provided guidelines.

#### **4.3.6 Consequence management**

According to the City of Cape Town (2019:7:8), Consequence Management (CM) is an appropriate methodology for addressing accountability and responsibility concerning non-compliance, financial misconduct and codes of conduct defaulters. It further states that before implementing consequence management, it is important to note that Managing Compliance involves making sure you follow all the rules and regulations that apply to your business. You need to understand what those rules are, and why you should comply with them. You also need to know what will happen if you don't comply.

In a leading article, Venter (2017:1) revealed that the public sector is struggling to recover irregular expenditure because CM is not effectively implemented. In mitigating non-compliance in procurement processes, Chikwere, Dzandu and Dza (2019:1) suggest that the authorities must also strengthen their monitoring systems to ensure that delinquents are apprehended and sanctioned accordingly. According to South Africa's National Treasury (2016:15), compliance with public procurement processes, regulations, laws and standards is critical in ensuring effective implementation of government policies. It helps to eliminate corruption, reduce waste and improve service delivery. Therefore, ethics, integrity, transparency, and accountability must be strengthened. According to Alicestine (2021:1), even though the government has introduced Consequence Management, "the lack of consequences and consequence management in government and other entities that engage in procurement runs in the higher levels of leadership and not only amongst practitioners. Once we start applying or implementing the constitutional principle of accountability, it will already be a huge step in the right direction".

Procurement regulations, including Consequence Management, are clear but they are not implemented as envisioned. This is attested to by the ongoing non-compliance

with procurement legislative frameworks which calls for the strictest enforcement of Consequence Management (Mazibuko 2018:219). “A lack of Consequence Management continues to trigger high levels of non-compliance and irregular expenditure. Poor planning, inadequate contract management and disregard for compliance with Supply Chain management prescripts has led to high levels of irregular expenditure. This is indicative of failed preventative controls in the form of proper document management practices, standardized policies and procedures, as well as stringent consequences for transgressions” (South African, Auditor General 2020:117).

#### **4.4 Conclusion**

In addressing the determinants for non-compliance with Procurement and Contract Management guidelines, this chapter presented Figure 4.1, which is the National Treasury’s Supply Chain model. It also presented the researcher’s self-generated model for addressing non-compliance with procurement and contract management guidelines in Figure 4.2. This study believes that implementing the Figure 4.1 model alone is not sufficient in addressing the ongoing non-compliance with procurement and contract management guidelines. Therefore, it suggests that in order to mitigate non-compliance with procurement and contract management guidelines, the new proposed model be adopted by the Kwa-Zulu Natal Department of Health and be aligned with the South African National Treasury’s used model.

This study suggests that variables in Figure 4.1 consist of demand, acquisition, logistics, and disposal and must be supported by the Regulators and have a standardized implementation strategy in all spheres of government. In addition, for public procurement processes to be effective and efficient, Figure 4.1 variables need to be complemented by Figure 4.2 variables in improving compliance with SCM practices.

Mazibuko (2018: xiv) maintains that the South African public sector has challenges in the administration of procurement practices which results in non-compliance with relevant regulations, despite the government’s existing SCM model. The researcher

believes that the proposed model could assist in addressing non-compliance with SCM practices and result in effective, efficient and economical Supply Chain Management. This proposed model therefore perceives that if SCM staff could be fully equipped, trained, monitored frequently and know that Consequence Management will be implemented against the defaulters, then the organizational culture will change for the better, and compliance would improve.

# CHAPTER 5 RESEARCH METHODOLOGY

## 5.1 Introduction

This study investigated the determinants of non-compliance with Procurement and Contract Management guidelines within the Kwa-Zulu Natal Department of Health. Its objectives were: to determine the factors and challenges influencing non-compliance with procurement guidelines within the KZN Dept. of Health; to determine techniques that can be explored to eliminate irregular expenditure in Procurement Management; to determine the Contract Management administration challenges faced by the department; and to determine the nature of human resources skills and expertise in the procurement and contracting department.

In addressing the study objectives, this chapter presents the research methodology and design that was applied by the researcher to acquire data relevant to the study objectives. This study was conducted within eThekweni District hospitals. This chapter therefore expounds on how the population and sample were selected. It further describes the sampling techniques that were employed. Issues concerning ethical considerations; confidentiality; anonymity; limitations; reliability; and validity were also discussed at length in this chapter. It was imperative to explain how these issues were going to be observed during data collection to enable the participants to make informed decisions as to whether to participate in the study. This chapter also explains the method that was chosen to analyze the results.

In addressing the study objectives, this chapter presents the research methodology and the design that was applied by the researcher to acquire data relevant to the study objectives. This study was conducted within eThekweni District hospitals. This chapter therefore expounds on how the population and sample were selected. It further describes the sampling techniques that were employed. Issues concerning: ethical considerations; confidentiality; anonymity; limitations; reliability; and validity were also discussed at length in this chapter. It was imperative to explain how these issues were going to be observed during data collection to enable the participants to make informed decisions as to whether to participate or not in the study. This chapter also explains the method that was chosen to analyse the results.

## 5.2 Research design

Van Rensburg *et al.* (2017: 57) describe research design as the master plan that specifies the methods and procedures for data collection and analysis. It includes the approach, methods and techniques that will be used to carry out the research. Mbambo (2019:58) views the research design as a technique for answering the research questions of the study. He adds that, after the researcher is done with developing the background, rationale, problem statement, research questions and study objectives, the researcher then decides on the method to be used to collect data, and that process is called research design. Fobosi (2012) as cited in Duma (2018:66) views research design as a plan of action that outlines the data collection activities, including the techniques that will be used to get responses to the research questions. He further states that the research design processes consist of (Fobosi 2012 as cited in Duma 2018:66):

- “Research topic;
- How to address the topic;
- The subjects of the topic;
- The source of the subjects and the process of gathering data;
- The method of processing the data; and
- How the findings are to be communicated?”

Wiiid and Diggines (2015:62-63) agree that the research design is a framework for the research project where the researcher outlines how the research will be executed. Moreover, they believe that the research design should include the following steps (Wiiid and Diggines 2015:62-63):

- Defining the research problem;
- How much information will be provided by the research;
- Data collection method selection;
- Selection of measuring technique;
- Sample selection;
- Analytical approach selection;
- Evaluation of the research ethics;

- Setting up research time and financial implications; and □ Preparing the research proposal.

Research design is conceptualised by John and Creswell (2014: 17) as the type of inquiry between qualitative, quantitative and mixed methods approaches that provides specific direction for procedures in a research design. Van Rensburg *et al.* (2017: 57) briefly explain the research design as a specific procedure chosen by the researcher for conducting the actual study. John and Creswell (2014: 16) agree that the research design is choosing a data collection approach. They add that the main constituent in the research framework is the specific research methods that involve the types of data collection, analysis and interpretation that researchers propose for their studies.

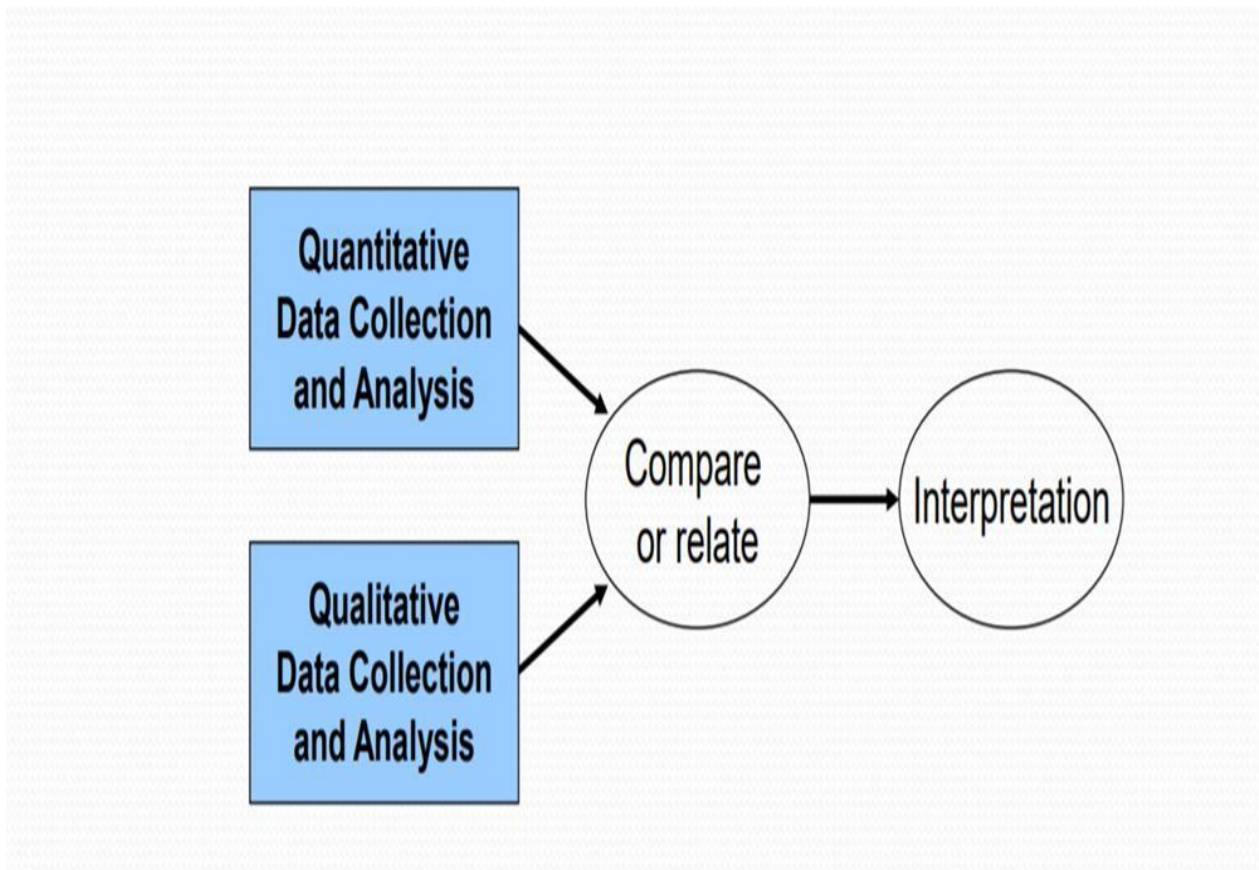
### **5.2.1 The Convergent parallel design**

The Convergent Parallel Design (CPD) as explained by Razali *et al.* (2019:156), cited in Hui Bian (n.d), is a mixed method that is used to provide a comprehensive analysis of the research problem. Edmond and Kennedy (2017:182) view the convergent parallel design as a methodology that comprises the simultaneous gathering of quantitative and qualitative data. They add that after data gathering of diverse but corresponding data on the equivalent phenomenon, the combination and comparisons of these multiple data sources follow. Fischler (n.d) supports the use of the convergent parallel design and he believes that this design allows the researcher to (Fischler n.d):

- “Collect quantitative and qualitative data concurrently;
- Analyze the two data sets separately; and
- Mix the two databases by merging the results during interpretation”.

The function of the CPD as explained by the cited authors is demonstrated in Figure 5.1 below.

**Figure 5.1 Convergent parallel design**



**Source: Adapted from Fischler (n.d)**

In this study, the mixed method of data collection was employed through semistructured interviews with 15 participants and web-based survey questionnaires with 85 participants. The researcher explored the convergent parallel design in this study because it was found to be most appropriate in providing a comprehensive analysis of the research problem.

### **5.2.1.1 Advantages of using convergent parallel mixed methods**

According to Demir and Pismek (2018:124), the application of convergent parallel mixed methods has several advantages, including directly comparing the quantitative and qualitative findings which provide corroboration with the study. Razali *et al.* (2019) agree that convergent parallel mixed methods have numerous advantages. They add that this technique provides an ample analysis of the research problem by converging

both quantitative and qualitative data. In addition to the advantages of convergent parallel mixed methods, Fischler (n.d) shares that because this technique conveys quantitative and qualitative data simultaneously, the benefits includes (Fischler n.d):

- Obtaining supplementary understanding from two databases;
- Corroborating results from diverse methods;
- Comparing various levels within a system;
- Both qualitative and quantitative data have equal value for understanding the research problem; and
- Providing quantitative and qualitative research skills.

Given the presented advantages of the convergent parallel design, the researcher found this method appropriate in providing precise answers to the research problem. In addition, qualitative data were collected from various senior managers who are regulators of procurement and contract management policies. Quantitative data was collected from different categories of managers and officers who are directly involved in procurement and contract management. The purpose of collecting data from different levels was to establish the determinants for non-compliance with procurement and contract management guidelines from both regulators and hands-on implementers officials. The convergent parallel design was therefore selected because it is used to obtain different but complementary data to address the research problem. Through using this design, quantitative results and qualitative findings were directly compared and contrasted for corroboration and validation purposes.

### **5.2.2 Mix method of data collection**

Saldana and Jonny (2011: 11) and Wiid and Diggins (2015:65) share the view and believes that the mixed method of data collection utilizes a strategic combination of both qualitative and quantitative method for collecting, analysing and interpreting data. The mixed-method is used to define research that blends both qualitative and quantitative research in one study. It must be conducted in line with the fundamental criteria for conducting qualitative and quantitative research. In this method, the

researcher must clarify that the research questions were both qualitative and quantitative; how the sampling was conducted; specify the data collection technique used; and how data were analyzed (Bryman *et al.* 2017: 62 & 151).

Locharoenrat (2017: 96-97) affirms that basic applied research can be both qualitative and quantitative. Mixing or a blending of data collection is articulated by John and Creswell (2014: 215-217) as the method that:

- “Involves the collection of both qualitative and quantitative data in response to the research questions;
- Includes analysis of both forms of data;
- Needs to conduct a comprehensive data collection and analysis;
- Is used to understand the data at length by using qualitative data to explain quantitative data;
- Helps to develop a complete understanding of a research problem by converging qualitative and quantitative data and comparing the databases; and
- Used to develop measurement instruments that appropriately fit a sample through interviews and using the information to design an instrument that can be tested with a large sample”.

According to Barbour (2014:206), mixed methods play a vital role in balancing the shortfalls of qualitative and quantitative methods. Its main purpose is to provide more clarity and enhance coverage. Van Rensburg *et al.* (2017: 82) agree that the term ‘mixed method’ of research is used when a qualitative method is used in conjunction with a quantitative method with the purpose of achieving the desired study objectives. They also mentioned that the use of the mixed method was very low because the researchers felt that there were gaps between qualitative and quantitative methods. They were regarding the two methods as deeply incomparable. There is however a drastic change now as the use of the mixed method has gained momentum, mostly in the economic and management research, maybe because of the inherent benefits of triangulation that are derived as a result. Hammersley (2008) as cited in Joesbury (2016: 88) shares this view and believes that the study benefits from using a mixedmethods approach because this method provides different viewpoints from various angles, thus allowing richer and more accurate results.

The explanations of the mixed method and its benefits to the study outcome convinced the researcher that this method was indeed the best method for the study. The mixed method, which uses both qualitative and quantitative techniques to collect data, was chosen for this study and assisted in a better interpretation of both qualitative and quantitative data. The mixing or blending method of data collection was well defined by all authors cited and the researcher believed that by adopting this study, she was going to be able to combine the strengths of the two approaches to conduct ample data collection and analysis. Using mixed-method also assisted in developing a concentrated understanding of the research problem through using qualitative data to explain quantitative data.

### **5.2.3 Qualitative method of data collection**

According to Maree (2012:51), a qualitative research is about understanding why something happens, not just what does happen. Qualitative researchers study the context of events, including the social and cultural aspects of those events. They ask questions like "Why did you choose to do that?" instead of "What did you do?". Leedy and Ormrod (2010: 136) explains that, qualitative researchers seek to understand the meaning of events and experiences from the perspective of those experiencing them. An alternative view presented by Saldana and Jonny (2011: 32) is that qualitative research studies rely on interviews with participants to understand their perceptions, feelings, beliefs, principles, and attitudes about their personal experiences and social world, in addition to factual information about their lives. A qualitative research design, according to Venter *et al.* (2017: 99), focuses on generating and analyzing nonnumeric data such as written document behavior and images or verbal data such as interviews. Creswell (2014: 4) views the qualitative research technique as a tactic for exploring and understanding the meaning of groups or individuals ascribed to human problem. Locharoenrat (2017: 96-97) briefly clarifies that qualitative data are concerned with quality and cannot be graphed.

The qualitative methods of data collection were well articulated by the cited authors. Therefore, the researcher was convinced that this approach was appropriate for this study as it was going to assist in understanding the perceptions of the participants on

the phenomenon being studied through interviews. Questions were formulated and semi-structured interviews conducted with 15 participants. The participants included: 12 Chief Executive Officers; 1 Deputy Director: Finance; 1 Assistant Director: Monitoring and Evaluation; and 1 Assistant Director: Finance. The selected categories are the senior management of the Department of Health, who are also decisionmakers in the field of procurement and contract management. Interviewing the decision-makers was important for this study and it helped the researcher to understand the decision-makers' perceptions and beliefs on the phenomenon being studied.

#### **5.2.4 Quantitative method of data collection**

Locharoenrat (2017: 96) defines quantitative data as an approach that is based on the measurement of quantity. He further states that data of this research method are a set of numbers analyzed by using statistical or mathematical analysis, and its results are often presented in tables and graphs. Wiid and Diggins (2015:64) concur that the quantitative method of research is concerned with numbers and they add that this method aims to create a relationship between variables in the population through a statistical, mathematical or computerized system. They however emphasize the importance of validity and reliability and regard it as the factor that determines the quality of the quantitative method. According to John and Caswell (2014: 13), survey research offers a quantitative of populations by studying a sample of that population. This approach involves asking questions about a specific topic and then analyzing the answers. Venter *et al.* (2017: 132,138 &139) described survey method of gathering information about a population. It is often used to gather information about demographics, opinions, and behaviors. Surveys can also be used to determine what products consumers prefer, what services they need, and what policies should be implemented. They further reveal that range of methods can be used to collect numerical data, including (Venter *et al.* 2017: 132,138 &139):

- Interview-based surveys, which could be: personal face-to-face interviews and telephone interviews.

- Questionnaire-based survey, which could be: mail/postal surveys, systematic observation and web-based surveys.

Wiid and Diggines (2015:121-130) agree that the survey method may be used in many ways to contact the research participants and they believe that survey methods can be conducted in four distinctive categories, namely personal interviews, telephone interviews, mail surveys and web-based (internet) surveys. These data collection survey methods are explained below (Wiid and Diggines 2015:121-130):

**Personal Interviews:** this involves face-to-face interviews, where the interviewer asks the participants questions relevant to the phenomenon being studied. Interviews are normally conducted in the respondents' offices, homes, shopping centres or libraries. During the interview, the interviewer can use visual aids and illustrations for intricate theories. The advantages of face-to-face interviews are that they involve: personal contact; it is more lenient than other methods; allows the use of visual material; and offers opportunities to explain the concept. Literacy is not essential and it represents more samples. While its disadvantages include: high cost for travelling to the interview place, heterogeneous stimulation, time constraints commitment of the respondents, and limited geographical cover.

**Telephone Survey:** interviews on these surveys are conducted using the telephone and the question differ from the ones for the personal interview. The recommended questionnaire format for this survey or no kind of questions whether easily understood. The time limit for a telephone interview is approximately 10 to 15 minutes, which then limits the data collection.

**Mail Survey:** in this survey, questionnaires are posted to the respondents' postal addresses and they fill them in and post it back to the interviewer. A mail survey is an effective method of collecting information about a population. It is inexpensive and easy to administer, but there are several drawbacks. For example, it may not reach everyone in the target audience, and it may not be representative of the general population.

**Web-based (Internet) Surveys:** it cannot be denied that the internet has drastically changed the way people live and communicate with each other. The web-based survey can be conducted either using computer-aided, interview administered surveys or computer-aided, self-administered surveys. Advantages of using web-based surveys include the fact that it is easy and quick delivery; it provides quick and convenient feedback; it is cost-effective; questionnaires are sent to targeted individuals; it is convenient for respondents; it limits interviewer bias; allows automatic data capturing and analysis; and it normally has fewer uncompleted questionnaires. Like another form of a survey, the web-base has its disadvantages. Although there are fewer respondents, they may have confidentiality concerns; anonymity is not guaranteed; may experience junk mail factors; the potential for sampling error; and limited internet access. Bryman *et al.* (2017:291) clarify that the online surveys are both structured interviews and self-completion questionnaires in a form of an email survey and web-based survey which they briefly explained as:

**Email surveys:** in this type of survey, the researcher can use a fixed questionnaire and email it to the participants as an attachment. The questionnaires are user-friendly and allow respondents to respond by simply putting "x". Moreover, if the questions are open and respondents are required to write their answers. Since the questionnaires are sent as an attachment, the respondents are requested to return their responses to questionnaires as an attachment as well. They recommend email surveys and they say it is easier and more convenient for both respondent and the researcher.

**Web surveys:** as part of internet surveys, web surveys work by inviting potential participants to visit the website where the questionnaire can be completed. As an advantage, the answers can be downloaded automatically into the database and reduce coding time. Web surveys are also more effective because they allow the respondent to complete the questionnaire at his convenience.

Given the afore mentioned distinctive categories of survey methods and the explanation shared by Venter *et al.* (2017: 139) when they mentioned that "that webbased surveys are regarded as a more technologically advanced version of the mail survey and it has become an increasingly popular method of data collection", the researcher was more convinced by the detailed explanation of Bryman *et al.* (2017:

292) when they explained that online or internet surveys can be done two-fold namely: email surveys and web surveys.

This study adopted a web-based survey because the researcher wanted a system that was easy and convenient for both the researcher and respondents. The web-based survey questionnaires were sent to 84 participants who are finance managers and SCM practitioners.

The web-based survey was found to be the most effective way of collecting data for this study because the study was conducted during the Covid-19 pandemic where social distancing was enforced. Hence it helped the researcher to comply with Covid19 regulations. This method of data collection therefore empowered the researcher to get feedback from many participants, as was intended.

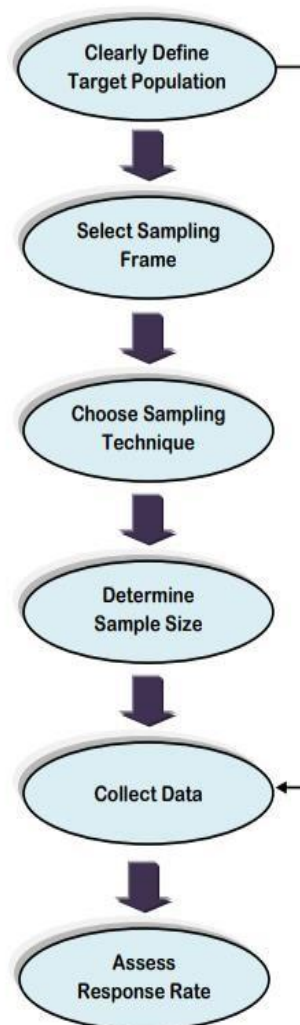
Questionnaires were formulated in a way that provided the researcher the opportunity how the respondents felt and thought about the phenomenon being studied. The formulation of questionnaires made it easy for the participants to express their perceptions of whether they agreed or disagreed with what was said.

An invitation to participate in the study survey was sent via email to the participants by the researcher. Self-completion questionnaires with clear instructions of what needed to be done, including submission date, were also emailed as an attachment to the invitation. The respondents of the survey were finance managers, SCM supervisors and SCM officers.

### **5.3 Sampling methods**

Mbambo (2019:61) describes the sampling method as a consideration in both qualitative and quantitative research. He continues to share that sampling methods include selecting a target population, sample frame, sampling techniques and sample size. According to Taherdoost (2016), as the researcher seeks to find answers to the research questions, sampling methods that demonstrate precisely where data will be collected are considered. He further adds that the sampling method in research is a process where the researcher draws the sample from the population, which is the entire case as shown in Figure 5.2.

**Figure 5.2 Stages of sampling techniques**



**Source: Adapted from Taherdoost (2016)**

### **5.3.1 Population**

Wiid and Diggines (2015:188) describe the population as a big range of people, units or items that can be used as an object for observation. In research, 'population' is the total collection of people from whom the information is required. They further clarified that a target population may include a specific group of people, schools, churches, organizations politicians and professional people from which data is needed. They however cautioned researchers that the target population for the study needs to be clearly defined in terms of the sample unit, sample element extent and time. Walliman

(2010: 94) confirms that a target population is a group of individuals who are the focus of a study. He therefore explains that a population can consist of certain types of objects, organizations, people, or even events. He adds that within the population, there will probably be only certain groups that will be of interest to the phenomenon being studied. For instance, of all school buildings, the study may be interested in only those in cities. The specific selected category from a population is called a sampling frame. Saunders, Lewis and Thornhil (2016) as cited in Mbambo (2019:61) describe the target population as a group of people whom the researcher wants to study.

Given the population explanation provided by Wiid and Diggins (2015:188) and Walliman (2010:94), it is clear that a population in research could be anything required to base the study on. For example, tertiary institutions, health institutions and even different spheres of government as long as it is in line with the study objectives. The population for this study was 140 employees from eThekweni District, which consisted of Finance Directorate Managers, Chief Executive Officers, Supply Chain Management Supervisors and Officers from various hospitals within eThekweni District.

#### **5.3.1.1 Target population**

According to Science Direct (2013), the target population in research is the collection of things or people that the researcher anticipates to conduct research on and draw conclusions from. Alex and Nancy (2021:6) clearly define a target population as the “particular or theoretically restricted cluster of potential participants to whom the researcher may have access that represents the nature of the population of interest”. In view of the target population definitions given by the cited authors, the researcher adds that a target population, as the word says, “target population” is the categorized group of objects or persons from the population that the researcher chooses to learn more about for attainment of the study objectives.

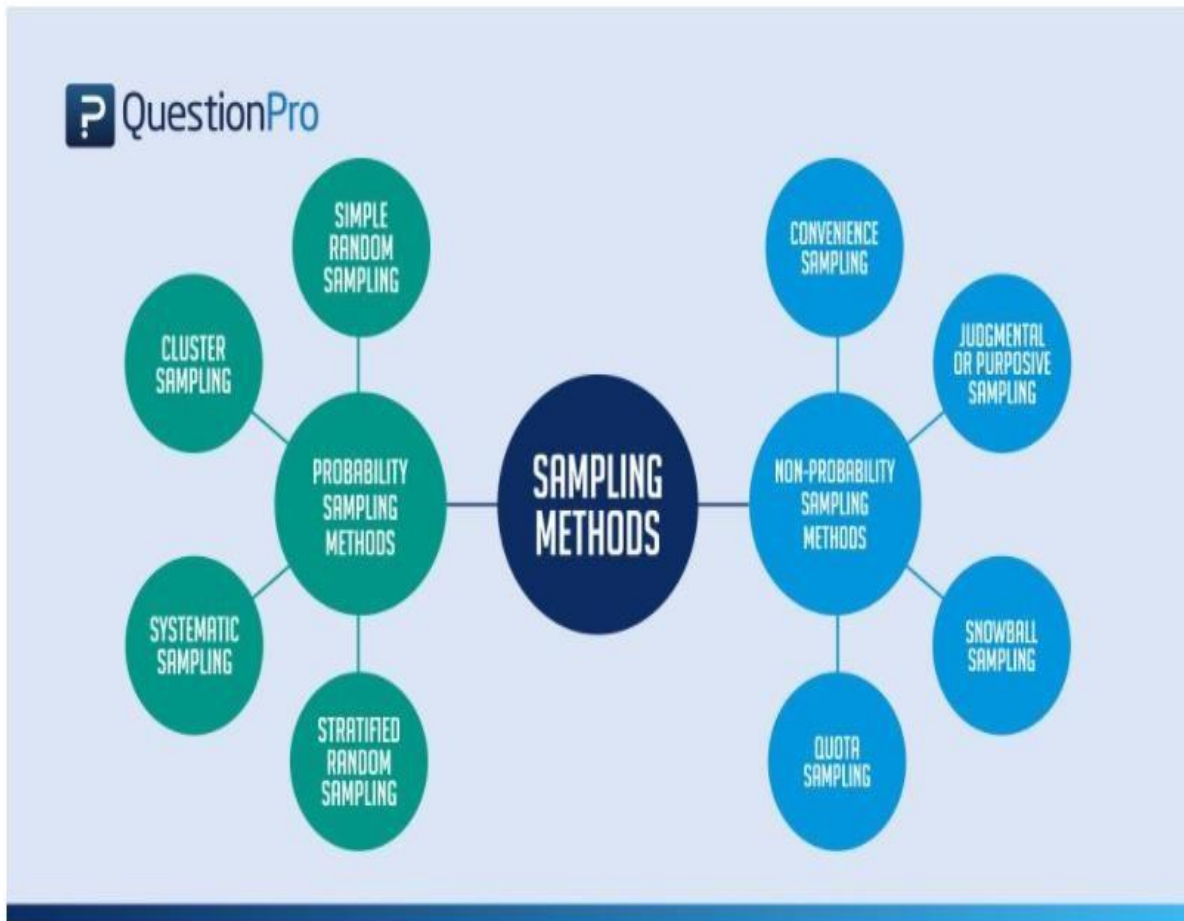
In this study, the target population was divided into two: for the qualitative enquiry, it was 15 individuals and the quantitative enquiry had 85 individuals. The target population for both the qualitative and quantitative enquiry were selected because they are directly involved in Supply Chain Management, which was the hub of this study. The main objective of this study was to investigate the determinants for noncompliance

with procurement and contract management guidelines within eThekweni District hospitals. The target population was appropriate for both qualitative and quantitative enquiry and they were able to provide inputs to the study outcome.

### **5.3.2 Sampling method**

According to Van Rensburg *et al.* (2017:112), sampling in research is a phase of scrutinizing some key techniques for choosing participants or cases for the research, which is called a sampling strategy. It is also the phase where the researcher decides on the number of participants or cases to be selected for the study, which is known as sampling size. Walliman (2011: 94) defines the sampling technique as the procedure of choosing a small set of cases from a large cluster. He adds that if the information required is from a big cluster, it may not be feasible to get it from the whole cluster for various reasons. He therefore suggests that the solution would be to examine some of them with a hope that data will fully represent everyone. He continues to say that if the data collected is the same from all respondents, then the conclusion can be drawn from those answers which relate to the whole group. Question Pro (2021) simply perceives sampling as a technique of choosing individual participants to make statistical inferences from them and estimate the characteristics of the whole population. Furthermore, it explains that market research has two sampling types and that are referred to as probability sampling and non-probability sampling. These two types of sampling with their examples are shown in Figure 5.3.

**Figure 5.3 Types of sampling technique**



**Source: Adapted from the Question Pro (2021)**

While presenting the two types of sampling method in Figure 5.3, the author further explained the difference between probability sampling and non-probability sampling methods in Table.5.1.

**Table 5.1 Difference between probability and non-probability sampling methods**

	<b>Probability Sampling Methods</b>	<b>Non-Probability Sampling Methods</b>
<b>Definition</b>	Probability Sampling is a sampling technique in which samples from a larger population are chosen using a method based on the theory of probability.	Non-probability sampling is a sampling technique in which the researcher selects samples based on the researcher's subjective judgment rather than random selection.
<b>Alternatively Known as</b>	Random sampling method.	Non-random sampling method
<b>Population selection</b>	The population is selected randomly.	The population is selected arbitrarily.
<b>Nature</b>	The research is conclusive.	The research is exploratory.
<b>Sample</b>	Since there is a method for deciding the sample, the population demographics are conclusively represented.	Since the sampling method is arbitrary, the population demographics representation is almost always skewed.
<b>Time Taken</b>	Takes longer to conduct since the research design defines the selection parameters before the market research study begins.	This type of sampling method is quick since neither the sample or selection criteria of the sample are undefined.
<b>Results</b>	This type of sampling is entirely unbiased and hence the results are unbiased too and conclusive.	This type of sampling is entirely biased and hence the results are biased too, rendering the research speculative.
<b>Hypothesis</b>	In probability sampling, there is an underlying hypothesis before the study begins and the objective of this method is to prove the hypothesis.	In non-probability sampling, the hypothesis is derived after conducting the research study.

**Source: Adapted from Question Pro (2021)**

### **5.3.3 Probability sampling**

Mishra (2021) explains that probability sampling is referred to as random sampling. he adds that in this method, participants are randomly selected to achieve a

representative sample of the population. This ensures that everyone in the population has an equivalent chance of being incorporated in the sample. McCombes (2019) is of the view and believes that probability sampling allows researchers to make strong statistical inferences about the entire cluster. Elliot (2020) concurs that in probability sampling, every member has a chance of being selected. He adds that in this method, a researcher could send a survey link to their friends or even stop people on the street.

### **5.3.3.1 Simple random sampling**

Mishra (2021) explains that simple random sampling means that every element has the same probability of being selected. In addition, this method is mostly used when researchers do not have any prior knowledge about the target demographic. Taherdoost (2016:21) as cited in Ghauri and Gronhaug (2005) are in favour of simple random sampling because of its advantages, which include:

- “A complete frame (a list of all units in the whole population) is needed;
- In some studies, such as surveys by personal interviews, the costs of obtaining the sample can be high if the units are geographically widely scattered; and
- The standard errors of estimators can be high”.

### **5.3.3.2 Stratified sampling**

McCombes (2019) views stratified sampling as a method of sampling that allows the researcher to draw more defined conclusions by ensuring that every sub-group is properly represented in the sample. Mishra (2021) adds that this Techniques separate the population's elements into small groups (strata) based upon similarity, such that the elements within the group are homogenous and heterogeneous amongst the different strata. Components are then randomly selected from each of these layers, creating a stratified sampling technique. One needs prior knowledge of the population to determine what strata should be formed. For example, if we had 10 fans of cricket, 5 fans of football and 5 fans of tennis, we could form three strata based on the sports they like. We could then randomly choose two fans from each stratum. This way, we would have a representative sample of the population. Stratification techniques are commonly used in surveys, marketing research, medical studies and scientific experiments.

### **5.3.3.3 Cluster sampling**

McCombes (2019) explains cluster sampling as the method where a population is separated into clusters that are unique but represent a diverse group. Taherdoost (2016:21) as cited in Ghauri and Gronhaug (2005) agrees that in this method, the population is divided into clusters, and then random samples of those clusters are taken. All of these samples are used in the final analysis.

### **5.3.3.4 Multi-stage sampling**

According to Mishra (2021), multi-stage sampling is the mixture of various preceding procedures. In this form of sampling, the population is divided into different clusters, which are subsequently sub-divided and systematized into numerous sub-groups depending on their likeness. Etikan and Bala (2017:1) believe that a multi-stage sampling design is appropriate for use in immense inquires of geographical area, for the whole country. They add that this sampling technique has to do with the combination of the numerous approaches of probability sampling.

### **5.3.4 Non-probability sampling**

According to McCombe (2022), in a non-probability sample, not every individual has an opportunity to be chosen, but samples are selected based on non-random criteria. Mishra (2021) shares the view and believes that non-probability sampling is highly reliant on the researcher's capability to select items for a sample. It does not depend on randomization like probability sampling. He further states that the results in this method may be twisted, which makes it hard to include all aspects of the population in the sample equitably. This method is sometimes referred to as non-random sampling and is divided into four types: convenience sampling, purposive sampling, quota sampling and snowball sampling (Mishra 2021):

#### **5.3.4.1 Convenience sampling**

The samples in convenience sampling are selected subject to their availability. Researchers often use this method when available samples are inadequate, which

means samples are selected based on their convenience (Mishra 2021). This method of sampling comprises individuals who are easily accessible to the researcher and it the most convenient way of acquiring primary data. However, this method can only give you an idea of what your probability distribution looks like. You will need to calculate the actual probabilities yourself (Mc Combe 2022).

#### **5.3.4.2 Purposive sampling**

The purposive sampling method depends on who the researcher believes will provide appropriate information required to address the study objectives. In this type of sampling, the researcher selects the individuals who are experts in the field being studied and begins the process of gathering primary data. Furthermore, this approach provides better way of constructing the views of the experts in the study and ensures validity (Etikan and Bala 2017:1).

#### **5.3.4.3 Quota sampling**

In accordance with Davis (2005), quota sampling is a non-random sampling technique which is often employed to get a representative sample of something, like a survey. You choose people based on certain criteria, then you count them all together. If you did this enough times, you'd end up with an accurate representation of the whole group. Etikan and Bala (2017:1) clarify this type of sampling, whereby the researcher selects any individuals who are convenient and who have the same characteristics to be included in the study.

#### **5.3.4.4 Snowball sampling**

Snowball sampling, also known as the referral sampling technique, is employed when the population is entirely unknown and scarce to the researcher. It therefore seeks the assistance of the first individual selected for the population and requests him to recommend other individuals that will best suit the description of the required sample. The benefits of asking the first individuals to refer more individuals to participate in the study are that the population grows like a snowball. However, this technique is often employed when researchers do not have access to adequate people with the required characteristics (Mishra 2021). Briefly, snowball sampling is useful when you need to

get information from a large number of people, but you don't know them well enough to ask directly. You start with a few people who already know each other, then you contact those people and ask them to introduce you to others. Then you keep doing that until you've reached your target size (Etikan and Bala 2017:1).

Given Figure 5.3, Gummerson (2000) as cited in Joesbury (2016:85) clarifies that there are various factors guiding the selection of the suitable research technique, comprising research objectives, questions, antecedent literature and the philosophical position that the researcher decides on. Wiid and Diggins (2015:72-188-190) view designing the sample plan as a crucial stage in research where the researcher selects cases or participants that will be involved in the study. They suggest that if the population is big, a representative sample must be chosen from the population.

Given the sampling methods information received, the researcher also explained how both sampling techniques, which are non-probability and probability were applied in both quantitative and qualitative enquiries.

### **5.5 Sampling method for qualitative inquiry**

According to Van Rensburg *et al.* (2017: 57), qualitative research tends to use nonprobability sampling that suits their chosen research technique and in most cases, researchers may use a combination of sampling strategies like purposive sampling, theoretical sampling, deviant sampling or snowball sampling. Furthermore, purposive sampling occurs when the researcher chooses cases or participants according to specified criteria based on the characteristics of the population which is referred to as criterion sampling. Barbour (2014:66) affirms that qualitative research used to concentrate on selecting a set that is convenient for exploring the issues that are relevant to the research and relies on convenience sampling. Wiid and Diggins (2015:188-190) explain that the sampling method is divided into two categories: probability and non-probability sampling. In probability sampling, anyone in the population has a possible probability of being selected as a sample, while in nonprobability sampling there is an unknown probability for the selection of a specific unit, and the selection of who should be part of the sample is under the control of the

researcher and it is based on his/her judgment. They continued that the sample is taken from the sample frame, which may be a population record or a list and suggestions for a sample frame to be trustworthy. It must consist of the following:

- Elements and strata of the population are represented. For example, age, sex, ranks, level of education, et;
- It must be current;
- Each entry's information must be completed and accurate;
- Do duplication of entries;
- It must be easily accessible; and
- It must have additional information that facilitates stratification.

This study adopted purposive sampling for qualitative data collection. In line with the explanation provided by Van Rensburg *et al.* (2017: 57) this technique was relevant and appropriate for this study because participants were selected according to their specified criteria based on the characteristics of the population (e.g. senior management, line managers, supervisors and officers) working in Supply Chain Management components.

The sample size consisted of 15 participants as follows: from eThekweni District Office 1 Assistant Director: Monitoring and Evaluation, 1 Deputy Director: Finance and 1 Assistant Director: Finance. From hospitals within eThekweni District, 12 Chief Executive Officers. These individuals were selected because they are senior managers and decision-makers responsible for ensuring effective procurement and contract management in the Kwa-Zulu Natal Department of Health. The researcher also believed that, because of their crucial role in the field being studied, it was important to conduct a face-to-face interview with them for the attainment of primary data that was required to address the research problem. The sample for the qualitative method individual data collection is shown in Table 5.2.

**Table 5.2 Qualitative sample**

<b>Strata</b>	<b>Population</b>	<b>Sample</b>
<b>eThekwini District Office</b>	X1 Deputy Director: Finance  X1 Assistant Director: Monitoring and Evaluation  X1 Director: Finance	X1 Deputy Director: Finance  X1 Assistant Director: Monitoring and Evaluation  X1 Assistant Director: Finance
<b>Hospitals within EThekwini District</b>	<b>25x Chief Executive Officers</b>	<b>12 x Chief Executive Officers</b>
<b>Totals</b>	<b>30</b>	<b>15</b>

Source: Self-generated by the researcher

#### **5.4 Sampling method for quantitative inquiry**

According to Van Rensburg *et al.* (2017: 134-135), a sampling frame is a list of all possible participants in your research project. You need to ensure that you select a representative sample of the population you wish to study. A sampling frame should be consistent with the population you wish to investigate. In addition, they explain that in quantitative data collection, probability sampling methods includes random sampling, systematic sampling, cluster sampling and stratified sampling. Nonprobability sampling methods comprises convenience, judgment sampling, quota sampling and snowball sampling. John and Caswell (2014: 158) strongly believe that random sampling is the best option for quantitative inquiry because it allows each individual in the population an equal probability of being selected.

Probability sampling and simple random sampling were used in this study. These techniques were selected because the researcher wanted to get participants from

each site who were directly involved in procurement and contract management as she wanted to get suitable and relevant answers to the research problem.

The sample size for the survey consisted of 85 individuals from the population of 140. It comprised 4 finance directorate managers from eThekweni District Health Office; 21 finance managers; 20 SCM supervisors and 39 supply officers from various hospitals within eThekweni District. The selected individuals are directly involved in the daily operations of procurement and contract management. In addition, the researcher believed that they were appropriate candidates to provide inputs to the study objectives.

The calculation for the sample size, shown in Table 5.3 below, was as follows:

Population =140

Sample = 84

$84/140*100$

=61%

**Table 5.3 Quantitative sample**

Strata	Population	Sample
<b>EThekweni District Office</b>	1	1X Deputy Director: Finance
	1	1X Assistant Director: Finance (Monitoring and Evaluation)
	1	1X Assistant Director: Finance 1X Senior Supply Chain Management Officer

<b>Hospitals within eThekweni District</b>	25	
	24	21x Finance Managers
	22	20x SCM Supervisors
	65	39x Supply Officers
<b>Totals</b>	<b>140</b>	<b>84</b>

Source: Self-generated by the researcher

## 5.5 Measuring instrument

According to Van Rensburg *et al.* (2017: 134-141), the primary goal of a survey is to collect data from respondents by asking them well-directed questions that are contained in a questionnaire. They further state that the questionnaire aims to acquire the opinions, behavior, and attributes of the respondents about the phenomenon being studied.

For the quantitative data inquiry, questionnaires were formulated in a manner that enabled the respondents to express their opinions (e.g: 1 = Agree and 2 = Disagree). Questionnaires were emailed to the participants with an attached invitation letter with instructions of what was required to be done as well the survey submission dates.

Invitations to participate in this study and letters of consent were sent to the intended participants a month before the commencement of the interviews. The researcher wanted the participants to have a sufficient schedule for the study. As part of the qualitative inquiry, face-to-face interviews were conducted in various places that were convenient to the participants.

### 5.5.1 Data analysis

According to Kelly (2022), Data analysis is a process of collecting all the information, analyzing it, finding patterns and trends, and using it to make informed decisions. This process consists of (Kelly 2022):

- Data Collection;
- Data Analysis; ● Data Interpretation; and ● Data Visualization.

Calzon (2021:1) agrees that data analysis is a process of collecting, modelling and analysing data to abstract intuitions required for decision-making. He further states that there are numerous techniques to conduct analysis, but they are all dependent on the purpose of the analysis. He however specifies that data analysis methods are mostly based on two fundamental ranges, namely qualitative and quantitative methods in research.

#### 5.5.1.1 Quantitative data analysis

According to Jansen and Warren (2020), quantitative data analysis is about analysing data that can be simply converted into numbers without losing its meaning. They explain that this technique is divided into two statistical methods, namely **descriptive** statistics and **inferential** statistics. Descriptive statistics help researchers to describe the data set and understand the sample details, whereas inferential statistics aim to make predictions or generalizations about the whole population. Elliot (2021) concurs that quantitative data is analysed using statistical systems. He adds that “data from a quantitative dataset, such as survey results, is usually loaded into a program such as Excel or the statistical software SPSS, which enables researchers to quickly create tables and charts to examine findings”. Locharoenrat (2017: 96) briefly explains quantitative data analysis as a set of numbers that uses mathematical analysis, and that its results are often presented in tables and graphs.

The researcher wanted to understand the sample's attitudes, behaviours, opinions and other variables of the research problem. It was therefore important for this study to adopt the descriptive statistics approach for analysing numerical data to understand the views of the details of the sample better. The survey results were loaded onto the SPSS statistical software package (Version 25) and the necessary statistical tests were conducted. Graphs and charts were utilized to analyse and present the data.

#### **5.5.1.2 Qualitative data analysis**

Harding (2013: 45) explains qualitative data analysis as a system that uses interview transcripts that include audio recordings, videos and documentation. He concludes that it is a system of converting gathered data into useful information through themes. In this study, primary data was collected in the form of a semi-structured interview, and data were analysed based on the collected transcripts. Warren (2020) agrees that qualitative analysis works with transcripts gathered from interviews. He recommends Thematic Analysis because it takes bodies of data and groups them according to similarities – in other words, themes that emerged. He further explains that thematic analysis can be very helpful in the study as it shows people's experiences, views and opinions about the phenomenon being studied.

The main objective of this study was to find the determinants for non-compliance with Procurement and Contract Management guidelines within the Kwa-Zulu Natal Department of Health. In this study, interviews were conducted with senior managers that are decision-makers and who are also responsible for ensuring effectiveness in Procurement and Contract Management. This study used thematic analysis as this method was found to be relevant to the study's aims and objectives to learn about people's experiences and views on the determinants for non-compliance with procurement and contract management guidelines. The qualitative data generated from the interviews were transcribed and analysed by the researcher through the use of a thematic approach to convert it to the NVIVO software.

#### **5.5.1.3 Quantitative Pre-testing**

Van Rensburg *et al.* (2017: 134-151) recommend that before beginning with data collection, conduct a pilot test of the questionnaire to help in refining the questionnaire

to ensure that the data collected meet acceptable levels of validity and reliability. They further state that pilot tests may involve people that are considered knowledgeable and experts in the field being studied.

Pilot testing for this study was conducted on three finance managers and two SCM supervisors that were selected randomly and who were not part of the sample population. Pre-testing assisted in the checking formulation of questionnaires and if the instrument met the requirement for validity.

#### **5.5.1.4 Qualitative pre-testing**

The researcher conducted a pre-test interview with two Finance Managers who were not part of the study. Pre-testing assisted the researcher in getting inputs on the applicability and relevance of the developed questions. After pre-testing minor, adjustments to the question were done before the official beginning of data collection. Participants involved in pre-testing were purposively selected and requested in writing. The content of the request letters that were sent out included clear information that the pre-testing would not form part of the actual study and that participation in pre-testing was voluntary, with no remuneration.

#### **5.5.2 Delimitations/scope**

The study was conducted in the Province of Kwa-Zulu Natal, in particular within the Department of Health. The sample size was limited to the eThekweni District Office and Provincial hospitals. The categories of individuals were: Finance Managers, Supply Chain Managers/Supervisors and Supply Officers. It also had specific individuals who are decision-makers and accountable for ensuring effective Supply Chain Management in the Department of Health, namely Chief Director: SCM; Hospital Chief Executive Officers; Assistant Director; Monitoring and Evaluation; and Deputy Directors: Finance.

### **5.5.3 Limitations**

The main limitation of this study was that it was conducted in the Kwa-Zulu Natal Department of Health “eThekweni District”. The other limitation was that, amongst 18 managers that the researcher planned to interview, only 15 were interviewed and 3 were not available until the completion of data collection.

The various elements of Supply Chain management were discussed in previous chapters. However, this study was only limited to Procurement and Contract Management as it wanted to discover the determinants for non-compliance with procurement and contract management guidelines. Furthermore, the selection of the sample was limited to individuals who are role-players in procurement and contract management. This study could not be generalized to any categories because the researcher wanted to get in-depth knowledge relevant to the research objectives, which assisted in drawing conclusions and recommendations. Participants were requested to voluntarily participate in the study. Therefore, the researcher was expecting and accepting that other potential participants rejected the request for their reasons.

### **5.5.4 Validity and reliability**

According to Middleton (2019), validity and reliability in research are about the quality of the research. She further explained that reliability is concerned with the consistency of a measure, while validity is concerned with demonstrating the accuracy of a measure, as detailed in Table 5.4.

**Table 5.4 Validity vs reliability**

	Reliability	Validity
<b>What does it tell you?</b>	The extent to which the results can be reproduced when the research is repeated under the same conditions.	The extent to which the results really measure what they are supposed to measure.
<b>How is it assessed?</b>	By checking the consistency of results across time, across different observers, and across parts of the test itself.	By checking how well the results correspond to established theories and other measures of the same concept.
<b>How do they relate?</b>	A reliable measurement is not always valid: the results might be reproducible, but they're not necessarily correct.	A valid measurement is generally reliable: if a test produces accurate results, they should be reproducible.

**Source: Adapted from Middleton (2019)**

Table 5.4 demonstrates that validity and reliability are concerned about the quality of the research. Since this study employed a mixed method of data collection, the researcher needed to elaborate on how validity and reliability were employed in each qualitative, quantitative mixed-method.

#### **5.5.4.1 Validity and reliability (qualitative research)**

Roland (2019: 173) believes that reliability is the formal strictness of research. He says that for research to be reliable, questions must be formulated clearly and in such a way as to not allow different interpretations by the researchers. Van Rensburg *et al.* (2015:148) state that validity and reliability are two different things and they refer to reliability as a quality of measurement that has to do with the consistency of the research measures. It involves ensuring that what is measured is the same and that it

is measured in the same way. They cautioned that although reliability and validity are not the same things, a lack of reliability can compromise the overall validity of the test because if the survey is not reliable it cannot be validated as well. On the other hand, validity has to do with assessing if the methodology and methods selected do permit the researcher to measure what was intended. They further mentioned that reliability and validity consider the degree to which a measurement or scale measures what the researcher needed to measure. Bryman *et al.* (2017:24) share the view and believe that generally in research, reliability has to do with asking whether the study results are repeatable, while validity is worried about the integrity of the conclusions that were generated from a study. They continued that validity is the most important element of the research.

The researcher concurs with the cited authors that the measurement must be reliable and valid. In this study, all participants were given the same questions. Furthermore, interviews with all participants were conducted by the researcher herself. In that way, collected data was managed strictly and consistently, which maintained validity and reliability. Transcriptions were kept in a locked cupboard for five years for safe-keeping and confidentiality.

#### **5.5.4.2 Validity and reliability (quantitative research)**

Venter *et al.* (2017: 148) aver that reliability has to do with the quality of measurement and consistency of the research outcome, while validity considers the extent to which an assessment or scale measures what the researcher wants it to measure.

Questionnaires were formulated precisely in line with the themes that were measured and pre-testing was conducted to increase reliability.

#### **5.5.4.3 Validity and reliability (mixed method)**

The main instruments used in mixed-method research consist of closed-ended and open-ended questionnaires and interviews. Both types of methods provide unique insights into the same phenomenon, and together they can help researchers gain a deeper understanding of what is going on (Zohrabi 2013).

This study used a mixed method of data collection, the closed-ended questionnaire for a survey and open-ended questions for interviews were formulated in a manner that interlinked with each other. The aim of interlinking the questions and questionnaires was to help the researcher compare data received from the survey and interviews, while enhancing validity and reliability during data analysis.

#### **5.5.5 Anonymity and confidentiality**

According to Tshabalala (2016: 75), participants' anonymity and confidentiality are maintained by separating questionnaires from the demographic information sheets. He further states that questionnaires must be numbered for data analysis administration purposes only, and the names participants should not appear on the questionnaires. The researcher agrees with Tshabalala (2016:75) that the personal information of the participants must be kept confidential. This study adhered to the principles of anonymity and confidentiality in such a way that, all participants' personal information such as name and gender were not revealed. Moreover, confidentiality, participants' workplace, for example, the names of the hospitals where participants came from, were also not requested and were anonymously captured. Since the study was conducted in various hospitals within eThekweni District, participants were not requested to reveal the names of the hospital they are working in, and only information relating to the job title and procurement experience was gathered.

In maintaining anonymity and confidentiality in this study, the questionnaires were distributed by the researcher electronically through emails directly to the selected participant's email address. The results of the study, including personal details regarding name, sex, age, profession and rank, were anonymously processed or the study only. All participants were issued with signed commitments of confidentiality from the Durban University of Technology and the researcher. The researcher also read the consent form for each participant and explained it until she was convinced that the participants understood the terms and conditions before signing. The completed questionnaires were returned to the researcher's private email address, which is not accessible to anyone other than the researcher.

### 5.5.6 Ethical considerations

Van Rensburg *et al.* (2017: 57) state that it is important to consider ethical issues in the planning phase of the research project. Most academic institutions require students and staff to obtain ethical clearance before commencing with a research project. They add that ethical considerations are not only limited to academic research but should also be taken into account by research practitioners in general. Ethical conduct protects both the researcher and the participants, hence researchers need to obtain ethical clearance before commencing with the research. Wiid and Diggins (2015:25) emphasize the importance of conducting research ethically and they believe that when the research is conducted ethically, its results would be acceptable and could be used for future studies. While encouraging research ethical behavior, they believe that researchers should be guided by the core ethical principles when conducting research, which is respect, welfare and justice. They add that there are several factors why ethical research is important, namely:

- Ethical research promotes the research aims of the research being conducted;
- It promotes values such as confidence, liability, respect, and objectivity in conducting research;
- Ethical research encourages accountability and ensures that researchers can be held responsible for their behavior while conducting a study;
- The ethical behavior of the researcher could assist them to receive funding for the phenomenon being studied. Ethical research also assists researchers in gaining support from the public; and
- Conducting ethical research helps in promoting principles and standards like social responsibility, human rights, and compliance with health and safety regulations.

Research ethics is conceptualized by Tshabalala (2016: 74) as the structure that provides guidelines on how to ethically conduct a research. He further emphasizes that, the researchers need to take ethical measures to protect participants from any form of maltreatment.

The participants were carefully selected because of the potential contribution that was required. Therefore, there were no volunteers. Participants in the study were informed and assured before the commencement of data collection that the researcher is guided and working under Durban University of Technology's ethical frameworks. The researcher was transparent about the research purpose and its application. Although the purpose of the study and the participants' involvement were made clear, participants were also given the consent form, which specified that the participants reserve the right to withdraw from the study if they thought that ethical issues were not met by the researcher.

This study was conducted under the principles of the Durban University of Technology, which conform to the ethical requirements of the National Health Act of 2003 (Republic of South Africa 2003). It is vital to note that the Durban University of Technology has a strong set of standardized principles to ensure respect for the participants' rights; the integrity of the study involving human subjects; and general principles for data accessibility and confidentiality. In line with the University's ethical consideration requirements, this study has fully complied with all set ethical issues as prescribed by the University. Furthermore, the researcher committed herself to uphold ethical consideration by submitting a personal ethical declaration.

## **5.6 Conclusion**

In this chapter, the researcher presented the research design and methodology that was employed in the study to acquire data relevant to the study objectives. Barbour (2014:206) explains that the mixed method of data collection plays an important role in balancing the shortfalls of qualitative and quantitative data. He further states that the primary purpose of this method is to provide more clarity and to enhance full coverage in choosing the appropriate design for this study, the researcher also considered Razali *et al.* (2019:156) as cited in Hui Bian (n.d), when they clarified that a "convergent parallel design as a mixed method is used to provide a comprehensive analysis of the research problem". It is for reason that the convergent parallel design as part of the mixed method of data collection was chosen for this study because the

researcher wanted to get a comprehensive analysis of the phenomenon being investigated. Semi-structured interviews were used to collect qualitative data and web-based surveys were employed to collect quantitative data.

As mentioned in the introduction, this study was conducted within eThekweni District hospitals. In this chapter, the researcher presented how the population and sample were selected, including the sampling techniques that were employed. Since the sample was categorized as the people that know each other, the researcher needed to be diplomatic when collecting data. Therefore, it was important for the researcher to thoroughly enlighten the participants on how ethical considerations (confidentiality, anonymity, limitations, reliability and validity) in the study were going to be undertaken.

# CHAPTER 6 DATA ANALYSIS AND INTERPRETATION

## 6.1 Introduction

This chapter presents the analysis of data collected, interpretation of results, and the discussion of findings. In this study, a mixed method was adopted. A web based survey was used to elicit information from 84 participants for the quantitative data, while an interview was used for the qualitative aspect concurrently. Interview was conducted among only fifteen participants in the Kwa-Zulu Natal (KZN) health department. Quantitative data were analysed with the aid of Statistical Package for Social Science (SPSS) IBM version 23. The researcher opted for the use of descriptive analysis (frequency count and percentage) for the quantitative data.

On the other hand, the interview was transcribed and was analysed qualitatively using deductive and inductive approaches with the aid of NVivo 12 software. The interview questions used were framed to elicit data from respondents with respect to their opinions on:

- 1) The factors and challenges influencing non-compliance with procurement guidelines within KZN Department of Health;
- 2) The techniques that can be explored to eliminate irregular expenditure on procurement management;
- 3) The contract management administration challenges faced by the department;
- 4) The nature of human resources skills and the expertise in the procurement and contracting department.

The researcher opted to use thematic (via Nvivo) in this study, because it is systematic, adaptable and can fine-tune data into convenient categories and subcategories. Hence, each of the scripts from participants was painstakingly examined to achieve the purpose of the study.

## **6.2 Procedure and reporting**

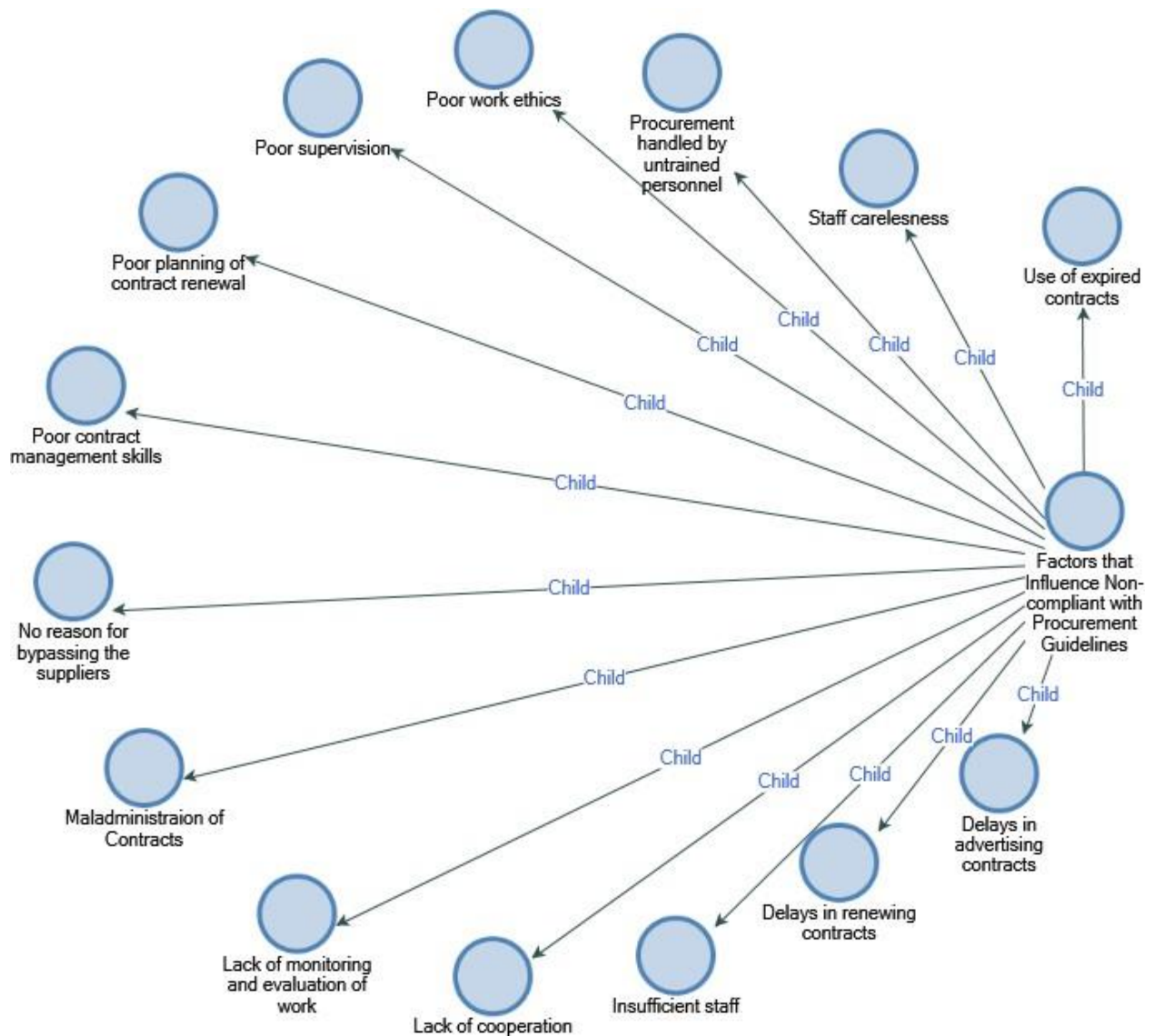
The Names of the participants who are employees of Kwa-Zulu Natal Department of Health in this study were represented with alphabets to hide their identity. Participants' responses were initially documented on audio recording gadget before transcribing to text. This helped to guard against data loss and guarantee trustworthiness, credibility and quality.

Afterwards, the documents were imported to QSR NVivo 12 software for ease conducting of the analysis. The software represented the coded data as Parent nodes and children's nodes, thus grouping the data to manageable categories and subcategories. Efforts were made to ensure that data were objectively compared bearing the focus of the study in mind.

### **6.2.1 Theme 1: Factors and challenges influencing non-compliance with procurement guidelines**

The first objective/ theme in this study was exploring the factors and challenges influencing non-compliance with procurement guidelines within the KZN Department of Health. The theme was further categorized into four sub-themes. The results are presented in Table 1 and figures based on the sub-themes.

**Figure 6.1 Factors that influence non-compliant with procurement guidelines**



**Source: Self-generated by the researcher**

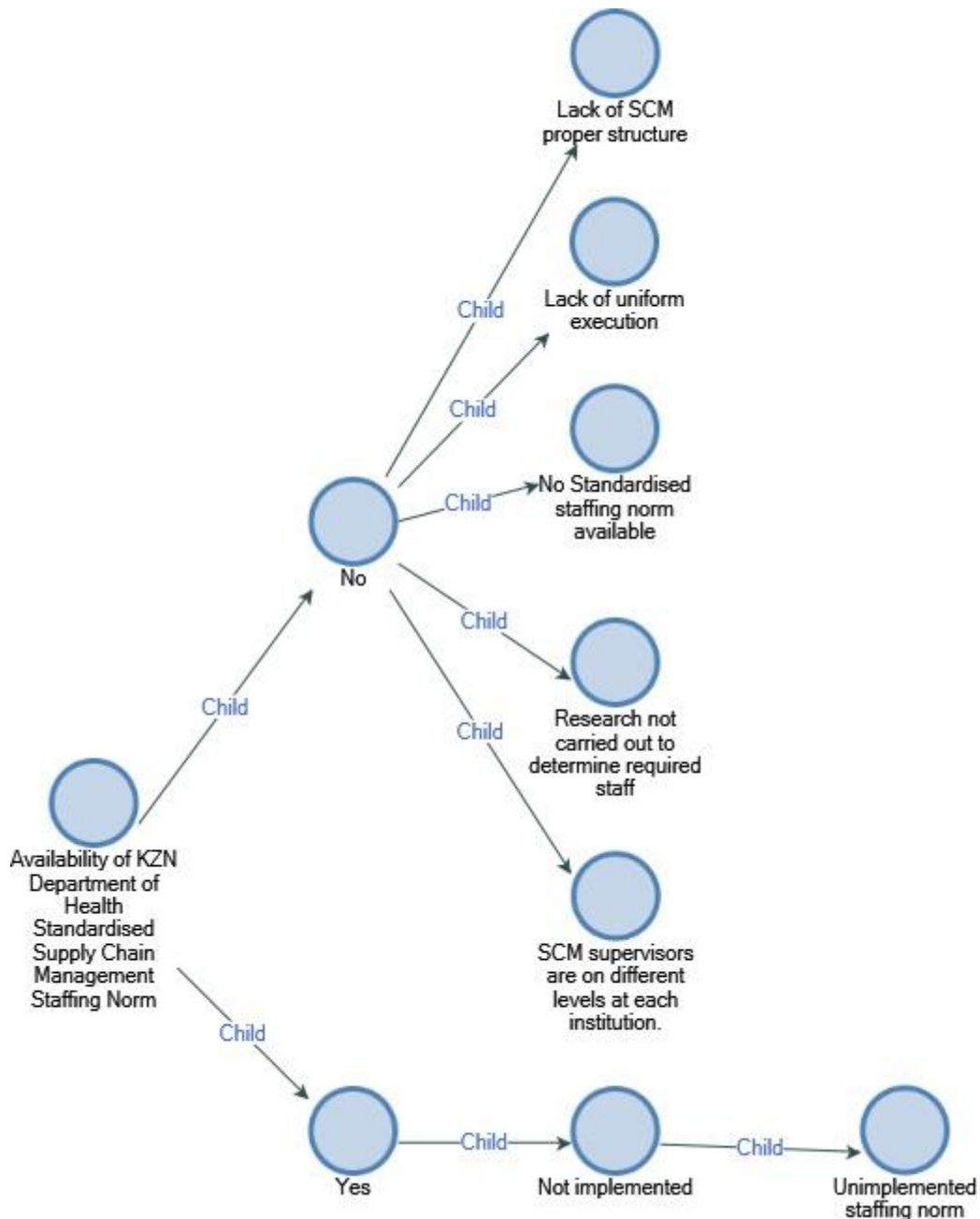
The first sub-theme addressed the factors and challenges influencing non-compliance with procurement guidelines within the KZN Department of Health. As shown in Figure 6.1, the participants identified fourteen influencing factors in their own point of view. These are poor planning of contract renewal, poor supervision, delays in advertising contracts, poor contract management skills, delays in renewing contracts, lack of monitoring and evaluation of work, use of expired contracts, no reason for bypassing the suppliers, staff carelessness, lack of cooperation, poor work ethics, insufficient staff, procurement handled by untrained personnel, and Maladministration of Contracts. Opinion shared by interviewee E on the influencing factors goes thus:

*“Head office does not renew contracts on time; expired contracts are extended on a month-to-month basis e.g. Contracts for provision are irregular for five years. Institution does not have a contract management practitioner. As such, Staff are careless and do not check documents for correctness”.*

In addition to the above opinion, (interviewee I) explained that *Administration of the procurement process is poorly done by the most incapacitated staff due to a lack of training. However, salaries of staff lead to fraud and corruption.* This implies that poor remuneration of staff can be a factor that contributes to corrupt practices in procurements and contract management.

**6.2.1.1 Sub-theme: Availability of KZN Department of Health supply chain management standardized norm**

**Figure 6.2 Availability of KZN Department of Health supply chain management standardized staffing norm**



**Source: Self-generated by the researcher**

Based on the responses of the interviewees, the sub-theme was further divided into two, yes and no as shown in Figure 6.2. Those that responded in affirmative identified

non-implementation of the staffing norm as the problem. Whereas, the naySayers among the participants gave five reasons which are Lack of SCM proper structure, lack of uniform execution, no standardized staffing norm available, research not carried out to determine required staff, and that SCM supervisors are on different levels at each institution. The participant C opined that *I don't think the department has a standard staffing norm for SCM, because each facility has its different structure.* Similarly, (interviewee O) was of the opinion that says *Yes, but it is not implemented.*

**Table 6.1 Effect of current SCM staff establishment on the procurement and contract management**

Theme	Sub-Theme	Effects
The factors and challenges influencing non-compliance with procurement guidelines within KZN Dept of Health	Effect of current SCM Staff Establishment on the Procurement and Contract Management	<ul style="list-style-type: none"> <li>i. Current SCM staff are careless</li> <li>ii. Delayed</li> <li>iii. procurement causes deviation</li> <li>Delays in drafting of specification</li> <li>iv. Duties not segregated</li> <li>v. Existing staff does not take full responsibility for their work</li> <li>vi. Logistics are compromised</li> <li>vii. Officers are not directly supervised</li> <li>viii. Other staff does not have sufficient skills in SCM</li> </ul>

		<ul style="list-style-type: none"> <li>ix. Overburdened the available SCM expert</li> <li>x. Quotation documents are</li> </ul>
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		<ul style="list-style-type: none"> <li>not checked</li> <li>xi. Quotation documents are not prepared properly</li> <li>xii. Specifications are not constructed correctly</li> <li>xiii. Transaction orders are issued out by junior officers</li> <li>iv. Unnecessary expenditure incurred</li> <li>xv. Vulnerable to being manipulated</li> </ul>
	Hindrances to timely contracts advertisement	<ul style="list-style-type: none"> <li>i. Delay in contract advertisement</li> <li>ii. Delay in contract review</li> <li>iii. Delay in Submitting specification to enduser</li> <li>iv. Inadequate human resource</li> <li>v. Lack of commitment</li> <li>vi. Lack of monitoring</li> <li>vii. Lack of skills</li> </ul>

		<ul style="list-style-type: none"> <li>viii. Lack of training</li> <li>ix. No consequence management to officials</li> <li>x. Poor contract appeal</li> </ul>
		<ul style="list-style-type: none"> <li>management</li> <li>xi. Poor contract management</li> <li>xii. Poor maintenance of contract register</li> <li>xiii. Poor planning</li> <li>xiv. Poor time management</li> <li>xv. Unavailability of contract management officials</li> </ul>

**Source: Self-generated by the researcher**

Table 6.1 presents participants' responses to the third sub-theme in the study which quest to highlight the effect of current SCM staff establishment on the procurement and contract management. From the interviews conducted, fifteen reasons given to justify the effects were identified. These are Current SCM staff are careless, delayed procurement causes deviation, delays in drafting of specification, duties not segregated, existing staff does not take full responsibility for their work, logistics are compromised, officers are not directly supervised, other staff does not have sufficient skills in SCM, overburdened the available SCM expert, quotation documents are not checked, quotation documents are not prepared properly, specifications are not constructed correctly, transaction orders are issued out by junior officers, unnecessary expenditure incurred, and vulnerable to being manipulated. Buttressing this reason, (interviewee B) had the following to say:

*“Insufficient SCM staff harms procurement and contract management because there is no segregation of duties work is done by officers and with no direct supervision. Quotation documents are not checked since there are no supervisors”.*

In addition, another sub-theme of the study explores hindrances to timely contracts advertisement in KZN health department. The participants through their interviews identified fifteen impediments to timeous contracts advertisement. These include: Delay in contract advertisement delay in contract review, delay in Submitting specification to end-user, inadequate human resource, lack of commitment, lack of monitoring, lack of skills, lack of training, no consequence management to officials, poor contract appeal management, poor contract management, poor maintenance of contract register, poor planning, poor time management, and unavailability of contract management officials. Buttressing the reason given, (interviewee K) opined that: *“Lack of monitoring of expiry date of the contracts to assure adverts are completed well in advance to give ample time for evaluation process in a case where contracts need to be cancelled and re-advertised. Also are lack of planning and commitment”.*

**Table 6.2 Factors and challenges influencing non-compliance with procurement guidelines**

<b>S/N</b>	<b>Agreed</b>	<b>%</b>	<b>Disagreed</b>	<b>%</b>	<b>Total</b>
1	78	93	6	7.	84
2	59	70	25.	30.	84
3	55	65	29.	35.	84
4	74	88	10.	12.	84
5	73	87	11.	23.	84
<b>TOTAL</b>	<b>339</b>	<b>81</b>	<b>81</b>	<b>19</b>	

**Source: Self-generated by the researcher**

Table 6.2 reveals the analysis of data on the factors and challenges influencing noncompliance with procurement guidelines within KZN Department of Health. All the

five survey items yielded 339 (81%) for the agreed, while the disagreed has 81 (19%). This implies that there are factors that impede non-compliance with procurement and contract guidelines.

This corroborates the interview responses which identified poor maintenance of contract register, poor planning, poor time management, unavailability of contract management officials; among others as the factors influencing non-compliance with procurement and contract guidelines in KZN health department.

### **6.2.2 Theme two: Techniques that can be explored to eliminate irregular expenditure on procurement management**

Theme two explores the techniques that can be explored to eliminate irregular expenditure on procurement management. The theme was further divided into five sub themes.

**Table 6.3 Eliminating irregular expenditure on procurement management**

Theme	Sub-Theme	Effects
<p>The techniques that can be explored to eliminate irregular expenditure on procurement management</p>	<p>The solution in achieving clean audit</p>	<ul style="list-style-type: none"> <li>a) creation of legal department for contracts</li> <li>b) Division of labour</li> <li>c) Employment of supervisors in SCM units</li> <li>d) Establishment of positive staff ethics</li> <li>e) Financing capacity development</li> <li>f) improved staff attitude to work</li> <li>g) in-service training</li> <li>h) Monitoring and evaluation</li> <li>i) Proper planning</li> </ul>

		<ul style="list-style-type: none"> <li>j) Provision of valid reasons for bypassing suppliers</li> <li>k) recruitment of more staff for SCM</li> <li>l) Regular staff and transaction audit</li> <li>m) setting up quotation committee, and</li> <li>n) Timely review of contracts.</li> </ul>
	<p>Measures to mitigate fraud and corruption</p>	<ul style="list-style-type: none"> <li>▪ Approval of payments by the finance manager.</li> <li>▪ all quotations are verified and approved by senior management</li> <li>▪ Appointment of quotation committees</li> <li>▪ Checking of documents</li> <li>▪ Checklists are in place</li> <li>▪ Filing of disclosure forms.</li> <li>▪ in-service vacancies monitored by the finance manager</li> <li>▪ Installation of CCTV in SCM</li> <li>▪ Keys to the tender box are kept by two different offices</li> </ul>

		<ul style="list-style-type: none"> <li>▪ Procurement is approved by QAC</li> </ul>
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		<ul style="list-style-type: none"> <li>▪ Procurement plan</li> <li>▪ Random review of transactions</li> <li>▪ Regular monitoring of access control</li> <li>▪ Rotation of staff</li> <li>▪ SCM code of conduct</li> <li>▪ Segregation of duties,</li> <li>▪ signing of attendance registers</li> <li>▪ Signing of SCM Code of Conduct</li> <li>▪ Staff training</li> <li>▪ The procurement plan is aligned to the budgetmaking</li> </ul>
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	Effects of Monitoring and evaluation office on audit opinion	<ul style="list-style-type: none"> <li>a) eliminate irregular expenditure</li> <li>b) improve audit outcomes.</li> <li>c) It ensures reports submission</li> <li>d) It improves compliance</li> <li>e) Monitoring and evaluation should take place at the institutional level</li> </ul>
		<ul style="list-style-type: none"> <li>f) posts are frozen and no structure is approved</li> <li>g) turnaround in auditing</li> </ul>

	Views on Electronic procurement	<p><b>Positive View</b></p> <ol style="list-style-type: none"> <li>1) Assist to alleviate the pressure on SCM.</li> <li>2) Convenient for suppliers and staff</li> <li>3) Cost-effective</li> <li>4) could assist in mitigating irregular expenditure as it has less paperwork</li> <li>5) electronic monitoring of stock</li> <li>6) Eliminate the risk of fraud and corruption</li> <li>7) information is easily accessible</li> <li>8) it saves on storage space</li> <li>9) It saves time</li> <li>10) Less interaction with suppliers</li> <li>11) Less paperwork</li> <li>12) Minimise risk</li> <li>13) minimize unnecessary delays</li> </ol>
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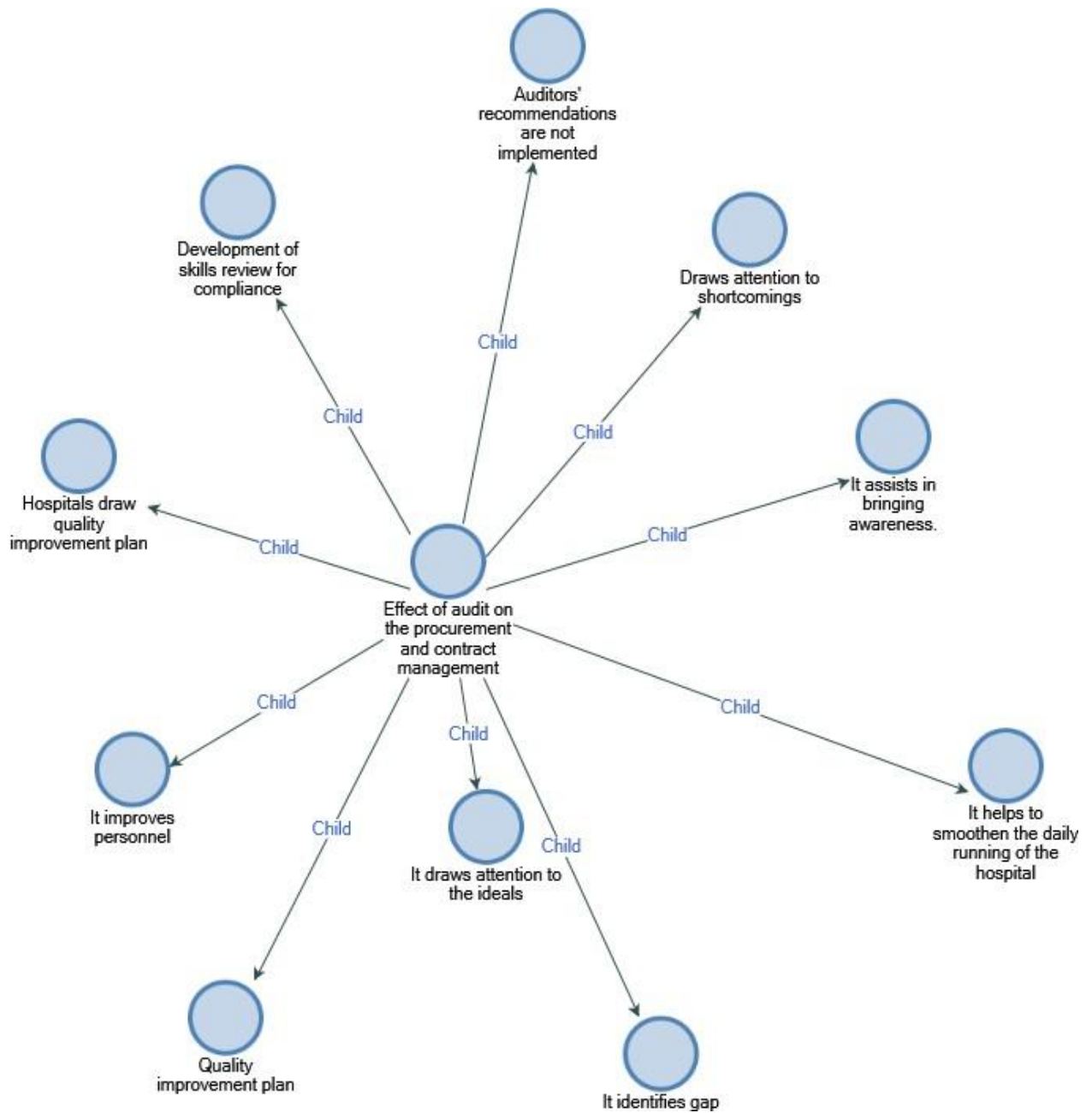
		<p>14) Procurement will be more effective</p> <p style="text-align: center;"><b>Negative View</b></p> <p>1) PCs are old and corrupted with viruses</p> <p>2) poor network poses a challenge</p> <p>3) staff in SCM are not computer literate</p> <p>4) will not work for us until we solve SCM issues</p>
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**Source: Self-generated by the researcher**

Table 6.3 explores the techniques that can be explored to eliminate irregular expenditure on procurement management. The theme was further divided into five sub themes.

### 6.2.2.1 Sub-theme: Effect of audit on the procurement and contract management

Figure 6.3 Effect of audit on the procurement and contract management



Source: Self-generated by the researcher

**Table 6.4 Techniques explored to eliminate irregular expenditure on procurement management**

S/N	Agreed		Disagreed		Total
		%		%	
7	54	64	30	36	84
8	57	68	27	22	84
16	71	85	13	15	84
17	63	75	21	25	84
<b>TOTAL</b>	<b>245</b>	<b>73</b>	<b>91</b>	<b>27</b>	<b>336</b>

**Source: Self-generated by the researcher**

Table 6.4 reveals the analysis of data on the techniques that can be explored to eliminate irregular expenditure on procurement management within KZN Department of Health. All the four survey items yielded 245 (73%) for the agreed; while the disagreed has 91 (27%). This implies that the respondents affirm that division of labour, employment of supervisors in SCM units, establishment of positive staff ethics, financing capacity development, and improved staff attitude to work, in-service training, monitoring and evaluation, and proper planning among others.

This corroborates the interview responses which identified similar techniques to eliminate irregular expenditure on procurement management in KZN health department. This means that concerned stakeholders should work to ensure the techniques are adopted.

### 6.2.3 Theme three: Contract management administration challenges

Theme three in this study also explores the contract management administration challenges faced by the KZN department of health. The theme was further categorized into two sub-themes.

**Table 6.5 Challenges attributed to contract management administration**

Theme	Sub-Theme	Reasons
The contract management administration challenges faced by the KZN department of health	Perception of audits by procurement and contract management officials	<ol style="list-style-type: none"> <li>1) Additional workload</li> <li>2) As a yearly routine without change</li> <li>3) As colleagues coming to assist them</li> <li>4) Auditors as corruption watch</li> <li>5) Auditors bring light</li> <li>6) Corrective measure for compliance</li> <li>7) Fault-finding mission</li> <li>8) It demotivates the staff</li> <li>9) Learning from the findings</li> <li>10) Opportunity to recommend for the filling of posts</li> <li>11) Staff become defensive</li> </ol>

	the involvements of senior management in procurement and contract management	1) Alignment of procurement plan to budget. 2) Approval of procurement requests
		3) Assure documentation compliance 4) Formulations of procurement plans 5) Monitor the performance of contracts. 6) Monitors that the facility is purchasing accordingly. 7) The adjudication committee 8) The QAC stage of the procurement process 9) They award quotations

**Source: Self-generated by the researcher**

Table 6.5 presents the participants responses to theme three which explores the contract management administration challenges faced by the KZN department of health. The theme has two sub themes as presented in table three.

The first sub-theme presents employee's perception of audits by procurement and contract management officials. From the interviews conducted, four advantages were identified for giving preference to multidisciplinary field. These includes, gaining scarce skills, creation of a lot of opportunities, specialising in one field is limiting; and to have

knowledge of other fields. One of the participants had the following to say concerning his preference:

*“In my opinion, SCM officially does welcome audits as they consider audits as a way of correcting mistakes that they are not aware of”* (Interviewee F).

Contrary to Participant F, another employee said that *“they take audit negatively because sometimes the findings make them feel incompetent. It demotivates the staff* (Interviewee M).

In addition, sub theme two explores the involvement of senior management in procurement and contract management. The participants identified nine items. These non-monetary benefits include: Alignment of procurement plan to budget, approval of procurement requests, ensure documentation compliance, formulations of procurement plans, monitor the performance of contracts, monitors that the facility is purchasing accordingly, the adjudication committee, and the QAC stage of the procurement process, and they award quotations. An excerpt from one of the participants goes thus:

*“All senior management needs to be part of all processes of procurement and contracts management to ensure effective and cost-effective, and value for money on services which will, in turn, prove outcome /outputs based on strategic plans”* (Interviewee J).

**Table 6.6 Contract management administration challenges**

S/N	Agreed	%	Disagreed	%	Total
6	23	27	61	73	84
14	20	23	64	76	84
15	21	25	63	75	84
TOTAL	64	25.3	188	75	252

**Source: Self-generated by the researcher**

Table 6.6 reveals the analysis of data on the contract management administration challenges faced by the KZN department of health. All the three survey items yielded 64 (25.3%) for the agreed; while the disagreed has 188 (75%). Since the disagreed score is higher than the agreed responses, it can be inferred that contract management administration challenges is acknowledged by participants.

This corroborates the interview responses which identified similar management administration challenge faced by KZN health department. This means that concerned stakeholders should work collectively to ensure best practices are adopted.

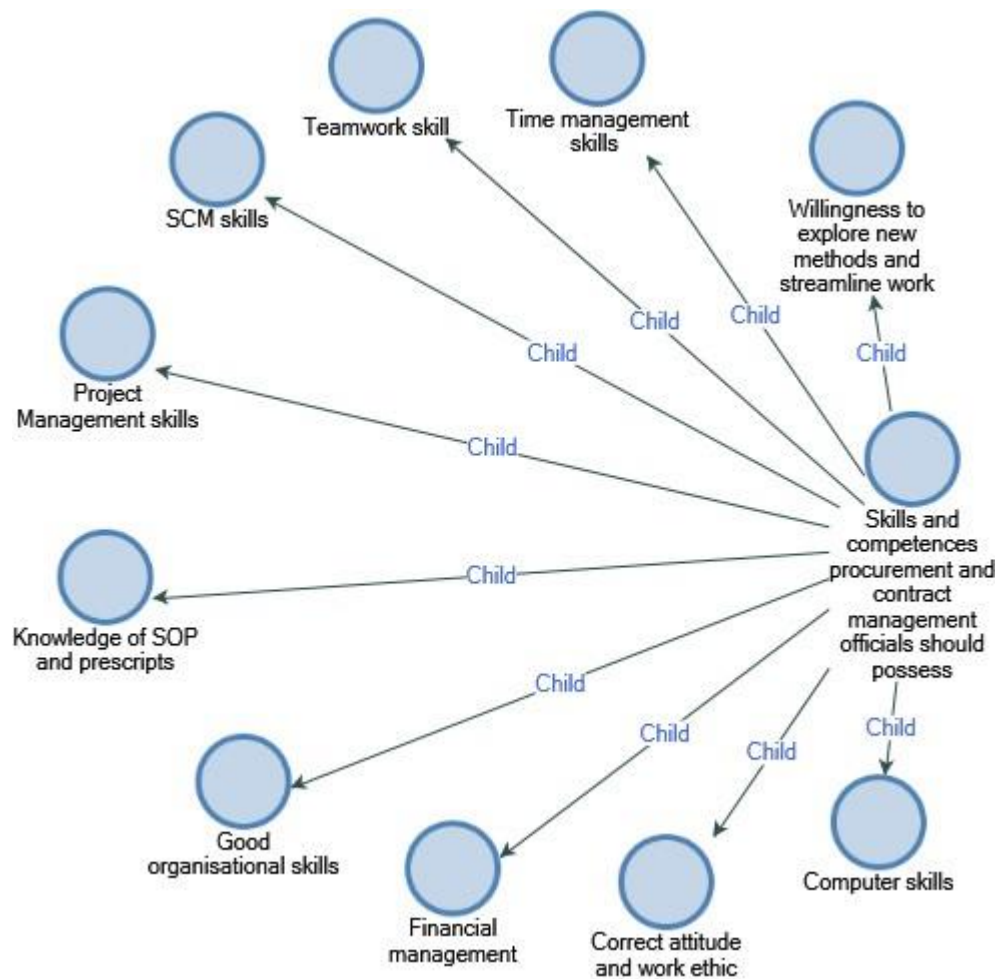
#### **6.2.4 Theme four: SCM human resources skills and expertise**

In this study, theme number four determines participants' opinions on the nature of human resources skills and expertise in the procurement and contracting department.

The theme further gave birth to two extra sub-themes.

##### **6.2.4.1 Sub-theme: Skills and competencies procurement and contract management officials should possess**

**Figure 6.4 Human resources skills and expertise**



**Source: Self-generated by the researcher**

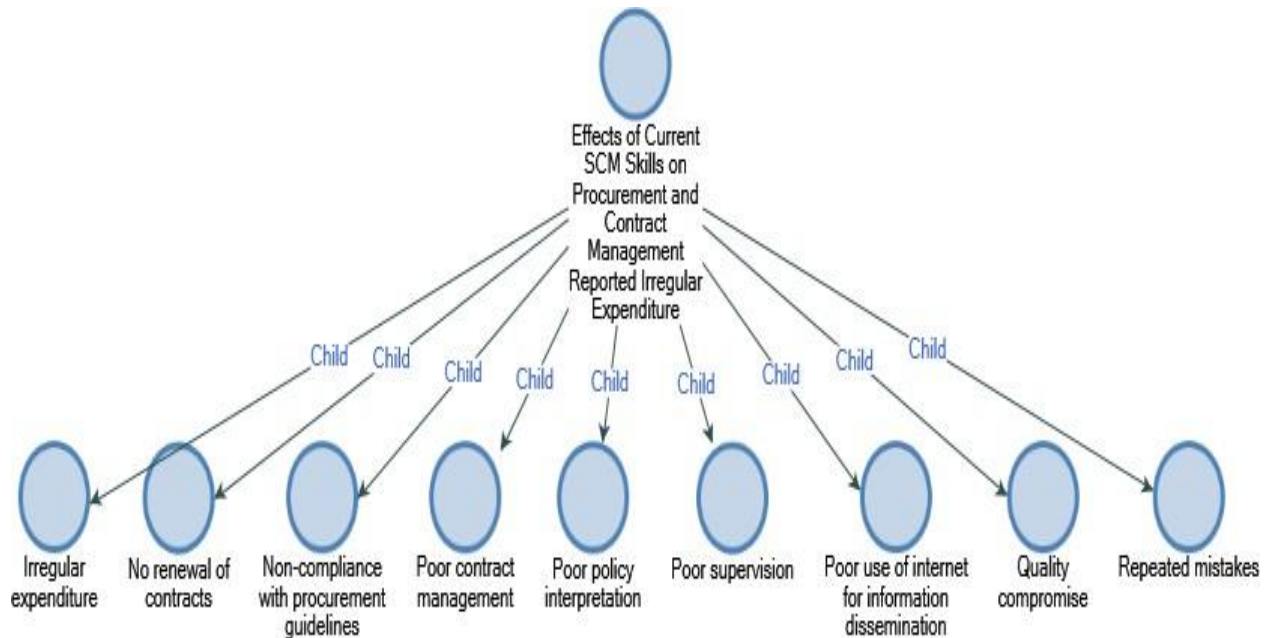
Figure 6.4 is the first sub-theme to theme four which indicates the nature of human resources skills and expertise in the procurement and contracting department. From the interviews conducted, ten skills and competences were identified for procurement and contract management official to possess. These are: Computer skills, correct attitude and work ethics, financial management good organizational skills, knowledge of SOP and prescripts, project Management skills, SCM skills, teamwork skill, time management skills, and willingness to explore new methods and streamline work.

Sharing his experience, (interviewee F) reported that:

*“Firstly, SCM officials must have good organizational skills; must have sound knowledge of SCM practice notes, legislation on tender board, regulations and PFMA. Lastly and importantly SCM officials must possess high levels of integrity and honesty with good work ethics”.*

### 6.2.4.2 Sub theme: Effects of current SCM Skills on Procurement and Contract Management Irregular Expenditure

**Figure 6.5 Effects of current SCM skills**



**Source: Self-generated by the researcher**

Figure 6.5 represents the second sub-theme to theme four which indicates the nature effects of current Supply Chain Management [SCM] skills on procurement and contract management were identified for reported irregular expenditure. From the interviews conducted, nine effects of current SCM on procurement and contract management. These are, irregular expenditure, no renewal of contracts, non-compliance with procurement guidelines, poor contract management, and poor policy interpretation. Interviewee C corroborates that *“having officers who do not have grade 12 but were promoted to SCM is a huge problem, they cannot interpret policies”*.

Other identified effects are poor supervision, poor use of internet for information dissemination, quality compromise, and repeated mistakes. Interviewee D in his own submission noted that *“Lack of computer skills delays staff from getting relevant SCM information from the intranet like circulars and prescripts”*.

Furthermore, another participant noted that “*Head office has not renewed contracts for years dating as back as 2011 and those contracts have been done month to month for years*” (Interviewee A).

**Table 6.7 Nature of human resources skills and expertise in the procurement and contracting department**

S/N	Agreed	%	Disagreed	%	Total
10	28	33	56.	67.	84
11	30	36	54.	64.	84
12	65	77	19.	23.	84
13	44	52	40.	48.	84
18	55	65	29.	35.	84
19	67	20	17.	80.	84
TOTAL	289	57.3	215	43	504

**Source: Self-generated by the researcher**

Table 6.7 shows the opinion of the participants on the skills and competences procurement and contract management officials should possess. The grand total shows that 289 (57.3%) agreed in affirmative to all the skills and competence questions in the survey while 215 (43%).

It can be interpreted from the both qualitative and quantitative results that there are still more to be done on human resources skills and expertise in the procurement and contracting department.

The results confirm that the health department still have deficit of skilled workers that have been trained in the art and science of supply chain management. Hence, the need to recruit qualified personnel for the purpose of achieving a hitch-free procurement and contracting.

## **6.3 Discussion of the findings**

### **6.3.1 Theme one**

These results clearly demonstrated numerous factors that are influencing noncompliance with procurement guidelines. Zitha (2016:72) confirms that compliance with procurement guidelines remains a critical accomplishment for governments. In agreement with the study results the World Bank (2019) shares that, while the big step has been taken to formulate legislative frameworks to regulate Public Procurement and Contract Management, governments still need to engage and capacitate all relevant stakeholders on procurement legislative frameworks.

In view of the results and the appraised literature it can then be argued that, the procurement and contract management policies and standard operating procedures that are put in place to eradicate non-compliance are not enough and need to be supplemented by skilled human resources and direct supervision. Godi (2015) attest that, the determinants for non-compliance are a result of unclear and standard directives, insufficient human resource capacity and a lack of competency in the public procurement division.

#### **6.3.1.1 Sub-theme one**

The results show that the Kwa-Zulu Natal Department of Health does not have a standardized structure for public procurement for all hospitals. Antwerpen and Ferreira (2016:81-96), warn the regulators about the importance of the staffing norm. Furthermore, they also believe that service delivery is compromised because the public sector does not employ sufficient staff to meet the demands. Mazibuko (2018:211) cautions regulators about the provision of the standardized structure and emphasised that procurement frameworks and guidelines are not self-implementing but requires to be supported by human resources.

In view of the aforementioned, the researcher believes that the National Treasury's (2004) Supply Chain Management model presented in Figure 4.1 regulates the creation and the implementation of standardized staff establishment including adequate SCM human resources to complement it.

### **6.3.1.2 Sub-theme two**

In view of the findings concerning the effect of current SCM staff establishment on the procurement and contract management, the World Bank (2018:14), suggests that governments should adopt a procurement framework and a system that is wellmanaged and possesses an appropriate procurement structure within each procuring entity. Human resources is perceived as a crucial need for the success of any business whether private or public sector (Hinkin & Tracey 2000 as cited in Cheema and Asrarul-Haq 2017). UC San Diego (2017:1) is in agreement with (interviewee B) when saying *“Insufficient SCM staff harms procurement and contract management because there is no segregation of duties done by officers and with no direct supervision. Quotation documents are not checked since there are no supervisors”*. Furthermore, UC San Diego (2017) suggests that the procurement units must have sufficient staff to promote segregation of duty and mitigate risks. The researcher is in agreement with the results and adds that, unavailability of critical senior staff like practitioners and managers in the procurement and contract management component should be an audit query on itself. Furthermore, the researcher articulates that, procurement and contract management Standard Operating Procedures (SOP’s) and regulations would be just an archived document that does not add value if there the Kwa-Zulu Natal Department of Health does not invest in the filling of critical posts required to implement it SCM policies. The researcher’s notion is supported by Dent (2021:1), as he encourages organisations to establish adequate procurement personnel because the shortage of these individuals causes delays in the procurement process, which negatively impacts the delivery of services.

### **6.3.2 Theme two**

Theme two explores the solution in achieving clean audit. The participants identified fourteen solutions which are the creation of legal department for contracts, division of labor, employment of supervisors in SCM units, establishment of positive staff ethics, financing capacity development, improved staff attitude to work, in-service training, monitoring and evaluation, proper planning, provide valid reasons for bypassing

suppliers, recruitment of more staff for SCM, regular staff and transaction audit, setting up quotation committee, and timely review of contracts.

Interviewee B shared his opinion on how clean audit could be achieved as follows:

“Employment of supervisors in SCM units who will be responsible for verifying work and provide in-service training of staff”.

### **6.3.2.1 Sub theme one**

Based on the analyses presented on Table 6.3 which was in response to the techniques that can be explored to eliminate irregular expenditure on procurement management. In relation to the sub theme that sought to find the solution in achieving clean audit, Hartman (2017:1) agrees that employees who lack motivation may stop caring about the quality of their work and suggests that managers need to take steps to address a lack of morale in their organisations. In addition, investing in motivational factors, such as giving incentives when due, is important in improving employees' work ethics and commitment. When employees are motivated and committed, production activities will increase harmoniously (Al-Madi et al. 2017:3). It is interesting to learn from the findings that staff knows the techniques that can be used by the Kwa-Zulu Natal Department of Health in eliminating irregular expenditure on procurement and contract management.

Furthermore, the second sub-theme explores measures to mitigate fraud and corruption in procurement and contracts management. Twenty measures were identified from the interviews which are Approval of payments by the finance manager, all quotations are verified and approved by senior management, appointment of quotation committees, checking of documents, checklists are in place, filing of disclosure forms, in-service vacancies monitored by the finance manager

Installation of CCTV in SCM, keys to the tender box are kept by two different offices, procurement is approved by QAC, procurement plan, random review of transactions, regular monitoring of access control, rotation of staff, SCM code of conduct, segregation of duties, signing of attendance registers, signing of SCM code of conduct, staff training, and the procurement plan is aligned to the budget-making. One of the participants, interviewee E have this to say on the situation:

“Appointment of quotation committees ensuring that all requisition for suppliers is approved by the cash flow committee; checklist for quotation document; and procurement plan are some of the fraud control measures that are in place”.

In view of the findings on measures to be explored to mitigate fraud and corruption in procurement and contracts management, Mothibi as cited in *Maverick Citizen* (2020:1) attest that, corruption is extensive in the public sector because consequence management is not effectively implemented. Venter (2017:1) coincide with Mothibi as cited in *Maverick Citizen* (2020:1), he further enunciates that the public sector is struggling to recover irregular expenditure because consequence management is not effectively implemented. In another angle, Zitha, Sebola and Mamabolo (2016) concur with the findings and they add that, conflicts of interest; a lack of proper procurement planning; and not having a credible supplier database are the major contributory factors in fraud and corruption. In mitigating fraud and corruption in the procurement processes, Chikwere, Dzandu and Dza (2019:1) suggest that, the authorities must also strengthen its monitoring systems to ensure that delinquents are apprehended and sanctioned accordingly. Following the literature reviewed in chapter two on the same sub theme, it can then be argued that installation of CCTV in SCM could not be a solution alone in addressing fraud and corruption, intense monitoring and evaluation as well the implementation of consequence management.

The third sub-theme explores the effects of monitoring and evaluation office on audit opinion. Seven indices were raised as the signs of the effectiveness of monitoring and evaluation office. These are elimination irregular expenditure, improve audit outcomes, it ensures reports submission, it improves compliance, monitoring and evaluation should take place at the institutional level, posts are frozen and no structure is approved, and turnaround in auditing. Speaking from experience, (interviewee D) opined that M&E is not needed in the hospitals; the hospital needs SCM supervisors and managers to monitor and evaluate SCM transactions.

Ngcobo and Malefane (2017: 1) argues that the implementation of internal control is vital in guiding managers and employees on how the tasks should be performed and how to adhere to the established legislations. Seeing the arguments of both the (interviewee D) and Ngcobo and Malefane (2017), it is evident that monitoring and

evaluation is necessary, whether it is done by SCM supervisors, or Monitoring and Evaluation managers.

Furthermore, the fourth sub-theme explores the views of the interviewees on the adoption of electronic procurement in health department in KZN. The sub-theme was further categorized into two, positive and negative views. The interviewees identified fourteen benefits of e-procurement as positive view. These are: to assist in alleviating the pressure on SCM, convenient for suppliers and staff, cost-effective, could assist in mitigating irregular expenditure as it has less paperwork, electronic monitoring of stock, it will eliminate the risk of fraud and corruption, information is easily accessible, it saves on storage space, it saves time, less interaction with suppliers, less paperwork, it will minimise risk, minimise unnecessary delays, and procurement will be more effective.

On negative view, four challenges to the adoption of electronic procurement were identified. They include, PCs are old and corrupted with viruses, poor network poses a challenge; staff in SCM are not computer literate, and “it will not work for us until we solve SCM issues”.

The use of E-procurement is supported by Khan (2018: 31) he believes that there is a need to establish technical standards for information technology systems and computer software applications within the public procurement. Cloete, et al (2014) as cited in Ngobese (2018) are in agreement with the findings, they add that unavailability of procurement software is the main factor that hinders the achievement of efficient procurement provisioning. The Organisation for Economic Co-operation and Development (OECD) (2016:12) further adds that the use of technology can increase transparency, facilitate accessibility to public tenders, decrease direct interactions between procurement officials and companies. These benefits can be achieved through online platforms, like Open Tenders, which allows citizens to search for government contracts and submit bids. Technology also facilitates outreach and competition, allowing for greater outreach and competition among businesses. Finally, technology can help detect irregularities and corruption, such as bid rigging schemes. While agreeing with the cited authors in promoting the electronic procurement, the

technology challenges faced by the Kwa-Zulu Natal Department as revealed by the respondents cannot be ignored.

### 6.3.3 Theme three

“Table 6.6 reveals the analysis of data on the contract management administration challenges faced by the KZN department of health. All the three survey items yielded 64 (25.3%) for the agreed; while the disagreed has 188 (75%). Since the disagreed score is higher than the agreed responses, it can be inferred that contract management administration challenges is acknowledged by participants”.

Theme three discusses contract management administration challenges faced by the department in accordance with the results and relevant literature. According to Source One (2020:6), Contract Management involves taking a proactive hands-on approach in ensuring that contracts are administered effectively, including monitoring critical dates like expirations and auto renewals. The South African National Treasury (2015:15) shares the same sentiment with the result that contract management administration challenges is acknowledged by participants. Furthermore, the South African National Treasury (2015:15) clarifies that, the determinants for noncompliance with contract management as a are result of:

- “poor demand and procurement planning, resulting in large deviations and price escalations;
- poor development of specifications;
- dysfunctional bid committees; □ weakly-skilled SCM practitioners; and
- poor contract and supplier management”.

In addition to the aforementioned results and discussion, Table 6.5 displayed that, senior management has a major role to play in the procurement and contract management. One respondent believed that “*All senior management needs to be part of all processes of procurement and contracts management to ensure effective and cost-effective, and value for money on services which will, in turn, prove outcome*”.

*/outputs based on strategic plans*” (Interviewee J). While senior management partake in contract management as per the results of this sub-theme, the South African, Natal Treasury (2016) argues that, over the years there has been consistently weak control measures in the administration of contracts across the provincial departments. In an article by Taddele (2019) suggests that, in order to promote efficiency and value for money, effectiveness, transparency and morality in government contract administration, officials involved in public procurement processes must be made accountable for their actions.

While the results indicate that the contract administration challenges are known by the Kwa-Zulu Natal Department of Health, this study argues that Department is investing on formulating SOP's and ignoring the crucial part of proving sufficient human resources with adequate skills to implement. Furthermore, the United Nations Office on Drugs and Crime (2016:34) confirms that, there are series of control measures that must be implemented in managing contract irregularities including the (United Nations Office on Drugs and Crime (2016:34):

- “Authorization and approval procedures;
- Segregation of duties, authorizing, processing, recording and reviewing;
- Controls over access to resources and records;
- Verifications;
- Reconciliations;
- Reviews of operating performance;
- Reviews of operations, processes and activities; and
- Supervision, assigning, reviewing and approving, guidance and training”.

#### **6.3.4 Theme four**

The results of theme four was broken down into two sub-themes in order to get profound perceptions of the respondents on each sub-theme:

#### **6.3.4.1 Sub-theme one**

The results of theme that sought to gain the perceptions of the participants on skills and competences procurement and contract management officials should possess, highlighted the major skills required by officials in order to render effective and efficient procurement and contract management provision. Thai (2016:3) concur with the results, he further put emphasis on training public procurement professionals. In addition, providing on-going training would assist the practitioners adapt with constantly changing environment, characterized by rapidly developing technologies and increasing choice of products. Christopher (2016) as cited in Ngobese (2018:27) also shares the same sentiment and that, the achievement of procurement excellence in the global marketplace can only be attained through advancement in administrative skills and competencies. Munzhedzi (2013), cited in Zitha (2016:71) argues that, government procurement is known to be suffering from a shortage of procurement skills and capacity. Furthermore, public sector skills development programs must address issues related to procurement processes that hurt non-compliance, including planning, legislation, conflicts of interest, as well as the impact of procurement decisions on service delivery.

#### **6.3.4.2 Sub-theme two**

Christopher (2016) as cited in Ngobese (2018:27) are in agreement with the findings and shared that, the achievement of procurement excellence in the global marketplace can only be attained through advancement in the administrative skills of employee's skills. In accordance with the World Bank (2012:10), training of procurement practitioners is a core element of procurement programs that can have a positive impact on public service delivery results and performance.

Following the study results, the literature emphasizes the significance of acquiring skilled personnel for the procurement and contract management in improving performance.

## **6.4 Conclusion**

This study explored the mixed method of data collection which is qualitative and quantitative through semi structured interviews and the web-based survey to find answers to the research objectives. The main objective of this study was to investigate factors influencing non-compliance with procurement practices: A case study of Head office supply chain management directorate and hospitals within eThekweni District, Kwa-Zulu Natal.

This chapter presented the study results that were analyzed and interpreted with the aid of Statistical Package for Social Science (SPSS) IBM version 23 for qualitative methods and NVivo 12 software for quantitative methods. In this chapter the findings were also discussed and supported by relevant literature. The discussion of the results was also presented in this chapter.

# CHAPTER 7 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 7.1 Introduction

This chapter provides an overview of all chapters. It presents the summary of the key findings; the limitations of the study; the recommendations from the study; recommendations for further research; and the conclusion.

**Chapter one** of this study presented an introduction and the background of the study. The research problem statement, aims, objectives, hypothesis, the significance of the study were also elucidated in this chapter. Furthermore, the method of data collection chosen for this study was presented on this chapter.

**Chapter two** focused on the theoretical perspective of Supply Chain Management Theoretical on the Global, National, Provincial, and Local governments. This chapter discussed important aspects of SCM that was relevant to the study such as; public procurement, contract management, supply chain management, internal control; and so forth.

**Chapter three** explored the South African theoretical perspectives on Public Procurement. It presented the pillars of South African Public Procurement. It also discussed the legislative frameworks governing public procurement and contract management.

**Chapter four** presented the researcher's model for addressing non-compliance with procurement and contract management guidelines. This chapter further presented the National Treasury's supply chain management model which comprises demand, acquisition, logistics, and disposal. These two models were discussed and aligned with each other.

**Chapter five** explicated the research methodology and the design that the researcher utilized to acquire data relevant to the study objectives. In doing so, this chapter presented the research design, description of the research population, and sampling methods.

**Chapter six** presented the analysis of data collected, interpretation of results, and the discussion of findings.

**Chapter seven** provided the study recommendations in line with the key objectives of the study to eradicate non-compliance with procurement and contract management guidelines.

## **7.2 The study overview**

The aim of this study was to investigate the factors influencing non-compliance with procurement practices within the Kwa-Zulu Natal Department of Health and it was conducted within eThekweni District. The following objectives were explored for the attainment of the aim of this study:

### **7.2.1 Objectives of the study**

- 1) To examine factors and challenges influencing noncompliance with procurement guidelines within KZN Dept. of Health.
- 2) To assess the contract management administration challenges faced by the department.
- 3) How is the nature of human resources skills and expertise in the procurement and contracting management unit?
- 4) To explore techniques that can be explored to eliminate irregular expenditure on procurement management.

### **7.2.2 Research questions**

- 1) What are the factors and challenges influencing non-compliance with procurement guidelines within the KZN Dept. of Health?
- 2) What are the techniques that can be explored to eliminate irregular expenditure on procurement management?
- 3) What are the contract management administration challenges faced by the department?
- 4) What are the required human resources skills and expertise in the procurement and contracting department?

### **7.2.3 Study Hypothesis**

- 1) Inadequate staff in the procurement and contract management unit is one of the factors to the qualified audit finding on procurement and contract management.
- 2) There are weaknesses in procurement and contract management implementation processes.
- 3) There are deficiencies in procurement and contract management monitoring and evaluation.

## **7.3 Summary of the key findings**

This study adopted a mixed method of research which is qualitative and quantitative to obtain results of its objectives. The participants on this study were key role players in the procurement and contract management. A web-based survey was used to elicit information from 84 participants for the quantitative data, while an interview was used for the qualitative aspect concurrently. The interview was conducted among only fifteen participants in the Kwa-Zulu Natal (KZN) Health Department. The following themes were used to analyze the results:

## **7.4 Limitations of the study**

This was only conducted in eThekweni District and the surrounding health care facilities. Since this study was conducted during the COVID-19 pandemic, it was not convenient to reach the Kwa-Zulu Natal Department of Health Supply Chain Management component in respect of the National Covid-19 regulations. Supply Chain Management has various elements, this study only focused on procurement and contract management.

## **7.5 Recommendations from this study**

This study investigated the factors influencing non-compliance with procurement guidelines within the Kwa-Zulu Natal Department of Health and it was conducted within eThekweni District hospitals. It is worth mentioning that the respondents and participants of this study were senior managers, operational managers, supervisors, and officers who are directly involved in the procurement and contract management. Therefore, the results of this study are perceived to be credible. The recommendations for this study were constructed and presented in accordance with the results of each theme and supported by the literature conducted.

### **7.5.1 Theme 1: Factors and challenges influencing non-compliance with procurement guidelines within the KZN Department of Health**

The results of this theme specified that, the contributory factors for non-compliance with procurement guidelines within the KZN Department of Health are: poor planning of contract renewal, poor supervision, delays in advertising contracts, poor contract management skills, delays in renewing contracts, lack of monitoring and evaluation of work, use of expired contracts, no reason for bypassing the suppliers, staff carelessness, lack of cooperation, poor work ethics, insufficient staff, procurement handled by untrained personnel, and Maladministration of Contracts.

The South African National Treasury (2015:15) concurs with the results and further adds that, the determinants for non-compliance are the result of “poor demand and procurement planning, resulting in large deviations and price escalations; poor development of specifications; dysfunctional bid committees; weakly-skilled SCM practitioners; and poor contract and supplier management”. Mantzaris (2014:72) affirms that non-compliance and unfair procurement processes remain the most prevalent, and the number of such audit findings continues to increase. In view of the study results, the researcher concurs with Mantzaris (2014:72) furthermore, this results displayed that, there is a lack of adherence to the Figure 4.1 model for supply chain management, which can be perceived as weakness of the model.

To mitigate the factors and challenges influencing non-compliance with procurement guidelines within the KZN Department of Health as appears on the results. This study recommends for the Department of Health to strengthen its procurement and contract management internal control measures.

#### **7.5.1.1 Sub-theme: Availability of the KZN Department of Health Supply Chain Management standardized staffing norm**

The results of this sub-theme revealed non-implementation of the staffing norm as the problem. Whereas, the nay Sayers among the participants gave five reasons which are lack of SCM proper structure, lack of uniform execution, no standardized staffing norm available, research not carried out to determine required staff, and that SCM supervisors are on different levels at each institution. The participant C opined that “*I don't think the department has standard staffing norm for SCM, because each facility has it different structure. Similarly, (interviewee O) was of the opinion that says Yes, but it is not implemented.*”

Briefly, the results of this sub-theme indicated that, it is not clear whether the KwaZulu Natal Department of Health has the Supply Chain Management standardized staffing norm for different levels of hospitals. The results further showed uncertainty as participants revealed that each hospital has different SCM human resources structure. Furthermore, the results demonstrated that there is a not complying with regulations of the South African National Treasury (2000), which requires the Accounting Officers establish a SCM component under the office of the Chief Financial Officer to develop

and implement an effective and efficient Supply Chain Management system which consist of: demand management, acquisition management, logistics management, disposal management; risk management; and regular assessment of supply chain performance. The creation of standardized SCM staffing norm is supported by the World Bank (2018:14), and it stipulates that governments should adopt a procurement framework and a system that is well-managed and possesses an appropriate procurement structure within each procuring entity. Cheema and Asrar-ul-Haq (2017) confirms that, the shortage of human resources is one of the factors that has a significant effect on any organizational outcomes. They believe that in a situation where there is no enough staff, existing employees are forced to take on more work, leading to mistakes and other inefficiencies. Furthermore, insufficient staff negatively impacts individual performance, client care and ultimately the effectiveness of the organization.

In an effort of promoting compliance with procurement and contract management guidelines and achieving clean audit, this study argues that unavailability standardized structure and inadequate supervisors for procurement and contract management division should also be regarded as irregular. This study therefore recommends for the Kwa-Zulu Natal Department of Health to prioritize the creation and implementation of the standardized SCM structure for different levels of hospitals in accordance with Figure 4.1 and 4.2 of presented in this study.

#### **7.5.2 Theme two: Techniques that can be explored to eliminate irregular expenditure on procurement management**

The summery of the result for this theme was “the creation of legal department for contracts, division of labor, employment of supervisors in SCM units, establishment of positive staff ethics, financing capacity development, improved staff attitude to work, in-service training, monitoring and evaluation, proper planning, provide valid reasons for bypassing suppliers, recruitment of more staff for SCM, regular staff and transaction audit, setting up quotation committee, and timely review of contracts”.

In view of the aforementioned results for theme two, the South Africa’s National Treasury (2016:15) articulates that, compliance with public procurement processes, regulations, laws, and standards is critical in ensuring effective implementation of

government policies. In addition, it encourages the accounting officers to ensure that ethics, integrity, transparency, and accountability are strengthened in order to eliminate irregular expenditure. The South African, Auditor General (2020:117) pronounces that, a lack of consequence management continues to trigger high levels of non-compliance and irregular expenditure. Furthermore, it suggests the formulation of standard operating procedures and the implementation of consequence management to transgressors. Mazibuko (2018:219) argues that the procurement regulations, including consequence management, are clear but they are not implemented as envisioned. In alleviating non-compliance with procurement guidelines, the Organisation for Economic Co-operation and Development (OECD) (2016:12) encourages the use of information and communication technologies in public procurement. It further adds that, the use of technology can increase transparency; facilitate access to public tenders; reduce direct interaction between procurement officials and companies; increase outreach and competition; and allow for easier detection of irregularities and corruption, such as bid-rigging schemes.

The aforesaid results and the literature reviewed in the quest for finding techniques that can be explored to eliminate irregular expenditure on procurement management, this study presents the researcher's self-generated model for addressing noncompliance with procurement and contract management guidelines in Figure 4.2. This study believes that implementing the Figure 4.1 model alone is not sufficient in addressing the ongoing non-compliance with procurement and contract management guidelines. Therefore, this study suggests that in order to mitigate non-compliance with procurement and contract management guidelines, the new proposed model be adopted by the Kwa-Zulu Natal Department of Health and be aligned with the South African National Treasury's used model.

Furthermore, this study suggests that variables in Figure 4.1 consist of demand, acquisition, logistics, and disposal and must be supported by the Regulators and have a standardized implementation strategy in all spheres of government. In addition, for public procurement processes to be effective and efficient, Figure 4.1 variables need to be complemented by Figure 4.2 variables in improving compliance with SCM practices. Mazibuko (2018: xiv) maintains that the South African public sector has challenges in the administration of procurement practices which results in

noncompliance with relevant regulations, despite the government's existing SCM model.

In addressing the research problem, the researcher believes that the proposed model could assist in addressing non-compliance with SCM practices and result in effective, efficient and economical Supply Chain Management. Furthermore, this study recommends for the Kwa-Zulu Natal Department of Health to have procurement and contract management minimum required staff, provide ongoing training, procure software to allow e-procurement, provide frequent in-house monitoring, and lastly implement consequence management against the defaulters. The researcher believes that shall the proposed model be adopted and aligned with department strategies, the organizational culture will change for the better, staff moral will be cultivated, and compliance with procurement and subsequently contract management guidelines will improve.

### **7.5.3 Theme three: The contract management administration challenges faced by the department**

The results of theme three confirmed that there are contract management administration challenges faced by the department. The South African National Treasury (2015:15) confirms that, there the public sector has contract management administration challenges. In addition, it explains that the determinants for noncompliance with contract management as a are result of:

- “poor demand and procurement planning, resulting in large deviations and price escalations;
- poor development of specifications;
- dysfunctional bid committees; □ weakly-skilled SCM practitioners; and
- poor contract and supplier management”.

The results in Table 6.5 displayed that, senior management has a major role to play in the procurement and contract management administration. The Source One (2020:6) agrees that, senior management must take a proactive hands-on approach in ensuring that contracts are administered effectively, including monitoring critical dates like expirations and auto renewals.

In eradicating contract administration challenges and improving compliance with the guidelines, this study recommends for the Kwa-Zulu Natal Department of Health to prioritize contract management administration and ensure that such administration is done by qualified staff at all hospital levels.

#### **7.5.4 Theme four: SCM human resources skills and expertise**

The nature of human resources skills and expertise in the procurement and contracting component results were displayed in Figure 6.4. The results of this theme indicated the lack of skills and expertise as a challenge. The following deficiency of skills and competences were identified: “computer, correct attitude and work ethics, financial management good organizational, knowledge of standard operating procedures, project management, SCM, teamwork, time management, and willingness to explore new methods and streamline work.”

The researcher concurs with the results that the shortage of skills in the public procurement contribute to non-compliance with the guidelines, because unskilled employees are likely to overlook or disregard the processes because of the lack knowing it importance. The World Bank (2018:14) insist that, in order for the public sector to be able carry out its strategies and to accomplish its procurement objectives, it needs to have skilled human resources in the procurement division. Christopher (2016), as cited in Ngobese (2018:27) also adds that, the achievement of procurement excellence in the global market can only be attained through the administrative advancement of staff skills and competencies.

The above mentioned skills gab indicates that, it will be highly impossible for the Kwa-Zulu Natal Department of Health to achieve clean audit and compliance with procurement and contract management guidelines, unless it invest in developing the skills of staff that are employed to put it into practice. This study therefore, recommends for the Department to prioritize providing the identified skills to the procurement and contract management officers.

## **7.6 Summary of the recommendations**

- 1) Hospitals senior management to strengthen internal control measures in procurement and contract management component;
- 2) Establishment of a standardized procurement and contract management structure for the different levels of hospitals as per PFMA Section 38 requirements;
- 3) Recruitment of critical supervisors / practitioners and manager's posts;
- 4) The Kwa-Zulu Natal Department of Health to adopt the researchers self-generated model as presented in Figure 4.2 and to align it with the Supply Chain Management Model that was designed by South African National Treasury in 2004.
- 5) Procurement of computers, network upgrade, and software for e-procurement;
- 6) Frequent visits of District Monitoring and Evaluation team to the hospitals;
- 7) Application of consequence management to the defaulters of procurement and contract management guidelines; and
- 8) Provision of SCM in-service training and bursaries to procurement and contract management officers.

## **7.7 Recommendations for future areas of research**

The alluded limitations of this study are imperative and consequently necessitate the need for further research, that would cover the excluded elements of SCM as well as the Kwa-Zulu Natal Department of Health, Head Office Supply Chain Management component.

The results of a survey indicated that 81% of respondents agreed that, indeed there are factors and challenges influencing non-compliance with procurement and contract management guidelines within the KZN Department of Health. These results, therefore, motivate the need for further research in the sphere of Supply Chain Management until a clean audit opinion is obtained.

## 7.8 Conclusion

This study investigated the factors influencing non-compliance with procurement and contract management guidelines in Kwa-Zulu Natal Department of Health and it was conducted within eThekweni District. The literature reviewed in this study and the and its results indicated that non-compliance with public procurement and contract management guidelines remains a huge challenge that across the globe.

The results of the study highlighted the major contributory factors for non-compliance with procurement and contract management guidelines including: “poor planning of contract renewal, poor supervision, delays in advertising contracts, poor contract management skills, delays in renewing contracts, lack of monitoring and evaluation of work, use of expired contracts, no reason for bypassing the suppliers, staff carelessness, lack of cooperation, poor work ethics, insufficient staff, and procurement handled by untrained personnel”.

It is worth mentioning that the aforementioned results exhibited that, the senior managers and staff within the Kwa-Zulu Natal Department of Health are concerned about the ongoing qualified audit opinion as a results of non-compliance with procurement and contract management guidelines. The results indicated that, insufficient staff and shortage of skills in the procurement and contract management unit are the fundamental contributory factor for non-compliance. Mazibuko (2018:211) cautions regulators about the shortage of staff and skills in the procurement arena of the public sector. He further added that procurement frameworks and guidelines are not self-implementing but requires to be supported by human resources.

Based on the findings of this study, it can be concluded that non-compliance with procurement and contract management guidelines remains a huge challenge even though the Department has policies in place. The World Bank (2019) agreed that while the big step has been taken to formulate legislative frameworks to regulate Public Procurement and Contract Management, government still needs to engage and capacitate all relevant stakeholders on procurement legislative frameworks. Hence, the researcher believes that, the said major contributory factors for non-compliances with procurement and contract management guidelines resulting to continuous

qualified audit opinion could be mitigated if the Kwa-Zulu Natal Department of Health could adopt the six recommendations of this study as mentioned in 7.4.

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# APPENDICES

## Appendix A Ethical clearance letter



2 June 2021

Mrs S G Mkhize  
36 Flamboyant Drive  
Isipingo Hills  
4133

Dear Mrs Mkhize

**Investigation of factors influencing noncompliance with procurement practices: A case study of Head office supply chain management directorate and hospitals within eThekweni District, KwaZulu Natal**

I am pleased to inform you that **PROVISIONAL APPROVAL** has been granted to your proposal subject to:

- Piloting of the data collection tool. *Please note that should there be any changes to the data collection tool, in a letter signed by the researcher and supervisor, list the changes to the documents and submit to IREC with the final data collection tool. Even when there are no changes to the data collection tool, IREC has to be notified.*
- Obtaining and submitting the necessary gatekeeper permission/s to Institutional Research Ethics Committee (IREC).

**PLEASE NOTE THAT THIS IS NOT A FINAL APPROVAL LETTER. KINDLY SUBMIT THE ABOVE MENTIONED DOCUMENTS WITHIN THREE MONTHS TO THE IREC OFFICE. DATA COLLECTION CAN ONLY COMMENCE WHEN IREC ISSUES FULL APPROVAL**

The Proposal has been allocated the following Ethical Clearance number **IREC 099/21**. Please use this number in all communication with this office.

Approval has been granted for a period of **ONE YEAR**, before the expiry of which you are required to apply for safety monitoring and annual recertification. Please use the Safety Monitoring and Annual Recertification Report form which can be found in the Standard Operating Procedures [SOP's] of the IREC. This form must be submitted to the IREC at least 3 months before the ethics approval for the study expires.

Yours Sincerely

\_\_\_\_\_  
Prof J K Adam  
Chairperson: IREC

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## Appendix B Gate keepers letter



**health**  
Department:  
Health  
PROVINCE OF KWAZULU-NATAL

**DIRECTORATE:**

Physical Address: 330 Langalobalele Street, Pietermaritzburg  
Postal Address: Private Bag X9051  
Tel: 033 395 2805/ 3189/ 3123 Fax: 033 394 3782  
Email: [hrkm@kznhealth.gov.za](mailto:hrkm@kznhealth.gov.za)  
[www.kznhealth.gov.za](http://www.kznhealth.gov.za)

Health Research & Knowledge  
Management

NHRD Ref: KZ\_202107\_007

Dear Mrs SG Mkhize  
(DUT)

### Approval of research

1. The research proposal titled 'Investigation of factors influencing noncompliance with procurement practices: A case study of Head office supply chain management directorate and hospitals within eThekweni District, KwaZulu Natal' was reviewed by the KwaZulu-Natal Department of Health (KZN-DoH).

The proposal is hereby approved for research to be undertaken among Finance, SCM and Hospital CEOs within eThekweni District.

2. You are requested to take note of the following:
  - a. *All research conducted in KwaZulu-Natal must comply with government regulations relating to Covid-19. These include but are not limited to: regulations concerning social distancing, the wearing of personal protective equipment, and limitations on meetings and social gatherings.*
  - b. *Kindly liaise with the facility manager BEFORE your research begins in order to ensure that conditions in the facility are conducive to the conduct of your research. These include, but are not limited to, an assurance that the numbers of patients attending the facility are sufficient to support your sample size requirements, and that the space and physical infrastructure of the facility can accommodate the research team and any additional equipment required for the research.*
  - c. *Please ensure that you provide your letter of ethics re-certification to this unit, when the current approval expires.*
  - d. *Provide an interim progress report and final report (electronic and hard copies) when your research is complete to HEALTH RESEARCH AND KNOWLEDGE MANAGEMENT, 10-102, PRIVATE BAG X9051, PIETERMARITZBURG, 3200 and e-mail an electronic copy to [hrkm@kznhealth.gov.za](mailto:hrkm@kznhealth.gov.za)*
  - e. *Please note that the Department of Health shall not be held liable for any injury that occurs as a result of this study.*

For any additional information please contact Mr X. Xaba on 033-395 2805.

Yours Sincerely

Dr E Lutge  
Chairperson, Health Research Committee  
Date: 20/07/2021

Fighting Disease, Fighting Poverty, Giving Hope



Enquires: Mrs. N.P Ngobho  
Date: 05/07/2021

Mrs. S. Mkhize  
Durban University of Technology  
Institutional Research Ethics Committee

**RE: SUPPORT FOR RESEARCH STUDY "INVESTIGATING OF FACTORS INFLUENCING NON COMPLIANCE WITH PROCUREMENT PRACTICES: A CASE STUDY OF HEAD OFFICE SUPPLY CHAIN MANAGEMENT DIRECTORATE AND HOSPITALS WITHIN ETHEKWINI DISTRICT, KWAZULU-NATAL"**

I have pleasure in informing you that the District is granting you support to conduct the research study titled "Investigating of Factors Influencing Non Compliance with Procurement Practices: A Case Study of Head Office Supply Chain Management Directorate and Hospitals within eThekweni District, KwaZulu-Natal" at eThekweni Health District facilities.

Please note the following:

1. Please ensure you adhere to all the policies, procedures, protocols and guidelines of the department of health with regards to this research.
2. This research will only commence once this office has received confirmation from the provincial health research committee in the KZN department of health.
3. Please ensure this office is informed before you commence your research.
4. The District office/facility will not provide any resources for this research.
5. You will be expected to provide feedback on your findings to the district office/facility.

Thank you.

Sincerely,

\_\_\_\_\_  
Mrs. N.P. Ngobho  
(P. Monitoring and Evaluation Manager)  
eThekweni Health District

## Appendix C Letter of information



### LETTER OF INFORMATION

**Title of the Research Study:** Investigation of factors influencing noncompliance with procurement practices: A case study of Head office supply chain management directorate and hospitals within eThekweni District, Kwa-Zulu Natal

**Principal Investigator/s/researcher:** Sithembile G Mkhize

**Co-Investigator/s/supervisor/s:** Prof. Nirmla Dorasamy

**Brief Introduction and Purpose of the Study:** Public procurement is an evolution that started during the 1990s as governments from rich and poor countries came under increasing pressures to do more with less and to provide efficiency, fairness, and equity in the procurement system (Thai 2009:3). According to South African Department of Justice (1996:77) contracts for goods or services must be done in accordance with a system which is equitable, transparent, competitive and cost-effective. Mazibuko (2018: xiv) believes that South African public sector has challenges in administration of procurement practices. He further state that despite having government policies and supply chain management codes of conduct, there seems to be an on-going exhibition of unethical procurement practices.

This study will only focus on the procurement and contract management as it aims to investigate the factors and challenges faced by Kwa-Zulu Natal Department of Health, in promoting compliance to procurement practices. According to the latest figures shown in the report of South Africa, Department of Health (2019: 111:120) Kwa-Zulu Natal Department of Health received qualified audit opinion on the procurement and contract management.

The targeted health establishments for this study will be the Provincial Health Head Office: Supply Chain Management Office, eThekweni District Office and 22 hospitals within eThekweni District.

Provincial Health, Head Office: Supply Chain Management Office is selected to participate on the study because the researcher believes that this office is in a good position to provide positive and primary inputs to the study as it is the office responsible for the formulation, implementation and monitoring of procurement and contract management standard operating procedures for the province. This office is also responsible for the procurement of goods and services for the all hospitals when the value exceeds the hospital's financial procurement delegations.

eThekweni District is selected because it is the largest District with the largest number on hospitals compared to other districts within the province of Kwa-Zulu Natal. The hospitals within this district are frequently audited and they contributed on the above mentioned findings for 2018/2019. The researcher is of the opinion that, data collected from these facilities will be

able to provide different views in responding to the research problem affecting the KZN Department of Health. Collecting data from this District will be convenient to the researcher in terms of travelling and time because she is working in one of hospitals around it.

This study seeks amongst other things to determine techniques that can be explored by the department of health to eliminate irregular expenditure on procurement and contract management as well as to promote compliance with procurement guidelines.

**Outline of the Procedures:** participants will be expected to avail themselves for an interview and to participate openly. The interview will take approximately 45 minutes and will take place in the comfort of the participant's offices. Participants will be informed in a month advanced about the scheduled interview. Questionnaires will be emailed together with an attachment letter detailing what need to be done and submission due dates.

**Risks or Discomforts to the Participant:** the study does not involve risks or discomfort.

**Benefits:** since the participants are role players in the field being studied, they will benefit by having an opportunity of sharing their opinions on the research questions. When the study is completed, the dissertation will be applauded on the KZN Department of Health intranet as a literature review and everyone within the department will have free access to it.

**Reason/s why the Participant May Be Withdrawn from the Study:** Participants may be withdrawn from the study if they not complying with interview scheduled times without excuses or when they are sick. There will be no adverse consequences for the participants should they choose to be withdrawn.

**Remuneration:** there will be no remuneration; participation on the study will be voluntary.

**Costs of the Study:** researcher will be responsible for the cost of the study.

**Confidentiality:** the participant's personal details such as: name, gender etc. will be kept anonymously.

**Research-related Injury:** the study does not involve risks that could harm participants.

**Persons to Contact in the Event of Any Problems or Queries:**

(Supervisor: Prof N Doresamy). Please contact the researcher (cell no: 071 868 8918) my supervisor (cell no: 072 267 8704) or the Institutional Research Ethics administrator on 031 373 2900. Complaints can be reported to the DVC: Engagement, Dr. Linda Langaniso on 031 373 2326

**General:**

Potential participants must be assured that participation is voluntary and the approximate number of participants to be included should be disclosed. A copy of the information letter should be issued to participants. The information letter and consent form must be translated and provided in the primary spoken language of the research population e.g. isiZulu.

## Appendix D Consent letter



### CONSENT

**Statement of Agreement to Participate in the Research Study:** Investigation of factors influencing noncompliance with procurement practices: A case study of Head office supply chain management directorate and hospitals within eThekweni District, Kwa-Zulu Natal

- I hereby confirm that I have been informed by the researcher, about the nature, conduct, benefits and risks of this study - Research Ethics Clearance Number: \_\_\_\_\_ IREC 099/21 \_\_\_\_\_.
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

\_\_\_\_\_  
Full Name of Participant                      Date                      Time                      Signature / Right  
Thumbprint

I, herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

Sithembile G M Mkhize                      14/11/2020  
Full Name of Researcher                      Date                      Signature

\_\_\_\_\_  
Full Name of Witness (If applicable)                      Date                      Signature

\_\_\_\_\_  
Full Name of Legal Guardian (If applicable)                      Date                      Signature

## Appendix E Research ethics evaluation certificate



**TRREE**

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# Certificado Certificate

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Promoting the highest ethical standards in the protection of biomedical research participants

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Ce document atteste que - this document certifies that

## Sithembile Mkhize

a complété avec succès - has successfully completed

## Research Ethics Evaluation

du programme de formation TRREE en évaluation éthique de la recherche  
of the TRREE training programme in research ethics evaluation

Release Date: 2021/04/18  
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Swiss Academy of Medical Science (SAMS/ASSM/AMF) ([www.sams.ch](http://www.sams.ch)) - Commission for Research Partnerships with Developing Countries ([www.crdp.ch](http://www.crdp.ch))

(REV : 20170310)

## Appendix F Data collection instruments

### Interview Schedule

Interview schedule in line with the study that is being conducted by Mrs S.G Mkhize – Durban University of Technology, Student number: 21240922 undertaking Doctor of Technology in Public Administration. The provisional title of a Dissertation is: Investigation of factors influencing noncompliance with procurement practices: A case study of Head office supply chain management directorate and hospitals within eThekweni District, Kwa-Zulu Natal

Interview Place:

Interview Date :

Time:

1. The Kwa-Zulu Natal Department of Health has been receiving qualified audit opinion on procurement and contract management for at least three consecutive years. What factors do you think influences non-compliant with procurement and contract management guidelines thus resulting to irregular expenditure?

Answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. In view of an ongoing procurement irregularities, briefly explain what do you think could be the solution in achieving clean audit?

Answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. In your personal opinion, what hinders timeous advertising of contracts thus resulting in the utilisation of expired contracts on a month to month basis?

Answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. According to your understanding, does KZN Department of Health has standardised supply chain management staffing norm?

Answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. In your own opinion, what effect does the current existing SCM staff establishment has on the procurement and contract management reported irregular expenditure?

Answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. What skills and competences do you think procurement and contract management officials should possess?

Answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. In your own opinion, what effect does current existing SCM skills has on procurement and contract management reported irregular expenditure?

Answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. Fraud and corruption are a buzzword in procurement, what measures has your office put in place to mitigate fraud and corruption?

Answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. Considering the external and internal audit that are being conducted, how do you think this audits are perceived by procurement and contract management officials?

Answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. What effect do you think internal and external audit has on the procurement and contract management?

answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

---

---

11. Monitoring and evaluation office is centralised, what effect do think it would have on the audit opinion if all health care facilities were to have this office internal?

answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

12. What are the involvements of senior management on the procurement and contract management?

Answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

13. Lastly, being in the Fourth Industrial Revolution, what are your views on Electronic procurement?

Answer: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### Web-based surveys questionnaire

**Web-based surveys questionnaire is intended for management, supervisors and officers involved in the procurement and contract management within the KZN Department of Health.**

**The web-based survey questionnaire is formulated in line with the study that is being conducted by Mrs S.G Mkhize – Durban University of Technology, Student number: 21240922 undertaking Doctor of Technology in Public Administration: Investigation of factors influencing noncompliance with procurement practices: A case study of Head office supply chain management directorate and hospitals within eThekweni District, Kwa-Zulu Natal**

**Survey commencement date:**

**Survey end date:**

Questionnaire	Agree	Disagree
Administration of procurement practices underpinned by value for money, ethics, competition, transparency, and accountability in the department of health		
Department SCM Monitoring and Evaluation are easily accessible to hospital Procedures in procurement plan preparation and implementation if are well followed in Meru District Council?		
There are factors affecting implementation of annual procurement plan		
Management decisions have effect on the implementation of procurement plan		
There are challenges that hinders timeous advertising of contracts thus resulting in the department utilising expired contracts		
Measures has been office put in place to improve contract management and avoid utilising expired contracts		
Internal and external audit has improves noncompliance with procurement and contract management		
Procurement and contract management officers perceive audit as a threat and corruption watch		
SCM units in all health establishments has the equal minimum required categories of staff in supply chain management		
Demand, Acquisition, Logistic and Contract management posts are filled		
Current existing SCM procurement and contract management skills has an impact on the reported irregular expenditure		
Hospital Procurement and contract management officials has minimum required skills for the job		
Inadequate procurement and contract management human resources is contributing to irregular expenditure		
There are weaknesses in procurement and contract management implementation processes.		

There are deficiencies in procurement and contract management monitoring and evaluation		
Bid committees are appointed and fully functional		
Quotation award committee contributed on 2018/2019 irregular expenditure audit funding on procurement and contract management		
Procurement of goods is split into parts of lesser values		
Application of preferential points for quotation above 30 000 is not always practical		

## Appendix G Turnitin results

24/6/2022

# Investigation of factors influencing non-compliance with procurement practices:

*by Sthembile Gadosa Mkhize*

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**Submission date:** 23-Jun-2022 12:49PM (UTC+0200)  
**Submission ID:** 1860644607  
**File name:** SG\_MKHIZE\_FOR\_TURNITIN\_3.docx (11.48M)  
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## Investigation of factors influencing non-compliance with procurement practices:

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