

Professionalising Supply Chain Management as an Alternative Mechanism to Curb Corruption in the South African Public Institutions

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Abstract: In South Africa, government is considered the largest purchaser of goods and services because of the many entities within the three government spheres. Government entities are required to ensure value for money when contracting for goods and services which is both a principle of good governance as is a constitutional obligation. The South African government introduced procurement in the public service as a means of ensuring effective public financial management in government activities. Procurement involves the acquisition of goods and services by an institution to enable it to execute its functions and to provide services to the people by means of commercial dealings (Pauw, Woods, Van der Linde, Fourie & Visser, 2009:228). Adding on this, procurement of services and goods in South Africa has at all times been a leading matter when it comes to the financial controls and accounting records of government entities. Based on the above, the argument of this paper is that if supply chain management and procurement are treated as separate practices and a lot of focus is placed on procurement and not supply chain management as a tool through which government can achieve effective procurement. Then government will not achieve its goal of reducing corruption and financial misconduct in the provision of goods and services to the people and in acquiring goods to run the different government entities. The research design used in this article was a qualitative method. Data were collected through extensive review of public documents, government publications and legislation, newspaper articles, accredited journal articles and books. The results showed that although there are many laws governing these practices, in the public sector, there are still challenges that negatively affect the effective and efficient execution of supply chain management and procurement in the public sector. The major challenge is fraud and corruption within public institutions. The paper recommends that public institutions should place more emphasis on strengthening the internal audit function.

Keywords: Procurement, Public sector, Public service, Supply chain management

1. Introduction

In order to ensure effective procurement practices so as to manage financial resources effectively within the country, the South African government uses Supply Chain Management (SCM) as one of the mechanisms to implement its procurement policies and reforms. Supply chain management entails the planning and administration of every activity included in procuring that is acquisition management that contains contracting and negotiating, conversion and logistics management activities (Pauw, Woods, Van der Linde, Fourie & Visser, 2009:250). Conventionally, Supply chain management has been underestimated and misinterpreted in the sense that its strategic significance has not been acknowledged hence making it under capacitated. What's more, the damaging consequences of inadequate SCM mainly in the procurement stage of the chain are well documented some of them being corruption and waste, poor quality

goods and unreliable suppliers. Thus, this paper attempts to answer the following research question: To what extent would professionalising supply chain management impact on public sector procurement. Thus, the paper initiates discussion by presenting the research methodology used in the paper; thereafter follows a discussion on the contextualisation of SCM and Procurement. Secondly, the relationship between SCM and Procurement is described. Thirdly, a discussion on the professionalization of SCM is presented. Fourthly, a discussion on the benefit of SCM is presented followed by the challenges thereafter. Fifthly, a discussion on how SCM and procurement should be conducted in the public institutions is presented. Finally, the paper provides concluding remarks.

2. Research Methodology

This study was conducted mainly using qualitative approach of research, purely desktop. This

approach was set to establish a clear and objective orientation, a vigorous, disciplined and systematic procedure, and a reality bound methodology, which allows arriving at a theory that will be free from vague and sloppy approaches, speculative thoughts about reality, and a theory that should be distinguished from a social philosophy, abstract speculation and everyday assumptions (Nantege, 2011:48). The research employed government publications as a tool of data collection and to counter the shortcomings that would accrue from the use of that tool, academic journals, books and other academic writings were used.

3. Contextualising SCM and Procurement

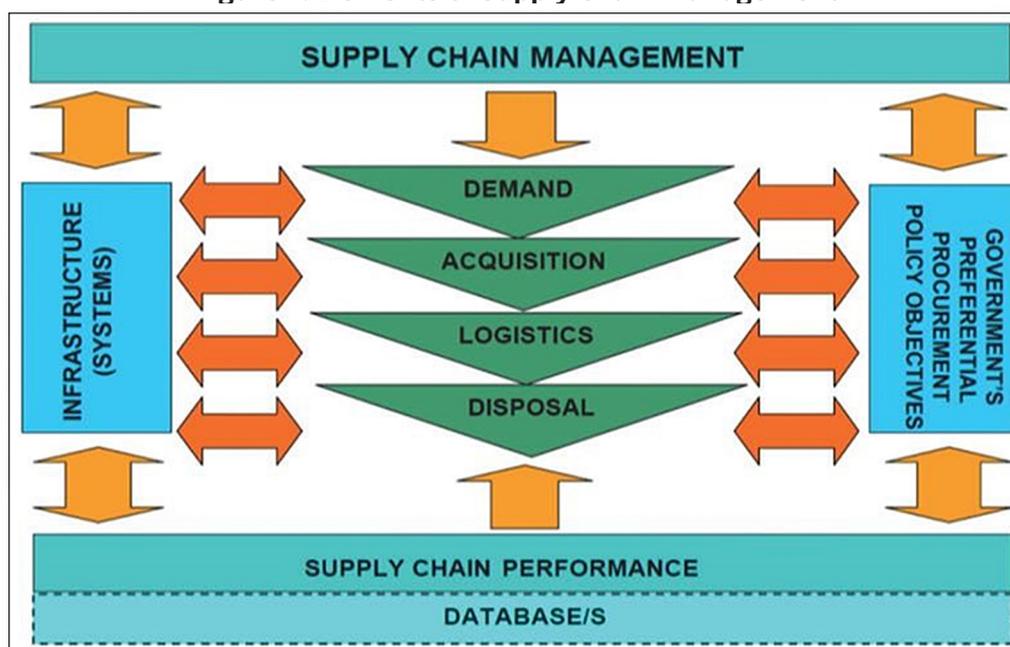
According to Larson (2009:222), supply chain management incorporates planning and managing of all those activities involved in procurement, conversion, logistics management and sourcing. This involves collaboration and coordination with intermediaries, suppliers, customers and third party service providers. Supply chain management in the public sector on the other hand is concerned with coordination of all those individuals involved in the delivery of a combination of inputs, outputs or outcomes that will in turn meet specific requirements within the public sector for example, partner organisations and external suppliers. Additionally, Supply chains within the public sector address diverse focus areas which can differ from sector

to sector in government (Ambe and Badenhorst-weiss, 2011:74). For instance, in the health sector, the focus might be on logistics and the effective movement of goods and services in and out of hospitals while SCM in the sector of education may focus on streamlining the chain through which teaching materials are delivered to students. Hence the nature or form of the SCM processes that are applied and employed by institutions differ depending on a variety of diverse considerations (Ambe & Badenhorst-weiss, 2011:74). The elements of SCM are presented in Figure 1 with brief narrative below.

3.1 Demand Management

According to the National Treasury (2004), demand management, is the first phase in the supply chain management process. The main objective of this stage is to make sure that the resources required to fulfil the needs identified in the strategic plan of the institution are delivered at the correct time, price and place and that the quantity and quality will satisfy those needs. Adding on this, as part of this element of SCM, a total needs assessment should be undertaken. This analysis should be included as part of the strategic planning process of the institution and hence will incorporate the future needs. It is vital for managers to understand and utilize sound techniques to assist them in their planning, implementation and control activities. As part of the strategic plan of the institution, resources required

Figure 1: Elements of Supply Chain Management



Source: Adapted from the National Treasury (2004)

for the fulfilment of its obligations should be clearly analysed. This includes a detailed analysis of the goods, works and services required, such as how much can be accomplished, how quickly and with what materials and equipment. Therefore, accounting officers and all the relevant authorities should ensure that the future as well as current needs are understood, requirements linked to the budget and any specifications determined. The need forms part of the strategic plan of the institution including the possibility of procuring goods, works or services from other institutions e.g. stationery, printing and related supplies from the Government Printer or furniture from the Department of Correctional Services. Managing demand is a cross-functional exercise that brings the supply chain practitioner closer to the end user and ensures that value for money is achieved. This is what makes this stage very important.

3.2 Acquisition Management

The second stage of SCM is acquisition management and traditionally, almost all the focus of procurement activity has been given to this stage. Within this stage, the management considerations are to decide on the manner in which the market will be approached, establish the total cost of ownership of a particular type of asset, ensure that bid documentation is complete, including evaluation criteria, to evaluate bids in accordance with published criteria and to ensure that proper contract documents are signed. This element of SCM further highlights the link between SCM and Procurement how these two processes cannot be separated as they have an impact on one another, through showing that SCM is an important tool for procurement management.

3.3 Logistics Management

The third stage in SCM is logistics management. According to Hugo, Badenhorst-Weiss and Van Biljon (2004:204), logistics is a framework for the management of all activities related to materials and information flows within an institution. Hugo *et al.* (2004:204) go on to say that the scope of logistics is therefore the entire organization. In other words, the focus of logistics is on optimizing the wealth of an institution through the management of the flow of information, products and services. This phase therefore applies to, among others, coding of items, setting of inventory levels, placing of orders, receiving and distribution, stores/warehouse

management, expediting orders, transport management and vendor performance. The national treasury (2004) adds that this process should also activate the financial system to generate payments.

3.4 Disposal Management

The final stage or element of SCM is disposal management. According to the National Treasury (2004), disposal is the final process when an institution needs to do away with unserviceable, redundant or obsolete movable assets. In other words, this stage involves the disposal of outdated assets that cannot be serviced or reused by an institution, for example, old departmental cars, furniture among others. It is recommended that the accounting officer/authority assigns a particular committee to deal with discarding of assets. The National Treasury (2004) goes on to say that, the accounting officer or the individual responsible for executing this function has the responsibility of considering the recommendation of the appointed committee with regard to the disposal of assets. Additionally, if disposal of any asset has been permitted, any of the methods specified below may, among others, be followed: Transfer to another institution in terms of Section 42 of the Public Finance Management Act (PFMA), 1999 (Act 29 of 1999); Transfer to another institution at market related value; Transfer to another institution free of charge bearing in mind that the assets cannot be transferred to a sub office, school.

Conversely, without approval of the Head Office of the institution then the person responsible for disposal of the assets should consider selling assets per price quotation, competitive bid or auction, whichever is most advantageous to the State. Unless determined otherwise by the relevant treasury requirements as prescribed in Regulations 5 and 6 of the Preferential Procurement Regulations, 2001 should be adhered to. However, should the sale of the movable assets not be at market related value, by price quotation, competitive bid or auction, the reasons for the disposal in such a manner should be motivated, certified and recorded for auditing purposes by the accounting officer/authority or his/her delegate. All assets transferred to another institution should be by means of an issue voucher. The National treasury adds that assets like Firearms may not be sold or donated to any person or institution within or outside the RSA without the approval of the National Conventional Arms Control Committee.

Regarding the procurement, Quinot and Arrowsmith (2013:1) define procurement as a process through which the state obtains goods, works and services that are required to fulfil its public roles while Pauw, Woods, Van der Linde, Fourie and Visser (2009:228) refer to "procurement as the acquisition of goods and services other than the services of officials for the people and their administration by means of commercial transactions". However, procurement in its broad sense captures the whole process from the identification of the goods and services required such as stationary like paper or cars for an institution, through the course of actually identifying the supplier, to maintenance of the contract that is concluded between the contracting authority and the supplier. Procurement differs within the public and the private sector when it comes to the goals and the practices within these two sectors. For instance, Larson (2009:223) points out that while procurement in the public sector is governed by legislations, laws and regulations that of the private sector is guided mostly by business plans and boards of directors. However, it is important to note that even though the private sector procurement practices are guided by the different boards of directors, it should still be conducted within the law. Furthermore, private institutions conduct their procurement practices using revenue that is acquired from taxes like income tax on salaries while private entities generate revenue used for procuring for goods and services from sales on services and goods in other wards profit.

According to Le Roux (2009:18), over the centuries, the significance of procurement in the contemporary state has rapidly grown. Public Procurement is basically the course through which the state obtains goods, works and services that are required to fulfil all its public functions. The functions that are referred to in this case involve a wide range of transactions for example, the acquisition of office furniture, intricate military hardware for the nation's defence, provision houses to the public, construction of roads just to point out a few. Procurement practices have been in existence for many centuries as they can be dated and traced back to right around 2400 and 2800 BC, where the earliest procurement order was found in Syria. However, the practice spread all over the world and in 1810 the United States in the State of Oklahoma became the first ever state to conduct procurement practices centrally by establishing a board to procure for all the state entities and organizations. Since

then, centralised procuring has become increasingly common worldwide and is practiced by most of the countries in the world, South Africa included.

Furthermore, public procurement concerns at least three interest groups: firstly, those persons that fund the activity, being government; secondly, those who benefit from the process directly or indirectly, by way of the paying taxes to finance the goods and services procured, that is to say the public; and lastly, those who supply the services and goods such as the private enterprise. The principal purpose of procurement is to serve the legitimate interests of all the parties involved within the process while taking into account the country's economy. Hence procurement also involves acquisition of services and goods to fulfil a specific function in the best possible way (Le Roux, 2009:19). Furthermore, procurement is used as a tool by government to realize socioeconomic policies and this is viewed as procurements' secondary function. Moreover, even though the goods and services procured by government could be similar to those procured by private parties, it is important to note that, there is a big variation between the principles regulating public and private procurement (Le Roux, 2009:19).

In South Africa, according to Ambe and Badenhorst-weiss (2012:243), instantly after taking office in 1994, the new South African Government introduced a series of budgetary and financial reforms on procurement with an intent to modernize the administration of the public sector, to make it more public friendly and subtle to meeting the necessities of the communities it serves. In 1995 reforms on procurement arose in two broad focus areas, namely; the promotion of principles of good governance and the introduction of a preference system to address certain socio-economic objectives (Ambe & Badenhorst-weiss, 2012:245). These embedded in Section 112 of the Municipal Financial Management Act, 2003 (Act 56 of 2003) (MFMA); Section 76(4) (C) of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) and the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) (PPFA). Another factor worth mentioning is the fact that "the year 2003 witnessed the adoption of a Supply Chain Management document entitled 'Policy to guide uniformity in procurement reform processes in government' in conjunction with provincial treasuries to replace the outdated procurement and provisional practices in municipalities" (Ambe & Badenhorst-weiss, 2012:246).

Nonetheless, irrespective of the above, public procurement has been mired with its own challenges such as non-compliance to procurement policy and regulations, lack of accountability (transparency in general and financial transparency), fraud and corruption are still persistent throughout the country's tendering process (Visser and Erasmus, 2002:150). Government departments and all organs of state make use of procurement practices when acquiring goods however, in most cases the persons responsible for conducting this processes do not often follow the necessary procedures and this leads to mismanagement of funds and maladministration. For instance, this mismanagement within procurement usually occurs during the tender processes where according to the Public Protectors' report (2015:362) on investigations into allegations of maladministration against the Passenger Rail Agency of South Africa (PRASA), it was found that the PRASA did not award tenders fairly and in a competitive manner and this was not in line with section 217 of the constitution.

4. Relationship Between Supply Chain Management and Procurement

Pauw *et al.* (2009:249) point out that within the public sector currently, the issue of procurement practice has come to be less of a detached and separate matter and more of an inclusive set of fiscal management arrangements which make up what is known as supply chain management. Nantege (2011:16) goes on to add that SCM is a procurement tool which was born out of inevitability. This is because SCM tactically integrates the entire procurement process, as well as the "identification, acquisition, access, positioning, and management of resources" within a chain of prudently considered stages so as to reach the stated objectives. In other words, supply chain management involves those activities and processes which lead up to the procurement of goods and services. Moreover, even within the legislations, a link can be made between supply chain management and procurement in the public sector. For example, all the legislations discussed above require that public institutions develop and establish supply chain management policies that provide for effective procurement practices and this show that supply chain management and procurement are linked together and also to ensure that public procurement is effectively achieved, there is need to ensure that SCM systems are efficient and effective.

5. Professionalisation of SCM and Procurement

Balthazard (2014:1) defines professionalization as the process by which an occupation undergoes transformation to become a profession. Hodson and Sullivan (2012) further state that professionalization can be understood as the effort by an occupational group to raise its collective standing by taking on the characteristics of a profession. Borrowing from these definitions, professionalization of Supply chain management can then be seen as the process by which Supply chain professionals collectively strive to achieve the recognition and status that is accorded to established professions by emulating or adopting the defining characteristics of the established professions. Evans (2008:22) goes on to add that the process of professionalization is complex and it also doesn't help that there is a lack of consensus as to the meaning of the term 'professionalization', or the term 'professionalism' for that matter. Adding to this, most of the literature on professionalization stems from the field of sociology (Balthazard, 2014:1). When sociologists think of 'professionalism' they usually focus on the institutional aspects such as the existence of a regulatory body, legal recognition as a profession, formal training programs, and the existence of codes of ethics. However, some non-socialists differ in thinking when it comes to the term and unlike socialist they often place their emphasis on individual aspects such as the behaviors, attitudes, and values characteristic of the members of a professional group. Nonetheless Evans (2008:35) points out that even the sociological literature has begun to give more attention to those individual aspects of professionalism. Indeed, the term professionalism has begun to be used to refer to the individual aspects such as the behaviors, attitudes, and values characteristic of members of a professional group. Although the distinction between 'professionalism' and 'professionality' has certainly not made its way into common usage, the distinction between the institutional aspects and the individual aspects of professionalism and professionalization is useful and particularly relevant to the profession of supply chain management at this point in time.

5.1 Advantages of Professionalisation

Professionalisation can be advantageous in the sense that it provides personnel with a commitment to behaving ethically and displaying the

highest standards of probity and integrity, instils confidence that, through the professional body's disciplinary code, inappropriate activity or behaviour by a member will be dealt with, facilitates that provision of impartial advice in the public interest from an independent professional body that government can trust; and promotes access to a wide range of information, advice, publications and other resources that otherwise would be difficult to obtain. With that said, the next section of the report attempts to show and provide an understanding into professionalization and effective supply chain management.

5.2 Understanding Professionalisation and Effective Supply Chain Management

According to Kalinzi (2014:1) numerous professions have always been linked with the notion of service and a profession as defined above refers to a group of people organized to serve a body of specialized knowledge in the interest of the relevant stakeholder. Kalinzi (2014:1) goes on to say that all professions like medicine, law, engineering, architecture, project management, marketing, among others have a duty to protect the professionalism demanded of those professions. SCM too, is one of the new and interesting professional disciplines with an ethical code to protect, however, the profession is still in its early stages. Unlike other professions, SCM borrows heavily from other professions to make it comprehensive. For instance SCM borrows from fields such as human resource management, business management, finance, Law, management, marketing and others (Basheka & Mugabira, 2008:950). Professionalism is an issue that has recently engaged thinkers in almost all disciplines. It has always been argued that professionalism is assumed to be desirable and valuable in its own right (Kalinzi, 2014:1). Additionally, according to Lysons (2000:233), the evolution of professionalism in SCM has been largely influenced by the establishment of institutions concerned with the concept of promoting professional purchasing and the creation of various associations of specified purchasing knowledge and techniques. Furthermore, within the fields of supply chain management, professionalism allows for functionality, transparency and significant savings in public expenditure and this partly explains why it should be given due attention. There are a number of indicators that clearly guide the path to professionalism and these include legislative framework, Institutional framework, professional staff transparency and modernization procedures like use of information and communications

technology among other adequacies. It is therefore important that all the stakeholders involved in the SCM system fully understand these adequacies to coordinate work easily. Internationally, there are recognised bodies that have championed professionalism in various related disciplines. These include the Chartered Institute of Purchasing and Supply (CIPS), Chartered Institute of Logistics and Transport (CILT), The Dutch Association for Purchasing Management (NEVI) among others (Kalinzi, 2014:2).

Finally, SCM strategically integrates the whole procurement process, including the "identification, acquisition, access, positioning, and management of resources" in a series of carefully considered steps, in order to attain stated objectives (Nantege, 2011:16). And employing skilled, qualified and knowledgeable personnel is the key to procurement management. Within South Africa, supply chain executives still need to be experts at managing supply chain functions such as transportation, warehousing, inventory management, and production planning hence there is need to professionalize the career group (Dittman, 2012:1). For the reason that the supply chain process extends end-to-end within institutions and even outside them, including the relationships with suppliers and customers on a global basis. Therefore, professionalising the SCM career group can be seen as a step towards effective public sector procurement.

6. Benefits of Effective Supply Chain Management and Procurement

The benefits of effective supply chain management and procurement in an institution as includes and not limited to increasing values for money through enabling organisations reduce costs that is achieved by means of competitive bidding and tenders (Pauw *et al.*, 2009:250), leading to better asset management within public sector institutions (Migiro & Ambe, 2008:232), enhancing inter operational communication and cooperation, leading to attainment of quality and superior goods and services through providing an opportunity of subcontracting from a diverse range of institutions or suppliers, accelerating delivery time and raises customer satisfaction (Pauw *et al.*, 2009:250), promoting fairness in the processes of contracting for goods through competitive bidding and preferential point system in the case of South Africa (Pauw *et al.*, 2009:250) and promoting better asset management within an organisation as the SCM process incorporates logistics management that involves management

of an institutions stock level, generate stock needs and provide an asset management facility (Pauw *et al.*, 2009:250).

7. Challenges Faced by Public Sector Procurement

There are a number of issues that can be identified affecting effective public sector procurement within South Africa and these include; First and foremost, the issue of lack of clearness with regard to the duties and roles of the political office bearers and the technical staff has an impact on effective procurement. Secondly, the SCM officials also usually do not have the necessary skills to manage the intricacies of the procurement processes (National Treasury, 2015:5). That is to say within South Africa, the people responsible for ensuring effective public procurement often fall short of skills and knowledge needed to ensure that goods and services are procured in a manner that is effective, efficient and cost effective and hence undermining the whole essence of public procurement (National Treasury, 2015:5). Thirdly, the National Treasury (2015:5) goes on to add that another issue affecting procurement within the public sector is the fact that the regulations and the policies guiding the process are in most cases perplexing and cumbersome especially for the small businesses that have very little or even no management support or capacity and this makes competitiveness within public procurement difficult to achieve. This is because small businesses are forced to drop out of the tender processes because of the high costs incurred in the procurement processes (National Treasury, 2015:5). Finally, the biggest issue affecting procurement within the public sector in South Africa is the issue of corruption and this can be attributed to the fact that there is little or even sometimes no consequences for financial misconduct to those persons who are found guilty of such conduct. According to Yadav (2005) corruption is a global problem, which is predominantly detrimental to the welfare of individuals in emerging nations. Soreide (2002:2) goes on to say that corruption in public procurement makes the officials or the politicians in charge purchase goods or services from the best briber, instead of choosing the best price-quality combination. Basheka and Mugabira (2008:949) further argue that for public procurement it may also be useful to distinguish between political and administrative or bureaucratic corruption. Political corruption is defined by Tanzi (1998: 119) as corrupt behaviour taking place

during the budget preparation phase, a time when political decisions are made. Basheka and Mugabira (2008:949) however lengthen the definition of political corruption to include all the corrupt transactions performed by political decision-makers. While corrupt behaviour during the budget execution phase reflects mostly bureaucratic corruption.

What's more, Nantege (2011:23) argues that public procurement has been perceived as an area of waste and corruption and this can be backed by the fact that within South Africa, most of the government procurement budgets are lost to corruption. For example according to the corruption watch the Special Investigation Unit in south Africa estimated that "in 2011, between R25 billion and R30 billion of the government's annual procurement budget alone was lost to corruption, incompetence and negligence". The corruption watch (2013:np) further points out that from the then 278 municipalities within South Africa, only 18% of them received clean audit reports from the Auditor General in 2012. These very findings highlight how financial management let alone procurement of goods and services are being crippled by financial misconduct which comes down to fraud and corruption in spite of the good anti-corruption laws like the Prevention and Combating of Corrupt Activities Act (2004). Additionally, because corruption is identified as the major issue and challenge hindering effective procurement in the public sector, this research suggest professionalization of SCM as an alternative mechanism to solve this issue.

Lastly, Basheka and Mugabira (2008:950) point out that although being a professional, does not eliminate the possibility of individual members being corrupt, instead, it helps control improper behaviour by allowing actions to be judged against standards accepted by the profession. This is because, unlike private procurement, public procurement is a business process within a political system and therefore significant considerations of integrity, accountability, and national interest and effectiveness is paramount.

8. How Supply Chain Management and Procurement Should be Conducted in Public Institutions

Procurement as defined above refers to the acquisition of goods and services and forms part of the supply chain management process while supply

chain management entails the planning and administration of every activity included in procuring, that is, acquisition management which contains contracting and negotiating, conversion and logistics management activities (Pauw *et al.* 2009:250). From the SCM definition above, it is evident that procurement and supply chain management are interlinked and cannot be treated so much as separate processes. Adding to this, procurement and SCM are guided by a number of regulations, principals and legislation and should thus be conducted in accordance to these laws. As alluded to above, the Constitution of the Republic of South Africa, 1996 is the main legislation that governs procurement and supply chain management in all public sector institutions. The Constitution gives effect to other acts and legislation such as; the Municipal Financial Management Act, 2003 (Act 56 of 2003) (MFMA) and Section 76(4) (C) of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) and the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) (PPPPFA). Furthermore, this different legislation requires that all procurement activities be carried out in a manner that is fair meaning no one should be discriminated against, cost effective meaning acquiring the best quality goods at the best price, competitive through competitive bidding and tendering and should also be transparent. Additionally, because procurement should be competitive, bidding and competitive tendering are used and there is a procedure that should be followed by public institutions. This procedure is explained in detail below.

8.1 Tender or Bidding Process

Woods (2008:235) describes tendering as process through which an institution invites offers and bid-dings for the supply of products and services and a contract awarded to the supplier with the best offer according to predetermined criteria without negotiation. While Moeti, Khalo, Mafunisa, Nsingo and Makondo (2007:124) define the process as a proposal to provide goods or services in competition with other potential suppliers. There are different types of tendering that can be identified for example selective, open, prequalified, single and restricted tendering. Ngobeni (2011:17) states that the national treasury provides that all government departments invite competitive bids for all procurement above R500 000. Competitive bids should be advertised in at least the Government Tender Bulletin and in other appropriate media such as newspapers should department deem it

necessary to ensure greater exposure to potential bidders. Ngobeni (2011:17) adds that should it be impractical to invite competitive bids for specific procurement, like in urgent cases or in case of a sole supplier, the accounting officer may procure the required goods or services by other means, such as price quotations or negotiations in accordance with Treasury Regulation 16A6.4. However, the motives for deviating from inviting competitive bids should be recorded and approved by the accounting officer. Accounting officers are required to report within ten working days to the relevant treasury and the Auditor-General all cases where goods and services above the value of R1 million (value added tax inclusive) were procured in terms of Treasury Regulation 16A6.4. The report must include the description of the goods or services, the name of the suppliers, the amount involved and the reasons for dispensing with the prescribed competitive bidding process. The process of competitive bidding is made up of different stages and these include:

8.2 Request for Invitation of Tenders

The first stage in the tender process is to request for invitation of tenders Vo Bock (2005:35). This stage involves the preparation of a bid specification and the compilation of the bid documents. According to Ngobeni (2011:19) the procurement unit of the department complies and issues bid specifications in a manner that will permit fair and equitable considerations from qualified vendors. Putting together bid documents that encompasses the use of appropriate Standard Bidding Documents (SBDs) and General Conditions of Contract (GCC), is issued by the National Treasury. Ngobeni (2011:19) goes on to say that once the specifications for goods or services are drafted, the department must submit requests to the Tender committee for the invitation of tenders. The specifications are very important as they help the suppliers prepare their offers. What is more, the tender requests should, in accordance with a prescribed format, contain in full details the information required by the office, enabling it to compile an appropriate tender advertisement.

For instance, according to Visser and Erasmus (2007:159), the tender document must indicate accurate quantities, the requirements for certificates, samples, or compulsory attendance at site inspections and explanatory meetings, and must form part of the tender conditions. Additionally, a prescribed standard tender forms must be

prepared in compliance with the directives issued by the Department of Trade and Industry in terms of the National Industrial Participation Program, and should be published in at least English.

8.3 Calling for Tenders

The second stage in the tender process is calling for tenders after a tender document has been compiled by the relevant persons. Visser and Erasmus (2007:160) point out that tenders are frequently invited within the borders of the country and are publicized in the Government Tender Bulletin except the board decides otherwise. Adding on this, the usage of any other medium of advertising is left to departmental discretion. However, if a department uses another means of advertisement for the tenders and the advertisements appear concurrently with those of the Government Tender Bulletin, the material should correspond. Visser and Erasmus (2007:160) further state that all specifications such as quantity and type of goods and services are an integral part of the tender invitation. The notice for calling for tenders usually mentions the closing dates as well as a closing hour for presenting tenders, meaning only tenders received on or before the closing date and hour are considered to avoid irregularities and corruption and also where the tenders should be submitted or posted. What is more, when calling for tenders, managers should make sure that the financial resources necessary to conclude a tender contract are available hence making budgeting central to public tendering. Moeti *et al.* (2007:123) go on to say that once budget funding for a given capital project or capital asset has been confirmed, then the actual tendering process by informing all the interested bidders of the opportunity to tender can commence. And the relevant institution may publish the sought after goods or services in the State Tender Bulletin so as to invite potential suppliers to submit offers (Pauw *et al.*, 2009:236).

8.4 Submission and Receiving of Tenders

There is a specific time and date that is specified in the tender documents and all those persons submitting the tenders must submit before the deadline in respect to time and date specified (Visser & Erasmus, 2007:160). Kovacs (2008:184) states that dependent on the department, tenders could be succumbed in single or multi-envelopes along with electronic replicas of the proposals. The submitted tender envelopes are habitually sealed

for the sake of confidentiality and also because in the case of competitive tendering bids should be opened in front of the attending persons. The bids Therefore bids should be submitted in envelopes that are sealed and marked with the name and reference number of the bid and particulars of the bidder (Steyn, Basson, Carruthers, Du Plessis, Prozesky-Kuschke, Kruger, Van Eck & Visser, 2010:374). Adding on this, submission of bids often takes place by depositing the envelopes into a locked box and no late bids should be accepted and upon submission, no changes to any bid are allowed. Furthermore, Moeti *et al.* (2007:124), points out that regardless of where or when the invitation to tender is published, additional standard requirements include:

- The nature and specifications of the desired good or service must be clearly communicated;
- Information about required attributes of potential suppliers must be communicated;
- The closing date and time of the tender must be made clear; and
- The fact that no late tenders will be accepted must be communicated.

8.5 Opening of Tenders

The fourth step in the tender process is the opening of tenders. According to Gildenhuys (2002:605) the official opening procedures of tenders ought to be prearranged in order to prevent any irregularities. Tenders should be opened in public and in the company of all competing suppliers that desire to be present. In addition, to avoid the unfair selection of a tender bid, all tenders received in good time must be opened in public and particulars of each tender must be made public and this information should be entered into an official tender register, to be kept for auditing purposes (Moeti *et al.*, 2007 124). This processes should also be done in the presence of a least two officers, immediately after the closure, and no late tenders may be accepted and should be returned to the tenderer unopened. Adding to this, tenders received by facsimile, telegram, telex, or similar media are unacceptable, and each tender must be given a mark of authenticity as proof of receipt prior to closure. A list of tenders received before the closing time must then be drawn up and recorded. According Visser and Erasmus (2007:159) on request, the prices of civil, mechanical, electrical, and building

work tenders are disclosed at the time of opening, while only the name of the tenderer is revealed in other types. In case of tenders for construction contracts, the officials opening tenders read out over a microphone the names of tenderers and their prices. Public opening is highly recommended because the bidders are present and they can also sign the attendance register (Steyn *et al.*, 2010:374).

8.6 Assessing of Tenders

This is the fifth stage of the tender process. In this stage, suitably competent officials evaluate the tenders and choose a winner. These officials take into account the quality, suitability, price and abilities of the bidder when they choose the winning supplier. Responsible officials score each proposal by comparing it to a predetermined set of benchmarks. These benchmarks might have quantitative and qualitative criteria and the institution selects the tender that offers the best value for money. The selectors also take into account the supply reputation and financial standing of the various suppliers (Pauw *et al.*, 2009:237). According to Van Bon (2005:20), bids should only be evaluated in terms of the criteria stipulated in the bidding documents. A well-qualified internal tender selection committee should compare tenders, against one another as well as against a set of predetermined criteria. The tender committee should then make its selection and prepare a contract for the successful bidder (Moeti *et al.*, 2007:124). It is important to note that government institutions are not and must never be obliged to accept the lowest tender (Gildenhuis, 2002:605). This is because very good reasons might exist for why the lowest tender should not be awarded. For instance, uncertainties on whether the person with the lowest tender will provide quality services.

Furthermore, in this stage, the entity initiating the tender request makes recommendations for the adjudication of the tender, and an evaluation panel is appointed to consider all tenders received (Visser and Erasmus, 2007:160). The tenders ought to be evaluated only against the written conditions, and only those tenders that meet all the specifications laid out by the entity procuring for services are taken into consideration. Instances where tenders are equal in all respects such as price and quality, successful tenders are determined by drawing of lots (Ngobeni, 2011:23). This stage is also regarded as the most important stage in the tender process and therefore all parties involved indirectly or

directly are required to take the process seriously and make sure all the necessary aspects are complied with by the tenderer. And to also make sure the right supplier is chosen. For instance, the tax affairs of the respective tenderer must be investigated before a contract is awarded. And also Suppliers should be assessed by SCM practitioners, for possible risks such as the availability of adequate facilities, financial standing, capacity and capability to deliver, previous performance in terms of quality and service delivery, as well as attainment of goals to make sure the right person is awarded the tender. Therefore a bid is acceptable only when:

- The bidder finished and signed all the necessary bid forms;
- The bidder handed in the essential original tax clearance and other clearance or registration forms as suggested by different acts and in the bid documentations; and
- The bidder possesses the required capacity and ability to execute the contract. It is thus clear that institutions ought to assess and choose contractors based on reliability, quality, price and availability.

Furthermore, when any bid is not chosen, the reasons for passing over such bid must be defensible in any court of law in other words the reasons should be justifiable. According to Woods (2008:235) in the South African public sector, a preference point system that is prescribed by the Preferential Procurement policy framework Act is used to determine the successful supplier. As explained in chapter two of the study, the Act stipulates that the lowest acceptable tender receives 80 or 90 points for price.

8.7 Awarding Tenders

The last stage in the tender process is awarding of the tender. Before a tender can be awarded, an audit must confirm that the process of evaluating tenders has in no way been flawed (Pauw *et al.*, 2009:237). This process of auditing is necessary especially when awarding of public tenders as it reduces the likelihood of the tenderers disputing the award. In other words the audit conducted should confirm that the process was fair, open and non-discriminatory. Adding to this, all the bidders should be invited to attend the tender awarding as it goes a long way towards mitigating claims by bidders and other interested parties of

tenders having been unfairly awarded (Moeti *et al.*, 2007:124). After the tenders have been awarded, the successful tenderers should be notified by means of letters of acceptance. These letters are the basis for placements of orders, administration of contracts, and settlement of disputes. The tender results from national and provincial departments are published in the government tender bulletin. Formal contracts are then signed by the official chosen, on behalf of a public institution. In other words, after awarding of tenders, written contracts should be entered into between the government and successful tenderer (Gildenhuis, 2002:605). The contract should have a penalty clause if any possible failure on the part of the successful bidder to meet the terms of the tender occur (Pauw *et al.*, 2009:238). With that said, the next section of the research provides insight into how procurement and supply chain are conducted in the Free State treasury.

9. Conclusion

Based on the above discussion, the researcher can conclude that SCM and procurement cannot be treated so much as separate processes as procurement forms part of supply chain management which makes SCM a tool for achieving effective procurement. Furthermore, due to public institutions have originally placed more emphasis on procurement, SCM has been neglected and as a result procurement in public institutions has been ineffective. Thus, the primary argument is that if SCM and procurement are treated as separate practices and a lot of focus is placed on procurement and not SCM as a tool through which government can achieve effective procurement, then government will not achieve its goal of reducing corruption and financial misconduct in the provision of goods and services to the people and in acquiring goods to run the different government entities. The study has attempted to contribute to effective financial management in procurement and SCM practices (professionalising) in the public sector. The researcher recommended that further studies should be conducted with a view to put emphasis on the professionalization of SCM and procurement. This is supported by the fact that the two concepts work together and they need each other.

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