

order to manage boundaries, the questions were asked concisely and respondents were approached in a friendly manner.

• **Results and Discussion**

Demographic profile: There was a poor response from the sample selected from the Gauteng Provincial Treasury (GPT) - Supply Chain Business Unit. 31 respondents completed the questionnaires split as follows: Assistant Director = 13; Contract Administrate = 1; Deputy Director = 1; Deputy Director Contract Management = 1; Deputy Director Risk & Escalation = 1; Deputy Director: SCM = 1; Director- Contract Management = 1; Director Municipal Compliance, Monitoring & Evaluation = 1; Practitioner = 5; Practitioner-Supplier Registration = 1; Practitioner (VMD) = 1; Senior Buyer = 1 and Senior Contract Officer = 2. Approximately 39 percent of the respondents were between the ages of 31 to 40 years old. 41.9 percent of respondents that work in the procurement business unit at GPT have national diploma qualifications and 19.4 percent of the respondents have bachelor’s degrees. 32.3 percent of the respondents have senior certificates

The respondents included 96.8 percent of permanent employees at the GPT. 48.4 percent of the respondents indicated that they work for the contract and supplier relationships business unit of the Gauteng Provincial Treasury (GPT). Approximately 42 percent of the respondents reported that they had been working for the GPT for a period between 6 to 15 years. The demographic factors of the respondents seemed reliable and accurate for data interpretation.

Objective one: The main objective of the study was to determine the extent to which the GPT’s procurement process is exposed to procurement related risks. Respondents were given a list of possible risks, so that they could identify potential risks which they perceived were prevalent at the GPT. The risks included: collusion; fraud; unauthorised expenditure; bid rigging; fronting; contracts; kickbacks; incompetency of staff; relationships with suppliers and internal controls. The respondents were also given the option of listing any additional risks which they perceived to be prevalent in the GPT’s procurement process. See Appendix A for the questionnaire.

Figure 2 below displays the extent to which the respondents perceived the procurement process to be exposed to the listed risks.

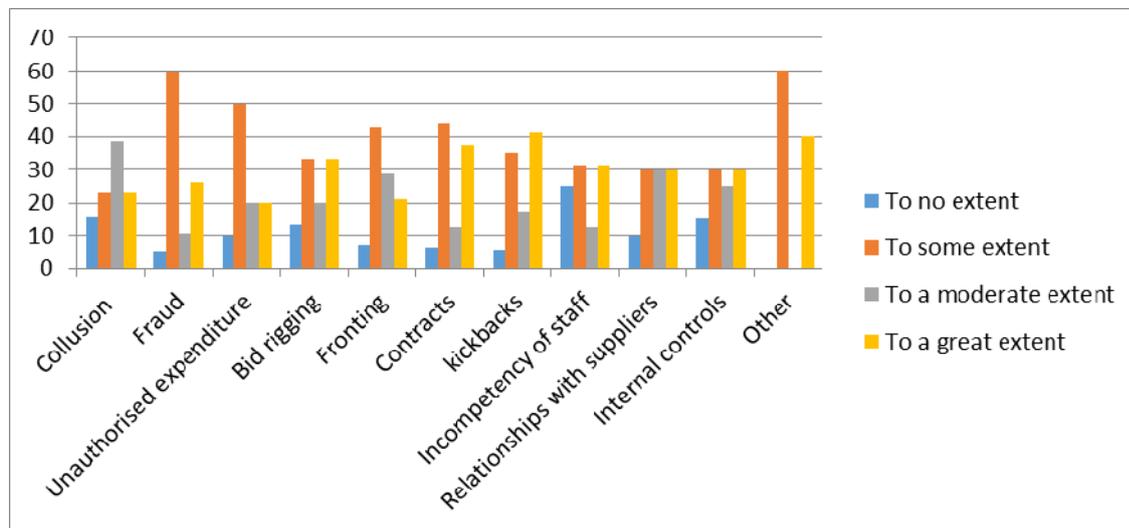


Figure 2. The extent of risks at the Gauteng Provincial Treasury.

It seemed like all the risks which were listed on the questionnaire are a concern at the GPT. Risks with an extent beyond 50% included fronting, contracts, bid rigging, internal controls, kickbacks, relationships with suppliers and collusion. The respondents felt that incompetency of staff was a risk by 43.8 %, unauthorised expenditure by 40% and fraud by 34.1%. The respondents perceived collusion as a major risk at the GPT by 61.1%. Fraud, unauthorised payments and collusion form part of corrupt activities which are part of the public procurement risks. (Neupane et al., 2012:307).

According to the SCMR (2015:20), corruption is South Africa’s major challenge. Ambe and Badenhorst- Weiss (2012:251) argued that such conduct costs South African tax payers hundreds of millions of rand each year. The SCMR (2015:20) maintained that the Constitution, the Competition Act, the Prevention of Corrupt Activities Act, the Prevention of Organised Crime Act and the Whistle-blowing Act were laws have been put in place to combat corruption in South Africa.

Figure 3 displays the risks which were identified as the major risks for the GPT when combining the values for risks with a moderate extent and risks with a great extent.

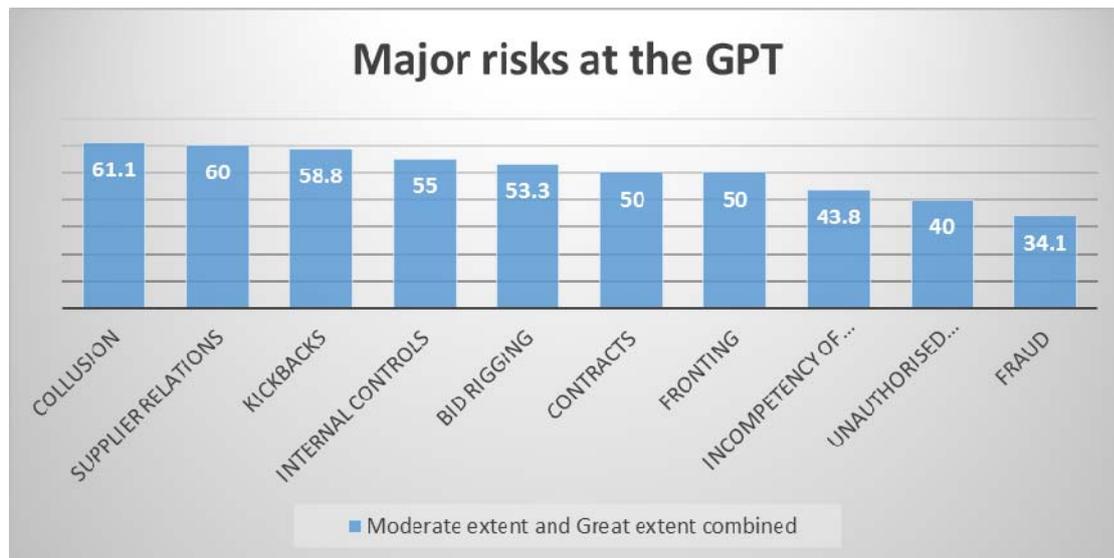


Figure 3: Major risks at the GPT

Furthermore, the study identified the risks which were more prevalent in each stage of the procurement process. Lei *et al.*, (2009:3118) proposed that the procurement process is exposed to risk during the different transactions that occur between the buyer, supplier, and other stake-holders. In this study, internal controls were identified as a major risk at four stages of the procurement process as illustrated below.

Table 1. Procurement Process and Risk Stages

Procurement process	Highest risk at each stage
Initiate project	Unauthorised expenditure, incompetency of staff and internal controls were identified equally by 12.9%.
Collection of data, analysing and market research	Incompetency of staff and internal controls were identified equally by 9.7%.
Specify requirements	Internal controls with 12.9%.
Develop resourcing strategy	Incompetency of staff and internal controls were identified equally by 16.1%.
Bidding Process	Bid rigging by 16.1%.
Negotiate and award contract	Fraud by 16.1%.
Manage contract and supplier relationships	Relationships with suppliers by 25.8%.
Review	Internal controls by 32.3%.

- **Secondary Research Objectives**

- Objective two: To explore the main causes of the procurement related risks identified during the procurement process in the GPT. The respondents’ perceptions about the causes of risks revealed that mis-

management of funds was a major cause of risks by 67% followed by inefficient contract administration by 65% and poor management by 42%. Other causes of risks identified by the respondents included ineffective monitoring of compliance to legislation and lack of knowledge.

- Objective three: To assess the risk mitigation strategies employed by the Gauteng Provincial Treasury (GPT) in preventing procurement risk manifestation. Sixteen respondents which accounted to 52% of the total respondents stated that they did not know whether the GPT had adopted risk mitigation strategies to prevent risk manifestation while 48% of the respondents agreed that mitigation strategies have been employed by the Gauteng provincial Treasury.

Ambe and Badenhorst-Weiss (2012:245) identified eleven internal controls which may be used by government departments as mitigation strategies to prevent risk manifestation in legitimate manner. The SCMR (2015:15) indicated that compliance with procurement legislation is important in obtaining government objectives. It seemed like 52% of the respondents who stated that they did not know if the GPT had employed risk mitigation strategies were not utilising internal controls when executing their duties in government. This is referred as non-compliance with policies (Ambe & Badenhorst-Weiss, 2012:250). According to the SCMR (2015:16), failure to comply with legislation results in procurement risks such as collusion, fronting, bribery and forgery.

- Objective four: To evaluate the effectiveness of the risk mitigation strategies employed by the GPT in preventing procurement related risks. Fifty two percent (52%) stated that they did not know whether the employed mitigation strategies were effective in preventing risk manifestation, 35% of the respondents said yes, the mitigation strategies were effective and only 13% of the respondents stated that the strategies were unsuccessful in preventing risks.

Ambe and Badenhorst-Weiss (2012:252) stated that the government did not have adequate measures for monitoring and evaluating the supply chain. The SCMR (2015:4) argued that the constant service delivery protests in SA signal that citizens perceive service delivery as inadequate. This implies that the government supply chain is not delivering the services to the public as it should. Government supply chain performance measurement is required. Bent (2014:54) asserts that supply chain performance management is an approach for measuring, improving and controlling the performance of the supply chain.

- Objective five: To evaluate the ability of current mitigation strategies to prevent future occurrence of procurement risk and poor service delivery by the GPT. Six strategies were identified as factors which can improve current mitigation strategies including the development of new policies, strict funds management, a change in the organisational structure, and appointment of new management, training and a code of ethics. A five point-Likert scale was used to evaluate the extent to which these strategies can improve risk mitigation.

The respondents felt that a code of ethics could improve mitigation strategies to a great extent by 57.7%. Additionally, training was perceived to mitigate risk by 53.5 % while stringent management of funds was anticipated to prevent future occurrence by 29.1% followed by the development of new policies with 28.6 % and the appointment of new management seemed like it would improve risk mitigation by 25%. A change of organisational structure was perceived as the least strategy for risk mitigation with 16%.

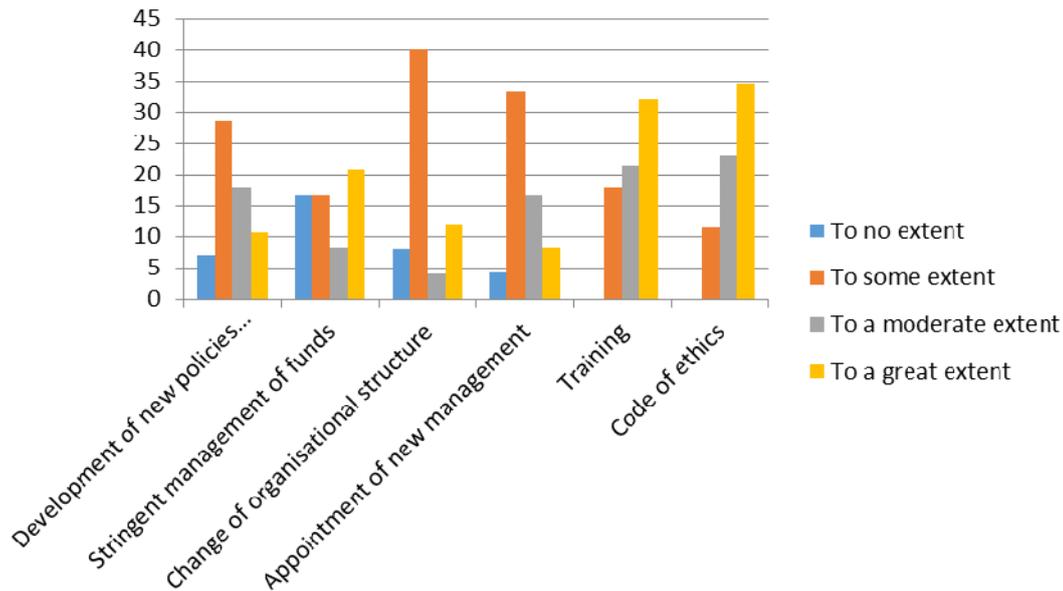


Figure 4: Factors which may improve current mitigation strategies.

• Conclusions and recommendations

The study has provided insight that the major risk of concern for the GPT. In answering the research questions, it was established that the GPT's procurement process was exposed to procurement related risks to a great extent.

- The major risk of concern was found to be collusion with a 61.1% risk. The GPT could include anti-collusion clauses in tender documents and state the penalties for bidders and GPT employees that participate in collusion. The Commerce Commission New Zealand (CCNZ) (2010: 2.2) recommended providing training to employees to help with detection and avoidance of bid rigging in order to reduce the occurrence of bid rigging activities. Performing exercises such as gathering information about past tenders and the conditions in the market place with regard to potential suppliers' prices and costs would equip the procurement practitioner to detect any unusual activities from bidders. In addition the CCNZ (2010: 2.2) suggested to keep the identities of bidders' undisclosed to make it difficult for bidders to contact each other.
- The respondents' perceptions about the causes of risks revealed that mismanagement of funds was a major cause of risks by 67% followed by inefficient contract administration by 65% and poor management by 42%. There may be various sources of mismanaged funds at the GPT. The Supply Chain Management Review Update (2016, 2-3) listed travel and accommodation; fixed line, mobile and data communication as sources of mismanaged funds. From an internal perspective, the GPT could assess its specific sources of wasteful activities. Improved demand planning for goods and services to be procured for Gauteng would also help eliminate unnecessary purchases and provide visibility of procurement plans for the provincial treasury. The implementation of data warehousing technology for completed transactions including past transactions would assist with gathering the business intelligence to improve contract management.
- Non-compliance with policies was found to be a concern with 52% of the respondents indicating that they did not know whether the Gauteng provincial Treasury had adopted risk mitigation strategies to prevent risk manifestation. This implies that the internal controls which were established by the government as risk mitigation strategies were not known or used in fulfilling government duties. Providing training to employees to highlight the provisions of the internal controls that complement and support specific roles

would empower the employees to understand when and why the internal controls are applicable in their specific work.

- It was alarming to note that only 35% of the respondents indicated that current mitigation strategies were effective and 65% indicated that they were uncertain. The GPT may need to review its internal mitigation strategies annually in order to effectively address the risks. For instance, if the GPT has a toll-free line for employees to use for whistleblowing but the employees are not aware of the toll-free line or do not trust their anonymity to be maintained, the GPT needs to review its strategy.
- It was found that current mitigation strategies were unable to prevent future mitigation strategies. The introduction of ethics training could provide positive results in terms of mitigating the procurement risks as employees would be sensitized to what constitutes unethical behaviour in a procurement environment. Hunsaker (2009) stated that procurement officers must take part in continuous professional development regarding proper procurement practices including ethics and values.

• **Contribution, Limitations and Future Research**

Previous literature has helped to identify the risks associated with the public procurement process. This study has highlighted that the data gathered and major risks in the Gauteng Provincial Treasury does support the literature. Although the literature review highlighted that corruption was perceived as one of the biggest risks in procurement, all the questions relating to corruption had to be omitted from the questionnaire to prevent political distortion and fear that the respondents would not respond to the questions objectively. The study did not include the suppliers that tender with the Gauteng Provincial Treasury (GPT) thus the study does not provide balanced insight into the procurement risks. The sample of the procurement practitioners is too small to be considered indicative of procurement practices in other provincial treasuries. A comparison of the procurement risks between municipal and provincial procurement level would contribute more insight to the procurement field as previous research has shown that there might be more unethical behaviour at municipal government compared to provincial government.

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