

**An Exploratory Study of Control and Oversight Measures for Ethical
Conduct in Supply Chain Management: The Case of Buffalo City
Metropolitan Municipality**

By

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A Dissertation Submitted in Fulfillment of the Requirements for the Degree of Master of
Administration (MAdmin) (Public Administration)

In the Faculty of Management and Commerce, at the University of Fort Hare

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January, 2018

DECLARATION

I, **ZINDI Beauty**, do hereby declare that, this treatise entitled, “**An Exploratory Study of Control and Oversight Measures for Ethical Conduct in Supply Chain Management: The Case of Buffalo City Metropolitan Municipality**”, submitted to the University of Fort Hare, in fulfilment of the requirements for the degree of Master of Administration (M Admin) (Public Administration) has never been submitted by me or any other person for a degree at this or any other university. This is my original work in design and execution and all material therein, has been duly acknowledged by way of appropriate references and citations.

DATE

SIGNATURE

.....

.....

DEDICATION

This piece of work is dedicated to my mother Mrs Thecklar Zindi and my late father Mr Ellerm Zindi. I also dedicate to my family members and friends for their unwavering support and concerns for my studies. You hold a special place in my heart and this from me to you. May the God Almighty bless you.

I also want to dedicate my piece of work to my best friend Tanya, you are very special to me. Ngiyakuthanda kakhulu!!!

ACKNOWLEDGEMENTS

I would like to express my gratitude, to the highest God, the Kings of Kings for the sufficient grace and wisdom throughout my life.

I also thank my supervisor Doctor M.M. Sibanda for his guidance, encouragement and contribution throughout this research.

I would like to thank my family, who have been supporting me all the way emotionally, financially, for their encouragement and also for motivating me in every way.

I also thank my friends Edmore, Nosizo, Tafadzwa and Tanyaradzwa and colleagues who made this road easy for me for their contribution and sacrificing their time helping me through this research project. May the Almighty bless you!

I also want to thank the Department of Public Administration for allowing me to be part of their 2015 Masters class.

LIST OF ABBREVIATIONS AND ACRONYMS

AFU	Asset Forfeiture Unit
AG	Auditor General
AGSA	Auditor General for South Africa
BAC	Bid Adjudication Committee
BCMM	Buffalo City Metropolitan Municipality
BEC	Bid Evaluation Committee
BSC	Bid specification committee
CMF	Contracts Management Framework
CMMM	Contracts Management Maturity Model
COGTA	Department of Cooperative Governance and Traditional Affairs
CPAR	Country Procurement Assessment Review
CZMP	Coastal Zone Management Plan
DPCI	Directorate for Priority Crime Investigation
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
HDI	Historical Disadvantaged
IDP	Integrated Development Planning
IEMP	Integrated Environment Management Plan
ILGM	Institute for Local Government Management of South Africa
IPID	Independent Police Investigative Directorate
KWT	King Williams Town

MFMA	Municipal Finance Management Act
MSA	Municipal Systems Act
MTEF	Medium Term Expenditure Framework
NPA	National Prosecuting Authority
NT	National Treasury
OCPO	Office of the Chief Procurement Officer
PBB	Performance- Based Budgeting
PFMA	Public Finance Management Act
PP	Public Protector
PPPFA	Preferential Procurement Policy Framework Act
PSC	Public Service Commission
SA	South Africa
SAPS	South African Police Service
SBD	Standard Bidding Documents
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SIU	Special Investigation Unit
SMER	Supply Management Ethical Responsibility

ABSTRACT

Unethical conduct takes root and largely flourishes in environments devoid of compliance with SCM laws, regulations and sound corporate governance values and principles. Ethical conduct is a prerequisite of good governance and sound municipal financial management. Unethical conduct in SCM leads to a loss of public trust and confidence in the management of public affairs. Despite the existence of control and oversight structures and processes for monitoring compliance with ethical standards, norms and regulations in SCM, procurement and contract management processes, BCMM still flouts SCM regulations. This leads to non-compliance with precincts of SCM policy regulations, the MFMA, as well as the Municipal Systems Act (MSA). Lack of adequate and effective control and oversight measures further exacerbates the problem, leading to poor management of procurement systems as well as inconsistencies in the disposal and delivery of services. Effective control and oversight often results in the reduction of waste, eradication of corruption and improvement of municipal financial performance, as well as improved ethical conduct, integrity, transparency and accountability. Qualitative approach was used to gather data using interviews and secondary sources in the form of official documents to explore the extent to which control and oversight measures for ethical conduct in Supply Chain Management are effective in Buffalo City Metropolitan Municipality. The data is to be analysed using content analysis and filtering techniques. Challenges that are affecting the effective management of Supply Chain in Buffalo City Metropolitan Municipality were brought forth and recommendations to improve Supply Chain Management in Buffalo City Metropolitan Municipality are examined in this study.

KEY WORDS: Supply Chain Management, unethical behaviour, ethics, corruption, unethical conduct, irregular expenditure

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CHAPTER, ONE: OVERVIEW AND DEMARCATION OF THE PROBLEM

1.0 INTRODUCTION

The provision of effective and cost efficient, human and economic services which enhance the lives of the people are of critical importance and it is the main objective of public institutions. There is increasing awareness that improving the accessibility of public services is the first step towards attaining sustainable human and economic development. Supply Chain Management (SCM) is regarded as a management tool that can be used to improve financial practices in the municipality. However, the issue of unethical conduct in Supply Chain Management has attracted attention and has become a top agenda item, especially in South Africa. Unethical conduct by public officials results in poor service delivery, maladministration, fraud and corruption in municipalities. Although there are several pieces of enabling legislation and policies such as the Constitution of the Republic of South Africa, 1996; the Municipal Finance Management Act, 2003(Act 56 of 2003); the Public Administration Act, 2014; the Public Finance Management Act, 1999 (Act 1 of 1999) and the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000) which guide ethical conduct by public officials in Supply Chain Management, there still seems to be rampant non-compliance with ethical norms and standards in Buffalo City Metropolitan Municipality (BCMM). Therefore measures that curb unethical conduct, need to be intensified, so as to enhance the effective rendering of goods and services to the public. This research study seeks to explore the extent to which control and oversight measures for ethical conduct in Supply Chain Management are effective in Buffalo City Metropolitan Municipality.

1.1 BACKGROUND AND THE REASON OF STUDY.

A dominant approach in the South African Public Administration discourse and teaching is often based on a generic administrative model. Cloete (2002:11) divided, administration into specific generic administrative processes, which include policy-making, organising, financing, staffing provision and utilisation, determination of work procedures and control. Generic administrative processes or functions became the centrepiece of the subject matter and the focus of Public Administration education, (Maserumule and Mashigo 2011:6; Cloete, 2002:15). The main characteristics of the focus (subject matter) of the traditional approach reveal that the functions of public executive institutions can be grouped into three main categories; functional (line) activities, generic administrative activities/functions and auxiliary

activities/functions (Cloete, 2002:18). Public finance is a distinct sub-field of Public Administration. As pointed out by Ijeoma, Nzewi and Sibanda (2013:287), public finance management is what government does to collect resources (usually money from the economy – in the form of various taxes) and to allocate these resources for public good. Ijeoma, *et al.* (2013:287) thus rightly posits that, ideally public finance management encompasses resource generation, resource allocation and expenditure management (resource utilisation). Supply Chain Management (SCM) is thus a financial management function which is the cornerstone of service delivery (Dlova and Nzewi, 2014:7). Supply chain management is therefore regarded as a key component of public finance management.

Dlova and Nzewi (2014:7) write that, Supply Chain Management (SCM) was introduced in the public sector in South Africa around 2003. Section 217 of the Constitution of the Republic of South Africa, 1996, forms the basis for the introduction of SCM in the public sector. The Public Finance Management Act, 1999 (Act No. 29 of 1999), provides a framework for supply chain management. It provides that, the accounting officer or accounting authority of an institution must develop and implement in that institution an effective and efficient supply chain management system, for the acquisition of goods and services and the disposal and letting of state assets, including the disposal of goods no longer required.

Supply chain management (SCM) involves various activities such as procurement, logistics, production and distribution of products to clients in any organisation, (Stadler, 2008:9). Many scholars like Oliver and Weber, (1992) in Peck, (2006:129) argue that, SCM appeared in the public sector in the early 1980s when writers used it to describe an amalgamation and re-labelling of established business activities, notably, logistics and manufacturing-based operations management (elements of purchasing, order and inventory management, production planning and control as well as customer service). According to Ballou (2005) in Jung, Chen, and Jeong, (2007:215), early people had the choice of consuming goods at their immediate location or moving the goods to a preferred site and storing them for later trade or use. However, supply chains and their uses have been around for many decades, but it was only in the 1980's when SCM became more popular and important in the field of management, (Pauw, Woods, Linde, Fourie and Visser, 2009:249). Physical distribution came to the fore as a result of this act and other researchers are of the view that these were the foundations of the first approach of primitive logistics. This has since evolved into a comprehensive and fairly universally accepted model of a supply chain, initially in the private sector but has also become central to procurement reform in the public sector, (Pauw, *et al.* 2009:249). The concept of

Supply Chain Management in South Africa was introduced within the public sector as part of a series of budgetary and financial reforms that were initiated by Government in 1994, in its attempt to modernise the management of the public sector financial management, (Jacobson, 2007:54).

To this end, in 2001 the National Treasury, in the SCM unit completed a joint Country Procurement Assessment Review (CPAR) with the World Bank to assess procurement practices throughout the public sector, the CPAR identified certain deficiencies in practices relating to governance, interpretation and implementation of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its associated regulations (Van Zyl, (2006:38). However, the deficiencies led the provincial treasuries, in conjunction with the National Treasury, to embark on a vigorous reform initiative to introduce best procurement practices that are efficient and effective, (Van Gruenen and Van Niekert 2010:3657). In 2003, the cabinet adopted a Supply Chain Management policy to replace the outdated procurement and provisioning practices across government with a SCM function that was to be an integral part of public financial management and would conform to international best practices, (National Treasury Republic of South Africa, 2004:2). Ismay (2008:71) concurs with the view that, SCM was introduced in the South African public sector in 2003, in order to move from a rule-based procurement system to an integrated SCM system. He argues that, the aim was to promote the new public management model by means of improved financial management and to provide value-added goods and services to government customers.

Supply chain management (SCM) now occupies a centre stage in the context of the ongoing financial management reform process in the South African public sector, (Ayas 2001:10); National Treasury [NT], 2005a:15; Ambe and Badenhorst-Weiss, 2011b:29). Thus, SCM builds on, and in some ways completes the cycle of financial management reforms initiated in the mid-nineties. These reforms include: the introduction of the Medium Term Expenditure Framework (MTEF), the Public Finance Management Act (PFMA); the Municipal Finance Management Act (MFMA); Performance-Based-Budgeting (PBB) and various other financial management systems and accounting reforms. “In terms of the SCM policy regulations, accounting officers of government departments, management teams and other levels of staff need to have a sense of and understanding regarding values or principles entrenched in the legislative framework that affect SCM,” (National Treasury, 2005:101). Mathee, (2006:102) postulates that Supply Chain Management aims to add value at each stage of the process – from demand for goods or services to their acquisition, managing the logistics process and finally,

after use, in their disposal. He went on to add that, in doing so, it addresses deficiencies related to procurement, contract management, inventory and asset control and obsolescence planning.

In terms of Supply Chain Management Act, (2005 regulation 7 (30 May 2005), each municipality in South Africa must establish a supply chain management unit, preferably within the budget and treasury office. The supply chain management unit manages a substantial part of the expenditure of a municipality, and as such there is need to maintain ethics in the supply chain process. The supply chain management unit is responsible for all the supply chain management processes, including demand, acquisition, logistics and disposal management and it must attend to the whole bidding process (tenders) as well as contract administration and management, (Pauw, *et al.* (2009:265). The Constitution of South Africa, 1996 is the supreme law of the country and it states that, any other law should be in support of the constitution. As such in terms of section 195(1) of the South African Constitution 1996, high standards of professional ethics must be promoted and maintained and public administration must be accountable.

More so, the Preferential Procurement Policy Framework Act, 2000 (PPPFA) (Act 5 of 2000) concurs with section 217 of the constitution of the Republic of South Africa, 1996, through its provision of a framework for the implementation of procurement policy which governs SCM. The Preferential Procurement Policy Framework Act of 2000 seeks, to encourage and support the historically disadvantaged individuals who were discriminated on the basis of race, gender or disability to receive preferential treatment in the adjudication of tenders. Similarly, the Broad Based Black Economic Empowerment, 2003 (Act 53 of 2003) seeks to empower black people including women, workers, youth and people with disabilities to receive preferential treatment.” Additionally, Section 217 on Procurement, further states that, when an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is equitable, transparent, competitive and cost-effective. The need for ethics in SCM is thus strongly emphasised.

Furthermore, the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) also aims, to enhance compliance, improve accountability and transparency, update measures required to combat fraud and promote transparency in supply chain management practices in municipalities and municipal entities. In addition, section 112(1) of the Municipal Finance Management Act, 2003 goes on to state that, when procuring goods and services there is need

to implement measures for combating fraud, corruption, favouritism and unfair and irregular practices in municipal procurement management. This section as such emphasises the need to promote ethical conduct by both elected and appointed public officials involved in municipal procurement management. Notwithstanding, the foregoing, the Auditor-General noted with concern that, adverse audits arise from financial statements that contain misstatements that are not confined to specific amounts, or the misstatements that represent a substantial portion of the financial reports, (South Africa Local Government Briefing, 2015:11).

It further observed that, adverse audits with the exception of failing to submit financial statements, reflect the greatest breach of financial norms and standards. The Consolidated General Report on the audit outcomes of local Government, (2013/14:45) also observed that, a total of ninety-nine percent (99%) of the irregular expenditure was caused by non-compliance with SCM legislation. The Consolidated General Report on the audit outcomes of local Government, (2013/14:45) thus singled out, SCM as one of the most common areas in which auditees (63%) failed to comply with SCM regulations. It is therefore, critically important that all officials and other role players in a supply chain management system adhere to the highest ethical standards in order to improve service delivery in the public sector.

The foregoing, is consistent with the Public Finance Management Act, 1999 (Act No. 29 of 1999) framework for supply chain management, which provides that, the accounting officer or accounting authority of an institution must develop and implement in that institution an effective and efficient supply chain management system for the acquisition of goods and services and the disposal and letting of state assets, including the disposal of goods no longer required. Section, 38(1)(a)(iii) of the PFMA for example, explicitly, stipulates that the supply chain management system must be fair, equitable, transparent, competitive and cost effective and be consistent with the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA). Chapters 2 of the PPPFA of 2000 addresses supply chain management that is procurement by a municipality or municipal entity of goods and services. However, in South Africa, local governments including Buffalo City Metropolitan Municipality are faced with challenges that impact upon their ability to render effective service delivery to the people. In this respect, the Local Government Briefing (2015:12) noted that, metropolitan and district municipalities tended to receive better audit results than local municipalities. It went further to state that, sixty – three percent (63%) of metropolitan and district municipalities consistently receive unqualified audits reports. The Department of Cooperative Governance and Traditional Affairs, (2009:14) (COGTA) attributed such state of affairs to, a general lack of

internal controls, poor governance and the fact that most of the audit committees in municipalities do not function.

Municipal Finance Management Act, of 2003 section 110 - 119; SCM Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimise the opportunities for fraud and corruption, (Buffalo City Metropolitan Municipality (BCMM), Annual Report, 2013/2014:42). Buffalo City Metropolitan Municipality adopted its Supply Chain Management Policy in 2009, it is reviewed annually and was last reviewed in October 2013, (BCMM, Annual Report, 2013/2014:42). The Municipality has, during 2012/13, adopted a comprehensive Fraud Mitigation Strategy in which the emphasis is on proactive preventative techniques.

The system of the Supply Chain Management Unit at BCMM consists of the following sections: Demand Management and Supplier Development System, Acquisitions Section, Contracts and Risk Section as well as the Logistics and Warehousing Section (BCMM, Annual Report, (2013/2014:43). The SCM institution at BCMM uses a quotation and an open bid system to procure services and goods for the service delivery requirements of the institution. The BCMM, Annual Report, (2013/2014:43) noted that, a total of 297 tenders were awarded under the open bid system in 2013/2014, at a total value of R1 781 451 075.00 and the Acquisitions Section has processed requisitions of more than R50m in the 2013/2014 financial year.

Despite challenges, the following were additional notable achievements for the SCM unit during the 2013/14 financial year: implementation of a vendor database system (e-Supplier); development of the e-Procurement project, to eliminate manual systems; appointment of line Managers under the head of the unit, to augment capacity challenges. A service provider was also appointed for the E-Fuel System, to eliminate pilferage and unaccounted for, fuel losses. Further to this, a skills audit assessment of the Supply Chain Management personnel, the contracts and commitment registers and archiving and safe storage of tender documentation was completed, BCMM, Annual Report, (2013/2014:43). Furthermore, Buffalo City Metropolitan Municipality established an SCM Movable Asset Disposal Procedure and a Committee (BCMM), Annual Report, 2013/2014:43).

However, challenges at Supply Chain Management Unit still remain. For example, the BCMM SCM Unit Structure is still not in line with SCM system as per the MFMA. This challenge is exacerbated by the existence of satellite stores within the Metro, which results in stock

inventory discrepancies, manual system of SCM procurement, irregular expenditure transaction within the supply chain system as a decentralised system, non-separation of duties or powers and non-compliance with all the SCM system's requirements in line with the implementation checklist as set out in National Treasury MFMA Circular 40, BCMM, Annual Report, 2013/2014:43). Buffalo City Metropolitan Municipality thus committed itself to the centralisation of procurement processes through SCM and to full implementation of a system of delegation and separation of duties and powers and eliminating irregular expenditure. It has also committed itself to be fully compliant with all the SCM system's requirements, in line with the implementation checklist as set in National Treasury MFMA Circular 40, (BCMM, Annual Report, 2013/2014:43). However, despite this noble commitment, fraud, corruption and unethical behaviour remain in Buffalo City Metropolitan Municipality.

The Buffalo City Metropolitan Municipality seems to have inadequate Internal Audit controls to minimise the irregular expenditure incurred in the municipality. Buffalo City Metropolitan Municipality adopted its Supply Chain Management Policy in 2009; it is reviewed annually and was last reviewed in October 2013 (BCMM, Annual Report, 2013/2014:42). The BCMM Consolidated Auditor's Report, (2013/14:5) for example, noted with concern that sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value below R200 000 were procured by obtaining the required price quotations as required by SCM regulation 17(a) and (c). Lack of adequate control systems in any government department increases the rate of corruption and fraud since public officials will not be held accountable for their actions and transgressions. To ensure accountability, transparency mechanisms such as control, public oversight and monitoring are important.

The Buffalo City Metropolitan Municipality is situated relatively central in the Eastern Cape Province, which is bounded to the south-east by the long coastline along the Indian Ocean. BCMM is one of the eight metropolitan municipalities in South Africa. It is surrounded by the Amathole District Municipality, and the Great Kei, Amahlathi, Nkonkobe and Ngqushwa local municipalities. More so, the metropolitan area is approximately 2,515km² in size and includes some 82km of coastline, (Buffalo City Metropolitan Municipality, 2011:7). The BCMM consists of towns which include King William's Town, Bisho and East London as well as the large townships of Mdantsane and Zwelitsha. Furthermore, BCMM falls across seven river catchments: the Kwelera, Gqunube, Nahoon, Buffalo, Gxulu, Tylomnqa and Keiskamma river

catchments. The entire municipal area falls within the Mzimvubu to Keiskamma Water Management Area as defined (BCMM IEMP and CZMP, 2014:11).

In Buffalo City Metropolitan Municipality, East London is the primary node, whilst King Williams Town (KWT) is the secondary node. This metropolitan is broadly characterised by three main identifiable land use pattern. The BCMM IDP Review, (2012/13:20) postulated that the first one is the dominant urban axis of East London, Mdantsane King Williams and Dimbaza, which dominates the industrial and service centers and attracts people from throughout the greater Amathole region in search of work and better access to urban services and facilities. The second one comprises of the peri-urban and rural settlement areas and includes the Newlands settlements, these are settlements that previously fell within the former Ciskei Bantustans and the Ncera settlements located west of East London. Lastly is the commercial farming areas and these areas are dominant in the north eastern and south western (coastal) sections of the BCMM. The commercial farming areas are characterised by extensive land use and irrigation.

1.2. PROBLEM STATEMENT

Unethical conduct takes root and largely flourishes in environments devoid of compliance with SCM laws, regulations and sound corporate governance values and principles. Ethical conduct is a prerequisite of good governance and sound municipal financial management. Unethical conduct in SCM leads to a loss of public trust and confidence in the management of public affairs. The problem is however, that despite the existence of control and oversight structures and processes for monitoring compliance with ethical standards, norms and regulations in SCM, procurement and contract management processes, BCMM still flouts SCM regulations. This leads to non-compliance with precincts of SCM policy regulations, the MFMA, as well as the Municipal Systems Act (MSA). Lack of adequate and effective control and oversight measures further exacerbates the problem, leading to poor management of procurement systems as well as inconsistencies in the disposal and delivery of services. The end result is that this has serious negative implications for public accountability and sound municipal financial management. This also impinges upon service delivery and ultimately human and economic development, as envisaged in the notion of developmental local government. According to the 2013/14 Consolidated Audit Report, irregular expenditure disclosed in note 55 to the consolidated financial statement standing at R747 million was understated, (Buffalo City Consolidated Audit Report, (2013/14:7)). The report further notes that, this was as a result

of the municipality not having adequate control systems in place to identify and disclose all irregular expenditure incurred during the current and previous financial periods as required by section 125(2)(d)(i) of MFA, (Buffalo City Consolidated Audit Report, (2013/14:7).

The Auditor-General's Report, (2014/15:10) similarly noted with concern that it was impracticable to determine the full extent of the under-estimates of irregular expenditure due to lack of control systems to identify non-compliance within SCM regulations. Thus, weak controls and inadequate monitoring and support systems in BCMM's SCM processes and practices tend to breed tendencies and opportunities for gross mismanagement of funds which is not detected early enough (Gwanzura (2012:87). Furthermore, lapses in and/or inadequate control and oversight, often results in corruption and potential public funds being diverted from government revenue to private income. Control and oversight for compliance with SCM rules, legislation, norms and standards is therefore critically important for ensuring that local government's policy objectives as prioritised in the integrated development plans (IDPs) of municipalities are attained. Effective control and oversight often results in the reduction of waste, eradication of corruption and improvement of municipal financial performance, as well as improved ethical conduct, integrity, transparency and accountability. The question that will be researched can thus be framed as follows:

How can control and oversight measures in supply chain management be most effectively promoted to curb unethical conduct by public officials in Buffalo City Metropolitan Municipality?

1.3. AIM, PURPOSE AND OBJECTIVES OF THE STUDY

The main aim and purpose of this study is to explore the extent to which control and oversight measures for enhancing ethical conduct in Supply Chain Management are effective in Buffalo City Metropolitan Municipality. The objectives of this study are therefore to:

- (i) Establish theoretical and conceptual best practices for curbing unethical conduct by public officials and promote sound municipal financial management practices in Supply Chain Management in municipalities.
- (ii) Establish how control and oversight measures and structures in Buffalo City Metropolitan Municipality can best promote ethical conduct in Supply Chain Management (SCM).

- (iii) Identify the nature and extent of compliance with ethical values, regulations, norms and standards for promoting sound municipal finance in Supply Chain Management (SCM) in Buffalo City Metropolitan Municipality.
- (iv) Recommend a holistic framework that can be used by municipalities to integrate ethical standards, norms and compliance with regulations in SCM processes and help curb unethical conduct by public officials.

1.4. SIGNIFICANCE OF THE STUDY

Supply chain management (SCM) lies at the heart of public sector financial management, given that it ensures that the public obtains goods and services efficiently and effectively. The study will contribute to the theoretical and empirical body of knowledge on control and oversight for accountability in municipal financial management. Ethical conduct is a prerequisite for good governance. Unethical conduct by public officials results in loss of public trust and confidence in the management of public institutions. More importantly, this study will be of great importance, in that the findings will help municipalities in South Africa in putting more effective measures of control and oversight in SCM, thereby promoting ethical conduct among public officials. In doing so, the study will also inadvertently address the problem of fraud, corruption and other unethical behaviours and administrative pathologies in SCM in South African municipalities as it will provide strategies and recommendations to curb unethical conduct by public officials. Furthermore, the study will be of significance to the domain of public administration, as it seeks to enhance probity, and prudent use of municipal finances, thus promoting public accountability, which is one of the overarching Constitutional principle and value in South African public administration, thereby promoting social equity, public wellbeing and public satisfaction.

1.5 DEFINITION OF KEY TERMS.

1.5.1. Supply chain management

Supply chain management encompasses all activities associated with the flow and transformation of goods from raw material stage (extraction) through to the end user, as well as the associated information flows, (Kotzab, Seuring, Muller and Reiner, 2005:220). Supply chain management is the process of planning, implementing, and controlling the operations of the supply chain with the purpose to satisfy customer requirements as efficiently as possible (Jacobson, 2007:10). Supply chain management in the public sector can be defined as an

integral part of finance management that seeks to introduce internationally accepted best practice, it bridges the gap between traditional methods of procuring goods and services and the balance of the supply chain whilst addressing procurement related matters that are of strategic importance, (Policy to Guide Uniformity in Procurement Reform Processes in Government, 2003:11)

1.5.2 Ethics

Ethics derives from the Greek word “*ethikos*” meaning custom. This Greek word has a Latin Synonym or equivalent known as “*mors*” which translates to custom or mores. Murphy, (2003: 15) posited that ethics as a branch of philosophy deals with the analysis and evaluation of human conduct to determine the fundamental principle that makes it good or bad, right or wrong. Deriving from the above, ethics can be conceived as a science of morals (*meta-ethics*), and as a system of morals which defines or states the code or set of principles by which men live. As a science of morals, it investigates the nature, sources and fundamental principles that should guide human actions. Seen this way, it is a normative science that aims at stating the way human beings ought to behave, rather than empirical science which attempts to describe the way things are, (and) the way things behave (Ekennia, 2003 and Eboh, 2005 in (Muphy, 2003:19).

Ethics are moral principles based on values relating to human conduct, with respect to the rightness or wrongness of certain actions and to the goodness and badness of the motives and ends of such actions, according to Mbatha (2005:16). Ethics involves collection of values, morals and morals that guide human behaviour. Generally, ethics can be defined as good or bad, acceptable or unacceptable in the eyes of the community. So in this case ethics guides the behaviour of public officials in performing their duties in an effective and efficient manner.

1.5.3 Unethical behaviour

According to Agara and Olarinmoye, (2009:44) unethical behaviour refers to any deliberate or negligent conduct constituting a deviation from or breach of guidelines designed to inform an expected pattern of behaviour in a given situation. In this study unethical behaviour refers to any breach of SCM guidelines by the public officials in BCMM.

1.5.4 Code of Conduct

A code of conduct is a statement of principles and standards about the right conduct of public officials (Chapman, 1993:18). The purpose of the code is to set out principles and standards of conduct and integrity for councillors, to inform the public of the conduct it is entitled to expect

and to uphold public confidence in local government. Schedule 2 of the Municipal Systems Act of 2000 contains a code of conduct for municipal staff members, councillors and section 69 states that the code applies to every staff member of the municipality.

1.5.5. Local government

Local government is sometimes referred to as “grassroots” government due to its proximity and intimate relationship with communities it serves, (Van Niekerk, Van der Walt & Jonker, 2001:77). In South Africa, Local government is regarded as the third sphere of government and it consists of municipalities. Local government is different from the other two types of government because it is closest to the communities and people as compared to the other two.

1.5.6. Metropolitan municipality.

In South Africa metropolitan municipalities, are also known as Category A municipalities. Metropolitan municipalities are characterized by conurbations, centres of high economic activity, areas for which integrated development planning is desirable and areas with strong interdependent social and economic linkages, (Local Government: Municipal Structures Act, 1998: (Act 117 of 1998).

1.6 DELIMITATION OF THE STUDY

It is very important to create a boundary for a research in order to know what should be included or not. This study focuses on whether control and oversight measures for ethical conduct in Supply Chain Management are effective or not in Buffalo City Metropolitan Municipality. Any information which does not relate to the effectiveness of control and oversight measures used by BCMM SCM to enhance ethical conduct will not be a core component of this study. The BCMM is located in the Eastern Cape Province.

1.7. LIMITATIONS OF THE STUDY

In every research there are limitations that are being faced by the researcher that can affect the results and conclusions that can be made. This research uses structured interviews and official documents as the only sources for gathering data on the supply chain management in Buffalo City Metropolitan Municipality. The researcher faces the problem of incomplete answering of interviews from the interviewees which can affect the results of the findings. In some instances, due to the nature of some documentary sources, the researcher used ideas,

perceptions and views of different authors in the collection of data which can result in generalization of some facts in the study.

1.8 ETHICAL CONSIDERATIONS APPLICABLE TO THE STUDY

In every research, there is need to consider ethical issues governing the researcher and participant. Ethics are moral principles suggested by individuals or groups that are widely accepted, offering rules and behaviour expectations governing participants when conducting a research, (De Vos, Strydom, Fouche and Delport (2005:57) Further, Greenberg and Baron, (2008:55) note that ethics refer to standards of conduct that guide people's decisions and behavior, for example, stealing information. Ethics are very important because there has been violation of people's rights during research. Through, ethical conducts are now protecting subjects from abuse and physical harm.

Bless (2000:139) asserts that one of the reasons why social scientist are so concerned about research ethics is that there have been many cases of abuse of people's rights in the name of social research. According to the University of Fort Hare policy on ethics when conducting research with human subject. The following ethical issues were observed; anonymity in reporting data, consent were sought before interviews, interviewees were debriefed and documents availed to the researcher are held in confidence and used for the purposes of this study only. There is need to obtain ethical clearance from the University of Fort Hare Research Ethics Committee. The study obtained an ethical clearance certificate before collecting data from respondents.

1.9 OUTLINE OF THE STUDY

This study is composed of five chapters which are:

Chapter one presents the introduction, background and reason for the study, the problem statement, the significance and objectives of the study and finally gives definitions of key terms.

Chapter two reviews theoretical, conceptual and empirical literature related to the research problem. Thus, the chapter covers theoretical, conceptual and empirical literature related to ethics of SCM in BCMM as well as the enabling legal framework guiding supply chain management.

Chapter three discusses and motivates the research design, methodology, and data collection techniques and data analysis. In this research, structured interviews and secondary sources are methods used to collect data in this research. The chapter attends to issues of trustworthiness in qualitative research, which mirror concerns for validity and reliability in quantitative research.

Chapter four presents analyses and discusses the study findings. Findings is based on the objectives as identified in chapter one.

Chapter five summarises the study, draws conclusions based on the study findings and provides recommendations and pathways for future research.

1.10 CHAPTER SUMMARY

This chapter has given the background of the problem, reason for the study, context of the study as well as the research problem. Objectives, significance of the study, limitations, delimitations and ethical considerations were also discussed in the study. In addition, key terms in the study have been defined. The next chapter 2 will review the literature on how ethics in supply chain management can most effectively be promoted to curb unethical conduct by public officials in Buffalo City Metropolitan Municipality (BCMM).

CHAPTER TWO: LITERATURE REVIEW

2.0 INTRODUCTION

Supply chain management plays a special role in public finance management in the public sector. In support of the above Mentzer, Dewitt, Keebler and Smith (2001:8) stated that supply chain management is a concept whose primary objective is to integrate and manage the sourcing, flow and control of materials using a total systems perspective across multiple functions and multiple tiers of suppliers. Supply chain management represents a significant change in the way that organizations view themselves and has witnessed values created through the integration and coordination of supply, demand and relationships in order to satisfy customers in an effective and profitable manner both in the private and public sectors, (Ambe and Badenhorst-Weiss, 2012:1).

Raga and Taylor, (2005:22) further argued that in South Africa, the proliferation of ethical codes of conduct, public accountability, and the promulgation of a number of pieces of legislation will likely fail to thwart unethical behaviour unless the public and public officials are inculcated with particular dispositions, attitudes, and virtues for guiding human conduct. Poor adherence to ethical standards by public servants in most developing countries, which compromise human and economic development in the society, is of great concern. Notably, there is absence of coordinated and harmonised roles, responsible for public service ethics in supply chain management. To cement this, Jacobson, (2007:54) observed that, official misconduct by public officials and unethical practices have assumed disturbing dimensions globally in SCM. According to Edwards (2007:93), ethics and accountability have become important issues for modern governments, as in most of the countries there is a severe ethical decay. This chapter reviews the existing literature on to the extent to which control and oversight measures for ethical conduct in Supply Chain Management are effective in Buffalo City Metropolitan Municipality.

2.1 THEORETICAL BACKGROUND OF SUPPLY CHAIN MANAGEMENT

A dominant approach in the South African Public Administration discourse and teaching is often based on a generic administrative model. Cloete (2002:3) divided, administration into specific generic administrative processes, which include policy-making, organizing, financing, staffing provision and utilization, determination of work procedures and control. (Maserumule

and Mashigo 2011:6; Cloete, 2002:15) observed that, generic administrative processes or functions became the centrepiece of the subject matter and the focus of Public Administration education. The main characteristics of the focus (subject matter) of the traditional approach reveal that the functions of public executive institutions can be grouped into three main categories; functional (line) activities, generic administrative activities/functions and auxiliary activities/functions (Cloete 2002:34). Public finance is thus a distinct sub-field of Public Administration. As pointed out by Ijeoma, Nzewi and Sibanda (2013:287), public finance management is what government does to collect resources (usually money from the economy – in the form of various taxes) and to allocate these resources for public good. Ijeoma, *et al.* (2013:287) thus rightly posits that, “ideally public finance management encompasses resource generation, resource allocation and expenditure management (resource utilisation). Therefore, supply chain management (SCM) is thus a financial management function which is the cornerstone of service delivery,” (Dlova and Nzewi, 2014:7).

Supply chain management (SCM) involves various activities such as procurement, logistics, production and distribution of products to clients in any organization, (Stadler, (2008:9). Many scholars like Oliver and Weber, (1992) in Peck, (2006:129) argued that, “SCM appeared in the public sector in early 1980s and was used to describe amalgamation and re-labelling of business activities. According to Ballou (2005) in Jung *et al.* (2007:215), early people had the choice of consuming goods at their immediate location or moving the goods to a preferred site and storing them for later trade or use. However, supply chains and their uses have been around for many decades, but it was only in the 1980’s when SCM became more popular and important in the field of management, (Pauw, Woods, Linde, Fourie and Visser, 2009:249).

Physical distribution came to the fore as a result of this act and other researchers are of the view that these were the foundations of the first approach of primitive logistics. This has since evolved into a comprehensive and fairly universally accepted model of a supply chain, initially in the private sector but has also become central to procurement reform in the public sector, (Pauw, *et al.* 2009:249). However, the concept of Supply Chain Management in South Africa was introduced within the public sector as part of the series of budgetary and financial reforms that were initiated by Government in 1994, in its attempt to modernise the management of the public sector financial management, (Jacobson, 2007:54).

To this end, in 2001 the National Treasury, in the SCM unit completed a joint Country Procurement Assessment Review (CPAR) with the World Bank to assess procurement

practices throughout the public sector, the CPAR identified certain deficiencies in practices relating to governance, interpretation and implementation of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) and its associated regulations, argued by Van Zyl, (2006:38). However, the deficiencies led the provincial treasuries, in conjunction with the National Treasury, to embark on a vigorous reform initiative to introduce best procurement practices that are efficient and effective, (Van Gruenen and Van Niekert 2010:3657).

Dlova and Nzewi (2014:7) write that, Supply Chain Management (SCM) was introduced in the public sector in South Africa around 2003. Section 217 of the Constitution of the Republic of South Africa, 1996, forms the basis for the introduction of SCM in the public sector. The Public Finance Management Act, 1999 (Act No. 29 of 1999) framework for SCM, provides that, the accounting officer or accounting authority of an institution must develop and implement in that institution an effective and efficient supply chain management system for the acquisition of goods and services and the disposal and letting of state assets, including the disposal of goods no longer required.

In 2003, the cabinet adopted a Supply Chain Management policy to replace the outdated procurement and provisioning practices across government with a SCM function that was to be an integral part of public financial management and would conform to international best practices, (National Treasury Republic of South Africa, 2004:2). Ismay (2008:71) also concurs with the view that, SCM was introduced in the South African public sector in 2003, in order to move from a rule-based procurement system to an integrated SCM system. He argues that, the aim was to promote the new public management model by means of improved financial management and to provide value-added goods and services to government customers.

Supply chain management (SCM) now occupies a centre stage in the context of the ongoing financial management reform process in the South African public sector, (Ayas 2001:23). Thus, SCM is used to as a financial management tool in the public sector. SCM leads to the introduction of the Medium Term Expenditure Framework (MTEF), the Public Finance Management Act (PFMA); the Municipal Finance Management Act (MFMA); Performance-Based-Budgeting (PBB) and various other financial management systems and accounting reforms. In terms of the SCM policy regulations, accounting officers of government departments, management teams and other levels of staff need to have a sense of and understanding regarding values or principles entrenched in the legislative framework that affect SCM, (National Treasury, 2005:101). Mathee, (2006:102) postulated that, Supply Chain

Management aims to add value at each stage of the process – from demand for goods or services to their acquisition, managing the logistics process and finally, after use, in their disposal. He went on to add that, in doing so, it addresses deficiencies related to procurement, contract management, inventory and asset control and obsolescence planning.

In terms of Supply Chain Management Act, (2005 regulation 7 (30 May 2005), each municipality in South Africa must establish a supply chain management unit, preferably within the budget and treasury office. Pauw, *et al.* (2009:265) posit that, supply chain management unit is responsible for all the supply chain management processes, including demand, acquisition, logistics and disposal management and it must attend to the whole bidding process (tenders) as well as contract administration and management. The Constitution of South Africa, 1996 is the supreme law of the country and it states that, any other law should be in support of the constitution and in terms of section 195(1) of the South African Constitution 1996, high standards of professional ethics must be promoted and maintained and public administration must be accountable.

More so, the Preferential Procurement Policy Framework Act, 2000 (PPPFA) (Act 5 of 2000) concurs with section 217 of the constitution of the Republic of South Africa, 1996, through its provision of a framework for the implementation of procurement policy which governs SCM. The Preferential Procurement Policy Framework Act of 2000 seeks, to encourage and support the historically disadvantaged individuals who were discriminated on the basis of race, gender or disability to receive preferential treatment in the adjudication of tenders. Similarly, the Broad Based Black Economic Empowerment, 2003 (Act 53 of 2003) seeks to; empower black people including women, workers, youth and people with disabilities to receive preferential treatment. Additionally, Section 217 on Procurement, further states that, when an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is equitable, transparent, competitive and cost-effective. The need for ethics in SCM is thus strongly emphasised.

The Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) talks about compliance, accountability, transparency and measures required to combat fraud in supply chain management practices in municipalities and municipal entities. In addition, section 112(1) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) goes on to state that, when procuring goods and services there is need to implement measures for combating fraud,

corruption, favouritism and unfair and irregular practices in municipal procurement management. This section as such emphasises the need to promote ethical conduct by both elected and appointed public officials involved in municipal procurement management. However, the Auditor General (AG) noted with concern that, adverse audits arise from financial statements that contain misstatements that are not confined to specific amounts, or the misstatements that represent a substantial portion of the financial reports, (South Africa Local Government Briefing, 2015:11).

It further observed that, adverse audits thus, with the exception of failing to submit financial statements, reflect the greatest breach of financial norms and standards. The Consolidated General Report on the audit outcomes of local Government, (2013/14:45) also observed that, a total of ninety-nine percent (99%) of the irregular expenditure was caused by non-compliance with SCM legislation. Thus it further thus singled out that, “SCM as one of the most common areas in which auditees (63%) failed to comply with SCM regulations.” Therefore, public officials and other role players in a supply chain management system must promote ethics in service delivery in order to satisfy the public at large.

The foregoing, is consistent with the Public Finance Management Act, 1999 (Act No. 29 of 1999) framework for supply chain management, which provides that, the accounting officer or accounting authority of an institution must develop and implement in that institution an effective and efficient supply chain management system for the acquisition of goods and services and the disposal and letting of state assets, including the disposal of goods no longer required. Section, 38(1)(a)(iii) of the PFMA for example, explicitly, stipulates that the supply chain management system must be fair, equitable, transparent, competitive and cost effective and be consistent with the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000) (PPPFA).

Furthermore, Chapters 2 of the PPPFA of 2000 addresses, the issue of supply chain management that is procurement by a municipality or municipal entity of goods and services. However, in South Africa, local governments including Buffalo City Metropolitan Municipality are faced with challenges that impact upon their ability to render effective service delivery to the people. In this respect, the Local Government Briefing (2015:12) noted that, metropolitan and district municipalities tended to receive better audit results than local municipalities. It went further to state that, sixty-three percent (63%) metropolitan and district municipalities consistently receive unqualified audits reports. The Department of Cooperative

Governance and Traditional Affairs, (2009:14) (COGTA) attributed such state of affairs to, a general lack of internal controls, poor governance and the fact that most of the audit committees in municipalities do not function. The MFMA section 110 - 119; SCM Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption, (Buffalo City Metropolitan Municipality Annual Report, 2013/2014:42).

2.2. OVERVIEW OF SUPPLY CHAIN MANAGEMENT IN BUFFALO CITY METROPOLITAN MUNICIPALITY.

The literature has showed that despite the existence of control and oversight structures and processes for monitoring compliance with ethical standards, norms and regulations in SCM, procurement and contract management processes, BCMM still flouts SCM regulations. This leads to non-compliance with precincts of SCM policy regulations, the MFMA, as well as the Municipal Systems Act (MSA). Lack of adequate and effective control and oversight measures further exacerbates the problem, leading to poor management of procurement systems as well as inconsistencies in the disposal and delivery of services.

According to the 2013/14 Consolidated Audit Report, irregular expenditure disclosed in note 55 to the consolidated financial statement standing at R747 million was understated, (Buffalo City Consolidated Audit Report, (2013/14:7). The report further notes that, “this was as a result of the municipality not having adequate control systems in place to identify and disclose all irregular expenditure incurred during the current and previous financial periods as required by section 125(2)(d)(i) of MFA,” (Buffalo City Consolidated Audit Report, (2013/14:7).

Although the MFMA section 110 - 119; SCM Regulations 2005; and relevant MFMA circulars set out required processes and guidance manuals to help ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption, according to Buffalo City Metropolitan Municipality (BCMM), Annual Report, 2013/2014:42). In BCMM still contain irregular expenditure, non-compliance to the SCM regulation, fraud and corruption remain increasing. The Buffalo City Metropolitan Municipality adopted its Supply Chain Management Policy in 2009, it is reviewed annually and was last reviewed in October 2013, as stated in BCMM, Annual Report (2013/2014:42). This shows that control and oversight measures are not effectively implemented in BCMM the municipal officials took a long time without reviewing its SCM,

yet it must be reviewed on annually basis in order to check the strengths and weaknesses within the SCM system.

However, the Buffalo City Metropolitan Municipality adopted a comprehensive Fraud Mitigation Strategy in which the emphasis is on proactive preventative techniques in 2012/13. The system of the Supply Chain Management Unit at BCMM consists of the following sections: Demand Management and Supplier Development System, Acquisitions Section, Contracts and Risk Section as well as the Logistics and Warehousing Section, as observed by BCMM, Annual Report (2013/2014:43). Though the municipality has adopted Fraud Mitigation Strategy to curb fraud and corruption, AG Reports showed that fraud and corruption becomes the order of the day, as most municipalities in Eastern Cape received unqualified audit reports and lack of financial statements. In support of the above, the Local Government Briefing (2015:12) noted that, metropolitan and district municipalities tended to receive better audit results than local municipalities. It went further to state that, sixty –three percent (63%) metropolitan and district municipalities consistently receive unqualified audits reports.

In addition, challenges at Supply Chain Management Unit still remain. For example, the BCMM SCM Unit Structure is still not in line with SCM system as per the MFMA. This challenge is exacerbated by the existence of satellite stores within the Metro, which results in stock inventory discrepancy, manual system of SCM procurement, irregular expenditure transaction within the supply chain system as a decentralized system, non-separation of duties or powers and non-compliance with all the SCM system's requirements in line with the implementation checklist as set out in National Treasury MFMA Circular 40, BCMM, Annual Report, 2013/2014:43).

However, despite this noble commitment, fraud, corruption and unethical behaviour remain in Buffalo City Metropolitan Municipality. The Local Government Briefing (2015:18) for example reports that, the Municipal Manager for BCMM signed a R73-million contract with a construction company on the basis of a letter purportedly written by the Chief Financial Officer in September 2014, who he was the acting Municipal Manager. However, the same Chief Financial Officer wrote to the Municipal Manager on 4 August, 2015, claiming that his signature was a forgery. Further to this, the Chief Financial Officer alleged financial misconduct in the awarding of the contract, as the company had not been appointed in a valid tender process (Local Government Briefing (2015:18).

Despite challenges, the following were additional notable achievements for the SCM unit during the 2013/14 financial year: implementation of a vendor database system (e-Supplier); development of the e-Procurement project, to eliminate manual systems; appointment of line Managers under the head of the unit, to augment capacity challenges. A service provider was also appointed for the E-Fuel System, to eliminate pilferage and unaccounted for, fuel losses. Further to this, a skills audit assessment of the Supply Chain Management personnel, the contracts and commitment registers and archiving and safe storage of tender documentation was completed, according to BCMM, Annual Report (2013/2014:43). Furthermore, Buffalo City Metropolitan Municipality established an SCM Movable Asset Disposal Procedure and a Committee (BCMM), Annual Report, 2013/2014:43).

The SCM institution at BCMM uses a quotation and an open bid system to procure services and goods for the service delivery requirements of the institution. The BCMM, Annual Report, (2013/2014:43) noted that, a total of 297 tenders were awarded under the open bid system in 2013/2014, at a total value of R1 781 451 075.00 and the Acquisitions Section has processed requisitions of more than R50m in the 2013/2014 financial year. Buffalo City Metropolitan Municipality thus committed itself to the centralisation of procurement processes through SCM and to full implementation of a system of delegation and separation of duties and powers and eliminating irregular expenditure. It has also committed itself to be fully compliant with all the SCM system's requirements, in line with the implementation checklist as set in National Treasury MFMA Circular 40, (BCMM, Annual Report, 2013/2014:43).

2.3 SUPPLY CHAIN MANAGEMENT REGULATIONS IN SOUTH AFRICA

2.3.1 Constitution of the Republic of South Africa, 1996

The Constitution of South Africa, 1996 is the supreme law of the country which guides all the activities within the country. Section 195(1) provides that, high standards of professional ethics must be promoted and maintained and that public administration must be accountable. Section 217 (1) of the Constitution of the Republic of South Africa 1996, further provides that, when an organ of state in the national, provincial or local sphere of government, or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective. The available literature tends to show that BCMM often violates the provisions of section 217 (1) of the Constitution, 1996 by neglecting to fully combat fraud and corruption in SCM, thus compromising human and economic development in the local authority. The Auditor General

(AG) has also consistently noted with concern that, adverse audits arise from financial statements that contain misstatements that are not confined to specific amounts, or the misstatements that represent a substantial portion of the financial reports, (South Africa Local Government Briefing, 2015:11). It further observed that, adverse audits thus, with the exception of failing to submit financial statements, reflect the greatest breach of financial norms and standards. This can be concluded that control and oversight measure to curb unethical conduct of public officials were not effective as the municipality continued to receive financial statement that contain misstatements that are not confined to specific amounts.

2.3.2 Public Administration Act, 2014 (Act No. 11 of 2014)

The Buffalo City Metropolitan Municipality is guided by the Public Administration Act which advocates for efficient and effective service delivery to the public. Chapter, 6 of the Public Administration Act, 2014 (Act No. 11 of 2014) explicitly deals with ethics, integrity and discipline. Section 15 (1) of this enabling act provides, for the establishment of the Public Administration Ethics, Integrity and Disciplinary Technical Assistance Unit. Furthermore, Chapter 8 Section 17 (1) of the Public Administration Act, 2014 (Act No. 11 of 2014), establishes the Office of Standards and Compliance.

In terms of section 17 (6) (a) the objects of the Office are to ensure compliance with the minimum norms and standards set by the Minister in terms of section 16, taking into account that the spheres of government are distinctive, inter-dependent and interrelated, by— monitoring compliance by institutions with the minimum norms and standards in the public administration, (South Africa (Republic), 2014:18).The BCMM Consolidated Report Audit Report, (2013-14:7) shows that council certified irregular expenditure as irrecoverable without having conducted an investigation into every ward as required by section 32(2)a (ii) of MFA.

The report further indicates that the consolidated financial statements were not materially misstated as management had written back the items that were not subject to investigation. This goes to show that in such instances BCMM flouts section 32 (2) a (ii) of MFA pertaining irregular expenditure through non-compliance with its provisions. In the same vein SCM Review Report (2015:10) noted with concern that common findings in the AG's annual reports on SCM non-compliance and irregular expenditure include among other things appointment of suppliers who are not tax compliant, failure to use competitive processes for quotations and bids, incorrect use of the preference points system, lack of appropriate bid committees and use of unqualified suppliers. With the coming into force of the Public Administration Act, 2014

BCMM it is hoped that the Office of Standards and Compliance would in future go a long way in enforcing compliance to minimise incurring irregular expenditure.

2.3.3 Public Finance Management Act, 1999 (Act 1 of 1999)

The above Act, provides, the framework for Supply Chain Management. The accounting officer or accounting authority of an institution must develop and implement in that institution an effective and efficient supply chain management system for the acquisition of goods and services and the disposal and letting of state assets, including the disposal of goods no longer required (Public Finance Management Act, 1999 (Act 1 of 1999). In doing so, the supply chain management system should include principles such as fairness, equitable, transparent, competitive and cost effective and must be consistent with the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

In addition, Section 8 of the Public Finance Management Act, 1999, provides that, all officials and other role players must observe the highest degree of ethical standards when carrying out their duties. Thus it can be argued that, based on the available literature BCMM tended not to fully comply with provisions of the Public Finance Management Act. The Auditor General Report, (2013/14: ii) thus often bemoans that, Supply Chain Management procurement processes, were uncompetitive and unfair. The report also noted with concern that, contract management was inadequate and tender documents went missing. The Auditor-General observed that, thirty-five percent (35%) of auditees received unqualified opinions by correcting materials misstatements in financial statements identified during audit process, (Consolidated General Report on the Audit Outcomes of Local Government, 2013/14:45).

Furthermore, Supply Chain Management Review Report (2015:10) noted that common finding in the AG's annual reports argued that in BCMM there is passing over of bids for incorrect reasons, use of incorrect procurement processes in relation to threshold use of the limited bidding process, inadequate controls and procedures for handling bids, appointment of bid committee members not aligned with policy requirements and insufficient motivation for deviations from SCM procedures.

2.3.4 Municipal Finance Management Act, 2003 (Act 56 of 2003)

The Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) also aims, to enhance compliance, improve accountability and transparency, update measures required to combat fraud and promote transparency in supply chain management practices in municipalities and municipal entities. In addition, section 112(1) of the Municipal Finance

Management Act, 2003 goes on to state that, when procuring goods and services there is need to implement measures for combating fraud, corruption, favouritism and unfair and irregular practices in municipal procurement management.

However, the Consolidated General Report on the audit outcomes of local Government, (2013/14:45) also observed that, a total of ninety-nine percent (99%) of the irregular expenditure was caused by non-compliance with SCM legislation. The report went on further argue that SCM is one of the most common areas in which auditees (63%) failed to comply with SCM regulations. It is therefore, critically important that all officials and other role players in a supply chain management system adhere to the highest ethical standards in order to improve service delivery in the public sector

2.3.4. Preferential Procurement Policy Framework Act, 2000 (PPPFA) (Act 5 of 2000)

This Act gave effect to section 217 of the constitution of 1996 through its provision of a framework for the implementation of procurement policy as contemplated in section 217(2) of the Constitution of 1996. Preferential Procurement Policy Framework Act of 2000 seeks to encourage and support the contracting with persons, or categories of persons, historically disadvantaged individuals by unfair discrimination on the basis of race, gender or disability. This Act promotes and gives effect to a preference point system in which historically disadvantaged individuals receive preferential treatment in the adjudication of tenders.

According to Craythorne (2003:297), those persons who, by reason of race or colour were excluded from being suppliers of goods and services can be given preference in the award of contracts and be given protection against manipulation to keep them out of the market place or be given protection for this purpose. Furthermore, Section 2(1) of the Procurement Act makes it obligatory for organs of state to implement a preferential procurement policy an organ of state must determine its preferential procurement policy and implement it within [the framework provided for in the Act. True reform of the South African government procurement system can only take place if organs of state have little (if any) discretion on whether or not to implement a preferential procurement policy. The Employment Equity Act, 1998 (in Chapter III) also makes it compulsory for organs of state as “designated employers” to implement affirmative action measures in their workplaces. The BCMM is acting contrary to the policy PPPF thereby not giving the first preference to the historically disadvantaged people in the community.

2.3.5. Broad Based Black Economic Empowerment (Act 53 of 2003)

It means the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies that include increasing the number of black people that manage, own and control enterprises and productive assets and preferential procurement. Section 10(b) of the Broad Based Black Economic Empowerment Act of 2003, states that every organ of state and public entity must take into account and as far as is possible; apply any relevant code of good practice issued in terms of this Act in developing and implementing a preferential procurement policy.

2.4 THEORIES OF ETHICS

2.4.1 Teleological Theories-Utilitarianism

The utilitarianism ethics refers to the goodness or badness of the consequences of actions alone that makes them right or wrong rather than intrinsically good or bad about actions themselves, (Hull 1979:39). According to Bentham, a strong proponent of classical utilitarianism, this theory is based on understanding of human nature since human beings always try to avoid pains and seek pleasures, (Hooker 1996: 9). It is based on utility principle, the greatest good for the greatest number of people. According to utilitarianism; an action is right from an ethical point of view if and only if the sum total of utilities produced by that act is greater than the sum total of utilities produced by any other act, the agent could have performed in its place (Ndolo and Njagi 2014:12).

In addition, Hooker (1996:11) noted that in Bentham's reform efforts were based on belief, characteristics of the intelligentsia of his age, that social policy should be a grounded reason rather than religious precept or emotional reaction. He went on to argue that policies should be designed to maximise the overall welfare of society. In Bentham's hedonistic utilitarianism utility is equated with pleasure and disutility with pain. More so, the utilitarian John Stuart Mill however, recognised that one may want to value the pleasure, some derive from listening to a symphony more than the pleasure others derive from vandalizing building, (Hooker, 1996:15). The theory of consequentialism can be applied to the field of public administration, the moral duty of the public officials in the municipalities is to maximise human happiness and to minimise unhappiness in the execution of duties. More importantly, the ultimate goal of any organisation should ensure that the common good or general will for its citizens. According to

Hull (1979:43) utilitarian theories have three parts that is theory of values, a principal of utility and a decision procedure.

- Hedonism- equates good with pleasure, bad or evil with pain
- Eudemonism- equates good with happiness, bad evil with unhappiness
- Agathism- views well as an indefinable, intrinsic feature of various situations and states, evil either an indefinable intrinsic feature of other situations and states or simply as the absence of good.
- Agapeism- equates good with love and bad with hate
- Values pluralism- holds that there are many good including pleasures and happiness but also knowledge, friendship, love and so forth

2.4.1.2 Utility

According to the above principle of utility an act is right if it brings about the greatest increase in the world in the word of consequential good for all, the alternative actions available or the least increase in evil consequences of all alternatives. However, the utility value in theory, a function of all consequences of the act, direct and indirect, not merely those that one can foresee. But in practise one is enjoined to choose that act that has the best foreseeable balance of good over evil as one's prima facie obligation (Hull,1979:41). Hull, (1979:42) asserts that one weighs the good and bad of all persons equally, giving no preference to any individual group.

The third part of utilitarian theories (**decision procedure**) has to do with how the judgement is made that a particular act of relative maximum utility or relative minimum utility (Hull, 1979:48). This principle of utility can be applied to either particular actions which is called act-utilitarianism and to general rules which is called rule-utilitarianism (Iqbal ud-Din 2012:17). In the act, the utility is applied to each alternate act in a situation of choice. The right act is then defined as the one which brings about the best results or the least amount of bad results (Iqbal ud-Din 2012: 29). In this case of rule – as the principle of utility is used to determine the validity of rules of conduct. A rule like promise keeping is established by looking at the consequences of a world in which people broke promise at will and a world in which promise were binding (Gwanzura, 2012:44). Right and wrong are then defined as following or breaking those rules (Iqbal ud- Din 2012:29).

2.4.2. The Rule –Oriented Approach (Deontological Ethics)

A deontological theory holds that an action is morally right if it is required by duty or permitted by duty and not in conflict with other action required by another duty (Hull, 1979:45). According to this approach doing good means obeying the rules or doing our prescribed duty, irrespective of consequences. Deontological philosophy holds that rules are the basic of morality because to him it relies too heavily on subjective consideration. He presents the deontological moral systems based on demands of categorical imperatives as an alternative to consequentialism based on hypothetical imperatives (Iqbal ud-Din, 2012:33)

2.4.2.1 Immanuel Kant's Moral Philosophy (1724-1804)

Kant believed that there is a single moral obligation which is called the categorical imperative and is derived from the concept of duty, (Categorical imperative). It is from the categorical imperative that all other moral obligations can be tested (Iqbal-ud Din 2012:35). He believed that the moral law is a principle of reason itself and not based on contingent facts about the world, such as what would make us happy but not to act upon the moral law which has to no other motive than worthiness of being happy. He believed that moral obligations apply to all and only rational agents. A categorical imperative is an unconditional obligation; it has the force of an unconditional obligation, regardless of our will or desire (Iqbal-ud Din 2012:36). Kant gave three conditions essential to his concept of morality. These are known as the formulation of morality.

The first formulation – it declares the maxim be chosen as though they should hold as universal laws of nature. This implies that one must perform his actions in such a way as that could be applied universally, (Gwanzura 2012:36). This formula has its supreme law always act according to that maxim whose universality as a law you can act the same time will and is the only condition under which a will can never come into conflict with itself. It is also called universality test.

The second formulation – each human being is an end itself the rational being as by its nature as an end and thus as an end in itself must serve in every maxim as the condition restricting all merely relative and arbitrary ends (Iqbal ud-Din 2012:38).

The third formulation – it is a synthesis of the first two and basis for the complete determination of all maxims. It says that rational being a realm (kingdom), the legislative force and also the subject in himself. People should act the way we may think of ourselves as a member in the universal realm of ends (Iqbal-ud Din 2012:39). This theory can be applied to

public administration public officials in BCMM should be abide by the acceptable rules of the Constitution of the Republic of South Africa, 1996, Public Finance Management Act, 1999 (1 of 1999), Municipal Finance Management Act, 2003, (Act 56 of 2003), Code of conduct for councillors and municipal officials.

The officials should know that doing good and acting ethically means obeying the set rules or doing their prescribed duty effectively and efficiently. Anything outside this is deemed unethically. This study thus drew insights from this theory to further explore the extent to which control and oversight measures for ethical conduct in Supply Chain Management are effective in Buffalo City Metropolitan Municipality. More specifically in identifying and understanding the nature and extent of compliance with ethical values, regulations, norms and standards for promoting sound municipal finance in Supply Chain Management (SCM) in Buffalo City Metropolitan Municipality

2.5 NORMATIVE GUIDELINES

Du Toit, et al., (2002:14) write that ethics in government institutions mean that public administration and management must comply with certain generally accepted principles. They further argue that these principles have their origin in social value systems and are not necessarily contained in official manuals. However, Cloete, 1986 cited in Du Toit and Van Der Waldt (1999:14) explain the rules of conduct as principles of public administration which originate from three broad categories namely guidelines from the body politics, guidelines from community values and *Batho Pele* principles. These normative guidelines provide public servants with guidelines according to which they must conduct their work, (Du Toit et al 2002:25)

2.5.1 Guidelines from the body Politic

Du Toit and Van Der Walt (2007:34) mention that the following as guidelines from the body of politics.

Political Supremacy – it states that ministers are the political heads of public institutions and therefore have authority over the actions of officials

Public Accountability – it includes the public responsibility of the legislative, judicial and executive authorities with regard to service delivery and conduct which is in the public interest. The Public Protector and Auditor General are the two state institutions respectively established

in terms of sections 182 and 188 of the Constitution of the Republic of South Africa, 1996 to ensure accountability, (Du Toit, et al., 2007:27).

Tenets of Democracy – which applies that those who govern must not abuse the powers invested in them in their personal interest or in the interest of one population group only and that deliberations and consultations with community must take place (Gwanzura, 2012:43)

2.5.2 Guidelines from Community Values

Du Toit, et al., (2007:34) argue that just as a society expects its members to adhere to the value systems they accepted as good, it also expects government institutions to adhere to their value systems. They also propose that any action undertaken by a government institution must comply with what the society or community accepts as good and desirable. According to Gwanzura, (2007:44) the public expects the public institutions to adhere to the following principles: reasonable and fair treatment, balanced decision making, truth, just, thoroughness, efficiency and respect of people's religion.

2.5.3 Prescribed guidelines

Cloete, (2001) cited in Du Toit et al., (Van Der Waladt., 2007) asserted that the importance of legal rules lies in the fact that they provide a code of conduct in terms of which public officials have to execute their function legal rules, give directions and can be used as a code of conduct for government officials in fulfilling their responsibilities. Some of the prescribed guidelines which public officials must take heed when they have to make decisions and take actions.

The *audi alteram partem* principle – which means that there is more than one side to a story. The other story the other story must be also be heard (Nini,2012:27).

The *nemo debet esse judex in propria causa* principle – which means that no one should be made a judge in his own cause or the rules against bias.

A *bona fide* – (to act in good faith) act as against a mala fide act (to act in bad faith) in practical terms this means that every administrative action carried out by public officials must be performed in good faith (Gwanzura, 2012: 46)

The power of execution in institution and those exercised by public officials must be performed with due consideration of ultra vires doctrine. The implication is that no public officials must exceed his or her power. Anything that the officials do in carrying out their tasks must be done within restrictions of the granted. In other words, they must be intra vires and not ultra vires. Every public official must regard the legal rules as binding (Nini, 2012:30)

2.5.4 Batho Pele Principles

Van der Walddt, (2007:56) state that public officials are obliged to execute their functions with due considerations of the Batho Pele principles. The White Paper on Transforming Public Services Delivery 1997 introduced eight Batho Pele principles as an improved approach to service delivery these include consultation, serving standards, access, courtesy, information, openness and transparency, redress and value of money. This approach which puts pressure on systems, procedures, attitudes and behaviour within public service and re -orients them in the customer's favour, (Gwanzura, 2012:49). It involves creating a framework for the service delivery which treats citizens to hold public servants to account for the service they receive.

2.6 CODE OF CONDUCT AND CODES OF ETHICS IN PUBLIC ADMINISTRATION.

Code of conduct – these are principles, values, standards, or rules of behaviour that guide the decisions, procedures and systems of an organisation in a way that contributes to the welfare of its key stakeholder and respects the rights of all constituents affected by operations, (Amundsen and Pinto de Andade, 2009:34). Code of ethics can be defined as a set of rules set by a higher authority for a specific group of employees to ensure that these people behave in an acceptable and justifiable manner. A code of ethics can be defined as being an instrument which only identifies unacceptable conduct but also identifies and encourage conduct, (Gwanzura, 2012:51).

The objective of the code of conduct is to show officials and the public unambiguous terms what is regarded as acceptable, (Nini, 2012:56). Furthermore, William (1992) cited in Agara (2001:42), states that code of ethics defines what constitutes decent behaviour or integrity and public service code of ethics must be acceptable as sensitive guide to good behaviour by the vast majority of officials. Code of ethics gives public officials the conscience that sometimes seems lacking and is a mechanism by which morality can be internalised and thereby enforced by the individual. According to Ismay (2008:34) four major objectives can be achieved through the code of ethics. These are: promotion and maintenance of responsible conduct by public officials, promotion of public confidence in the integrity of public officials, provision of guidelines for public officials regarding their relationship with fellow public officials, elected public office bearers and members of the public and providing public officials with guidelines on how to exercise their discretionary powers.

2.7 EMPIRICAL LITERATURE ON ETHICAL BEHAVIOUR IN SCM

The available related literature shows empirical evidence of rampant unethical conduct by public officials in Supply Chain Management. The unethical behaviour of employees in the workplace affects the daily operations of activities in the organisation thereby making it difficult to offer services to communities at the right time (Kaptein, (2011:14; Treviño, Weaver, and Reynolds, 2006:10). Singh and Twalo (2015:519) reporting on a research conducted in Buffalo City in 2012, noted that fifty-nine percent (59%) of the workers undervalued the moral implications of their actions at work and eighty-eight percent (88%) of some workers knew what was right, but still did what was wrong. Singh and Twalo, (2015:519) further observed that eighty-one percent (81%) of the BCMM workers accepted rewards for favours received, which were against the code of conduct for councillors and municipal officials.

Moreover, In Buffalo City Metropolitan Municipality the public officials were acting contrary to the requirements of Section 195 (1) of the Republic of South Africa Constitution, 1996 which advocates for basic principles governing Public Administration in South Africa. Another study which was carried out by Nini (2012:1) found out that, thirty-seven percent (37%) of funds in the municipality were used to pursue personal interests. This amounted to about R3.1 million spent on emergency requisitions. However, the National Treasury (2004:32) states that, in emergency cases, that is, cases where immediate action is necessary in order to avoid a dangerous or risky situation or misery these processes may be dispensed with and procurement done in any manner that is in the best interests of the department or municipality concerned. In contrast, some public officials found it as an opportunity to misuse the municipality's funds and pursued their personal interests, (Singh and Twalo, 2015:522). Therefore, in some instances, the officials charged uncompetitive prices in emergency cases and share the profits among themselves (Singh and Twalo, 2015:522).

In terms of compliance, Gwanzura (2012:87) found out that BCMM Supply Chain Management did not often comply with SCM norms and standards and regulations, thus contributing to persistent unclean audit findings. One major root cause was that documents could not be found or retrieved in time for the audit process. Gwanzura (2012:87) further found out that there were weak controls and lack of monitoring and support of SCM in BCMM leading to opportunistic behaviour for gross mismanagement of funds not being detected as early enough to avoid fraud. For example, in the Department of Education in Eastern Cape, a service provider failed to offer services in the right time, resulting in schools not complying with a cooked menu, (Gwanzura (2012:89).

In addition, Ngqase (2014:60) in another study found out that twenty-five percent (25%) of the sampled business people in BCMM (in terms of contractors who had been awarded tenders), believed that the process was rife with nepotism, bribery and corruption. Given such state of affairs it becomes significant that this study establishes how control and oversight measures and structures in Buffalo City Metropolitan Municipality can best promote ethical conduct in Supply Chain Management (SCM).

2.8 CAUSES OF UNETHICAL BEHAVIOUR IN SCM

There are various causes of unethical behaviour in supply chain department. The SCM Review, (2015:4) argued that the organisational structures and systems within which SCM takes place are in too many cases not ideal, with inexperienced or under-skilled leadership, high staff turnover and lack of motivation. In addition, the municipalities can suffer from lack of suitable equipment, such as computers with dependable internet connections; or information, such as databases giving up-to-date details of available products and services.

2.8.1 Non-compliance to SCM policy and regulations

The SCM policy requires each government entity to adhere to developed and implement a customized SCM policy. The issue of compliance is a major retard in the implementation of SCM as it affects other activities. The Matthee (2006:98) echoed that issues regarding non-compliance to SCM policy and regulations can be attributed to lack of the requisite SCM skill and competencies as well as the absence of a stricter regulatory culture. According to SCM Review (2015:13) non-compliance include among the following: the tendency not to utilise a competitive process for both quotations and bids, incorrect utilisation of the preference points system, lack of appropriate bid committees, use of unqualified suppliers, passing over of bids for incorrect reasons, utilisation of the incorrect procurement process in respect of the thresholds, extensions of validity periods, incorrect utilisation of the limited bidding process, inadequate controls and procedures for the handling of bids, lack of bid information on bid register, ambiguous specifications, appointment of bid committee members not aligned policy requirements, line functionaries incorrectly drafting bid documents and insufficient motivation for deviations from SCM procedures. Van Zyl (2006:39) and Ambe and Badenhorst-Weiss (2011b:74), noted that non-compliance to SCM policy was due to lack of skills, capacity and knowledge of the workforce to be able to fully implement SCM across various spheres of government.

2.8.2. Inadequate planning and linking demand to the budget

Another major challenge to SCM implementation is inadequate planning. Cost effective procurement depends on specialist skills to ensure that buying requirements are reliably determined, appropriate contract strategies are developed, contracts are well managed and the opportunities to secure the best deal at the right time and at the right price, (Matthee, 2006:99). The demand management process hence is integral to any procurement process as it defines the decision making process that allows departments to procure at the right time, at the right place and at the right cost. However, many government entities still face challenges of improper planning and linking demand to budget. This may be attributed to limited skills and capacity. Ambe and Badenhorst-Weiss (2011b) acknowledged that training and workshops are vital for successful implementation of SCM

2.8.3 Inadequate and inconsistency to risk management/ irregularities in SCM

Risk management is another major challenge. Irregularities in Supply Chain Management can be attributed to lack of internal control environment and the implementation of risk mitigation procedures through the effective utilisation of SCM policy and procedure, (SCM Review 2015: 19). According to Boateng (2008:24) further asserted that a lack of understanding regarding the concept of SCM and its inextricable link to long term quality service delivery, human capital development and associated socio- economic growth, may be the root cause of problems beleaguering SCM in government. Matthee (2006:78) asserted that, since 1994, South Africa has enjoyed unprecedented social and infrastructural, yet, the majority of people who hoped freedom would bring with it relative socio-economic liberation and improvement are feeling increasingly bitter towards government over issues including a lack of perceived quality of governance, service delivery failure, corruption in some spheres of the economy and disillusionment with empowerment policies.

2.8.4. Inadequate monitoring and evaluation of SCM

There is lack of monitoring and evaluation of SCM in most municipalities in South Africa. Monitoring and evaluation is an important aspect of SCM implementation. Inadequate monitoring and evaluation is linked to the absence or the poor presence of a control environment and the government entities are placed in a difficult position to give effect to or implement SCM as required by the policy, (Boateng 2008:25). According to Business Day reports (2011:12) noted that procurement actors in government have spent millions of Rand in ways that contravened laws and regulations. The national and provincial governments and their entities have notched irregular, unauthorised, fruitless and wasteful expenditure that contravene

laws and regulations. There are weaknesses in SCM, controls over information technology, human resource management, capital assets and performance reporting. Most government entities do not have clean audits.

2.8.5. Ethics and conflict of interest

Ethics and conflict of interest greatly affects SCM implementation. Matthee, (2006:71) argued that there is enormous power wielded by some chief financial officers and lack of proper consultation with other senior officials. This is in contrary with the National Treasury Guide to Accounting Officers prescribes a standard approach towards SCM procedure, in many instances given the autonomy of the accounting officer's financial management and the lack of application resulted in department's utilisation discretion to procure in a manner that would be appropriate for a specific time, SCM Review, (2015:27). This resulted in differentiation in approaches and a lack of standardisation.

2.8.6. Lack of proper knowledge, skills and capacity

Adequate capacity in the form of appropriate structures with fully skilled and professional SCM personnel is key success factors for proper SCM implementation. In some government entities, the quality of SCM personnel's skills and ability are well below standard. According to a study conducted by Ambe (2006:73) and Migiro and Ambe (2008:241) many SCM actors in the South African public sphere have attended a number of training and workshop on SCM, but they still lack appropriate knowledge for proper implementation. According to Edwards (2007:54) the completeness of tender documents in government entities is difficult to verify because the register is incomplete and there is also the lack of capacity and knowledge to handle procurement processes that contributes to bad governance. In addition, the implementation of SCM is impossible without appropriate information and communication systems. The need exists for the different stages in the chain to be integrated. Moreover, appropriate organisational structures must be developed, including the skill/ knowledge profiles of the different positions. More importantly the departments and municipalities must then actively recruit appropriate skilled and knowledgeable personnel.

2.9 THEORETICAL FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT.

Supply chain management emerged as a way of improving effectiveness and efficiency in the public sector because there was an outcry of poor service delivery of goods and services in the public. Due to globalization and the dynamics of the world there is need to adapt to new

techniques of managing and procuring goods and services from raw materials to a finished product. Public organizations have to be redesigned and the focus is placed on innovative leadership and co-operation among employees in order to ensure effectiveness and efficiency in public service delivery, (Mathee,2005:59). With the advent of supply chain management in the public sector, South Africa has undergone transformation through the introduction of procurement reforms.

According to the National Treasury as stated in Ambe and Badenhorst-Weiss, 2012:11005), the procurement reforms began in 1995 and were directed at two broad focus areas namely, the promotion of principles of good governance and the introduction of the preference system to address socio-economic objectives. In addition, Cox (1999:167) describes the orthodoxy in supply chain management as a way of thinking that is devoted to discovering tools and techniques that provide for increased operational effectiveness and efficiency throughout the delivery channels that must be created internally and externally to support and supply existing corporate product and services offerings to the customer.

2.9.1 Institutional Theory

Institutional theory is the most appropriate theory to explain ethics in the supply chain management particularly in BCMM. Institutional theory can also be viewed as an extension of open systems theory and the revolution created in the study of organizations, (Scott 2001: xx). Institutional theory deals with how individuals, groups and larger entities construct social structures (e.g. rules, norms, established modes of interacting and pursuing organizational objectives), as well as with the effect of institutions on actors (Peter, 2010:3). Furthermore, Zuker, (1987:443) is of the view that institutional theories in organisations are influenced by normative pressures, sometimes arising from external sources such as the state, other times arising from within the organisation itself. There are several institutional theory approaches, such as normative, rational choice of institutionalism, historical institutionalism and empirical institutionalism. March and Olsen (1984:12) have argued that, in the normative approach the best way to understand political behaviour is through a logic of appropriateness, that individuals acquire through their membership in institutions. They further argue that, people functioning within institutions behave as they do, as a result of normative standards rather, not because of their desire to maximise individual utilities.

This normative approach can be seen in SCM in the public sector where public officials' exhibit differentiated ethical behaviours due to differentiated normative standards and values within the institutions in which they operate. More importantly, public officials can copy normative standards from one institution to the other. Further, these standards of behaviour are acquired through involvement with one or more institutions and the institutions are the major social repositories of values.

The second approach within institutional theory is the logic of rational choice institutionalism. This approach argues that institutions have diverse arrangements of rules and incentives, and the members of the institutions behave in response to those basic components of institutional structure, (Peter, 2010:5). Similarly, in the public sector, most public officials adopt ethical behaviour within the structure of the institutions in which they save. Another approach within the institutional theory is historical institutionalism. As postulated by March and Olsen (1984:15), the basic assumption of this approach is that the policy and structural choices made at the inception of the institution will have a persistent influence over its behaviour for the remainder of its existence.

Therefore, the notion of path dependency is the central explanatory principle for historical institutionalists, although they are also very interested in the ideas that help to shape and to sustain the directions of policy (Hall, 1986:44; Peter, 2010:10). The last approach is the empirical institutionalism. This approach is employed to describe a body of literature that asks the deceptively simple question of whether institutions make any difference in policy choices, or in political stability (Peter, 2010:5).

2.9.2 Social Command Theory of Moral Obligations

Theory of moral obligation states that moral obligations stems from social responsibilities. An obligation can be defined as a duty or responsibility. In all municipalities including the BCMM public officials has an obligation to deliver services to the public in an effective and efficient manner. For example, the accounting officer in SCM is responsible for all financial activities involved in SCM. Clarkson, (1991:49) noted that most of the time, we will have that authority in virtue of being members of the very society whose demands or expectations are flouted – when we try to compel someone to fulfil his obligations or blame him for failing to do so, we speak as representatives of society, or on society's behalf. From the above view it can clearly shows that social command theory of moral obligation dwells much on

responsibilities or duties that must be fulfilled by the public officials in their area of jurisdiction to fulfil the needs of the public.

The idea that someone has a moral obligation is a normative claim since it endorses the idea that the person has a certain kind of reason to comply, and that it would be appropriate to try to compel him to comply or to punish or blame him for failing to do so, (Robert Adams, 2001: 246). Social command theory of obligations is a very important theory because it helps to uphold responsibilities in SCM. The principles of Social Responsibility are to increase the awareness of social responsibility among supply management professionals' ethics. According to Carroll's (1991:34) and Carter and Jennings's (2004:79) define Supply Management Ethical Responsibility (SMER) as managing the optimal flow of high-quality, value-for-money materials, components or services from a suitable set of innovative suppliers in a fair, consistent, and reasonable manner that meets or exceeds societal norms, even though not legally required.

This actually means that SCM should promote fairness and efficiency and effectiveness in delivering goods and services to the public while at the same time promoting accountability. Given, the explanatory potency inherent in this theory, the researcher deemed it appropriate for use as an explanatory lens to explore the extent to which control and oversight measures for enhancing ethical conduct in Supply Chain Management are effective in Buffalo City Metropolitan Municipality. This study thus established theoretical and conceptual best practices for curbing unethical conduct by public officials and promote sound municipal financial management practices in Supply Chain Management in municipalities.

2.9.3 Leadership Theory

Yukl (1998:8) defines leadership as a process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives. Furthermore, Eriksen, (2001: 9) defines leadership as a process whereby an individual influences a group of individuals to achieve a common goal. In general terms leadership can be defined as the ability to influence, your peers and subordinates in an organisational context. Basing from the above definitions it can be seen that (a) Leadership is a process, (b) leadership involves influencing others, (c) leadership happens within the context of a group, (d) leadership involves goal attainment, and (e) these goals are shared by leaders and their followers.

These characteristics of leadership can be also seen in the SCM where public officials portray certain characteristics and influence their subordinates in the awarding of contracts to service providers. However, in some instances their influence (subordinates) can lead to poor services delivery when they decided to award tenders to unqualified suppliers who can deliver poor quality of services to the municipality. There are different types of leadership such as assigned leadership, autocratic leadership, emergent leadership, charismatic leadership and instrumental leadership.

Eriksen (2001:11) defines assigned leadership as the appointment of people to formal positions of authority within an organisation. Examples of assigned leadership are general managers in both public and public institutions, vice presidents of universities, plant managers, the Chief Executive Officers of hospitals, and the executive directors of non-profit organisations. In some settings, it is possible that the person assigned to a formal leadership position may not be the person that others in the group look to for leadership. In municipalities some leaders behaved autocratically and instrumentally in getting things done whilst others acted more like protectors of their territory or defenders of their own groups. When leaders acted according to institutionalised roles and entrenched standards of appropriateness. For these leaders, it appeared that the new model had no significant effect on behaviour.

However, Warren (1999:23) argued that leadership is not merely a construct symbolising ability to act and control; there are good reasons for its emergence. For instance, a leader must take charge, provide the motivation for collective action, and lead social processes in a favourable direction. This can be seen in BCMM SCM for example the accounting officer is in charge of all the finances in the municipality and the Office of the Chief Procurement officer oversees guides and controls the SCM activities within the municipality. Yukl (1998:23) further noted that crises must be handled and leadership is required in times of upheaval, adversity, and institutional sclerosis. Generally, it is important that the makers of vital decisions be made visible, and that leaders are motivated to become more involved in organisational development than making the organisation to become inefficient and ineffective thereby compromising human and economic development.

More so, leadership concerns the relationship between actors who are dependent on one another to get things done. It is a relationship between actors, in which some are in a position to influence the behaviour of others. Parsons (1960:58) added that leadership, like power, involves a hierarchical component- a leader-follower relationship. He went on to say that some

people are in a superior position to others, and are thus able to impact their choice of action. Similarly, in municipalities some public officials possess more power than other subordinates at the workplace and can have more influence in the decision making in the municipality.

2.10 CONCEPTUAL FRAMEWORK - SUPPLY CHAINMANAGEMENT

2.10.1 Supply Chain Management

Supply chain management encompasses all activities associated with the flow and transformation of goods from raw material stage (extraction) through to the end user, as well as the associated information flows (Kotzab, Seuring, Muller and Reiner, 2005:220). Supply chain management is the process of planning, implementing, and controlling the operations of the supply chain with the purpose to satisfy customer requirements as efficiently as possible (Jacobson, 2007:10). Supply chain management can be defined in terms of networks because it involves several suppliers and customers in the process of procuring goods and services. Harland (1996:64) defines SCM as the management of a network of interconnected businesses involved in the ultimate provision of product and service packages required by end customers.

Supply chain management in the public sector can be defined as an integral part of finance management that seeks to introduce internationally accepted best practice, it bridges the gap between traditional methods of procuring goods and services and the balance of the supply chain whilst addressing procurement related matters that are of strategic importance (Policy to Guide Uniformity in Procurement Reform Processes in Government, 2003:11). Supply chain management is a set of practices aimed at managing and coordinating the entire chain from raw material suppliers to end customers (Ambe and Badenhorst-Weiss, 2012:1). Supply chain management policies are complex and impact significantly on the smooth functioning of the government and its competitive position (Ambe and Badenhorst-Weiss, 2012:11)

Supply chain management encompasses all activities associated with the flow and transformation of goods from raw material stage (extraction) through to the end user, as well as the associated information flows, according to Kotzab, Seuring, Muller and Reiner, (2005:220). Although the Constitution of the Republic of South Africa 1996 and other policies of SCM provides for procurement by organs of state in all three spheres of government and by doing so, it also necessarily implies that all three spheres of government have the power to enter into contracts, there is still persistent lack of control and oversight measures in BCM supply chain.

In South Africa, local government including the Buffalo City Metropolitan Municipality is faced with a mirage of challenges that impact upon its ability to render effective service delivery to the people, the challenges are vast, and while some are common to all municipalities, others are unique to certain municipalities, attributed by The Local Government Briefing, (2015:18). In 2010, the Institute for Local Government Management of South Africa (ILGM) was tasked to present a report to Parliament on service delivery protests, as there had been a significant increase in service delivery protests in 2009. The report indicated that the awarding of tenders was perversely secretive and patently manipulated (ILGM, 2010:2). The report thus, recommended that governance in municipalities, specifically with regard to the awarding of tenders and the appointment of service providers be investigated and dealt with accordingly (ILGM, 2010:2).

The Supply Chain Management (SCM) is very crucial in any municipality because it helps in municipal financial management and therefore policies to guide SCM activities should be intensified in order to prevent the misuse of public funds through corruption and maladministration. The Buffalo City Consolidated Audit Report, (2013/14:7) noted that, the municipality did not implement an effective performance system that enables leadership to be held accountable for the work they perform on a daily basis for compliance. The Auditor General Report (2011/2012:34) further raised concerns, regarding increased non-compliance, resulting from blatant disregard for the supply chain management legislative framework, SCM regulations and an entrenched culture of unethical behaviour and corruption. To cement this the, SCM Review Report (2015:10) noted with concern that, common findings in the AG's annual reports on SCM non-compliance and irregular expenditure include among other things appointment of suppliers who are not tax compliant, failure to use competitive processes for quotations and bids, incorrect use of the preference points system, lack of appropriate bid committees and use of unqualified suppliers. Supply chain management (SCM) should thus be strictly monitored and controlled and public officials should be held accountable for their actions.

2.10.2 Ethics

Ethics derives from the Greek word "*ethikos*" meaning custom. This Greek word has a Latin Synonym or equivalent known as "*mors*" which translates to custom or mores. Agara (2009:24) posits that, ethics is that branch of philosophy that deals with the analysis and evaluation of human conduct to determine the fundamental principle that makes it good or bad, right or wrong. Drawing upon the work of early Greek philosophers, Plato and Aristotle,

Freakley and Burgh (2000) cited in Fatile (2013:134) state that, ethics can be understood as ‘what we ought to do. Thus it requires, judgement and reasoning in decision making that raise questions regarding what is right, wrong, good or bad conduct, fair or just, (Fatile, 2013:134).

Deriving from the above, ethics can be conceived as a science of morals (*meta-ethics*), and as a system of morals which defines or states the code or set of principles by which men live. As a science of morals, it investigates the nature, sources and fundamental principles that should guide human actions. Seen this way, it is a normative science that aims at stating the way human beings ought to behave, rather than empirical science which attempts to describe the way things are, (and) the way things behave (Ekennia, 2003 and Eboh, 2005) in Agara and Olarinmoye, (2009:25).

Ethics can thus be viewed as a system of moral principles that is based on values relating to human conduct, with respect to the rightness or wrongness of certain actions and to the goodness and badness of the motives and ends of such actions, Mbatha, (2005:16). More so, Cloete, (2002:54; Fox and Meyer, 1995:45) concur with Mbatha (2005:16) when they point out that, in the realm of good governance and public administration, ethics could be regarded as the collection of values, obligations, moral principles, attitudes and norms and standards that serve as conduct and behavioural rules which must be observed by public representatives and public officials to ensure that their actions are constantly focused on the promotion, achievement, maintenance and enhancement of the general welfare of society at large. Ethical behaviour is thus essential in public sector supply chain management, as it involves the expenditure of public money and is subjected to public scrutiny, hence, there is need to foster ethics for public accountability.

The issue of ethics in the public sector is becoming increasingly important as there is an outcry of unethical behaviour of public officials which has negatively impacted on the efficiency and effectiveness of municipal service delivery. According to Kakumba and Fourchie (2008:11) “ethics and accountability have become more critical in public administration because of the continued public sector institutional failings that are attributed to public servants’ lack of moral values, which in turn are associated with weak public service values and the resultant weak administrative and institutional value systems.” In the same vein, Agara and Olarinmoye, (2009:44) clearly indicates employees imitates unethical behaviour portrayed by their managers at work.

Furthermore, Tang, Chen, and Sutarso (2008:245) argue that unethical behaviour can start as a minor behaviour portrayed at the work place and as the time goes on the behaviour grows and affects the daily activities in the organisation. In addition to the above, Kakumba and Fourchie, (2008:48) use the analogy of a Machiavellian, they noted that the workers can use aggressive and manipulative methods which are contrary to the laws of the organisation in order to achieve their objectives.

2.10.3. Accountability

Accountability can be defined as the ability of one actor to demand an explanation or justification of another actor for its actions and to reward or punish that second actor on the basis of its performance or its explanation (Dowdle, 1996:52). Swift (2001:17) characterises accountability as the requirement or duty to provide an account or justification for one's actions to whomever one is answerable. Swift (2001:11) also notes that accountability is about the provision of information between two parties, where the one who is accountable, explains and justifies actions to the one to whom the action is owed. Key objectives in supply chain management guidelines is to promote, support and ensure uniformity in procurement processes and better services to the community (Ambe and Badenhorst-Weiss, 2012:11004).

Accountability constitutes a central pillar of any public procurement system. Without transparent and accountable systems enabling governments and citizens to engage in a mutually responsive way, the vast resources channelled through public procurement system run the danger of increased corruption and misuse of funds. Even in a system with low levels of corruption, public and civic oversight can help identify inefficiencies, thereby increasing procurement efficiency and effectiveness. To ensure accountability, transparency mechanisms such as public oversight and monitoring are important. The MFMA aims to improve accountability by placing responsibility for decisions in the hands of each accounting officer, and by ensuring that there is support from National Treasury, for example in the form of "best practice" guidelines, to assist managers in delivering services to communities as efficiently and effectively as possible. The Auditor General has a mandate in terms of the Constitution to audit and report on the accounts, financial statements and financial management of all national and provincial departments, municipalities and any other institution required by legislation to be audited. The country's supreme audit institution, the AG exists to strengthen the country's democracy by enabling public sector oversight, accountability and governance through auditing and in this way to build public confidence

Agere and Olarinmoye, 2009 (2000:7) views the role of accountability as holding the responsible elected or appointed individual or organisation charged with a public mandate to account for specific actions, activities or decisions to the public from whom they derive authority. As pointed out by Matthee, (2005:26), true accountability stems from the wish of an organisation to provide information beyond legislative requirements, as such an organisation proactively thinks through its own degree of accountability. According to Van Der Waldt (2007:49), one of the causes of unethical conduct is inadequate control and accountability, that is, if control is ineffectual, dishonest officials can exploit the situation for their own gain.

2.10.4 Code of Conduct

A code of conduct is a statement of principles and standards about the right conduct of public officials (Chapman, 1993:18). The purpose of the code is to set out principles and standards of conduct and integrity for councillors, to inform the public of the conduct it is entitled to expect and to uphold public confidence in local government. Schedule 2 of the Municipal Systems Act of 2000 contains a code of conduct for municipal staff members, councillors and section 69 states that the code applies to every staff member of the municipality. A staff member of a municipality must at all times loyally execute the lawful policies of the municipal council; perform the functions of office in good faith, diligently, honestly and in a transparent manner (Craythorne, 2003:210).

A code of ethics has been established for officials and other role players in the supply chain management system of the municipality in order to promote mutual trust and respect, an environment where business can be conducted with integrity and in a fair and reasonable manner. An official or other role player involved in the implementation of supply chain management policy must treat all providers and potential providers equitably and may not use his or her position for private gain or to improperly benefit another person. Furthermore, he or she may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including any close family member, partner or associate of that person.

2.11 STRATEGIES FOR PROMOTING ETHICAL BEHAVIOUR IN SCM

2.11.1 Practicing propriety

Supply management professionals deal with internal and external customers and suppliers. Interaction and treatment between supply professionals and these constituents must be honest and fair-minded. Avoid actions that appear to, or actually, diminish ethical conduct. Consequences of a perceived impropriety can be the same as consequences of an actual

impropriety. SCM professionals must prevent the intent and appearance of unethical or compromising conduct in relationships, actions and communications, (SCM Review, 2015:45)

2.11.2. Limiting conflict of Interest at the work place.

Supply management professionals must not use their positions to induce another person to provide inappropriate benefits to themselves or others. Potential conflicts arise from family, business, personal or financial relationships. Even though a conflict may not technically exist, supply management professionals must avoid the appearance of such a conflict. The SCM Review, (2015:44) has identifies the following guidelines to avoid and manage conflicts of interest:

Potential Conflicts: Discuss actual or potential conflict(s) of interest with management. Reassign supply management responsibilities as warranted or necessary.

Guidance on Conflicts: Notify the appropriate person for guidance or resolution when a potential conflict of interest arises.

Conflict of Interest Statements: Advocate that your employer obtains and review conflict of interest statements that encourage employees to disclose any potential conflict of interest upon initial employment and annually thereafter.

Personal Business: Do not engage in inappropriate personal business with your employer, employer's competitors or suppliers. For example, lending money to, or borrowing money from, any customer or supplier.

2.11.3. Strengthening the supplier and customer relationships

Supply chain management professionals are responsible for developing and maintaining effective business relationships with suppliers and customers. Swift, (2001:82) argued that impartiality across all business interactions and transactions enhances the reputation and good standing of the employer, the supply management profession and the individual supply chain professional. Public officials should develop and implement policies and procedures for business processes that are fair, unbiased and applied consistently, including where long-term relationships exist with key suppliers and customers (Kotzab, Seuring, Muller and Reiner, 2005:220). The supply chain management should establish a process for suppliers and customers to notify your employer of known or suspected unlawful or unethical activities.

2.11.4. Confidential and proprietary information

Confidential and proprietary information requires protection and should be shared with others only when needed. Access must meet employer ethical guidelines, contractual obligations, government regulations and laws. Supply management professionals should ensure that recipients of confidential and proprietary information know that they have an obligation to protect it. Examples of information that may be considered confidential or proprietary include: price and other related elements, contract terms and conditions, bids and quotations, product and other costs and descriptions of formulas and processes in SCM, (SCM Review, 2015: 67)

2.11.5. Applicable laws, regulations and trade agreements

Supply management professionals should develop and maintain an understanding of the legal concepts that govern their activities as agents of their employers in the countries in which they operate. These include laws, regulations and trade agreements at the international, national, state, provincial and local levels. In addition, it is common for industries to have unique regulations and laws with which supply managers must comply. Some examples of laws and regulations that supply management professionals should be aware of include: agency laws, contract and commercial laws, industry-specific laws and regulations and government procurement regulations, (Mathee, 2006: 15).

2.11.6. Professional competence

Competence is expected of supply management professionals. Developing business skills and increasing knowledge of supply management demonstrates a commitment to the profession and positively impacts the employer, peers and suppliers, (SCM Review, 2015:68). Professional development requires continuing education. The public officials should adopt and promote the ethical standards expected of a supply management professional and encourage, support and participate in ongoing ethics training workshops.

2.12. WAYS OF ELIMINATING FRAUD AND CORRUPTION IN SCM

2.12.1 Whistle blowing

Nader et al., (1972), cited in Gwanzura (2014: 85) define whistle blowing as an act if a man or a woman who believes that the public interest overrides the interest of the organisation he [or she serves blows the whistle that the organisation is involved in corrupt, illegal, fraudulent or harmful activity. Within the public sector context, whistle blowing is seen as a means to promote good governance and accountability (Jacobson, 2007:64). Public officials should act

responsibly and build a culture in which public servants are able to report fraud and corruption with the assurance of protection from the Protected Disclosure Act 26 of 2000.

Public servants in terms of their duties should report to the appropriate authorities, fraud, corruption, nepotism and any other act which constitutes an offence or which is prejudicial to the public interest. Through whistle blowing, the public sector is able to address potential adversities as well as prevent large financial losses. However, in most scenarios, employees feel intimidated in reporting corrupt activities because of a fear of retaliation (Mfene, 2009:4). Another critical challenge concerning whistle blowing is that individuals might observe an illegal act and contemplate disclosing it, but may not know where to report the act or even who to trust so as not to face any reprisals. Therefore, it is important to have established, reliable systems within the organisation that individuals can utilize safely to “blow the whistle” (Mfene 2009:5)

2.12.2 Supervision by external auditors and performance monitoring

To root out corruption, external auditors perform an audit on the financial statements of, companies, government, individuals and any organ or legal entity. These auditors should inspect the way that the procurement process is being carried out on a quarterly basis. For example, Standing Committee on Public Accounts (SCOPA) and Auditor General must ensure that there are no irregularities in the way public funds are being managed.

In addition, the Fatile, (2013 :34) reports that the supreme audit institution is protected from political interference by law and that appointment in practice do also respect the Agency’s independency. It is mandated to audit and report on the accounts, financial statements and financial mismanagement and management of national and provincial state departments and administrations, municipalities and other institutions legally authorised to receive money for public purposes. The AGSA plays an important role in the control of economic crime in South Africa, including the prevention of corruption. Gildenhuis (1993:177) substantiates that auditors should take a look at financial statements or flow of money to make sure they are free of obvious misstatements and errors to avoid the spread of corruption and fraud.

The auditors should also monitor the performance of official or the contractors in the public sector to ensure quality and efficiency. In BCMM there was no supervision from external auditors and performance monitoring this has resulted in irregular expenditures, fraud and corruption within the municipality. According to Buffalo City Consolidated Audit Report,

(2013/14:7) noted that the municipality did not implement an effective performance system that enables leadership to hold accountable for the work they perform on a daily compliance.

2.12.3. Introduction of anti-corruption campaigns

The government should introduce existing structures and institutions such as Anti-Corruption Commission, National Campaigns and Bureau to eliminate corruption and fraud. The commission should be truly independent and having full authority to investigate into allegations of corruption and fraud against any individual, public servant and political office holders irrespective of their rank and status. The Finance Minister Pravin Gordhan proposed levying penalties of doubling the value of the contract on those who fraudulently obtain contracts as a strong measure to eradicate fraud in public procurement in South Africa. Former Finance Minister of Finance Trevor Manuel called on the Government to get tough on corruption echoing the sentiments that “we should not tolerate corruption; it is wrong; it is stealing from the poor.” Anti- corruption campaigns help to curb fraud and corruption within the country thereby resulting in better service delivery.

2.12.4. Special Investigating Unit

The SIU is the only state agency solely dedicated to fight corruption (Mafunisa, 2000:15). The SIU is an independent statutory body established by the president's office in 2001 and the SIU and Special Tribunals Act, 74 of 1996 provide the mandate for the functions of the SIU. It conducts investigations of any form of corruption in state institutions at the President's request and reports to him on the outcome. The SIU is not mandated to arrest and prosecute suspects. Instead, it cooperates with the National Prosecuting Authority (NPA) and the Asset Forfeiture Unit (AFU) to make sure that prosecutions take place. The status of the SIU has been disputed due to the fact that the agency was left out of the 'Arms Deal' investigation one of the biggest corruption scandal in the history of South Africa. The SIU has now regained its credibility as an effective anti-corruption agency.

2.13 THE IMPORTANCE OF A DATABASE OF SUPPLIERS WHEN OBTAINING QUOTATIONS

The establishment of a database when obtaining quotations plays a pivotal role in improving efficiency in SCM in any municipality. The establishment of a database helps the municipality to know the best and reliable service providers who can offer quality services to the municipality. The PFMA states that the establishment of the database of suppliers when obtaining quotations is very crucial for an urgent and emergency cases and institution may

dispense with the invitation of bids and may obtain the right goods and services at the right time and the right place.

More importantly a suppliers' data base can facilitate the use of informal quotations, formal quotations invitation and emergency procurement needs as guided by the treasury regulation 16A (6.4). The Functions of Office of the Chief Procurement Officer (OCPO) should establish a national data of suppliers. In support of the above, SCM, Review (2015:8) echoed that the functions of OCPO is to establish a national database of suppliers, service providers and contractors, including targeted business enterprises and developing and implementing a code of conduct governing suppliers.

In order to stimulate the promotion of BEE and the development of historically disadvantaged individuals and small, medium and micro-enterprises, it is suggested that institutions should advertise in the local media for business to register as potential supplies for goods and services to be obtained by means of quotations. Supply chain management practitioners should operate within their delegated authority. Furthermore, to avoid accusations of favouritism, it is suggested that a minimum of three quotations be obtained and where this is not possible, each case should be dealt with on its own merits.

According to the Supply Chain Management: A Guide for Accounting Officer or Authority, institutions should customise and use appropriate Standard Bidding Documents (SBDs) issued by the National Treasury with minimum changes acceptable to the accounting officer or authority, as are necessary to address contract and project specific issues. The BCMM has established a database of suppliers when obtaining quotation but in many instances the BCMM did not value its importance, ending up awarding tenders to service providers who are not registered in the municipality's database. According to BCMM Consolidated Audit Report, (2013/14:7) noted that quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulations 16(b) and 17(b). Furthermore, the SCM Review (2015:12) concurred that the Auditor General Reports has noted that in most municipalities including the BCMM there was an appointment of suppliers who are not tax compliant and use of unqualified suppliers. Basing on the above facts, it can be seen that the BCMM was awarding tenders to suppliers who were not on registered on the database thereby making the importance of database to become futile.

2.14 THE IMPORTANCE OF INTERNAL CONTROLS IN SCM

The use of internal controls in any institution makes the public officials to be accountable for their daily activities in their work places. According to Du Preez (2000:27) the responsibility of the internal Audit function in terms of the Public Finance Management Act are the evaluation of all systems of financial and risk management and internal control, acting as an early warning system to detect things that go wrong, giving assistance to managers to identify risks, and monitoring the implementation of the PFMA. According to the King 2 report (2002:86), the Internal Audit plays an integral role in an organisation as it provides management with a reasonable assurance regarding the effectiveness of the organisation's corporate governance, risk management processes and system of internal control. There is need for an independent audit committee. The Internal Audit function is an important part of corporate governance and acts as one of the mechanisms for checks and balances in an entity (King 2 Report, 2002:86).

Mentzer, *et al.* (2001:8) explains that the objective of supply chain management is to integrate and manage the sourcing, flow and control of materials using a total system perspective across multiple functions and multiple tiers of suppliers. The function of the Office of the Chief Procurement Officer (OCPO) is to audit the performance of accounting officers and accounting authorities with respect to adherence to SCM regulations, treasury instructions, guidelines, policy, norms and standards; efficiency of procurement; effectiveness in implementing section 217(2) policies which provide for preference in the adjudication of contracts and advancement of persons or categories of persons disadvantaged by unfair discrimination; and other socio-economic objectives, (SCM Review, 2015:9). The BCMM seems to have inadequate Internal Audit controls to minimize the irregular expenditure incurred in the municipality. According to Buffalo City Consolidated Audit Report, (2013/14:7) observed that irregular expenditure disclosed in note 55 to the consolidated financial statement at R747 million (2013: 931 million) was understated. It goes on further to argue that this was as a result of the municipality not having adequate systems in place to identify and disclose all irregular expenditure incurred during the current and previous financial periods as required by section 125(2)(d)(i) of MFA. It can be concluded that the BCMM has inadequate internal controls to minimise irregular expenditure in the municipality.

2.15. ORGANISATIONS TO DETECT AND COMBAT CORRUPTION IN SCM

There are many organisations in South Africa that has been put in place to detect and combat corruption which is increasing on daily basis. The Supply Chain Management Review

(2015:34) has identified organisations that have been put in place by the government to detect and combat corruption. Although there are several organisations to detect corruption and fraud in SA, several reports such as AG Reports from 2010-2014 indicates that fraud and corruption remain rampant in South African municipalities.

2.15.1 The National Prosecuting Authority (NPA)

The National Prosecuting Authority institutes criminal proceedings on behalf of the state. It has a number of specialised units including the Specialised Commercial Crime Unit, the Asset Forfeiture Unit and the Witness Protection Unit. All NPA employees are governed by the NPA's code of ethics, which includes the NPA's whistle-blowing policy.

2.15.2 The Public Protector (PP)

The Public Protector is mandated to investigate any conduct in state affairs or in the public administration of any sphere of government where there is suspected impropriety. The PP reports on such conduct and is empowered to take appropriate remedial action.

2.15.3 The Directorate for Priority Crime Investigation (DPCI)

The DPCI, also known as the Hawks, is an independent directorate within the South African Police Service (SAPS) that manages, prevents, investigates and combats serious organised crime, serious corruption and serious commercial crime.

2.15.4 The Asset Forfeiture Unit

It is a unit within the office of the National Director of Public Prosecutions; it was established to implement Chapters 5 and 6 of the Prevention of Organised Crime Act which allow for the seizure of assets used in criminal activities.

2.15.5 The Special Investigating Unit (SIU)

The SIU fights corruption through high-quality investigations and litigation. An independent statutory body, it conducts investigations and reports the outcomes to the President.

2.15.6 The Financial Intelligence Centre (FIC)

The FIC was established in terms of the Financial Intelligence Centre Act (FICA). It receives reports of suspicious financial transactions; aims to combat money laundering in South Africa and, through FICA, to prevent organised criminal groups from benefitting from illegitimate profits and, in so doing, to maintain the integrity of the country's financial system.

2.15.7 The Auditor-General (AG)

The AG has a mandate in terms of the Constitution to audit and report on the accounts, financial statements and financial management of all national and provincial departments, municipalities

and any other institution required by legislation to be audited. The country's supreme audit institution, the AG exists to strengthen the country's democracy by enabling public sector oversight, accountability and governance through auditing and in this way to build public confidence.

2.15.8 The Public Service Commission (PSC)

It is established in terms of Section 196 of the Constitution and regulated by the Public Service Commission Act 46 of 1997; the PSC is an independent, impartial body that enhances governance in the public sector through powers and functions that include investigating and monitoring the organisation and administration of the sector. The PSC is mandated by Cabinet to manage the national anticorruption hotline, one of the channels available to the public for reporting corruption. Cases are then referred to departments and agencies for investigation; they are required to provide feedback to the PSC.

2.15.9 Independent Police Investigative Directorate (IPID)

The purpose of the IPID is to ensure independent oversight of the SAPS. It conducts investigations into allegations of criminal offences committed by SAPS members. This includes investigations of individual acts of corruption as well as systemic corruption involving the police. Established in 1997 in terms of the IPID Act, the organisation's vision is to ensure proper police conduct in line with the Constitution

2.15. THE DELEGATION OF SCM POWERS AND FUNCTIONS

Section 4(1) state that the council of the municipality delegates all powers and duties to the accounting officer to discharge the SCM responsibilities conferred on accounting officer in terms of chapter 8 and 10 of the Act and the policy. Furthermore, to maximise administrative and operational efficiency in the implementation of this policy and to enforce reasonable cost effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices should be included in the implementation of this policy.

2.15.1 Oversight role of council

The Supply Chain Management Policy Section 6 of the Act, states that the council reserves its right to maintain oversight over the implementation of the SCM policy. The accounting officer must, whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council. The accounting officer must within ten (10) days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the executive mayor and these reports must be made public in

accordance with the section 21A of the Municipal Systems Act, 2000 (Act 32 of 2000). Although Section 6 of SCM Policy acknowledges the oversight role of the council in BCMM and other municipalities in SA, research has indicated that there is much silence by the council and the accounting officer in monitoring, BCMM supply chain management.

Several AG Reports for example the Auditor's Report (2011-2012:165) noted that the performance of contractors and providers was not monitored on a monthly basis as required by section 116(2) (b) of the MFMA. In the same vein the BCMM, Annual Report, (2013/2014:42) concurred that the Buffalo City Metropolitan Municipality adopted its Supply Chain Management Policy in 2009; it is reviewed annually and was last reviewed in October 2013. This means that the council was not performing its roles effectively thereby incurring irregular financial reports and maladministration in the SCM.

Although the supply chain management policy, acknowledges that the appointment of bid committees by the accounting officer, BCMM lacks the knowledge on the functions and importance of bid committees in the awarding of tenders in the municipality. According to SCM Review (2015:10) concurs that the AG Report indicated that there is lack of appropriate bid committees, use of incorrect procurement processes in relation to threshold values, for quotations and competitive bidding and appointment of bid committee members not aligned with policy requirements. This shows that the accounting officer and the council did not perform their works properly and bid committees were not appropriately appointed.

2.15.2 The powers and functions of Office of the Chief Procurement Officer (OCPO)

The Office of the Chief Procurement Officer (OCPO) modernises and oversees the South African public sector SCM system to ensure that the procurement of goods, services and construction works is fair, equitable, transparent, competitive and cost effective in line with the Constitution and all relevant legislation. However, Hugo, Bandernhorst-Weisis and Van Biljon, (2004:67) argued that the OCPO is not directly involved in procurement, but leads and manages procurement reform, maintains the procurement system and oversees the way in which government does business with the private sector. Although there is appointment of the Office of the Chief Procurement Officer (OCPO) in South African public sector SCM, there is still non-compliance, lack of control and oversight measures to curb unethical conduct in most municipalities. The function of the OCPO is not recognised in all municipalities.

The Consolidated General Report on the audit outcomes of local Government, (2013/14:45) also observed that, a total of ninety-nine percent (99%) of the irregular expenditure was caused by non-compliance with SCM legislation. This can be concluded that the (OCPO) was not doing his/her work effectively and efficiently in the sense that he/she failed to modernise and oversee the South African public sector SCM system to ensure that the procurement of goods, services and construction works is fair, equitable, transparent, competitive and cost effective in line with the Constitution and all relevant legislation. This can be seen in most SCM municipalities where the principles of accountability, ethics and transparency was not fostered.

2.16. FUNCTIONS OF BID COMMITTEES

The accounting officer of an institution should appoint three (3) bid committees namely the bid specification committee, bid evaluation committee and bid adjudication committee (SCM Policy, 2005: 15). In terms of section 38 and 51 of the PFMA, accounting officers or authorities are fully responsible and should be accountable for any expenditures relating to supply chain management within their line of responsibility. Any expenditure incurred should be subject to appropriate regulation and accounting officers or authorities' directives and procedures.

The bid committees must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services; must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply, (Bizana 2013:52). In most municipalities in SA including the BCMM do not have enough bid committees and in many cases the municipal officials take decisions without consulting the bid committees. According to SCM Review (2015:10) concurs that the AG Report indicated that there is lack of appropriate bid committees, use of incorrect procurement processes in relation to threshold values, for quotations and competitive bidding and appointment of bid committee members not aligned with policy requirements. This shows that most municipalities in SA do not value the importance of bid committees in SCM.

In addition, the BCMM did not recognise the importance and functions of bid committees and systematic processes in bidding were not followed properly which result in irregular expenditure and non-compliance to SCM regulations. The Consolidated General Report on the audit outcomes of local Government, (2013/14:45) observed that, a total of ninety-nine percent (99%) of the irregular expenditure was caused by non-compliance with SCM

legislation. Thus it further thus singled out that, SCM as one of the most common areas in which auditees (63%) failed to comply with SCM regulations.

In the same vein, the Local Government Briefing (2015:18) for example reports that, the Municipal Manager for BCMM signed a R73-million contract with a construction company on the basis of a letter purportedly written by the Chief Financial Officer in September 2014, who he was the acting Municipal Manager. However, the same Chief Financial Officer wrote to the Municipal Manager on 4 August, 2015, claiming that his signature was a forgery. Further to this, the Chief Financial Officer alleged financial misconduct in the awarding of the contract, as the company had not been appointed in a valid tender process, (Local Government Briefing, (2015:18). This actually shows that procuring and tendering processes were greatly ignored, thus undermining the importance of bid committees in BCMM.

2.16.1. A Bid Evaluation Committee (BEC)

A bid evaluation committee must compare all the tenders against each other using a set of predetermined criteria (Moeti, Khalo, Mafunisa, Nsingo, & Makonda, (2007: 124). With the coming into effect of the 1993 and 1996 Constitutions, the practice of awarding tenders strictly based on price has to a large extent disappeared, (Bolton, 2007:260). According to Bolton (2007: 260), the practice of accepting the lowest tender based on price alone was described in the Green Paper on Public Sector Procurement Reform as “inflexible” in the sense that it restricts the degree to which smaller enterprises can access the process.

After 1994, the preference point system stipulated in the PPPFA of 2000 was ushered in, but with certain provisions. The total combined points allowed for functionality and price may, in respect of bids with an estimated rand value equal to or below R1 million, not exceed 80 points, while for bids with an estimated rand value above R1 million the total combined points may not exceed 90 points, (Bizana, 2013:49). What sets this system apart is that preferences for being an HDI and/or subcontracting with an HDI and/or achieving specified goals must be calculated separately, and must be added to the points scored for functionality and price (Khalo, Mafunisa, Makondo, & Nsingo, 2007:96).

2.16.2 Bid specification committee (BSC)

The tender's application firstly goes to Bid Specification Committee (BEC) whose responsibility is to determine and approve the specifications in the application, for instance the points expected. The specification committee however may be comprised of skilled officials of the department, one Supply Chain Management practitioner; one or more suitably qualified

specialist and or an external consultant under the direction of the official or component concerned, (Khalo et al 2007: 99). After that the tender is passed to the BEC which evaluates, adjudicates bids and makes recommendations to the Bid Award Committee (BAC). It compiles the specifications, determines the goals as stipulated in the PPPFA of 2010 and defines the evaluations criteria and other special conditions of a specific contract (National Treasury, 2005: 22).

2.16.3 Bid Evaluation Committee (BEC)

It is a cross functional team composed of at least one SCM official and officials from the user department requiring the good or service. This committee is responsible for evaluating the bids using the provisions of the PPPFA. The evaluation committee should be cross-functional and should be comprised of SCM practitioners and suitably skilled officials from other relevant disciplines. A Bid Evaluation Committee should consist of a minimum of five members. This committee is responsible for the evaluation of bids received in accordance with the criteria specified in the bid documentation. The evaluation committee should evaluate all bids received and submit a report with recommendations regarding the award of the bid to the Bid Adjudication Committee (National Treasury, 2005:48).

2.16.4 Bid Adjudication Committee (BAC)

Treasury Regulation 16A 6.2 stipulates that an institution's SCM system must, amongst others, provide for the adjudication of bids through a Bid Adjudication Committee, the establishment, composition and functioning of bid specification, evaluation and adjudication committees and the selection of Bid Adjudication Committee members. It should be made up of four (4) senior managers from different disciplines and a supply chain management official. This committee considers the recommendations of the BEC (National Treasury, 2007:50). The BAC awards tenders based on the recommendations of the BEC (Khalo, et al 2007:100). An award letter must be drafted by the bid administration unit, and the successful bidder must accept the award by signing the acceptance letter. If the BAC wants to "appoint a bidder other than the one recommended by the BEC, the accounting officer must notify the Auditor-General, the relevant provincial treasury and the National Treasury of the reasons for deviating from the recommendation" (Government Gazette: Republic of South Africa, 2003, s.114(1)).

The Bid Adjudication Committee is appointed in writing by the Accounting Officer /Authority for a period of twelve months. The Bid Adjudication Committee should be composed of cross-functional teams comprising of senior officials of whom at least one must be a Supply Chain Management practitioner. The chairperson of the committee is the Chief Financial Officer of

the department/entity, or his/her delegate. Where considered necessary, additional officials or advisors may be co-opted on account of their specialised knowledge. The Bid Adjudication Committee must consider the recommendations/reports of the Bid Evaluation Committee and, depending on the delegated powers, make a final award; or a recommendation to the Accounting Officer/Authority to make a final award; or another recommendation to the Accounting Officer/Authority on how to proceed with the relevant procurement.

2.17. THE PUBLIC SECTOR SCM CYCLE

2.17.1 The pre-tender or demand management stage

Demand planning, procurement planning, items and specification management, and supplier management are critical phases in the pre-tendering stage. This stage ensures that goods, services, construction work and other purchases are properly planned and aligned to the procuring entity's strategy and resource plan. This alignment is critical to ensuring that goods are delivered at the right time, place and price, in the right quantity and of the right quality. It is at this stage that a comprehensive needs analysis is carried out in line with the strategic planning process. In BCMM the phrases of pre-tender stage such as item and specification, functionality evaluation criteria and supplier management was not followed in contracting and procuring goods and services in SCM.

The SCM Review (2015:10) observed that there is use of unqualified suppliers, passing over of bids for incorrect reasons, appointment of suppliers who are not tax compliant, failure to use competitive processes for quotations and bids and incorrect use of preference points system. More so, the auditor general noted with concern that, adverse audits arise from financial statements that contain misstatements that are not confined to specific amounts, or the misstatements that represent a substantial portion of the financial reports, (South Africa Local Government Briefing, 2015:11). It further observed that, adverse audits thus, with the exception of failing to submit financial statements, reflect the greatest breach of financial norms and standards. This can be deduced that in BCMM pre-tendering stage was not done in this municipality thereby incurring adverse reports and uncompetitive bids.

2.17.2 The tendering stage

This stage includes the invitation to tender, and evaluation and adjudication of bids. To avoid lack of competition and conflict of interest, all potential bidders must have access to the same tender information, (SCM Review, 2015:20). In addition, during the tendering stage

information in the bid documents should include details of the product or service to be procured, specifications, quantities, the timeframe for delivery, realistic closing dates and times, where to obtain documentation, where to submit tenders and a clear, complete and non-discriminatory description of the selection and award criteria, (Matthee, 2006:84). Public sector institutions are supposed to have clear procedures for opening the tender box. To avoid manipulation of the bids received, this must be done before a public audience and basic information disclosed and recorded in a register. The SCM Review, (2015:21) noted that public institutions must ensure that members of the bid evaluation committees and bid adjudication committees are familiar with and adhere to National Treasury norms and standards when evaluating and adjudicating bids. In BCMM the tendering stage is done but it is not done properly, tendering processes are being skipped processes for example evaluating and adjudication of bids.

2.17.3 The post-tender stage

This stage includes contract management, issuing orders and processing payments. Contracts or service level agreements must not contain requirements and conditions not included in the bid documents but should contain sufficient information to enable the suppliers to deliver goods or services of the correct description, quality and quantity within the specified time, (Matthee 2006:85). If supplier performance is not monitored, a range of post tender violations may occur; for example, the purchasing authority may expand or vary orders against the original contract, to the benefit of suppliers. However, SCM Review, (2015:23) argued that contracts may be expanded or varied by not more than 20 per cent of the original value of the contract and, for all other goods and services, by not more than 15 per cent.

2.18 THE FRAMEWORK FOR SUPPLY CHAIN MANAGEMENT

2.18.1 Demand Management

According to Ambe and Badenhorst-Weiss (2011:251) demand management can be defined as the decision-making process that allows departments to procure at the right time, at the right place and at the right cost. Demand management commences with the formulation of the Integrated Development Plan (IDP). The IDP typically identifies the operational commitments and strategic objectives of a local municipality for a particular financial year. Chapter 2 of the SCM Regulations of 2005 contained in the MFMA 56 of 2003 defines demand management as a process that ensures that the resources required to support the strategic and operational commitments of the municipality are delivered at the correct time, at the right price and at the

right location, and that the quantity and quality satisfy the needs of the municipality (Government Gazette: Republic of South Africa, 2005, s. 10).

The Preferential Procurement Regulations stipulate that municipalities have a duty to properly plan for, accurately estimate the costs of the goods and services that they seek to procure. The appropriate preference point system to be used when evaluating tenders must be determined together with the deliverables of performance indicators against which the successful bidder will be assessed (Government Gazette: Republic of South Africa, 2001, s. 11(a-c). End-user needs in local government must be evaluated using market and commodity analysis as well as the supply and demand process (Khalo, et al, 2007: 105). This component of SCM is critical because it “controls, co-ordinates and balances and influences the demand and supply for a firm’s products and services in an effort to reduce total costs for the firm and its supply chain” (Burt, Dobler, and Starling, 2003: 625).

In the United Kingdom, it has been identified that it is at this stage of the supply chain management process that a municipality should start to consider the role SCM will play in the procurement process (Office of Government Commerce, 2005:18). The complexity of a municipality’s business needs to determine the level of SCM competence expected from the service providers. It is the supply positioning matrix that is currently used in South African municipalities as the basis for developing a proper purchasing process suitable to their needs, (Bizana, 2013:48)

2.18.2 Acquisition Management

Acquisition Management can be defined as the “the acquisition (through buying or purchasing) of goods and services by government or public organisations” (Hommen and Rolfstam (2009:19). Acquisition management is a fundamental aspect of the preferential procurement policy and is geared towards ensuring meaningful participation in the economy by all South Africans. The Public Sector Procurement Guidelines document prescribes five Pillars of Procurement which every public institution needs to implement during the acquisition stage (Raga & Albrecht, 2008: 792). The five pillars are: value for money; open and effective competition; ethics and fair dealing; accountability and reporting; and equity. The activities of acquisition management are carried out in terms of applicable legislation, namely the PPPFA of 2001 and its regulations, the B-BBEE Act 53 of 2003, and the MFMA 56 of 2003. The provisions of the Supply Chain Management Regulations contained in the MFMA.

2.18.3 Logistics Management

In local government, logistics management is a process that involves contract management and inventory control, (Khalo *et al.*, 2007: 105). Inventory control includes warehousing activities such as receiving, binning and picking, (Bizana, 2013:50). Furthermore, Khalo *et al.*, (2007: 108) postulates that supply chain management policy must provide for an effective system of logistics management in order to provide for the setting of inventory levels, placing of orders, receiving and distribution of goods, stores and warehouse management, expediting orders, transport management, vendor performance, maintenance and contract administration. Contract management or 'vendor management' includes registration of vendors in the municipal database and monitoring progress during the execution of the contract (Government Gazette Republic of South Africa, 2005, s. 39).

2.18.4 Performance Management

Performance management is a monitoring process that undertakes a retrospective analysis to determine whether or not proper processes were followed and whether or not the desired objectives were achieved (National Treasury, 2005:12). Public procurement processes continue to gain critical importance in all spheres of government, thus increasing the need to monitor and measure performance, (Rendon, 2008:201). The component of performance management includes contract management. Contract management involves monitoring processes retrospectively to determine whether the objectives and goals were achieved (Ambe & Badenhorst-Weiss 2011:14). Contract management is a key component that impacts on service delivery. The Contracts Management Framework (CMF) has a contract lifecycle that consists of five stages and applies to tenders above R200 000, (Bizana 2013:71)

According to Cole (2005:24), performance measures are used to analyse and evaluate efficiency and progress of service providers over different time periods. The balanced scorecard management system is being implemented in local government in South Africa, (Rendon, 2008:202). Using the balanced scorecard approach, performance is measured in terms of four distinct categories, namely customer, internal processes, learning and growth, and financial (Rendon, 2008:202). The two most important aspects of performance management in the public sector are: internal processes and contracts management

2.18.4.1 Internal processes

The internal processes that are reviewed can be categorised into two broad categories, namely compliance to norms and standards, and consistency of supply chain practices with the Government's broader policy focus of preferential procurement. According to Rendon,

(2008:204) process performance management typically focuses on the concept of process capability and maturity. Rendon (2008:204) further explains that process capability is the inherent ability of a process to produce planned results, while maturity is a measure of effectiveness or capability in any specific process. Measuring contract management maturity can be defined as the measure of effectiveness of an organisation's contract management processes (Rendon, 2008:204).

2.18.4.2 Measuring process capability of contract management

The National Treasury (2005:17) defines contract management as a legally binding agreement between one or more parties, usually consisting of terms and conditions presented in legally binding language and terminology. Both the buyer and seller understand their responsibilities as stipulated by the terms and conditions of a contract. Challenges around service delivery have resulted in governmental institutions throughout South Africa shifting their focus to the enhancing of service delivery. In the United States, the Contracts Management Maturity Model (CMMM) is a tool used to measure performance in contracts management. Rendon (2008: 204) describes the CMMM as an evolutionary roadmap which an organisation pursues in improving its contract management process capability from an immature process to a continuously improved or mature process. There are five levels of maturity that allow an organisation to assess its level of capability and effectiveness in terms of each aspect of the contract lifecycle in the procurement function (Rendon, 2008: 205). These include Ad hoc (Immature), basic, structured, integrated and optimised.

2.19 SUPPLY CHAIN MANAGEMENT PRINCIPLES

According to the Framework for Supply Chain Management, Regulation 4(1), an accounting officer of an institution must create a separate supply chain management unit within the office of the chief financial officer, to implement the institution's supply chain management system. Officials should be arranged in sub-units in such a manner that a common goal of supply chain management unit can be achieved (SCM Review, 2015:87). The legislative requirement of supply chain management warrants each government entity to create a supply chain management unit and to implement supply chain management policy (National Treasury, 2005 in Ambe and Badenhorst-Weiss, 2012:11007).

The municipal Supply Chain Management Act, 2003 states that the supply chain management unit operates under the direct supervision of the Chief Financial Officer or an official to whom this duty has been delegated in terms of section 82 of the Act. According to Webb (2000:6),

proper and successful government procurement rests upon certain core principles of behaviour, aptly termed the four pillars of procurement in which if one of them fails, the whole procurement system fails, these are value for money, open and effective competition, ethics and fair dealings, accountability and reporting.

2.19.1 Fairness and Equity

The constitution of the Republic of South Africa, 1996 is the supreme law which governs human behaviour in the country. Public administration must be governed by the democratic values and principles enshrined in the Constitution. One of the principles states that services must be provided impartially, fairly, equitably and without bias. In support of fairness and equity in the SCM, the Public Finance Management, 1999 (Act 1 of 1999) states that the accounting officer or accounting authority of an institution must develop and implement in that institution an effective and efficient supply chain management system for the acquisition of goods and services and the disposal and letting of state assets, including the disposal of goods no longer required.” (Public Finance Management Act, 1999 (Act 1 of 1999). In doing so, the supply chain management system must be fair, equitable, transparent, competitive and cost effective and must be consistent with the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).

Furthermore, Venter, Waldt, Phutiagae, Khalo, Niekerk, & Nealer, (2007:204) noted that when municipalities procure goods and services externally, they must give all potential suppliers, equal opportunity to bid for the contract to supply what is needed. Also, once bids are submitted on time, all must be considered, and the preferred bidder must be chosen in terms of the requirements contained in the bid document and advertisement. In considering the submitted bids, a municipality must ensure equity by giving preference to those bidders classified as historically disadvantaged people first and those previously advantage last (Venter, *et al.* 2007:204). The BCMM has not been fair and equal in the awarding of tender in the municipality. The Auditor General Report, (2013/14: ii) observed that, Supply Chain Management procurement processes, were uncompetitive and unfair. The report also noted with concern that, contract management was inadequate and tender documents went missing. More the SCM Review (2015:12) most municipalities including the BCMM use incorrect procurement processes in relation to threshold values for quotations and competitive bidding and also the appointment of bid committee members was not aligned with the requirements of the SCM regulations. Basing on the above evidence, it shows that the SCM in most

municipalities including BCMM were not fair and equal in the awarding of contracts in the municipality.

2.19.2 Transparency

Since the first democratic elections South Africa's public SCM system which is anchored in Section 217 of the Constitution, has evolved towards being fair, equitable, transparent, competitive and cost-effective. All bids must be advertised on municipal notice boards and in newspapers. The requirements of the bids must be specified and after a closing date and time, the bids must be opened in public and those who submitted bids must be announced in public (Venter, et al. 2007:204). Although several policies like the SCM Policy of (2005), Constitution of the Republic of South Africa, (1996) Public Finance Management Act, (1999) among others talk about transparency in SCM, the BCMM seems to look down upon the requirements of the Legislation in the awarding and procurement of tenders.

According to the Buffalo City Consolidated Audit Report, (2013:5) noted with concern that quotations were accepted from prospective providers who are not registered on the list of accredited prospective providers and do not meet the listing requirements of SCM regulations in 16(b) and 17(b). In addition, the SCM Review (2015:13) argued that in many municipalities there was use of unqualified suppliers and passing over of bids for incorrect reasons. This shows that transparency was not fostered in BCMM which results in the awarding of contracts to unqualified suppliers, thereby compromising service delivery and local economic development.

2.19.3 Competitiveness and Cost Effectiveness

When municipalities advertise bids for the supply of goods and services, they must ensure that prospective suppliers compete equally. By letting prospective suppliers compete against one another through bids, municipalities will ensure that goods and services are procured cost effectively (Venter, *et al.* 2007:205). According to Craythorne (2003:297), the cost must not be such that the service is no longer sustainable or public goods get beyond the reach of the public. Competitiveness is very important in SCM because it results in getting the best, effective and efficient services which can satisfy the public. The ideas of competitiveness and cost effectiveness in SCM were greatly ignored in the BCMM resulting in poor service delivery. According to the Auditor General reports on SCM non-compliance and irregular expenditure include failure to use competitive processes for quotations and bids, (SCM Review, 2015:12).

The Performance Audit Eastern Cape Consultants (2015:33) further concurred that competitive bidding process was not followed for contract amounting to R7 387 200. According to National Treasury Practice Note No. 8 of 2007-08, a competitive bidding process should be followed for procurement that exceeds R500 000 and the department could not provide reasons for the deviation from a competitive bidding process. The report went on to say that it could therefore not be determined whether the contract was at the lowest possible cost and in the best interest of the department. This clearly shows that competitiveness and cost effectiveness was not fostered in BCMM which can result in obtaining poor quality of services whilst pumping large amount of money.

2.20 CHAPTER SUMMARY

This chapter has reviewed the literature on supply chain management. Ethics and accountability as they relate to supply chain management were also discussed. Legislative frameworks governing supply chain management in South Africa were also discussed. The chapter highlighted the need for ensuring that the supply chain management units as organisational structures are effective. As pointed out in this literature review, SCM framework and bid committees are seen to be of great importance in SCM. The next chapter outlines the methodology adopted by the researcher in this study.

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.0 INTRODUCTION

This chapter is going to cover research design and methodology, ethical considerations, issues of validity and reliability, data collection and data analysis techniques. In order to understand this chapter, it is very important to define what research is and research methodology. The researcher is also going to give reasons for choosing the research design, data collections techniques and data analysis techniques in this study.

3.1 RESEARCH METHODOLOGY

The term research can be defined as a process that involves obtaining scientific knowledge by means of various objective methods and procedure (Welman, Kruger and Martin, 2005:10). In addition, Kumar, (2005:15) also highlights that scientific research is a systematic controlled, empirical and critical investigation of prepositions about presumed relationships of various phenomena. Leedy and Ormrod, (2005:2) further reveal that research is a systematic process of collecting, analysing and interpreting information in order to increase our understanding of phenomenon about which we are interested in or concerned. From these definitions, one can presume that research is systematic and scientific which means that it involves some steps and procedures that can be followed and also involves the use of science.

Research methodology can also refer to methods of collecting data in order to comply with the demands of truth, objectivity and validity during the execution of the research (Brynard and Hanekom, 1997:28). In this case, methodology means that the research involves some steps or methods that should be followed when conducting research. There are two types of research methodology: quantitative and qualitative research methodology. Mason (1996:46) defines qualitative research as a process of inquiry with the goal of understanding a social or human problem from multiple perspectives; conducted in a natural setting with a goal of building a complex and holistic picture of the phenomenon of interest.

However, Mason (1996:46) argues that quantitative research is an inquiry into an identified problem, based on testing a theory, measured with numbers, and analysed using statistical techniques. In this study the researcher uses qualitative research because it explains and reflects on the perceptions in order to have a deep understanding of the social and human

phenomenon. In addition, qualitative research believes that people have meaningful actions or experiences that can be interpreted or studied in their natural settings. More so, qualitative research gives in depth knowledge to understand complex relationships to ensure that control and oversight measures are effective in supply chain management in BCMM. It also allows the researcher to gather people's perception on how unethical conduct of public officials in supply chain management can be curbed in order to have effective and efficient service delivery in the local area.

3.2 RESEARCH DESIGN.

Every research needs to have a research design in order to guide the researcher to collect information concerning the research problem. Kerlinger (1986:279) quoted in Kumar (2005:84) defines research design as a procedural plan that is adopted by the researcher to answer questions validly, objectively, accurately and economically. Welman, Kruger, and Martin (2005:52) further define a research design as the plan according to which we obtain participants (subjects) and collect information from. Research design is very important because it entails the plan and instruments to be used and how data is going to be gathered by the researcher when conducting the research. Research design acts as the main component of the research because it guides several procedures and activities involved in research processes. There are two types of research designs, that is, qualitative and quantitative research designs. Research design is very essential in the doing a research because it gives guidelines on data collection from the subjects. This study is going to focus on qualitative research design.

3.2.1. Qualitative Research Design

According to Bryman, and Bell, (2003:11), qualitative research is an umbrella phrase covering an array of interpretive techniques which seek to describe, decode, translate and otherwise comes to terms with the meaning of naturally occurring phenomena in the social world. In relation, Mason (1996:46) explains qualitative research as a process of inquiry with the goal of understanding a social or human problem from multiple perspectives; conducted in a natural setting with a goal of building a complex and holistic picture of the phenomenon of interest. In this case it explains and reflects on the perceptions so as to gain an understanding of the social and human phenomenon of an activity.

In addition, qualitative research is based on the naturalistic approach that seeks to understand phenomena in context (real-world settings) and in general the researchers do not attempt to manipulate the phenomena of interest. Schwandt (2001:71) stated that epistemology is the

study of the nature of knowledge and justification while ontology is concerned with the nature of reality. This research adopts epistemology and ontology approaches in which the researcher is concerned with acquiring knowledge and reality about how control and oversight measures can be most effectively promoted in supply chain management in Buffalo City Metropolitan Municipality (BCMM). In addition, qualitative research methodology uses subjective information which is not limited to rigidly definable variables and examines complex questions that are impossible to solve with quantitative methods and deals with value-laden question.

3.3. DATA COLLECTION TECHNIQUES

The research used qualitative data collection techniques. Myer (2009:8) noted that qualitative data helps us to understand people, their motives and actions and the broader context within which they work and live. The study will use qualitative data collection techniques for collecting information. The study will use both primary and secondary data sources. Data collection techniques are important because it allows the researcher to collect information from the objects of the study. Layder (1993:54) identifies a number of primary sources for collecting data which include interviews, questionnaires, focus groups, surveys and observation. This study will use interviews and secondary sources to gather data.

3.3.1 Target population

According to Burger and Silima (2006:657), target population is the population in which the researcher would like to generalise his or her results. The target population in this study consists of the senior municipal officials in the Internal Audit Unit, the Municipal Manager, the Chief Financial Officer, the MPAC members who provide oversight, Audit Committee members and Supply Chain Management Unit officials in BCMM.

3.3.2 Sampling and sampling method

According to Kumar, (2005:191) sampling is a process of selecting a few from a bigger group to become the basis of estimating or predicting the prevalence of an unknown piece of information, situations or outcomes regarding the bigger group. This study will adopt a non-probability sampling technique which is purposive or judgmental sampling. Burns (2008:184) define non- probability sampling, as a sampling procedure where a sample is not selected by chance, but rather selected in some less random and often deliberate ways. This means that in non-probability sampling all the members of the target population will have no equal chance of being selected.

In judgmental sampling the researcher relies on his or her expert judgment to select units that are representative or typical of the population (Burger and Silima, 2006:663). In the case of this study information-rich participants only will be selected. The sample in this study will consist of twenty (20) respondents, one Municipal Manager, one Chief Financial Officer (CFO), eight MPAC members, five senior officials in the SCM in the municipality and five supply chain management unit officials.

3.3.3 Interviews

Bless and Smith (2006:98) explain that, the interview is a method in which the interviewer obtains responses from a respondent in a face to face encounter or through a telephone call or electronic means. This study adopted face to face interviews in the form of structured interviews. Brink (1996:158-159) noted that, structured interviews are formalised so that all respondents hear same questions in the same order and in the same manner. Furthermore, Denscombe, (2007:87) provides that, structured interviews involve tight control over the format of questions and answers.

The researcher constructed an interview which the respondents are invited to offer unlimited responses. The interview guide allowed for a flexible and revealing experience as it “is a list of topics and aspects of these topics that have a bearing on the given theme” (Welman *et al.*, 2005:166). In-depth interviews were conducted to collect the data, and the same interview guide was utilised in each. Structured questions were formulated beforehand, but the participants were allowed to tackle any other issues that came up during the process of the interview. A tape recorder was used to record the interviews, and field notes were also taken. Welman *et al.* (2005: 11) describe field notes as detailed notes made by hand, tape recordings and observations, and as being compiled during qualitative interviewing

3.3.4 Secondary Sources

The researcher used secondary research in the form of official documents. A document is an artefact which has its central feature as an inscribed text, (Scott 1990:184). It is very important to note that documents have been written with a purpose and are based on particular assumptions and presented in a certain way or style and to this extent. Thus, the researcher must be fully aware of the origins, purpose and the original audience of the documents (Grix, 2001:19). There are two types of documents that can be used in document study namely primary and secondary documents. Bailey (1994:194) defines primary documents as eye-witness accounts produced by people who experienced the particular event or the behaviour we want to study, whilst secondary documents are documents produced by people who were

not present at the scene but who received eye-witness accounts to compile the documents, or have read eye-witness accounts. Documentary sources range from public through private to personal documents. Public document sources include government publications such as Acts of Parliament, policy statements, census reports, statistical bulletins, reports of commissions of inquiry, ministerial or departmental annual reports, consultancy and reports. Scott (1990:197) asserts that public documents are the largest category and are those produced by national and local governments and would include registration of births, marriages and deaths and also police, taxation and housing record. Private documents emanate from civil society organizations such as private sector businesses, trade unions and non-governmental organizations, as well as of course from private individuals. Finally, personal documents include household account books, photo albums, address books, medical records, suicides note, diaries and personal letters (Mogalakwe, 2006:223)

Furthermore, documents are divided into four categories according to the degree of accessibility. Documents can be closed, restricted, open archival and open published. Scott (1990:1-2) mentioned a four quality control criteria for handling documentary sources which include authenticity, credibility, representativeness and meaning. Authenticity refers to whether the evidence is genuine and from impeccable sources; credibility refers to whether the evidence is typical of its kind, representativeness refers to whether the documents consulted are representative of the totality of the relevant documents and meaning refers to whether the evidence is clear and comprehensible.

Thus, the data is collected using secondary sources in the form of document study which include amongst others: the 2012/2013 and 2013/2014 Auditor General Annual Reports on Buffalo City Metropolitan Municipality; the 2011-2012 financial year report; the 2012/2013 and 2013/2014 MFMA Eastern Cape General Report, the Code of conduct for councillors and municipal officials; Statistics of South Africa, 2011 the Constitution of the Republic of South Africa, 1996 and the BCMM Annual Reports 2011-2012; the 2015 Supply chain management Review; 2013/14 Auditor General Report and Consolidated General Report on the Audit Outcomes of Local Government, 2013/14).

However, the use of documents will bring a lot of questions to the fore about the findings of the research hence caution should be used in the generalisability of the findings. This is due to the nature of research in which some items which are of value cannot be obtained by primary sources since the issue involved is too sensitive. Due to the nature of the documentary sources,

the researcher used ideas, perceptions and views of different authors in the conducting of research which can result in generalization of some facts in the study.

3.4. ENSURING INSTRUMENT VALIDITY AND RELIABILITY

According to Welman et al., (2005:144) reliability is concerned with the findings of one's research and relates to the credibility of those findings. Credibility of research findings can be achieved by ensuring the consistency, stability and respectability of a data collection instrument, (Babbie 2011:45). A good research instrument yields consistent results if repeated over time on the same person or if used by two different investigators. Validity determines whether or not the research truly measures that which it was intended to measure, or it determines how truthful the research results actually are (Golafshani, 2003: 3). Two methods of validity – face validity and content validity – were used in this study to guard against the low level of validation associated with exploratory descriptive studies. Face validity is obtainable when little or nothing is known about the variable being measured (Babbie 2011: 48).

According to Litwin (1995:35), face validity is a much more casual assessment of item appropriateness. It is called face validity because after constructing an interview guide, the researcher validates it with other people who also feel that the questions in the interview guide are appropriate. A researcher could ask friends, family or colleagues who may or may not have knowledge on the subject matter. Neuendorf (2002: 115) states that a researcher may wish to have others review the measures with no introduction to the purpose of the study, and have them indicate what they think are being measured. Content validity involves comparing the content of the measuring technique to the known literature on the topic (Wood and Kerr, 2010:205). Litwin (1995:35), states that content validity is a subjective measure of how appropriate the items seem to a set of reviewers who have knowledge of the subject matter. Existing research was also consulted for the sake of comparing the results of the primary data, thereby ensuring the latter's validity and reliability. Both validity and reliability aims at promoting accuracy in the study there by giving the correct and reliable information concerning the research problem. In this study, the government official documents and interviews meet these criteria (validity and reliability) because their information is valid and reliable because the information in the government documents are gathered and analysed by intellectuals hence there are reliable and the interviewees are from the SCM department hence the information is valid and reliable.

3.5. ETHICAL CONSIDERATIONS

In every research, the researcher must consider ethical issues governing the researcher and the participant. According to De Vos *et al.*, (2005:57), ethics are a set of moral principles which are suggested by an individual or group are subsequently widely accepted and offer rulers and behaviour expectations about the most acceptable conduct towards respondent, research subject, employers, sponsors, assistants and students. Greenberg and Baron, (2008:55) further suggest that ethics refer to standards of conduct that guide people's decisions and behaviour for example not stealing from others. Ethics are very important because people have been abused their rights during research. So ethics protect subjects from abuse and physical harm. Bless & Smith (2006:139) argues that one of the reasons why social scientist are so concerned about research ethics is that there have been many cases of abuse of people's rights in the name of social research.

There are ethical issues concerning participants include maintaining confidentiality, seeking consent, providing incentives, avoidance of harm to participants, collecting information and seeking sensitive information. More so, there are also ethical issues concerning the researcher which include: avoiding bias, incorrect reporting, using inappropriate research methodology and inappropriate use of information. It is very important for the researcher to uphold ethical principles in order to respect the rights of the subjects. According to Leedy (1996:103), researchers must report their findings in a complete and honesty fashion without misrepresenting what they have done or intentionally misleading others about the nature of their findings. According to the University of Fort Hare policy on ethics when conducting research with human subject. The following ethical issues were observed; anonymity in reporting data, consent was sought before interviews, interviewees were debriefed and documents availed to the researcher are held in confidence and used for the purposes of this study only. There is need to obtain ethical clearance from the University of Fort Hare Research Ethics Committee. The study thus obtained an ethical clearance certificate before collecting data from respondents.

3.6 DATA ANALYSIS TECHNIQUES

After collection of data, the next step is to analyse the data and interpret the results of the analysis. During the analysis, data is categorized, ordered, manipulated and summarized in order obtain answers from the research questions. According to De Vos *et al.*, (2005:215), the purpose of analysis is to reduce data to an intelligible and interpretable form so that the relations

of research problems can be studied tested and conclusions drawn. Documentary analysis can use quantitative or qualitative means or a combination of both. Qualitative data analysis is based on an interpretive philosophy that is aimed at examining meaningful and symbolic content of qualitative data. Maree (2009:99) pointed out that the objectivity of qualitative data analysis is to establish how participants make meaning of a specific phenomenon by analysing their perceptions, attitudes, understanding, knowledge, values, feelings and experiences in an attempt to approximate their construction of the phenomenon.

There are many techniques for analysing data in qualitative research and the mostly commonly used one is content analysis. This study is going to use content analysis and filtering as data analysis techniques. Neuman (2006:322) defines content analysis as a technique for gathering and analysing the content of text while content refers to words, meanings, pictures, symbols, ideas, themes or any message that can be communicated and text is anything written, visual or spoken that serves as a medium for communication. Content analysis involves the interaction of two processes that is specification of the content characteristics (basic content elements) being examined and application of explicit rules for identifying and recording these characteristics.

Qualitative data analysis helps the researcher to focus on some of the most important aspects of the data. Babbie (2011:187) noted another advantage of content analysis, that is, it provides a means to study processes that occur over long periods of time or that may reflect trends in a society. Furthermore, materials for conducting content analysis are cheap and easily accessible. However, content analysis has got its weakness which must be taken into consideration when using content analysis. According to Neuman (2006:322), content analysis cannot determine the truthfulness of an assertion or evaluate the aesthetic qualities of literature. It reveals the content in text but cannot interpret the content's significance. Content analysis is ineffective for testing casual relationships between variables.

Another method which is employed on the analysis of data in this research is the filtering technique. According to Leondes (2000:211) the basic assumption in data filtering is that a sufficient amount of domain knowledge is available so that useful information is not lost. This is where the data or information in documents will be selected for analysis, that is, not all the information in the Auditor's Reports or Annual Reports will be analysed. According to Leondes (2000:211) the ideal filtering technique removes irrelevant features without distortion

of the relevant features. Information which is of relevant to the research is the one which will be picked up for the analysis in this study.

3.7 SUMMARY CHAPTER

In this chapter the researcher discussed a number of issues which include research design and research methodology that has been employed in this chapter. This chapter also explored on the importance of validity, reliability, ethics, and data collection techniques. The information used in chapter 3 was obtained from public documents and it was analysed using content analysis and filtering techniques. The next chapter will present data, analyse and interpret data.

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0. INTRODUCTION

In this chapter data is presented, analysed and interpreted using the methodology mentioned in Chapter three. The purpose of data analysis and interpretation sought to transform the collected data in order to facilitate the achievement of the objectives of the study. The research sought to uncover the following:

- (i) to establish theoretical and conceptual best practices for curbing unethical conduct by public officials and promote sound municipal financial management practices in Supply Chain Management in municipalities.
- (ii) to establish how control and oversight measures and structures in Buffalo City Metropolitan Municipality can best promote ethical conduct in Supply Chain Management (SCM).
- (iii) to identify the nature and extent of compliance with ethical values, regulations, norms and standards for promoting sound municipal finance in Supply Chain Management (SCM) in Buffalo City Metropolitan Municipality.
- (iv) to recommend a holistic framework that can be used by municipalities to integrate ethical standards, norms and compliance with regulations in SCM processes and help curb unethical conduct by public officials.

4.1. DATA ANALYSIS

In order to explore the extent to which control and oversight measures for ethical conduct in Supply Chain Management are effective in Buffalo City Metropolitan Municipality, the researcher used qualitative methods see (*Section 3.1, 3.2, 3.2.1 in Chapter 3*). The data was collected from interviews and secondary sources. This study adopted face to face interviews in the form of structured interviews. Brink (1996:158-159) noted that, structured interviews are formalised so that all respondents hear same questions in the same order and in the same manner. Furthermore, Denscombe, (2007:87) provides that, structured interviews involve tight control over the format of questions and answers. The researcher constructed an interview which the respondents are invited to offer unlimited responses. The data collected from documents were analysed using content and filtering techniques. The data were obtained from the 2012 -2013 Auditor General Annual Report on Buffalo City Metropolitan Municipality; the 2011-2012 financial year report; the 2012-2013 MFMA Eastern Cape General Report, the

Code of conduct for councillors and municipal officials; the Constitution of the Republic of South Africa, 1996 and the BCMM Annual Reports 2011-2012, the Local Government Briefing 2015, Performance Audit Eastern Cape Consultants 2015, the 2015 Supply chain management Review; 2013/14 Auditor General Report and Consolidated General Report on the audit outcomes of Local Government 2013/14. These documents were used because they contain relevant information which is applicable to this research and provide comprehensive data which can be used to explore how ethics in supply chain management can most effectively be promoted to curb unethical conduct by public officials in Buffalo City Metropolitan Municipality (BCMM). Themes were identified for the objectives set and were discussed.

4.1.1 Interviews

The interviews were recorded using a digital voice recorder and then transcribed by the researcher. The transcripts were edited by the researcher, who also checked them against the voice recordings for accuracy. The data was analysed using content analysis and filtering techniques as a way of systematically decoding and categorising data so that inferences can be made. Any responses clearly linked to the objectives of the research questions were kept and considered, while irrelevant information was discarded. The useful data was then categorised and unitised. The findings were structured according to the areas of interrogation as contained in the interview guide. The transcripts were edited by the researcher, who also checked them against the voice recordings for accuracy. The interview guide sought to obtain clarity on how ethics in supply chain management can most effectively be promoted to curb unethical conduct by public officials in Buffalo City Metropolitan Municipality (BCMM).

Table: 4.1 Summary of sample for interview participants

Interviews	Sample	Final Responses	Percentage
Municipal Manager	1	1	100
Chief Financial Officer	1	1	100
MPAC members	8	6	75
Senior officials in SCM	5	2	40
SCM unit officials	5	4	80
Total	20	14	70%

N=14

From the information given above on interview feedback, it can be argued that the response from the respondents was above average. The table indicates that there was full co-operation from the Municipal Manager and the Chief Financial Officer in BCMM. Out of eight (8) MPAC members who were approached six (6) responded to the interviews. More so, five (5) senior officials in SCM who were approached only two (2) were interviewed whilst two were busy and the other one had gone for a meeting. Four (4) SCM unit officials out of five (5) were interviewed whilst the other one was not available in his office.

As it can be seen in the table above, in total out of the twenty (20) SCM officials who were approached, only fourteen (14) were interviewed whilst others were reported to be busy and unavailable. Because the study focused mainly on how ethics in supply chain management can most effectively be promoted to curb unethical conduct by public officials in Buffalo City Metropolitan Municipality (BCMM), only officials in the SCM department were used which produced a small sample. As result generalisation of the results from this study would be difficult. However, it is hoped that the research revealed findings that would be useful to BCMM as well as other municipalities in SA.

4.2 THEORETICAL AND CONCEPTUAL PRACTISES FOR CURBING UNETHICAL CONTACT

One of the objectives of this research is to establish the theoretical and conceptual best practises for curbing unethical conduct in Buffalo City Metropolitan Municipality as well as other municipalities in South Africa.

4.2.1 Theme 1: The extent to which rules and regulations do affect the behaviour of employees in SCM

When the SCM employees were asked to what extent can rules and regulations affect the behaviour of the people? More than ten (10) employees acknowledged that rules and regulations can affect positively or negative the behaviour of the employees in SCM as well in the whole institution. They argued that employees can copy the behaviour of another employee through socialisation in the institution. According to the Municipal Manager, political behaviour can be understood through a logic of appropriateness, meaning that certain members can behave in a certain way through their membership in the institutions. He further argued that, workers can behave in a certain way because of some normative standards within a certain institution and this is not because of their abilities to increase production.

This normative approach can be seen in SCM in the public sector where public officials' exhibit differentiated ethical behaviours due to differentiated normative standards and values within the institutions in which they operate. Institutions are made up of different rules and incentives, and the members can behave in accordance to the rules in their organisation or through on how much they get after performing their duties. Similarly, in the public sector, most public officials adopt ethical behaviours within the structure of the institutions in which they save. The issue on how rules and regulations can affect the behaviour of the employees is given in full detail in Section 2.9 of Chapter Two of the Study.

4.2.2 Theme 2: Ways of promoting sound municipal management practices in BCMM

According to twelve (12) employees who were interviewed out of fourteen (14), they suggested that it is very vital for the municipalities to offer continuous training for its employees so that goods and services can be distributed effectively in order to meet the demands of the public. One of the senior municipal officials in SCM responded that the municipality should hire external auditors for monitoring their activities so that transparency and accountability can be promoted as envisaged in Chapter 10 of the Constitution of the Republic of South Africa, 1996. Furthermore, the employees stated that the municipality should try by all means to offer educational workshops to its employees.

Educational workshops include Anti – Corruption campaigns and trainee workshops. The Chief Financial Officer responded that both the public and employees in the SCM should practice whistle blowing which promotes good governance in the public sector. Nader et al. (1972), cited in Gwanzura (2012:14) define whistle blowing as an act if a man or a woman who believes that the public interest overrides the interest of the organisation he [or she] serves blows the whistle that the organisation is involved in corrupt, illegal, fraudulent or harmful activity. Public officials should act responsibly and build a culture in which public servants are able to report fraud and corruption with the assurance of protection from the Protected Disclosure Act 26 of 2000.

Public servants in terms of their duties should report to the appropriate authorities, fraud, corruption, nepotism and any other act which constitutes an offence or which is prejudicial to the public interest. Through whistle blowing, the public sector is able to address potential adversities as well as prevent large financial losses. The Municipal Manager however went on to say that in most scenarios, employees feel intimidated in reporting corrupt activities because of a fear of retaliation. Another critical challenge concerning whistle blowing is that individuals

might observe an illegal act and contemplate disclosing it, but may not know where to report the act or even who to trust so as not to face any reprisals

4.2.3 Theme 3: Transparency measures that are in place when awarding tenders to suppliers

When asked about the transparency measures that are put in place when awarding tenders to suppliers, more than sixty-three percent (63%) of the SCM officials replied that in BCMM they usually use the data base for suppliers, bid committees and the of the Public Sector SCM cycle when awarding tenders. The establishment of a database helps the municipality to know the best and reliable service providers who can offer quality services to the municipality. The PFMA states that the establishment of the database of suppliers when obtaining quotations is very crucial for an urgent and emergency cases and institution may dispense with the invitation of bids and may obtain the right goods and services at the right time and the right place.

More importantly, suppliers' data base can facilitate the use of informal quotations, formal quotations invitation and emergency procurement needs as guided by the treasury regulation 16A (6.4). Furthermore, one of the members of the SCM committee also pointed out that the BCMM uses the bid committees when awarding tenders to suppliers. She went on to say that the bid committees are interlinked and they make sure that transparency is fostered in the SCM. According to the Implementation of Supply Chain Management Act, 2005 Section (4.1), the accounting officer of an institution should appoint three (3) bid committees namely the bid specification committee, bid evaluation committee and bid adjudication committee.

In terms of section 38 and 51 of the PFMA, accounting officers or authorities are fully responsible and should be accountable for any expenditures relating to supply chain management within their line of responsibility. Any expenditure incurred should be subject to appropriate regulation and accounting officers or authorities' directives and procedures. The bid committees must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services; must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply, (Bizana, 2013:52).

Only five (5) employees acknowledged that sometimes the BCMM uses the Public Sector SCM cycle whilst nine (9) of the interviewees did not have any knowledge about the importance of the Public Sector SCM cycle. The first stage in the Public Sector SCM cycle is

the pre-tender or demand management stage. This stage involves demand planning, procurement planning, items and specification management and supplier management. . This stage ensures that goods, services, construction work and other purchases are properly planned and aligned to the procuring entity's strategy and resource plan. This alignment is critical to ensuring that goods are delivered at the right time, place and price, in the right quantity and of the right quality. It is at this stage that a comprehensive needs analysis is carried out in line with the strategic planning process.

The second stage is tendering stage. This stage includes the invitation to tender, and evaluation and adjudication of bids. To avoid lack of competition and conflict of interest, all potential bidders must have access to the same tender information, (SCM Review, 2015:20). In addition, during the tendering stage information in the bid documents should include details of the product or service to be procured, specifications, quantities, the timeframe for delivery, realistic closing dates and times, where to obtain documentation, where to submit tenders and a clear, complete and non-discriminatory description of the selection and award criteria (Matthee, 2006:84).

Public sector institutions are supposed to have clear procedures for opening the tender box. To avoid manipulation of the bids received, this must be done before a public audience and basic information disclosed and recorded in a register. The third stage is post-tender stage. This stage includes contract management, issuing orders and processing payments. Contracts or service level agreements must not contain requirements and conditions not included in the bid documents but should contain sufficient information to enable the suppliers to deliver goods or services of the correct description, quality and quantity within the specified time, (Matthee 2006:85). If supplier performance is not monitored, a range of post tender violations may occur; for example, the purchasing authority may expand or vary orders against the original contract, to the benefit of suppliers. However, SCM Review (2015:23) argued that contracts may be expanded or varied by not more than 20 per cent of the original value of the contract and, for all other goods and services, by not more than 15 per cent.

4.2.4 Theme 4: Ways of dealing with unethical conduct in BCMM

When asked how does Buffalo City Metropolitan Municipality deal with unethical conduct of public officials. One the SCM employees responded that the municipality has introduced

whistle blowing as a measure of dealing with unethical conduct. Nader et al. (1972), cited in Gwanzura, (2012:14) define whistle blowing as an act if a man or a woman who believes that the public interest overrides the interest of the organisation he [or she] serves blows the whistle that the organisation is involved in corrupt, illegal, fraudulent or harmful activity. Within the public sector context, whistle blowing is seen as a means to promote good governance and accountability, (Mfene, 2010:42). Public officials should act responsibly and build a culture in which public servants are able to report fraud and corruption with the assurance of protection from the Protected Disclosure Act 26 of 2000.

Public servants in terms of their duties should report to the appropriate authorities, fraud, corruption, nepotism and any other act which constitutes an offence or which is prejudicial to the public interest. Through whistle blowing, the public sector is able to address potential adversities as well as prevent large financial losses. However, in most scenarios, employees feel intimidated in reporting corrupt activities because of a fear of retaliation (Gwanzura, 2012:54). In addition, some senior municipal officials in the Internal Audit Unit responded that the BCMM usually call for disciplinary hearing to those who have been involved in unethical conduct within the municipality. The responded went on to say that during the disciplinary hearing the committee can give warnings to the SCM officials or can deploy his position regarding the offence one has committed.

The Municipal manager responded that one way of dealing with unethical conduct in BCMM is the supervision by external auditors and performance monitoring. The Municipal manager pointed out this is a very wise way of dealing unethical behaviour within the municipality and the accounting officer will be held responsible of the actions. In order to root out corruption, external auditors perform an audit on the financial statements of companies, government, individuals and any organ or legal entity. These auditors should inspect the way that the procurement process is being carried out on a quarterly basis. For example, Standing Committee on Public Accounts (SCOPA) and Auditor General must ensure that there are no irregularities in the way public funds are being managed.

In addition, the Global Integrity (2010:11) reports that the supreme audit institution is protected from political interference by law and that appointment in practice do also respect the Agency's independency. It is mandated to audit and report on the accounts, financial statements and financial mismanagement and management of national and provincial state

departments and administrations, municipalities and other institutions legally authorised to receive money for public purposes. The AGSA plays an important role in the control of economic crime in South Africa, including the prevention of corruption. Gildenhuys (1993:177) substantiates that auditors should take a look at financial statements or flow of money to make sure they are free of obvious misstatements and errors to avoid the spread of corruption and fraud. The auditors should also monitor the performance of official or the contractors in the public sector to ensure quality and efficiency.

Furthermore, when the employees were asked about the importance of the Special Investigation Unit (SIU), only seven (7) interviewees acknowledged that they knew the importance of this unit. The SIU is the only state agency solely dedicated to fight corruption (Mafunisa, 2000:15). The SIU is an independent statutory body established by the president's office in 2001 and the SIU and Special Tribunals Act, 74 of 1996 provide the mandate for the functions of the SIU. It conducts investigations of any form of corruption in state institutions at the President's request and reports to him on the outcome. The SIU is not mandated to arrest and prosecute suspects. Instead, it cooperates with the National Prosecuting Authority (NPA) and the Asset Forfeiture Unit (AFU) to make sure that prosecutions take place. The status of the SIU has been disputed due to the fact that the agency was left out of the 'Arms Deal' investigation one of the biggest corruption scandal in the history of South Africa. The SIU has now regained its credibility as an effective anti-corruption agency.

4.2.5 Theme 5: Importance of Ethics in Supply Chain Management

When the public officials in the Supply Chain Management department were asked about the importance of ethics in the Supply Chain Management eleven (11) out of fourteen (14) respondents acknowledged that they knew the importance of ethics in SCM and also pointed out the public officials should respect ethics in SCM in order to have effective and efficient service delivery of goods. Ethics should be also observed in the procuring of goods and services and also in the awarding of tenders to contractors. Although the public officials knew the importance of ethics, they are involved in unethical behaviour. Most employees in BCMM SCM undervalued the moral implications of their actions and work and some workers knew what was right, but still did what was wrong.

More than, sixty percent (60%) of the workers were doing business with the municipality which was contrary to the code of conduct for councillors and municipal officials. The Local Government Briefing (2015:18) for example reports that, the Municipal Manager for BCMM

signed a R73-million contract with a construction company on the basis of a letter purportedly written by the Chief Financial Officer in September 2014, who he was the acting Municipal Manager. However, the same Chief Financial Officer wrote to the Municipal Manager on 4 August, 2015, claiming that his signature was a forgery. Further to this, the Chief Financial Officer alleged financial misconduct in the awarding of the contract, as the company had not been appointed in a valid tender process, (Local Government Briefing (2015:18).

Ethics can thus be viewed as a system of moral principles that is based on values relating to human conduct, with respect to the rightness or wrongness of certain actions and to the goodness and badness of the motives and ends of such actions, Mbatha, (2005:16). More so, Cloete, 2002:29; Fox and Meyer, 1995:45) concur with Mbatha (2005:16) when they point out that, in the realm of good governance and public administration, ethics could be regarded as the collection of values, obligations, moral principles, attitudes and norms and standards that serve as conduct and behavioural rules which must be observed by public representatives and public officials to ensure that their actions are constantly focused on the promotion, achievement, maintenance and enhancement of the general welfare of the society at large. Ethical behaviour is thus essential in public sector supply chain management, as it involves the expenditure of public money and is subjected to public scrutiny, hence, there is need to foster ethics for public accountability.

The issue of ethics in the public sector is becoming increasingly important as there is an outcry of unethical behaviour of public officials which has negatively impacted on the efficiency and effectiveness of municipal service delivery. According to Kakumba and Fourchie (2008:11) ethics and accountability have become more critical in public administration because of the continued public sector institutional failings that are attributed to public servants' lack of moral values, which in turn are associated with weak public service values and the resultant weak administrative and institutional value systems. Tang, Chen, and Sutarso (2008:245) argue that unethical behaviour can start as a minor behaviour portrayed at the work place and as the time goes on the behaviour grows and affects the daily activities in the organisation.

4.2.6. Theme 6: Importance of ethical normative guidelines when awarding tenders

When the public officials in the Supply chain Management were asked about the importance of the guidelines when awarding tenders, twelve (12) employees responded that when awarding tenders they followed prescribed guidelines for example in the code of conduct, policies and regulations such as the Constitution of the Republic of South Africa, 1996, Supply

Chain Management Act, (2005 regulation 7, Preferential Procurement Policy Framework Act, 2000 (PPPFA) (Act 5 of 2000), Municipal Finance Management Act, 2003 (Act 56 of 2003, Public Administration Act, 2014 (Act No. 11 of 2014), Public Finance Management Act, 1999 (Act 1 of 1999) among others.

More importantly, fifty percent (50%) of the interviewed employees in the SCM stated that in most instances they use the bid committees and data base for reliable suppliers when awarding tenders to its suppliers. The accounting officer of an institution should appoint three (3) bid committees namely the bid specification committee, bid evaluation committee and bid adjudication committee. The bid committees must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services; must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply, (Bizana 2013:52).

Although the respondents acknowledge that the municipality uses bid committees when selecting its suppliers, literature has showed that the BCMM do not have enough bid committees and in many cases the municipal officials take decisions without consulting the bid committees. According to SCM Review (2015:10) concurs that the AG Report indicated that there is lack of appropriate bid committees, use of incorrect procurement processes in relation to threshold values, for quotations and competitive bidding and appointment of bid committee members not aligned with policy requirements. This shows that most municipalities in SA including the BCMM do not value the importance of bid committees in SCM.

According to Cloete, (1986) cited in Du Toit and Van Der Walldt (1997:14) explain the rules of conduct as principles of public administration which originate from three broad categories namely guidelines from the body politics, guidelines from community values and Batho Pele principles. These normative guidelines provide public servants with guidelines according to which they must conduct their work. The public officials should be abiding by the code of conduct for councillors and municipal officials. Furthermore, Buffalo City Consolidated Auditor's Report, (2013/14:5) noted with concern that awards were made to providers who are in the service of the state institutions or whose directors or members are in the service of the state institutions, both of which are in contravention of Section 112(j) Of the MFA and SCM regulations 44.

4.2.7 Theme 7: Causes of unethical behaviour in SCM

Public officials should be guided by ethics in all aspects of their work. According to Van Der Waldt (2007:49), one of the causes of unethical conduct is inadequate control and accountability, that is, if control is ineffectual, dishonest officials can exploit the situation for their own gain. When the employees in the supply Chain Management were asked the causes of unethical behaviour in SCM, eighty (8) out of fourteen (14) pointed out that non-compliance to SCM policy and regulations, inadequate planning and linking demand to the budget, irregularities in SCM, inadequate monitoring and evaluation of SCM, ethics and conflict of interest and lack of proper knowledge, skills and capacity. These causes are going to be discussed below.

4.2.7.1 Non Compliance to SCM policy and regulation

Unethical conduct takes root and largely flourishes in environments devoid of compliance with SCM laws, regulations and sound corporate governance values and principles. Ethical conduct is a prerequisite of good governance and sound municipal financial management. Unethical conduct in SCM leads to a loss of public trust and confidence in the management of public affairs. The Consolidated General Report on the audit outcomes of local Government, (2013/14:45) observed that, a total of ninety-nine percent (99%) of the irregular expenditure was caused by non-compliance with SCM legislation.

The employees went on to state that most public officials overlooked the importance of SCM regulations thereby awarding tenders to unqualified suppliers who failed to offer quality services at the right time and right place in order to satisfy the needs of the public. The SCM policy requires each government entity to adhere to developed and implement a customised SCM policy. The issue of compliance is a major retard in the implementation of SCM as it affects other activities. Matthee (2006:98) echoed that issues regarding non-compliance to SCM policy and regulations can be attributed to lack of the requisite SCM skill and competencies as well as the absence of a stricter regulatory culture.

According to SCM Review (2015:13) non-compliance include among the following: the tendency not to utilise a competitive process for both quotations and bids, incorrect utilisation of the preference points system, lack of appropriate bid committees, use of unqualified suppliers, passing over of bids for incorrect reasons, utilisation of the incorrect procurement process in respect of the thresholds, extensions of validity periods, incorrect utilisation of the limited bidding process, inadequate controls and procedures for the handling of bids, lack of bid information on bid register, ambiguous specifications, appointment of bid committee

members not aligned policy requirements, line functionaries incorrectly drafting bid documents and insufficient motivation for deviations from SCM procedures. Van Zyl (2006:39) and Ambe and Badenhorst-Weiss (2011b:74), noted that non-compliance to SCM policy was due to lack of skills, capacity and knowledge of the workforce to be able to fully implement SCM across various spheres of government.

4.2.7.2 Inadequate planning and linking demand to the budget

In Buffalo City Metropolitan Municipality lacked adequate planning and linking the demand to the budget. More than fifty-three percent (53%) concurred that this might be the major cause of unethical behaviour in the municipality as the municipality is characterised by irregular expenditure, misstatements, unconfirmed to unspecific amounts among others. The employees further state that they have a great challenge in planning because of the lack of knowledge and capacity to link the demand to the budget. Cost effective procurement depends on specialist skills to ensure that buying requirements are reliably determined, appropriate contract strategies are developed, contracts are well managed and the opportunities to secure the best deal at the right time and at the right price, (Matthee, 2006:99). The demand management process hence is integral to any procurement process as it defines the decision making process that allows departments to procure at the right time, at the right place and at the right cost. However, many government entities still face challenges of in-proper planning and linking demand to budget.

4. 2.7.3 Inadequate and inconsistency to risk management/ irregularities in SCM

More than forty-five percent (45%) of the employees replied that inadequate and inconsistency to risk management causes unethical behaviour in the Supply Chain Management in the municipality. Irregularities in Supply Chain Management can be attributed to lack of internal control environment and the implementation of risk mitigation procedures through the effective utilisation of SCM policy and procedure, (SCM Review 2015: 19). According to Boateng (2008 :24) further asserted that a lack of understanding regarding the concept of SCM and its inextricable link to long term quality service delivery, human capital development and associated socio- economic growth, may be the root cause of problems beleaguering SCM in government. Matthee (2006:78) asserted that, since 1994, South Africa has enjoyed unprecedented social and infrastructural, yet, the majority of people who hoped freedom would bring with it relative socio-economic liberation and improvement are feeling increasingly bitter towards government over issues including a lack of perceived quality of governance, service

delivery failure, corruption in some spheres of the economy and disillusionment with empowerment policies.

4.2.7.4 Inadequate monitoring and evaluation of SCM

In Buffalo City Metropolitan Municipality, thirty-three percent (33%) pointed out that inadequate monitoring and evaluation is a major cause of unethical behaviour in BCMM SCM. Monitoring and evaluation is an important aspect of SCM implementation. Inadequate monitoring and evaluation is linked to the absence or the poor presence of a control environment and the government entities are placed in a difficult position to give effect to or implement SCM as required by the policy (Boateng 2008:25). According to Business Day reports (2011:12) noted that procurement actors in government have spent millions of Rand in ways that contravened laws and regulations.

The national and provincial governments and their entities have notched irregular, unauthorised, fruitless and wasteful expenditure that contravene laws and regulations. There are weaknesses in SCM, controls over information technology, human resource management, capital assets and performance reporting. Most government entities do not have clean audits. According to the Auditor's Report (2011/2012:165) the performance of contractors and providers was not monitored on a monthly basis as required by section 116(2)(b) of the MFMA. The BCMM, Annual Report, (2013/2014:42) concurred that the Buffalo City Metropolitan Municipality adopted its Supply Chain Management Policy in 2009; it is reviewed annually and was last reviewed in October 2013.

This shows that SCM in BCMM is poorly monitored by the relevant public officials. Effective accountability entails constant monitoring of public official's activities, however, in this municipality this was not done hence this compromised the effectiveness of service delivery. The Auditor-General's Report, (2012/13:10) similarly noted with concern that it was impracticable to determine the full extent of the under-estimates of irregular expenditure due to lack of control systems to identify non-compliance within SCM regulations. Thus, weak controls and inadequate monitoring and support in BCMM's SCM processes and practices tend to breed tendencies and opportunities for gross mismanagement of funds not being detected early enough (Gwanzura (2012:87). Furthermore, lapses in and/or inadequate control and oversight, often results in corruption and potential public funds being diverted from government revenue to private income.

4.2.7.5 Ethics and conflict of interest

In Buffalo City Metropolitan Municipality, forty-eight percent (48%) believed that ethics and conflict of interest can cause unethical behaviour in the municipality. They went on to say those public officials with high official rankings such as the municipal managers, accounting officer and others they want to achieve personal goals at the expense of the municipality thereby ruining the image of the municipality. Ethics and conflict of interest greatly affects SCM implementation. Matthee, (2006:71) argued that there is enormous power wielded by some chief financial officers and lack of proper consultation with other senior officials. This is in contrary with the National Treasury Guide to Accounting Officers prescribes a standard approach towards SCM procedure, in many instances given the autonomy of the accounting officer's financial management and the lack of application resulted in department's utilisation discretion to procure in a manner that would be appropriate for a specific time, SCM Review, (2015:27). This resulted in differentiation in approaches and a lack of standardisation.

4.2.7.6. Lack of proper knowledge, skills and capacity

In Buffalo City Metropolitan Municipality, fifty- two percent (52%) employees lamented that lack of proper knowledge, skills and capacity causes unethical behaviour in this municipality resulted in poor service delivery. They went on to say that the municipality sometimes employees the Grade twelve to work in the municipality without any proper knowledge and capacity. This can compromise human and local economic development, resulting in poor service delivery. The end results will be demonstration and protests due to poor service delivery. Adequate capacity in the form of appropriate structures with fully skilled and professional SCM personnel is key success factors for proper SCM implementation. In some government entities, the quality of SCM personnel's' skills and ability are well below standard. According to a study conducted by Ambe (2006:73) and Migiroy and Ambe (2008:241), many SCM actors in the South African public sphere have attended a number of training and workshop on SCM, but they still lack appropriate knowledge for proper implementation.

According to McCarthy (2006:4), the completeness of tender documents in government entities is difficult to verify because the register is incomplete and there is also the lack of capacity and knowledge to handle procurement processes that contributes to bad governance. In addition, the implementation of SCM is impossible without appropriate information and communication systems. The need exists for the different stages in the chain to be integrated. Moreover, appropriate organisational structures must be developed, including the skill/ knowledge profiles of the different positions. More importantly the departments and municipalities must

then actively recruit appropriate skilled and knowledgeable personnel in order to meet the demands of the public.

4.2.1 Theme 8: The influence of leaders in the Supply Chain Management

More than forty- five percent (45%) of SCM employees believed that leaders influence decision making in the Supply Chain Management. They went on to argue that in some cases the Municipal Manager may want to promote his personal interests thereby dominating decision making in the municipality. Furthermore, one official in the Audit department argued that sometimes the leaders' award tenders to unqualified suppliers who can provide poor services to the municipality, this can impede development in the local area. However, in some instances their influence (subordinates) can lead to poor services delivery when they decided to award tenders to unqualified suppliers who can deliver poor quality of services to the municipality.

In many municipalities some leaders behaved autocratically and instrumentally in getting things done whilst others acted more like protectors of their territory or defenders of their own groups. When leaders acted according to institutionalised roles and entrenched standards of appropriateness. For these leaders, it appeared that the new model had no significant effect on behaviour. In support of the above, the Local Government Briefing (2015:18) for example reports that, the Municipal Manager for BCMM signed a R73-million contract with a construction company on the basis of a letter purportedly written by the Chief Financial Officer in September 2014, who he was the acting Municipal Manager. However, the same Chief Financial Officer wrote to the Municipal Manager on 4 August, 2015, claiming that his signature was a forgery.” Further to this, the Chief Financial Officer alleged financial misconduct in the awarding of the contract, as the company had not been appointed in a valid tender process, (Local Government Briefing (2015:18). This actually shows that procuring and tendering processes were greatly ignored, thus undermining the importance of bid committees in BCMM

However, Warren (1999:23) argued that leadership is not merely a construct symbolising ability to act and control; there are good reasons for its emergence. For instance, a leader must take charge, provide the motivation for collective action, and lead social processes in a favourable direction.

4.3. CONTROL AND OVERSIGHT MEASURES AND STRUCTURES IN BUFFALO CITY METROPOLITAN MUNICIPALITY

Control and oversight measures and structures play a significant role in the SCM of any municipality as they improve accountability because public officials will be held accountable for their actions. More importantly accountability constitutes a central pillar of any public procurement system. Without transparent and accountable systems enabling governments and citizens to engage in a mutually responsive way, the vast resources channelled through public procurement system run the danger of increased corruption and misuse of funds.

Furthermore, even in a system with low levels of corruption, public and civic oversight can help to identify inefficiencies, thereby increasing procurement efficiency and effectiveness. To ensure accountability, transparency mechanisms such as public oversight and monitoring are important. The MFMA aims to improve accountability by placing responsibility for decisions in the hands of each accounting officer and by ensuring that there is support from National Treasury, for example in the form of “best practice” guidelines, to assist managers in delivering services to communities as efficiently and effectively as possible.

Agara and Olarinmoye, (2009: 84) views the role of accountability as holding the responsible elected or appointed individual or organisation charged with a public mandate to account for specific actions, activities or decisions to the public from whom they derive authority. As pointed out by Matthee (2006:26), true accountability stems from the wish of an organisation to provide information beyond legislative requirements, as such an organisation proactively thinks through its own degree of accountability.

4.3.1 Theme 1: Structure of the Supply Chain Management

According to the findings, the Supply Chain Management Department falls under the finance directorate. It is divided into the following three units: committees and contracts; procurement and administration; and sourcing and facilities. The committees and contracts unit is responsible for coordinating the activities of the three bid committees. It is also responsible for the facilitation and establishment of contracts. The procurement and administration unit is responsible for planning, demand management, risk management, compliance, and service provider management. The sourcing and facilities unit handles quotations and tenders

4.3.2 Theme 2: Importance of Supply Chain Management in the Finance Department

According to ten (10) SCM employees, pointed out that SCM plays an important part in the municipal finance management. Only four (4) employees thought that the SCM department stands on its own, it does not belong to the finance department. Supply Chain Management

(SCM) is regarded as a management tool that can be used to improve financial practices in the municipality. The concept of Supply Chain Management in South Africa was introduced within the public sector as part of a series of budgetary and financial reforms that were initiated by Government in 1994, in its attempt to modernise the management of the public sector financial management (Jacobson, 2007:54).

In 2003, the cabinet adopted a Supply Chain Management policy to replace the outdated procurement and provisioning practices across government with a SCM function that was to be an integral part of public financial management and would conform to international best practices, (National Treasury Republic of South Africa, 2005:2). The Public Finance Management Act, 1999 (Act No. 29 of 1999), provides a framework for supply chain management. It provides that, the accounting officer or accounting authority of an institution must develop and implement in that institution an effective and efficient supply chain management system, for the acquisition of goods and services and the disposal and letting of state assets, including the disposal of goods no longer required. SCM leads to the introduction of the Medium Term Expenditure Framework (MTEF), the Public Finance Management Act (PFMA); the Municipal Finance Management Act (MFMA); Performance-Based-Budgeting (PBB) and various other financial management systems and accounting reforms.

4.3.2 Theme 3: Importance of internal controls in SCM

According to nine (9) SCM officials pointed out that the municipality has strong internal controls while three SCM officials stated that the internal system has some loop holes. The municipality must form strategies to strengthen the internal controls in the municipality. In reality the internal controls are very weak and inadequate in the municipality according to secondary sources. The Buffalo City Consolidated Audit Report, (2013/14:7) observed that irregular expenditure disclosed in note 55 to the consolidated financial statement at R747 million (2013: 931 million) was understated. It goes on further to argue that this was as a result of the municipality not having adequate systems in place to identify and disclose all irregular expenditure incurred during the current and previous financial periods as required by section 125(2)(d)(i) of MFA.

In addition, the Auditor-General's Report, (2012/13:10) similarly noted with concern that it was impracticable to determine the full extent of the under-estimates of irregular expenditure due to lack of control systems to identify non-compliance within SCM regulations. Furthermore the BCMM Consolidated Auditor's Report, (2013/14:5) noted that sufficient

appropriate audit evidence could not be obtained that goods and services with a transaction value below R200 000 were procured by obtaining the required price quotations as required by SCM regulation 17(a) and (c). Thus, weak controls and inadequate monitoring and support in BCMM's SCM processes and practices tend to breed tendencies and opportunities for gross mismanagement of funds not being detected early enough (Gwanzura (2012:87).

Furthermore, lapses in and/or inadequate control and oversight, often results in corruption and potential public funds being diverted from government revenue to private income. Control and oversight for compliance with SCM rules, legislation, norms and standards is therefore critically important for ensuring that local government's policy objectives as prioritised in the integrated development plans (IDPs) of municipalities are attained. Effective control and oversight often results in the reduction of waste, eradication of corruption and improvement of municipal financial performance, as well as improved ethical conduct, integrity, transparency and accountability.

4.3.3 Theme 3: Oversight Control of the Council

When the SCM officials in BCMM were asked whether the oversight control of the council is effective or not, the employees responded that BCMM has weak oversight control, thereby resulting in poor services and several protests which compromise local and economic development. Several AG Reports for example the Auditor's Report (2011/2012:165) noted that the performance of contractors and providers was not monitored on a monthly basis as required by section 116(2) (b) of the MFMA. In the same vein the BCMM, Annual Report, (2013/2014:42) concurred that the Buffalo City Metropolitan Municipality adopted its Supply Chain Management Policy in 2009; it is reviewed annually and was last reviewed in October 2013.

This means that the council was not performing its roles effectively thereby incurring irregular financial reports and maladministration in the SCM. The Supply Chain Management Policy Section 6 of the Act, states that the council reserves its right to maintain oversight over the implementation of the SCM policy. The accounting officer must, whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the council. The accounting officer must within ten (10) days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the Executive Mayor and these reports must be made public in accordance with the section 21A of the Municipal Systems Act, 2000 (Act 32 of 2000).

4.3.4 Theme 4: Internal controls process for Supply Chain Management in Buffalo City Metropolitan Municipality

In Buffalo City Metropolitan Municipality, the findings showed that the municipality uses the bid committees, public sector cycle, and introduction of data base when obtaining quotation in the municipality. The use of internal controls in any institution makes the public officials to be accountable for their daily activities in their work places. According to Du Preez (2000:27) the responsibility of the internal Audit function in terms of the Public Finance Management Act include the evaluation of all systems of financial and risk management and internal control, acting as an early warning system to detect things that go wrong, assisting managers to identify risks, and monitoring the implementation of the PFMA.

According to the King 2 report (2002:86), the Internal Audit plays an integral role in an organisation as it provides management with a reasonable assurance regarding the effectiveness of the organisation's corporate governance, risk management processes and system of internal control. There is need for an independent audit committee. The Internal Audit function is an important part of corporate governance and acts as one of the mechanisms for checks and balances in an entity (King 2 Report, 2002:86).

Furthermore, the accounting officer of an institution should appoint three (3) bid committees namely the bid specification committee, bid evaluation committee and bid adjudication committee (Implementation of Supply Chain Management, Section:4.1). In terms of section 38 and 51 of the PFMA, accounting officers or authorities are fully responsible and should be accountable for any expenditures relating to supply chain management within their line of responsibility. Any expenditure incurred should be subject to appropriate regulation and accounting officers or authorities' directives and procedures. The bid committees must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services; must take account of any accepted standards such as those issued by Standards of South Africa, the International Standards Organisation, or an authority accredited or recognised by the South African National Accreditation System with which the equipment or material or workmanship should comply (Bizana 2013:52).

In addition to the above, the public sector cycle plays an important role in ensuring internal control in the SCM in BCMM. The public sector cycle consists of three stages that is the pre-tender or demand management stage, tendering stage and the post tender stage. Demand planning, procurement planning, items and specification management, and supplier management are critical phases in the pre-tendering stage. This stage ensures that goods,

services, construction work and other purchases are properly planned and aligned to the procuring entity's strategy and resource plan. This alignment is critical to ensuring that goods are delivered at the right time, place and price, in the right quantity and of the right quality, (Agere, 2007:45). It is at this stage that a comprehensive needs analysis is carried out in line with the strategic planning process.

During the tendering stage information in the bid documents should include details of the product or service to be procured, specifications, quantities, the timeframe for delivery, realistic closing dates and times, where to obtain documentation, where to submit tenders and a clear, complete and non-discriminatory description of the selection and award criteria, (Matthee, 2006:84). Public sector institutions are supposed to have clear procedures for opening the tender box. To avoid manipulation of the bids received, this must be done before a public audience and basic information disclosed and recorded in a register.

During the post tender stage contracts or service level agreements must not contain requirements and conditions not included in the bid documents but should contain sufficient information to enable the suppliers to deliver goods or services of the correct description, quality and quantity within the specified time, (Matthee 2006:85). If supplier performance is not monitored, a range of post tender violations may occur; for example, the purchasing authority may expand or vary orders against the original contract, to the benefit of suppliers. However, SCM Review, (2015:23) argued that contracts may be expanded or varied by not more than 20 per cent of the original value of the contract and, for all other goods and services, by not more than 15 per cent.

To add more, the establishment of a database when obtaining quotations plays a pivotal role in improving efficiency in SCM in any municipality. The establishment of a database helps the municipality to know the best and reliable service providers who can offer quality services to the municipality. The PFMA states that the establishment of the database of suppliers when obtaining quotations is very crucial for an urgent and emergency cases and institution may dispense with the invitation of bids and may obtain the right goods and services at the right time and the right place. More importantly a supplier's data base can facilitate the use of informal quotations, formal quotations invitation and emergency procurement needs as guided by the treasury regulation 16A (6.4). According to the Supply Chain Management: A Guide for Accounting Officer or Authority, institutions should customise and use appropriate Standard Bidding Documents (SBDs) issued by the National Treasury with minimum changes

acceptable to the accounting officer or authority, as are necessary to address contract and project specific issues.

4.3.4 Theme 4: The key functions of Office of the Chief Procurement Officer (OCPO)

The data collected showed that most employees within the SCM knew some of the functions of the office of the Chief Procurement Officer in the municipality. Most of the interviewed respondents pointed out that the OCPO is the most respected person in procurement services who modernises and oversees the South African public sector SCM system to ensure that the procurement of goods, services and construction works is fair, equitable, transparent, competitive and cost effective in line with the Constitution and all relevant legislation. However, Hugo, Bandernhorst-Weisis and Van Biljon, (2004:67) argued that the OCPO is not directly involved in procurement, but leads and manages procurement reform, maintains the procurement system and oversees the way in which government does business with the private sector. This have been discussed in detail in chapter 2 of the study.

4.3.4 Theme: 4: Ways of improving accountability

The Supply Chain Management employees identify several ways of improving accountability in their department. They pointed out there should be supervision by external auditors and performance monitoring, regular reporting on feedback of the accounting officer, whistle blowing and introduction of anti- corruption campaigns. These are going to be discussed below.

4.3.4.1 Supervision by external auditors and performance monitoring

To root out corruption, external auditors perform an audit on the financial statements of, companies, government, individuals and any organ or legal entity. These auditors should inspect the way that the procurement process is being carried out on a quarterly basis. For example, Standing Committee on Public Accounts (SCOPA) and Auditor General must ensure that there are no irregularities in the way public funds are being managed. In addition, the Global Integrity (2010:11) reports that the supreme audit institution is protected from political interference by law and that appointment in practice do also respect the Agency's independency. It is mandated to audit and report on the accounts, financial statements and financial mismanagement and management of national and provincial state departments and administrations, municipalities and other institutions legally authorised to receive money for public purposes.

The AGSA plays an important role in the control of economic crime in South Africa, including the prevention of corruption. Gildenhuis (1993:177) substantiates that auditors should take a look at financial statements or flow of money to make sure they are free of obvious

misstatements and errors to avoid the spread of corruption and fraud. The auditors should also monitor the performance of official or the contractors in the public sector to ensure quality and efficiency.

4.3.4.2 Regular reporting

The employees in the accounting department should report on regular basis on how the finance in the municipality is being used. The accounting officer should report on monthly, quarterly and yearly basis informing the public and the municipality at larger on any developments in the area that has resulted in the use of finance. Regular reporting minimises irregular expenditure, fraud, corruption and misuse of funds for private gain. According to Buffalo City Consolidated Audit Report, (2013/14:7) noted that the municipality did not implement an effective performance system that enables leadership to hold accountable for the work they perform on a daily compliance.

Accountability constitutes a central pillar of any public procurement system. Without transparent and accountable systems enabling governments and citizens to engage in a mutually responsive way, the vast resources channelled through public procurement system run the danger of increased corruption and misuse of funds. Even in a system with low levels of corruption, public and civic oversight can help identify inefficiencies, thereby increasing procurement efficiency and effectiveness. To ensure accountability, transparency mechanisms such as public oversight and monitoring are important.

The MFMA aims to improve accountability by placing responsibility for decisions in the hands of each accounting officer, and by ensuring that there is support from National Treasury, for example in the form of “best practice” guidelines, to assist managers in delivering services to communities as efficiently and effectively as possible. The Auditor General has a mandate in terms of the Constitution to audit and report on the accounts, financial statements and financial management of all national and provincial departments, municipalities and any other institution required by legislation to be audited. The country’s supreme audit institution, the AG exists to strengthen the country’s democracy by enabling public sector oversight, accountability and governance through auditing and in this way to build public confidence.

4.3.4.3 Professional competence

Competence is expected of supply management professionals. Developing business skills and increasing knowledge of supply management demonstrates a commitment to the profession and positively impacts the employer, peers and suppliers, (Institute for Supply Management,

2014:24). Professional development requires continuing education. The public officials should adopt and promote the ethical standards expected of a supply management professional and encourage, support and participate in ongoing ethics training workshops. The public officials should continue acquiring relevant skills in order to meet the demands of the globalized world. Supply Chain Management officials should attend educational workshops in order to increase knowledge in their areas of specialisation.

4.3.4.4 Introduction of anti-corruption campaigns

The government should introduce existing structures and institutions such as Anti-Corruption Commission, National Campaigns and Bureau to eliminate corruption and fraud. The commission should be truly independent and having full authority to investigate into allegations of corruption and fraud against any individual, public servant and political office holders irrespective of their rank and status. The Finance Minister Pravin Gordhan proposed levying penalties of doubling the value of the contract on those who fraudulently obtain contracts as a strong measure to eradicate fraud in public procurement in South Africa. Former Finance Minister of Finance Trevor Manuel called on the Government to get tough on corruption echoing the sentiments that “we should not tolerate corruption; it is wrong; it is stealing from the poor.” Anti- corruption campaigns help to curb fraud and corruption within the country thereby resulting in better service delivery.

4.3.4.5 Whistle-blowing

Nader et al. (1972), cited in Gwanzura (2012:14) define whistle blowing as an act if a man or a woman who believes that the public interest overrides the interest of the organisation he [or she] serves blows the whistle that the organisation is involved in corrupt, illegal, fraudulent or harmful activity. Within the public sector context, whistle blowing is seen as a means to promote good governance and accountability. Public officials should act responsibly and build a culture in which public servants are able to report fraud and corruption with the assurance of protection from the Protected Disclosure Act 26 of 2000. Public servants in terms of their duties should report to the appropriate authorities, fraud, corruption, nepotism and any other act which constitutes an offence or which is prejudicial to the public interest.

Through whistle blowing, the public sector is able to address potential adversities as well as prevent large financial losses. However, in most scenarios, employees feel intimidated in reporting corrupt activities because of a fear of retaliation (Nini,2012:43). Another critical challenge concerning whistle blowing is that individuals might observe an illegal act and contemplate disclosing it, but may not know where to report the act or even who to trust so as

not to face any reprisals. Therefore, it is important to have established, reliable systems within the organisation that individuals can utilise safely to “blow the whistle” (Ngqase, 2014 24.)

4.3.5 Theme 5: Committees in the tender processes

4.3.5.1 A Bid Evaluation Committee (BEC)

A bid evaluation committee must compare all the tenders against each other using a set of predetermined criteria (Moeti *et al.*, 2007: 124). With the coming into effect of the 1993 and 1996 Constitutions, the practice of awarding tenders strictly based on price has to a large extent disappeared, (Bolton, 2007:260). According to Bolton (2007: 260), the practice of accepting the lowest tender based on price alone was described in the Green Paper on Public Sector Procurement Reform as “inflexible” in the sense that it restricts the degree to which smaller enterprises can access the process. After 1994, the preference point system stipulated in the PPPFA of 2000 was ushered in, but with certain provisions. The total combined points allowed for functionality and price may, in respect of bids with an estimated rand value equal to or below R1 million, not exceed 80 points, while for bids with an estimated rand value above R1 million the total combined points may not exceed 90 points, (Bizana, 2013:49). What sets this system apart is that preferences for being an HDI and/or subcontracting with an HDI and/or achieving specified goals must be calculated separately, and must be added to the points scored for functionality and price (Khalo *etal*,2007: 212).

4.3.5.2 Bid specification committee (BSC)

The tender’s application firstly goes to Bid Specification Committee (BEC) whose responsibility is to determine and approve the specifications in the application, for instance the points expected. The specification committee however may be comprised of skilled officials of the department, one Supply Chain Management practitioner; one or more suitably qualified specialist and or an external consultant under the direction of the official or component concerned, (Khalo, *etal*2007: 212). After that the tender is passed to the BEC which evaluates, adjudicates bids and makes recommendations to the Bid Award Committee (BAC). It compiles the specifications, determines the goals as stipulated in the PPPFA of 2010 and defines the evaluations criteria and other special conditions of a specific contract (National Treasury, 2005:22).

4.3.5.3 Bid Evaluation Committee (BEC)

It is a cross functional team composed of at least one SCM official and officials from the user department requiring the good or service. This committee is responsible for evaluating the bids using the provisions of the PPPFA. The evaluation committee should be cross-functional and

should be comprised of SCM practitioners and suitably skilled officials from other relevant disciplines. A Bid Evaluation Committee should consist of a minimum of five members. This committee is responsible for the evaluation of bids received in accordance with the criteria specified in the bid documentation. The evaluation committee should evaluate all bids received and submit a report with recommendations regarding the award of the bid to the Bid Adjudication Committee (National Treasury, 2005:48).

4.2.5.4 Bid Adjudication Committee (BAC)

Treasury Regulation 16A 6.2 stipulates that an institution's SCM system must, amongst others, provide for the adjudication of bids through a Bid Adjudication Committee, the establishment, composition and functioning of bid specification, evaluation and adjudication committees and the selection of Bid Adjudication Committee members. It should be made up of four (4) senior managers from different disciplines and a supply chain management official: the chairperson who in most cases is the Chief Financial Officer, the Vice-Chairperson who is at the director level, secretary and other members. This committee considers the recommendations of the BEC (National Treasury, 2005:50). The BAC awards tenders based on the recommendations of the BEC (Khalo, etal 2007: 213). An award letter must be drafted by the bid administration unit, and the successful bidder must accept the award by signing the acceptance letter (Khalo, etal 2007: 213). If the BAC wants to "appoint a bidder other than the one recommended by the BEC, the *accounting* officer must notify the Auditor-General, the relevant provincial treasury and the National Treasury of the reasons for deviating from the recommendation" (Government Gazette: Republic of South Africa, 2003, s.114(1)).

The Bid Adjudication Committee is appointed in writing by the Accounting Officer /Authority for a period of twelve months. The Bid Adjudication Committee should be composed of cross-functional teams comprising of senior officials of whom at least one must be a Supply Chain Management practitioner. The chairperson of the committee is the Chief Financial Officer of the department/entity, or his/her delegate. Where considered necessary, additional officials or advisors may be co-opted on account of their specialised knowledge. The Bid Adjudication Committee must consider the recommendations/reports of the Bid Evaluation Committee and, depending on the delegated powers, make a final award; or a recommendation to the Accounting Officer/Authority to make a final award; or another recommendation to the Accounting Officer/Authority on how to proceed with the relevant procurement. Tenders above R10million are approved by the members of the executive.

4.3.6 Theme 6: Processes to be followed when awarding tenders

The data collected showed that the Buffalo City Metropolitan Municipality has followed some processes in the awarding of tenders. The SCM official in BCMM view that specifications were developed for service providers to enable them to develop their quotations which were made available through the notice board, municipality website and newspapers. The advertisements were placed for twenty one (21) days and the service provider with the highest scoring points according to the specification was awarded the tender by the tender committee. The tender committee awarded the tender to a report that was submitted to them which clearly specified the contract number and description in the leading of the report together with the introduction which set out the authority to invite tenders as well as a brief background of the tender.

The report was also required to have a section on tenders received which set out the date the tenders were advertised and when they were opened. The Council was required to consider and report on all tenders received. This did not mean that all tenders would be seemed responsive. The report was expected to indicate which tenders are excluded from further consideration and to document the reasons for such exclusion

4.3.7 Theme 7: Facilitation of the tender process

When asked who facilitated the tender process in the Supply Chain Management, the employees identified the Municipal Manager. It is clear that the Municipal Manager should ensure that the tender process is fair, transparent and efficient, as he will be held accountable for non- compliance issues that may arise within the municipality SCM. The National Treasury Guide of the Republic of South Africa for Accounting Officers stipulates that Supply Chain Performance should be used to monitor the process, undertaking a retrospective analysis to determine whether the proper processes were followed and the desired objectives achieved. Some of the issues that may be reviewed are compliance with norms and standards, cost efficiency of SCM processes and whether supply chain practices are consistent with government's broader policy focus.

4.3.8 Theme 8: Importance of database in Buffalo City Metropolitan Municipality Supply Chain Management

According to the data that has been collected in BCMM, it showed has database for its suppliers. The development of the database in BCMM helps the municipality to know the best and reliable service providers who can offer quality services to the municipality. The PFMA states that the establishment of the database of suppliers when obtaining quotations is very crucial for an urgent and emergency cases and institution may dispense with the invitation of

bids and may obtain the right goods and services at the right time and the right place. More importantly a suppliers data base can facilitate the use of informal quotations, formal quotations invitation and emergency procurement needs as guided by the treasury regulation 16A (6.4). In order to stimulate the promotion of BEE and the development of historically disadvantaged individuals and small, medium and micro-enterprises, it is suggested that institutions should advertise in the local media for business to register as potential suppliers for goods and services to be obtained by means of quotations. Supply chain management practitioners should operate within their delegated authority. Furthermore, to avoid accusations of favouritism, it is suggested that a minimum of three quotations be obtained and where this is not possible, each case should be dealt with on its own merits.

4.4 COMPLIANCE WITH ETHICAL VALUES, REGULATIONS, NORMS AND STANDARDS

4.4.1 Theme 1: Laws or policies that govern Supply Chain Management

In BCMM, the employees claimed that there are policies that govern the Supply Chain Management. The Laws include Supply Chain Regulation of 2005, Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000), Constitution of the Republic of South Africa, 1996, Public Finance Management Act, 1999(Act 1 of 1999), Municipal Finance Management Act, 2003 (Act 56 of 2003), Public Administration Act, 2014 (Act No. 11 of 2014) and Broad Based Black Economic Empowerment (Act 53 of 2003) all of which are explained in detail in Section 2.3 of Chapter Two of this study. These laws and policies are meant to ensure sound, sustainable and accountable supply chain management within the municipality to ensure that all individuals are accountable for their actions and those systems are effective, efficient and transparent.

4.4.2 Nepotism, bribery and corruption in the Supply Chain Management

According to the data collected from the interview ninety five percent (95) believed that is not riddled with corruption, bribery and nepotism whilst five percent (5%) believed it. In terms of the key questions about the tender process and corruption, municipal officials in the SCM were of the view that the tender process did not involve any nepotism, bribery or corruption. According to one official from the SCM unit, the committees are established to eliminate any risks of irregular expenditure that can occur. The people serving in the Committee cannot serve in another. For example the people in the Evaluation Committee cannot serve on the Adjudication Committee.

But this seemed not be the case in practise, in the findings according to the Consolidated General Report on the audit outcomes of local Government, (2013/14:45) observed that, a total of ninety-nine percent (99%) of the irregular expenditure was caused by non-compliance with SCM legislation. Thus it further thus singled out that, SCM as one of the most common areas in which auditees (63%) failed to comply with SCM regulations. The SCM Review (2015:10) concurred that there is use of unqualified suppliers, passing over of bids for incorrect reasons, appointment of suppliers who are not tax compliant, failure to use competitive processes for quotations and bids and incorrect use of preference points system.

More so, the auditor general noted with concern that, adverse audits arise from financial statements that contain misstatements that are not confined to specific amounts, or the misstatements that represent a substantial portion of the financial reports, (South Africa Local Government Briefing, 2015:11). It further observed that, adverse audits thus, with the exception of failing to submit financial statements, reflect the greatest breach of financial norms and standards. This showed that in reality SCM in BCMM was riddled with corruption and nepotism resulting in irregular expenditure.

4.4.4 Theme 3: Transparency in the awarding of tenders to the contractors

According to the interviewed employees in the SCM department, believed that the awarding of tenders is transparency as the municipality advertised the tenders on notice boards, newspapers or the municipality website. Afterward the suitable committee that is the bid committees selected the qualified suppliers with more points and award him/ her tender. But in reality, in BCMM the awarding of tenders lacks transparency as the top officials overrides the systems in decision making thereby awarding their relatives.

Buffalo City Consolidated Auditor's Report, (2013/14:5) noted with concern that awards were made to providers who are in the service of the state institutions or whose directors or members are in the service of the state institutions, both of which are in contravention of Section 112(j) of the MFA and SCM regulations 44. In the same vein, SCM Review Report (2015:10) noted with concern that common findings in the AG's annual reports on SCM non-compliance and irregular expenditure include among other things appointment of suppliers who are not tax compliant, failure to use competitive processes for quotations and bids, incorrect use of the preference points system, lack of appropriate bid committees and use of unqualified suppliers. This actually showed that BCMM lacked transparency when awarding tenders to contractors.

4.4.4 Theme 4: Fairness in the process of paying tenders

When the BCMM employees were asked that is there any fairness in the process of paying tenders. There were different views, more than half of the employees responded that the process was fair while others pointed out that the process was not fair. The latter believed that the process was too long and required a lot of process thereby giving a room for gross mismanagement of funds, fraud and corruption. They also felt that the process was not fair because the law required the job to be completed before payment was made. They claimed that this system was disadvantageous for new small business, which may have the liquidity and capacity to complete the required job before paid.

On the other hand, the former which comprised the municipal officials, believed that the process was fair as contractors were paid on the basis of their quotations and invoices and the process did not take more than thirty (30) days to happen. There was also what was called advance payment, where the contractors are paid in advance for bigger projects to enable them service their offices and sites with water and electricity. Looking at the different views from respondents from municipalities suggests that the process of paying contractors was not fair to contractors mainly because of the procedures and steps that needed to be followed by supply chain officials in paying contractors.

4.4.5 Theme 5: Familiar with the code of conduct

In Buffalo City Metropolitan Municipality, more than fifteen (15) employees in the SCM department acknowledged that they are familiar and knew the demands of the code of conduct. Whilst three (3) showed that they lacked knowledge about the importance of code of conduct when performing their duties in their offices. In reality the BCMM officials breached the code of conduct in many cases when choosing service providers, some officials can award their relatives or friends which is against the code of conduct. Buffalo City Consolidated Auditor's Report, (2013/14:5) noted with concern that awards were made to providers who are in the service of the state institutions or whose directors or members are in the service of the state institutions, both of which are in contravention of Section 112(j) of the MFA and SCM regulations 44.

This is directly in contrast with Schedule 2 of the Municipal Systems Act of 2000 which contains a code of conduct for municipal staff members, councillors and section 69 states that the code applies to every staff member of the municipality. The purpose of the code is to set out principles and standards of conduct and integrity for councillors, to inform the public of

the conduct it is entitled to expect and to uphold public confidence in local government. The Constitution of South Africa, 1996 also provides that high standards of professional ethics must be promoted, hence, disciplinary action needed to be taken against officials who failed to perform their duties in good faith, so as to reduce the repeated occurrence of undesirable actions in the future.

According to Section 8 of the PFMA, 2003 (Act 56 of 2003) provides that all officials and other role players in a supply chain management system must comply with the highest ethical standards in order to promote mutual trust and respect and an environment where business can be conducted with integrity and in a fair and reasonable manner. According to the Code of Conduct for municipal staff, a staff member of a municipality must at all times loyally execute the lawful policies of the municipal council and perform such functions in good faith, honestly and in a transparent manner (Craythorne, 2003:210). An official or other role player involved in the implementation of supply chain management policy must treat all providers and potential providers equitably and may not use his or her position for private gain or to improperly benefit another person. Furthermore, he or she may not accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including any close family member, partner or associate of that person.

4.5 STRATEGIES FOR CURBING UNETHICAL CONDUCT BY PUBLIC OFFICIALS IN SCM

4.4.1 Theme 1: Structures to detect and combat corruption in Buffalo City Metropolitan Municipality Supply Chain Management

When the SCM employees were asked about the structures to detect and combat corruption more than fifteen (15) respondents acknowledged that they knew some of the organisations that had been formed to fight against corruption in South Africa as a whole. These organisations include the National Prosecuting Authority (NPA), the Public Protector (PP), the Directorate for Priority Crime Investigation (DPCI), the Asset Forfeiture Unit, the Special Investigating Unit (SIU), the Financial Intelligence Centre (FIC), the Auditor-General (AG), the Public Service Commission (PSC), Independent Police Investigative Directorate (IPID) all of which are explained in detail in Section 2.15 of Chapter Two of this study. Although there are several organisations that are in place detect and combat corruption in SA's municipalities, the literature showed that corruption in the public sector remain increasing.

According to the SCM Review (2015:10) observed that there is use of unqualified suppliers, passing over of bids for incorrect reasons, appointment of suppliers who are not tax compliant, failure to use competitive processes for quotations and bids and incorrect use of preference points system. More so, the Auditor General noted with concern that, adverse audits arise from financial statements that contain misstatements that are not confined to specific amounts, or the misstatements that represent a substantial portion of the financial reports, (South Africa Local Government Briefing, 2015:11). It further observed that, adverse audits thus, with the exception of failing to submit financial statements, reflect the greatest breach of financial norms and standards.

4.5.2 Theme 2: Measures to promote ethical behaviour in Supply Chain Management

The employees in BCMM Supply Chain Management when asked about the measures that can be used to promote ethical behaviour only ten (10) acknowledged that they knew some measures whilst eight showed that they did not have any knowledge about any measure. The ten SCM employees pointed out that public officials should limit conflict of Interest at the work place, practice propriety, strengthen the supplier and customer relationships, confidential and proprietary information and professional competence of all of which are explained in detail in section 2.11 of Chapter Two of the study. Despite the measures to promote ethical behaviour in BCMM Supply Chain, unethical behaviour in BCMM is still rampant. The BCMM Consolidated Auditor's Report, (2013/14:5) noted that sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value below R200 000 were procured by obtaining the required price quotations as required by SCM regulation 17(a) and (c).

In the same vein, the Local Government Briefing (2015:18) argued that sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with legislative requirements and a procurement process which is fair, equitable, transparent and competitive as some of the requested information was not submitted for audit purposes and some information submitted was incomplete. According to Van Der Walddt and Du Toit (2007:49), one of the causes of unethical conduct is inadequate control and accountability, that is, if control is ineffectual, dishonest officials can exploit the situation for their own gain. Considering that the role of accountability is to account for specific actions, activities or decisions to the public from whom responsible elected or appointed individuals or organisations derive their authority (Agara, and Olarinmoye, 2009:67), Buffalo City

Metropolitan Municipality officials contravened this role. Strict measures on accountability were not implemented.

Public officials were not answerable for their actions in Buffalo City Municipality. Effective accountability entails constant monitoring of public official's activities, however, in this municipality this was not done hence this compromised the effectiveness of service delivery. Furthermore, disciplinary hearings did not commence within the stipulated time as required by the Disciplinary Regulation for Senior Managers (Auditor's General Report of 2011/2012:164), which makes officials to undermine the importance of accountability thereby making accountability ineffective.

4.5.3 Theme 3: Challenges during the tendering process

According to the views of the CFO and the Municipal Manager, did not manage their cash flows efficiently, as a result, a municipality would award a contract to a company only to realise later that the company was unable to deliver the required services at the right time. This resulted in delays and a bad reputation for the municipality. The bid committees held the view that the process of tendering was highly complex and involved the submission of a lot of paperwork within a short period of time. Moreso, another challenge which was raised is lack of capacity and skills within the municipality's employees which results in poor service delivery. Therefore there is need for professional competence through continuous trainings and workshops so that the employees acquire the necessary skills needed in the globalized world.

4.6 CHAPTER SUMMARY

In this chapter, data was presented, interpreted and analysed using filtering technique and content analysis. The ethical problems discussed above need to be resolved with the recommendations provided in the next chapter for supply chain management to be effective and efficient. These problems might be experienced by many municipalities in South Africa; hence, the next chapter will provide recommendations to solve these problems encountered in the supply chain management which need to be taken into account if municipalities have to improve in their supply chains process.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The main aim of the study is to explore to explore the extent to which control and oversight measures for ethical conduct in Supply Chain Management are effective in Buffalo City Metropolitan Municipality. Data was collected from interviews and secondary sources. Secondary includes official documents of 2012 -2013 Auditor General Annual Report on Buffalo City Metropolitan Municipality; the 2011-2012 financial year report; the 2012-2013 MFMA Eastern Cape General Report, the Code of conduct for councillors and municipal officials; the Constitution of the Republic of South Africa, 1996 and the BCMM Annual Reports 2011-2012 ; the 2015 Supply chain management Review; 2013/14 Auditor General Report and Consolidated general Report on the audit outcomes of Local Government 2013/14. This chapter provides the summary of the major findings in this research and also presents the recommendations which the municipality should take into account in order to promote ethics in the supply chain management. The primary objectives of the study were:

- (i) Establish theoretical and conceptual best practices for curbing unethical conduct by public officials and promote sound municipal financial management practices in Supply Chain Management in municipalities.
- (ii) Establish how control and oversight measures and structures in Buffalo City Metropolitan Municipality can best promote ethical conduct in Supply Chain Management (SCM).
- (iii) Identify the nature and extent of compliance with ethical values, regulations, norms and standards for promoting sound municipal finance in Supply Chain Management (SCM) in Buffalo City Metropolitan Municipality.
- (iv) Recommend a holistic framework that can be used by municipalities to integrate ethical standards, norms and compliance with regulations in SCM processes and help curb unethical conduct by public officials

5.2. CONCLUSIONS

The following conclusions and recommendations are based on the studies, major findings emanating from the analysis of interviews and official documents of 2012 -2013 Auditor General Annual Report on Buffalo City Metropolitan Municipality; the 2011-2012 financial year report; the 2012-2013 MFMA Eastern Cape General Report, the Code of conduct for councillors and municipal officials; the Constitution of the Republic of South Africa, 1996 and the BCMM Annual Reports 2011-2012 ; the 2015 Supply chain management Review; 2013/14 Auditor General Report and Consolidated general Report on the audit outcomes of Local Government 2013/14.

- (i) The performance of contractors and providers was not monitored on a monthly basis as required by section 116(2) (b) of the MFMA.
- (ii) Disciplinary hearings did not commence within the stipulated time as required by the Disciplinary Regulation for Senior Managers.
- (iii) The municipality did not have adequate systems in place to identify and disclose all irregular expenditure incurred during the year as required by section 125 (2) (d) (i) of the MFMA. Due to the lack of systems to identify non-compliance with the SCM regulations, it was impracticable to determine the full extent of the under estimate of irregular expenditure.
- (iv) Persons in the service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation. Furthermore, SCM officials and other role players who or whose close family members/ partners or associates had a private or business interest were awarded contracts by the municipality thereby contravening the SCM regulation. These providers failed to declare that they were in the service of the municipality as required by law.
- (v) SCM compliances awareness was not at the desired level, as evidenced by the abnormal amount of irregular expenditure incurred. There were also inadequate documentation systems in the awarding of tenders in BCMM.
- (vi) Allegations of fraud or corruption and improper conduct and failure to comply with the SCM system laid against role players in SCM system were not investigated. Appropriate action was not taken against role players in the SCM system who were spearheading corrupt and fraud activities within the municipality.

- (vii) The disposal section operates within the SCM building while another section (sundry creditors) is operated downtown and this exposes the vulnerability of procurement system to corrupt practices.
- (viii) Sufficient appropriate audit evidence could not be obtained that all contracts and quotations were awarded in accordance with legislative requirements and a procurement process which is fair, equitable, transparent and competitive as some of the requested information was not submitted for audit purposes and some information was incomplete. The municipality did not provide sufficient appropriate audit evidence to confirm that the SCM requirements had been adhered to for the procurement of goods and services. Also, goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations as required by SCM regulation.
- (ix) The public officials breached the code of conduct and SCM regulations in the municipality thereby compromising the credibility and integrity of the municipality.
- (x) The competencies of financial and SCM officials were not assessed promptly in order to identify and address gaps in competency levels as required by the Municipal regulation on minimum competency levels 13.
- (xi) There are inefficiencies in SCM, wastage of municipal services, poor service delivery and also cost effective procurement through quotations was not followed by the municipality.
- (xii) Buffalo City Metropolitan Municipality did not implement supply chain management policy as required by the MFMA. There is an inadequate documentation system in Buffalo City Metropolitan Municipality.

5.3. RECOMMENDATIONS

Basing on the above research findings, the following recommendations have been made by the researcher to help the Buffalo City Metropolitan Municipality and other municipalities in South Africa to improve the efficiency, effectiveness of SCM through ensuring that ethics measures are being put in place for better service delivery. These proposed recommendations can be applied by any municipality experiencing the same problems to help them deliver the best services to the public they serve.

- (i) The responsible authority must ensure effective monitoring of performance of contractors and service providers on a monthly, quarterly and yearly basis so as to ensure effective accountability among public officials within the municipality.

- (ii) Disciplinary hearings should be conducted within the stipulated time so as to ensure that public officials are answerable for their actions. Failure to implement SCM in time will compromise the effectiveness of accountability.
- (iii) The top officials in the municipality need to be exemplary by adhering to ethics and being accountable, so that lower level employees may learn from them.
- (iv) Adequate systems should be put in place to identify and disclose all irregular expenditure. Monitoring mechanisms must be put in place so as to monitor the expenditure of the municipality so as not to misuse of municipal finances.
- (v) Officials who fail to disclose their interest in the awards made by the municipality or who fail to declare that they were in the service of the municipality, upon recognition of such actions, contracts awarded to them need to be terminated or disciplinary action need to be taken against such officials who fail to perform their duties in good faith, so as to reduce the repeated occurrence of such actions in the future.
- (vi) Ethical performance measures should be developed as well as the performance standards, which need to form the basis of promoting members who adhere to them, thus awarding good performance to motivate other employees to do the same.
- (vii) Officials need to be trained of the required standards to follow so as to minimise irregularities which may give room for corrupt activities. Training in the form of workshops for example, need to be conducted to equip officials of the required standards to follow when performing their duties.
- (viii) Proper investigation should be done so that officials will not use their public office for their private gains at the expense of the community which they should save. Any conduct of corrupt activity or fraud that constitutes an offense should be reported to the South African Police Service. Perpetrators of such conduct need to be dismissed due to the seriousness of the offense.
- (ix) The disposal section and the sundry creditors should operate at the same location to make monitoring and supervision of the activities easy and to curb any room for fraud and corruption or misrepresentation of facts.
- (x) Demand management need to be institutionalised. The municipality needs to have adequately staffed for the proper execution of municipal tasks and reduce work overload on the municipal officials which may compromise the quality of services to be delivered.
- (xi) The municipality needs to conduct a job analysis to identify competencies and skills required to perform a certain task. After a job analysis, the municipality should

then carry out a competency gap analysis to identify competency gaps, and then provide training to employees so that they acquire those skills which they lack in order to perform effectively and efficiently for better service delivery.

(xii) To have efficiency in SCM, accountability needs to be fostered. To deliver quality products and services should be the main aim or objective of BCMM, so that all actions are geared towards attaining that goal. Cost effective procurement through quotations must be followed by the municipality.

(xiii) Failure to comply with required regulations should amount to disciplinary action, also officials need to be trained so that they become aware of what is expected of them, so as to have an effective SCM. Monitoring mechanisms should be operational so as to correct any action diverse to the required procedures during the implementation process.

(xiv) Proper records need to be maintained and done so timely. Accurate and quality production of reports and financial statements need to be provided by the municipality within the time frame stipulated by appropriate legislature. All documentation should be kept for all the activities of the municipality to ensure effective monitoring and the implementation of accountability measures, documents will help the municipality to see where activities went wrong so that corrective action can be implemented.

5.4. CHAPTER SUMMARY

This research looked at the extent to which control and oversight measures for ethical conduct in Supply Chain Management are effective in Buffalo City Metropolitan Municipality. It went on to give problems which are experienced within the municipality which hinders effective accountability and ethical behaviour among officials. Recommendations and solutions were also given to solve the problems so as to have an efficient and effective supply chain management for better service delivery.

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7. Addendum A



University of Fort Hare

Together in Excellence

FACULTY OF MANAGEMENT AND COMMERCE

SCHOOL OF PUBLIC MANAGEMENT AND DEVELOPMENT

Department of Public Administration

My name is Beauty Zindi (201105350). I am currently studying towards the attainment of Masters of Administration degree (Public Administration) in the Department of Public Administration at the University of Fort Hare. As part of the requirements for this degree, I am undertaking a research study on, “**An exploratory study of control and oversight measures for ethical conduct in Supply Chain Management. The Case of Buffalo City Metropolitan Municipality**”. I kindly request your co-operation in responding to this interview guide. Your co-operation and contribution to this academic endeavour will be greatly appreciated as it will assist the researcher in reaching the objective of the study. Please be fully assured that the information collected through this interview will be **ONLY** used for the purpose of this study. Your privacy, anonymity and confidentiality will be strictly observed, guaranteed and protected as you are not expected to reveal your names or any personal information that identifies you as a respondent in this study.

Please answer all the questions as clearly and honestly as you can.

Municipality: _____

Capacity: _____

Date of interview: _____

1. INTRODUCTION

The purpose of the study will be explained and confidentiality discussed. It will be explained that notes will be taken during the interview. Permission to use a tape recorder will be requested.

SECTION A: THEORETICAL AND CONCEPTUAL PRACTISES FOR CURBING UNETHICAL CONTACT

- How the rules and regulations of the institution do affects the behaviour of employees at the work places?
- In what ways can Buffalo City Metropolitan municipality promote sound municipal management practises?
- What transparency measures are in place when awarding tenders /contracts to contractors in contractors in Buffalo City Metropolitan Municipality?
- How does Buffalo City Metropolitan Municipality deal with unethical conduct of public officials?
- Is there any need to observe ethics in supply chain Management? Give reasons for your answer.
- What ethical normative guidelines are important when awarding tenders to suppliers?
- What are the main causes of unethical behaviour in Supply chain Management in Buffalo City Metropolitan Municipality?
- In what ways can leaders influence the Supply Chain Management in Buffalo City Municipality?

SECTION B: CONTROL AND OVERSIGHT MEASURES AND STRUCTURES IN BUFFALO CITY METROPOLITAN MUNICIPALITY

- Where does the Supply Chain Management department fall in your municipality?
- Is Supply Chain Management (SCM) a critical financial component tool? Give reasons for your answer?

- What are the key internal controls processes for Supply Chain Management in Buffalo City Metropolitan Municipality
- What are the key functions of the Office of the Chief Procurement Officer (OCPO)? Give some of the functions.
- In your own view, how does Buffalo City Metropolitan Municipality promote sound municipal management practises in SCM?
- How can Buffalo City Metropolitan Municipality improve accountability in Supply Chain Management?
- How many SCM officials does Buffalo City Metropolitan Municipality have?
- What process is followed during the awarding of tenders?
- Who facilitates the tender process?
- Does the Buffalo City Metropolitan Municipality have a database of its suppliers in the Supply Chain Management Department?
- Where are adverts for a particular tender advertised?
- Do you know the time Frame in which the advert is placed?
- Is there any organised structure that can approve the awarding of a tender?
- How can Buffalo City Metropolitan Municipality eliminate irregular expenditure in the Supply Chain Management Department?
- In your own view what measures should BCMM put in place to come up with a clean audit opinion?

SECTION C: COMPLIANCE WITH ETHICAL VALUES, REGULATIONS, NORMS AND STANDARDS.

- Can you identify any policies that govern the Supply Chain Management in South Africa as well in the Buffalo City Metropolitan Municipality?
- Is there any committee that deals with the awarding of tenders in the Buffalo City Metropolitan Municipality?
- How is the tender process monitored in this municipality?

- Do you think the tender process is comprised of nepotism, bribery and corruption? Give reasons for your response.
- Is there any transparency in the awarding of contractors in the Buffalo City Metropolitan Municipality? Give reasons for your answer.
- Do you think the process of paying contractors is fair?
- Are employees within this municipality familiar with the code of conduct? Give reasons for your answer

SECTION D: STRATEGIES FOR CURBING UNETHICAL CONDUCT BY PUBLIC OFFICIALS IN SCM

- Is there any structure to detect and combat corruption in Supply chain management in Buffalo City Metropolitan Municipality?
- What measures are put in place to curb corruption and bribery in the Buffalo City Supply Chain Department?
- In what ways does the code of conduct for councilors and municipal officials prevent unethical behavior?
- How can public officials deal with conflict of interest when awarding tenders to contractors?
- How often can the accounting officer report the feedback to the public?
- Are there any challenges during the tendering process? If yes, what are they? And how are they overcome?
- Can you explain how the three bid committees work?

THANK YOU FOR YOUR TIME.

Addendum B



University of Fort Hare
Together in Excellence

ETHICAL CLEARANCE CERTIFICATE REC-270710-028-RA Level 01

Certificate Reference Number: SIB081SZIN01

Project title: **An Exploratory Study of Control and Overweight Measures for Ethical Conduct in Supply Chain Management: The case of Buffalo City Metropolitan Municipality.**

Nature of Project: Masters in Public Administration

Principal Researcher: Beauty Zindi

Supervisor: Mr M Sibanda

Co-supervisor: N/A

On behalf of the University of Fort Hare's Research Ethics Committee (UREC) I hereby give ethical approval in respect of the undertakings contained in the above-mentioned project and research instrument(s). Should any other instruments be used, these require separate authorization. The Researcher may therefore commence with the research as from the date of this certificate, using the reference number indicated above.

Please note that the UREC must be informed immediately of

- Any material change in the conditions or undertakings mentioned in the document
- Any material breaches of ethical undertakings or events that impact upon the ethical conduct of the research

The Principal Researcher must report to the UREC in the prescribed format, where applicable, annually, and at the end of the project, in respect of ethical compliance.

Special conditions: Research that includes children as per the official regulations of the act must take the following into account:

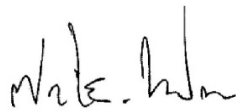
Note: The UREC is aware of the provisions of s71 of the National Health Act 61 of 2003 and that matters pertaining to obtaining the Minister's consent are under discussion and remain unresolved. Nonetheless, as was decided at a meeting between the National Health Research Ethics Committee and stakeholders on 6 June 2013, university ethics committees may continue to grant ethical clearance for research involving children without the Minister's consent, provided that the prescripts of the previous rules have been met. This certificate is granted in terms of this agreement.

The UREC retains the right to

- Withdraw or amend this Ethical Clearance Certificate if
 - Any unethical principal or practices are revealed or suspected
 - Relevant information has been withheld or misrepresented
 - Regulatory changes of whatsoever nature so require
 - The conditions contained in the Certificate have not been adhered to
- Request access to any information or data at any time during the course or after completion of the project.
- In addition to the need to comply with the highest level of ethical conduct principle investigators must report back annually as an evaluation and monitoring mechanism on the progress being made by the research. Such a report must be sent to the Dean of Research's office

The Ethics Committee wished you well in your research.

Yours sincerely



Professor Wilson Akpan
Acting Dean of Research

11 May 2017

Addendum C

BUFFALO CITY METROPOLITAN MUNICIPALITY



MEMORANDUM

Date: 04 JULY 2017

From: HEAD:INFORMATION
KNOWLEDGE
MANAGEMENT, RESEARCH
AND POLICY

To: Ms. B. Zindi

Our ref:

Please ask for
MR J.FINE
(043) 705 9742

Your ref:

RE: REQUEST FOR PERMISSION TO CONDUCT RESEARCH IN BCMM:

Ms. B. ZINDI

It is hereby acknowledged that **Ms. B. Zindi** a student at **University of South Africa**, completing the **Masters of Administration: Public Administration** has met the prerequisites for conducting research at Buffalo City Metropolitan Municipality (BCMM) for partial fulfillment of her degree. She has provided us with all the necessary documentation as per the BCMM Policy on External Students conducting research at the institution. With reference to the letter to the City Manager received on 26 June 2017, permission was requested to conduct research at BCMM for her Research Report, entitled **AN EXPLORATORY STUDY AND OVERWEIGHT MEASURES FOR ETHICAL CONDUCT IN SUPPLY CHAIN MANAGEMENT: THE CASE OF BUFFALO CITY METROPOLITAN MUNICIPALITY**. This request was acknowledged by the Office of the Acting City Manager, and forwarded to the Information & Knowledge Management, Research & Policy Unit for further assistance. **Ms. B. Zindi** was

asked to provide the Unit with the necessary documentation, which she subsequently did.

The relevant Officials to assist in the research were identified and duly informed about the research, and the fact that **Ms. B. Zindi** has met all the prerequisites. Their contact details have also been provided to **Ms. B. Zindi** and she was informed to contact them directly for assistance.

We wish you good luck in your studies.


DR T F NORUSHE

HEAD: INFORMATION, KNOWLEDGE MANAGEMENT, RESEARCH AND
POLICY