Assessment Of The Value For Money Procurement Process In Local Government Authorities At Morogoro Municipal Council

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Abstract


Due to poor procurement performance there have been public outcries concerning procurement process, practices and outcomes. The beneficiaries do not receive the expected outcomes. This study is aimed at making an in-depth assessment on the effectiveness of the procurement function in LGAs in Tanzania with regard to the value for money procurement process. The focus of the study was on Morogoro Municipal Council in Morogoro Region.

The findings reveal that there are irregularities in the procurement process which range from non-execution or delay completion of contracted works, inadequate documentation of contracts and project records, goods paid for but partially or not delivered, procurement without competitive bidding or even approval by the Tender Board including stores not brought to ledger.

Key Words: Value for Money, Procurement Process, Local Government System

1. Introduction

The Local Government System (LGAS) in Tanzania has experienced extensive restriction since 1961. The institutionalized colonial system in place before independence was mainly retained and adopted in the constitution following independence from British in 1961.

Procurement is a vital function in the Local Government Authorities and indeed in all Public Organizations and enterprises in Tanzania. In recognizing the importance of procurement, the Government enacted the Public Procurement Act (PPA) of 2004. Section 19 of the PPA amplifies Article 137 of the Constitution of the United Republic of Tanzania. The National procurement policy is based on the make best possible use of public, whilst conducting all procurements with honesty and fairness.

In order to ensure proper financial management in the LGAS, the Government at different times has instituted control mechanisms; internal as well as external, Roles and responsibilities have been assigned to different organs and officials. Government has also developed guidelines such as: Local Authorities Accounting Manual (LAAM) 1993. Local Government Financial Regulations on Block Grants of 2000; Public Finance Act of 2001; and Public Procurement Act, 2001 and repeated in 2004. The Government has also developed Local Government Procurement Manuals (Vol. I – iii) and local Government Procurement of Goods and Works Regulation, 2005 and Regulation 2007 which established Local Authorities Tender Boards and Procurement Management Units. Other regulations include: Mwongozo wa Matumizi ya fedha za Barabara (2003); Financial Management for the Use of Reform Funds; and Financial Management of the Use of Health Basket Funds, the intention being to
ensure Value for Money procurement and proper use of the accounting of public funds entrusted in the Local Government Authorities (LGAs). The Public Procurement Act, 2004 and Public Procurement Regulations GN No. 97 and 98 of 2005 and GN No. 177 of 2007 aim at regulating and standardizing the procurement function in the public sector and Local Government Authorities to ensure that the best standards of equity are achieved.

Empirical studies indicate that financial management in the LGAs has been poorly handled and that there has not been proper or acceptable accounting records/reports (Kitula et al., 1990). Although procurement is not mentioned in those studies, the contention is that poor financial management includes poor procurement management (Makumwa, 2008). Despite the Government effort to implement the Local Authority Reform Program, establish the procurement laws and regulations governing the general procurement practices and process, sector specific regulations as well as the legal established procurement instruments in the local governments, the procurement function is still poorly performed in all the LGAs in Tanzania which impacts for value for money. There have been public outcries concerning procurement process, practices and outcomes. The public especially the beneficiaries do not receive the expected outcomes. The study sought to make an in-depth assessment on the effectiveness of the procurement function in LGAs in Tanzania with regard to the value for money procurement process. The remainder of this paper is organized as follows; Section 2 presents a literature review on the public procurement process. The next section explains how the data was collected and analyzed. The findings about the effectiveness of the procurement function in LGAs in Tanzania with regard to the value for money procurement process are then presented and discussed. Finally, we present the conclusions and implications for future research of this study.

2. Literature review

Procurement management function is part and parcel of financial management in the LGAs and indeed in any organization. Poor procurement management could be an indicator of poor financial management generally and also of poor governance. Proper public procurement on the other hand is part of good governance in exercising power for the benefit of the public (Kihiyo, 2003). According to Mhilu (2006), effective public procurement systems are those that offer a high level of transparency, accountability and value for money. An efficient and effective system must develop institutional inter-linkages between all interested parties and structured mechanisms for periodic exchange of information on different aspect of systemic performance in order to continuously infuse the system with best practices (Public Procurement Reforms Uganda, 1997).

Obtaining value for money is the overriding goal but this is not synonymous with lowest price. Generally speaking, it is a know phenomenon that, achieving value for money in procurement means seeking the optimal combination of whole life cost and quality to meet the user’s requirements. Effective public procurement is a principle of best practice that describes the practices and procedures that are directed towards achieving the best value for money (VFM) in the acquisition of goods, works and delivery of services including support of the delivery of various programs by an operating entity (Mhilu, 2006). Value for money can thus be described as the optimum combination of whole life cost and quality (fitness for purpose) to meet the user’s requirements. This means that an appropriate corporate strategy for value for money procurement must consistently assess the 3Es; Economy, Efficiency and Effectiveness. Economy refers to the lowest financial resources deployed to make purchases in the quality/quantities required. Emphasis of assessment of economy is the quality of input resources deployed for the purchases of which are required to be kept at minimum. Moreover, effectiveness refers to the achievement of goods/objectives without much regard to the amount of input resources involved (Thobias, 2006; Msita, 2006). Efficiency refers to the increase in the value, benefit or satisfaction at reasonable (acceptable) cost. This involves the evaluation of the quality of input resources such as human, financial and other physical assets that are deployed in the procurement process and proceedings with a view of obtaining the best mix of such resources to maximize procurement benefits. An indicator of efficient procurement system is the existence of a properly developed and well managed procurement strategy, followed by a good contract management regime.
VFM simply describes principles of best practices and procedures that are directed towards achieving the best value for money in acquisition of goods, works and delivery of services including the support of various programs by an operating entity. The test of best available value for money is a comparison of relevant benefits and costs on overall basis. It is therefore important to know relevant benefits and costs and that the best value for money can be obtained through consistent improvements in the procurement processes and management.

Procurement spends ranges from acquisition of simple low to complex low value items to complex high value items. Thus, it is important to observe the value and nature of the purchase so as to obtain value for money. Securing value for money in procurement is crucial to the wider objective of delivering high quality, cost effective public services. It is essential, therefore that purchasers develop clear strategies for the continual improvement in the acquisition of goods and services (Mitsita, 2006). Thobias (2006) argues that, competition, ethics and professional standards, continuous improvement are specific principles to be observed in order to achieve value for money procurement.

Good governance calls for a system of public management, which is transparent, responsive to public interests and accountable. In order to achieve this there is a need for strict internal as well as external control. Financial control in the LGAs is necessary because the council raises large sums of money through grants and funding from the donor community. These funds are for the provision of basic services and for development purposes. The efficient conduct and standard of these are a matter of great importance. Sound financial management is crucial if LGAs are to convince the public and all other financiers that such funds have been properly spent for purposes for which they were intended and have been properly accounted for. Thus controls are meant to ensure stewardship and accountability. Internal control is a vital tool to effectively discharge managerial responsibilities; internal control facilitates the work of management by leading increased credibility to accounting records. Most information needed by management for planning, decision making, controlling and evaluation of performance comes from accounting records and this information must be reliable, complete and timely to be of maximum use (Shirima, 2008; Vause and Woodward, 1998). Internal control is employed in order to ensure sound management, safety of assets and reliable accounting records. Control is exercised in order to ensure that management policies and directives are properly adhered to. Control is necessary for the protection of assets of an organization against possible losses, ranging from embezzlement and such cases as careless use of property or even outright theft. Internal control and checks are exercised in order to prevent and/or detect at an early date any frauds. Internal control and checks are exercised in such a way to ensure that no single task for example procurement, is carried out from beginning to end by one person; and the work of each employee is independently checked by another in the normal course of their duties. This calls for an effective responsibility reporting system to highlight performance breakdown (Utouch, 2003). The buyer of goods or services is required to short list the qualified suppliers, but at the end will remain with a short list. The buyer has to invite qualified suppliers to submit proposals. Where the items to be procured are complex or expensive, the buyer (council) has to require detailed written proposals from each potential supplier. The buyer will eliminate some and ask the remaining suppliers to make formal submissions (Utouch, 2003). This means that procurement methods should as much as possible put emphasis on competitive bidding to ensure realization for value of money. The procuring authority can review the proposals and move towards supplier selection. The procuring authority need not only to consider technical competence of the various suppliers, but also their ability to deliver on time and in the required standards and quantities. The procuring authority has to draw up the desired supplier attributes and their relative importance. Some of the attributes would include: technical support services, prompt delivery, quick response to customer needs, product quality, supplier reputation, price of the product/services, and personal relationship. It important, however, to recognize that the relative importance of different attributes vary with the type of procuring situation. Nevertheless, delivery reliability, price and supplier reputation are highly important.

Empirical studies indicate that financial management in the LGAs (and therefore procurement management) has been poorly handled and that there has not been proper or acceptable accounting
records/reports (Kitula et al., 1990). Findings indicate that financial management in LGAs leaves a lot to be desired. A Local Government workshop held in Arusha in the year 1990 noted that many types of council were in arrears of audited accounts for several years, that many councils for 2 to 3 years had not written and closed books of accounts. The workshop called for the establishment of mobile teams of auditors to assist councils write and close their books of accounts (Jones and Knikkink, 1990). Other studies done by Shirima and Mrina (1996) and Price Water House Coopers (1998) observed that LGAs accounts reports, in terms of formats and contents in use are a hybrid of cash accounting and or modified accrual basis of accounting. That, even where the accrual and or modified accrual basis of accounting is in use, a wide range of accounting principles are applied on different basis, and that there is no consistency of application of those principles from one year to another. Although procurement is not mentioned in those studies, the contention is that poor financial management includes poor procurement management (Makumwa, 2008).

Studies conducted in Mwanza City Council (Kalokola, 2004) and Mbeya Municipal Council (Yona, 2004) revealed that there have been a lot of audit queries from the Controller and Auditor General (CAG). In the case of Mwanza city council for four consecutive years since it was elevated from the status of Municipal Council, the City Council has had Conditional Audit Reports/ Certificates from the CAG. This means that for four consecutive years the council has not received a clean audit certificate. That there was no valuation of council fixed assets, there is understaffing in the Council’s Audit Department. That study also revealed that while Councilors have “seen” five of the eight mandatory documents, they use two documents only in Council transactions. This depicts a great weakness on the part of Councilors as stewards of Council finances (Kalokola, 2004). In the case of Mbeya Municipal Council it was revealed that there have been a lot of audit queries. That despite the council being awarded clean certificates twice and one conditional, there has been recurrence of audit queries from the CAG. These queries range from: improperly vouched expenditure, investment not detailed and transferred assets to long-term capital outlay. The study also reveals that there were advance payments on pro forma invoices, cash payments not supported by journal vouchers, deferred payments. In the year 2002 for example, the Council effected advance payments on pro forma invoices, and there were no suppliers’ invoices and delivery notes and that there was no confirmation that the goods and services were received. All the queries indicate that the Council contravened payment procedures and regulations. Therefore, what remains is to assess the effectiveness of the procurement process in the Local Governments Authorities.

3. Methodology of the study
This section describes the instrumentation, data analysis techniques and sampling method utilized in this study.

A review of literature was adopted for this study. According to Makayi and Laaria, (2013) literature review is conducted to determine the status given and is concerned with the gathering of facts rather than the manipulation of variables. Literature review is useful in that it not only secures evidence concerning existing situations or current conditions but also identifies standards or norms with which to compare present conditions in order to plan the next step. In the study the researchers were interested in getting facts from literature on the effectiveness of the procurement process in the Local Governments Authorities with particular interest on Morogoro Municipal council. Morogoro Municipal council was chosen to be the study area because Morogoro Municipal council like any other Local government Authority in Tanzania is weak in procurement management (according to CAG Audit Opinions for LGAs in Morogoro Region for the past 8 years – 2000 to 2006/2007).

In this study purposeful (judgmental) sampling method was used to select research respondents. The interviews primarily consisted of procurement actors (council staff) procurement outcome overseers, councilors, contractors and suppliers. The study aimed at targeting a population of 45 respondents. However the researcher managed to obtain 30 respondents (66.7% of the targeted population). The researcher considered the sample size large enough from which relevant data was obtained and analyzed. Table 1 gives a detailed composition of the study population and sample size by category and percentage reached.
Table 1: Category, Target and Actual Research Population Involved in the Study

<table>
<thead>
<tr>
<th>S/No.</th>
<th>Category</th>
<th>Population</th>
<th>Sample Size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Council Director</td>
<td>01</td>
<td>01</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Finance Committee</td>
<td>04</td>
<td>02</td>
<td>50</td>
</tr>
<tr>
<td>3</td>
<td>PMU staff</td>
<td>02</td>
<td>02</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>CTB</td>
<td>03</td>
<td>03</td>
<td>100</td>
</tr>
<tr>
<td>5</td>
<td>Administration Staff</td>
<td>03</td>
<td>02</td>
<td>67</td>
</tr>
<tr>
<td>6</td>
<td>HODs</td>
<td>04</td>
<td>02</td>
<td>50</td>
</tr>
<tr>
<td>7</td>
<td>CIA</td>
<td>01</td>
<td>01</td>
<td>100</td>
</tr>
<tr>
<td>8</td>
<td>Suppliers</td>
<td>04</td>
<td>03</td>
<td>75</td>
</tr>
<tr>
<td>9</td>
<td>Contractors</td>
<td>04</td>
<td>02</td>
<td>50</td>
</tr>
<tr>
<td>10</td>
<td>Consultants</td>
<td>04</td>
<td>02</td>
<td>50</td>
</tr>
<tr>
<td>11</td>
<td>The Public</td>
<td>05</td>
<td>03</td>
<td>60</td>
</tr>
<tr>
<td>12</td>
<td>Councilors</td>
<td>10</td>
<td>07</td>
<td>70</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>45</strong></td>
<td><strong>30</strong></td>
<td><strong>66.7</strong></td>
</tr>
</tbody>
</table>

This is an assessment study and therefore aimed at providing value judgment in the procurement process and practices at the Morogoro Municipality council. Data collected has been organized, assembled and analyzed using both qualitative and quantitative techniques. Qualitative methods have been used to analyze primary data – views, opinions and on the spot observation perceptions. The views, opinions etc. from the interviews and questionnaire formed the basis of primary data. Secondary data was obtained from various procurement reports published and written by Morogoro Municipal Council and from other institutions.

4. Findings, analysis and discussion

This section presents study findings and analysis from the field and uses the information obtained to respond to the research questions and assess the extent to which the specific research objectives have been attained.

The research undertook to examine the magnitude of procurement weakness/irregularities in the area of non-execution or delayed completion of contracted works. In so the researcher also studied the status of ultimate completion of the selected projects. A total of thirty seven procurement works were examined. Results shows that out of the 37 contracted works 15 works were completed on time which represents 40.5% of the total works, 22 contracted works representing 59.5% were delayed. On the other hand 22 delayed contracted works subjected to contract variation representing 31.8%. The findings further reveal that all 37 contracted works were not issued with completion certificates (Table 2).

Table 2: Summary of Implementation of Procurement of works during the four year period

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Contracts</th>
<th>On Time</th>
<th>Delayed</th>
<th>With Variation</th>
<th>Without Variation</th>
<th>COMPLETION STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>COMPLETION</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Issued Certificate</td>
</tr>
<tr>
<td>2007/2008</td>
<td>8</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>2008/2009</td>
<td>13</td>
<td>7</td>
<td>6</td>
<td>3</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>2009/2010</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>2010/2011</td>
<td>10</td>
<td>4</td>
<td>6</td>
<td>1</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>37</strong></td>
<td><strong>15</strong></td>
<td><strong>22</strong></td>
<td><strong>7</strong></td>
<td><strong>30</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

Non issuance of completion certificates could raise a number of questions including whether or not the works were fully executed according to contractual agreement and above all whether or not value...
for money was actually achieved from the contracted works. Delayed completion of contracted works, on one hand indicates poor contract management and on the other hand delayed project benefits. This means delayed value for the money invested. Long delayed or non-completion of contracted work has very serious impact on value for money including increased project due to variations. The performance of Morogoro Municipal Council Procurement Management Unit as shown in Table 2, whereby 22 projects were not completed on time out of 37 contracted projects can be good indicator of poor procurement management and inadequate procurement capacity. These findings further confirm the research questions on procurement capacity, procurement institutions efficiency and effectiveness in the Council being generally poor.

The study revealed that there are a number of irregularities in the procurement function of LGAs, and therefore weaknesses prevail in financial management generally. This is consistent with Controller and Auditor General that there are six key areas of weaknesses in the procurement function in LGAs. These include: Non execution or delay in completion of contracted works, inadequate documentation of contracts and project records, goods paid for but partly or not derived, procurement without following competitive bidding, purchasing without Tender board approval, stores not taken on ledger charge.

Finding reveal that procurement management unit (PMU) participation is more effective from annual procurement plan preparation through to the entire procurement processing stages. However, their participation in contract management out in the field is very minimal. They rarely visit project sites on their own or as council project supervision team and therefore, are not conversant with physical work on site. This implies that PMU staff has little contact with suppliers and contractor after contract signing. The study revealed that the council has an Internal Auditor; however, staffing in the Unit has not been in accordance with the required establishment of at least three Internal Auditors for a District council. For example in your 2008/2009 the council did not have a single auditor. In this case therefore, procurement process and practice must ensure a kind of a balance of scale, which on the one hand guarantees the Procuring Entity to realize as an outcome of the procurement process and practice following timely delivery of goods, timely completion of works and services, quality products and services. Value for money and customer satisfaction, can be achieved by the procuring entity in reference to the following five aspects in the procurement process and practice; right price, right quality, right quantity, right time and right place. On the other hand the procurement process and practice must also ensure on the part of the suppliers as services providers among other things, the following:- Fairness and Equal opportunity. With regard to fairness the procurement process and practices must ensure unbiased evaluation criteria and system of complaints are in places and transparent. Equal opportunity to supplies and services providers can be achieved through procurement process and practice which ensure among other things, the following: Competitive procurement methods, wider advertisement, clear specifications and adequate timing for tender processing. Procurement of goods, works and services in the Council are carried out mainly on competitive quotations and competitive tendering advertisement of tender in newspaper is concerned the Council is constrained by seemingly high advertisement costs results to limited tender competition.

Evaluation of the transparency and competence of the Tender Board revealed that transparency is high while competence is rated as average, leading to poor selection of contractors and suppliers and this had led to the public outcries. There are a number of irregularities in the procurement process which indicate poor financial management. These irregularities are revealed by non-execution or delayed completion of contracted works, inadequate documentation of contracts of contracted works, goods paid for but partially or not delivered, procurement without competitive bidding, purchasing without tender board approval, and stores not taken on ledger charge.

5. Recommendations and Future Research
In order for procurement to adhere to the law and regulations of the country there is an urgent need to have procurement officers with the necessary knowledge on public procurement. The government should conduct intensive training for all actors of the procurement process in all LGAs in the country. The Procurement Management Unit, Tender Board and Audit committees need to operate as teamwork
to minimize favoritism, poor selection of contractors / suppliers and improve contract management. The LGAs should strive to ensure internal audit unit is adequately staffed with qualified personnel. The Government should institute strict measures for councils that award qualified certificates for three or more consecutive years and if possible lower the rank of such councils if they fail to rectify their problems. To government should continue to assist LGAs to build capacity to manage efficiency the procurement function to maximize value for money in procurement in the public sector.

Future research should focus on the function in the broad perspective. Further studies on specific procurement areas such: works, goods and services should be carried out to come up with the findings and recommendations on what should be done to speed up the realization of value for money in procurement of works, goods and services in public organizations.

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