Public Procurement Risks in Higher Education: Facts and Figures on Ghana’s Polytechnics

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Abstract
Certain practices in Ghana’s public procurement continue to expose state resources to waste, abuse and fraud. This study examines some of these practices in Ghana’s polytechnics, with the aim of ascertaining their prevalence and the financial resources at stake. A descriptive approach was used to examine the various procurement risks in these institutions through the analysis of the 2013/2014 Auditor-General’s report on the public accounts of polytechnics. It was found that the use of inappropriate procurement methods doubled as the dominant procurement risk, as well as the risk with which the highest expenditure was associated. It is recommended that members of procurement entities are trained in the appropriate use of procurement methods and procedures; there should also be training of attitude and sensitisation of public officers with regards to the necessity and essence of ethical behaviour, integrity and patriotism for the greater good of society; and there should also be strict enforcement of regulations to sanction procurement irregularities.

Keywords: Public Procurement Risks, Higher Education, Polytechnics, Ghana.

Introduction
Public procurement, which OECD defines as the purchase of goods, services and works by governments and state organisations (OECD, 2013) is famous for the substantial proportion of national outputs which it consumes (Amann et al., 2014; Rolfstam, Phillips, & Bakker, 2011; Afonso et al., 2005), and also for the massive corruption and irregularities that take place therein (Weisheng et al., 2013; DeAses, 2005). Public procurement commands enormous purchasing power, which when managed properly could create valuable business opportunities and promote innovation for national development (OECD, 2007; Rolfstam, Phillips, & Bakker, 2011). However, a poorly managed public procurement is a recipe for corruption and its attendant vices, waste of public resources with far reaching opportunity costs, and inefficient and ineffective delivery of public services (Ren, Kwaw, & Yang, 2012; Soreide, 2002; OECD, 2007). This has serious potential economic and social consequences for especially developing countries.

In the context of this study, public procurement risk is defined as the unintended and unplanned outcomes of public procurement which have harmful consequences on the procurement entity’s reputation, capability, operational integrity and financial viability; and which also has negative effects on individuals, organisations, and society at large (Russill, 2008; Kalvet, & Lember, 2010; United Nations Procurement Capacity Development Centre, 2012). It is quite obvious from the definition that, public procurement risks could have adverse effect on the effective performance of public procurement function.

The World Conference on Higher Education defines higher education as post-secondary education, training and research which are provided by education institutions such as universities or other educational establishments that are approved as institutions of higher education by appropriate state authorities (UNESCO, 1999). The fundamental functions of higher education institutions; teaching, research and community service (Chatterton, & Goddard, 2000) are of significant importance to society, and these institutions are often regarded as bastions of ethics, morality and social transformation (Deloitte, 2011; Cortese, 2003).

The basic functions of higher education institutions, the expectations of society about them, and the high regards that society has for them provide reasonable grounds to assume that roles, tasks, and activities in these institutions are performed by people who have the requisite cognitive and technical capabilities as well as ethical and moral values. In this regard, it is reasonable to assume that activities and transactions such as procurement in higher education institutions will be executed effectively and efficiently, and will be above board and beyond reproach. It is however disappointing and unfortunate to note that fraud, bribery and corruption, and other forms of irregularities and unacceptable practices take place in institutions of higher learning (Deloitte, 2011; Heyneman, Anderson, & Nuraliyeva, 2008; Rumyantseva, 2005).

A search of literature on public procurement risks in higher education institutions revealed a scarcity of publications on these issues, especially in developing countries. Available related publications such as Batalla (2015), Hui et al. (2011); Thai (2001), and OECD (2007) dealt with issues of public procurement problems in general, and not what pertains specifically in higher education. The motivation of this study was to find out what the procurement risks were in Ghanaian public higher
education institutions in general and the polytechnics in particular. To this end, this study sought to answer the following research questions:

a) Which procurement risk is most prevalent in the polytechnics?

b) With which of the risks is the highest expenditure associated?

Significance of the Study
Clear identification of risks factors to procurement in higher education institutions, and the amounts of funds associated with these risks are important for the formulation of effective measures to prevent these risks and the associated potential financial losses. In this regard, the identification of the procurement risks especially the most prevalent ones will be useful for universities, polytechnics, and other institutions of higher learning for preventing and addressing procurement irregularities and their attendant financial losses. Moreover, findings of this study will provide useful information for the Public Procurement Authority with respect to the formulation of policies and strategies for minimising the occurrence of such risks in public institutions and organisations.

Literature Review
This section of the study provides reviews on procurement risks in the public sector, forms and nature of the risks, the negative effects of the risks and how they can be managed, procurement risks in higher education, and polytechnic education in Ghana.

Procurement Risks in Public Sector
Public procurement risk refers to the unintended and unplanned for outcomes of procurement in the public sector which have harmful consequences on the procurement entity’s reputation, capability, operational integrity, financial viability, and service delivery ability (Russill, 2008; Kalvet, & Lember, 2010; United Nations Procurement Capacity Development Centre, 2012). This phenomenon entails waste of public resources, as well as abuse and fraud in procurement, and it is a considerable challenge in both developed and developing countries (PricewaterhouseCoopers, 2009).

Forms and Nature of Public Procurement Risks
Procurement risks can be internal or external; internal risks such as the selection of inappropriate procurement method are within the control of the procurement entity, and external risks are outside the control of the procuring organisation. For example, risks associated with a legal reform in procurement are external because they are beyond the control of the procuring organisation (United Nations Procurement Capacity Development Centre, 2012). Some procurement risks are manifested in a variety of schemes including bribery, bid rigging, money laundering, embezzlement, and false claims (PricewaterhouseCoopers, 2009).

Bribery according to OECD (2007) is the paying or promising to pay a bribe, and receiving the offer of bribe. Bid rigging is any agreement between bidders for the purpose of limiting competition in a tendering process (Jennings, 2013). Bribery and bid rigging are anti-competitive practices which hinder effectiveness of procurement and lead to significant cost increases in procurement (OECD, 2007; Jennings, 2013). Bribery may take the form of public servants accepting bribes to steer contract award in favour of the briber, or the acceptance of kickbacks from vendors in return for allowing overcharging (PricewaterhouseCoopers, 2009). Bribery and corruption are rarely isolated crimes; they are often associated with other offenses or misdeeds such as money laundering, tax evasion, accounting crimes, political party financing, collusion, fraud, conflict of interests, and organised crimes (OECD, 2007). Embezzlement in public procurement often entails the creation of fictitious companies or submitting fake invoices for payment. False claims; a related crime to embezzlement involves making false statements about products supplied or misleading the government as to the nature of a product or production process in the bid to defraud the state for private gains (PricewaterhouseCoopers, 2009). Money laundering often involves the use of slush funds to receive proceeds of bribes and other illicit transactions, and also for payments in respect of illegal transactions (OECD, 2007).

Negative Consequences of Public Procurement Risks
Procurement risks in the public sector may have very damaging economic and social effects on a country. For example the aggregate economic and social effects of corrupt practices in public procurement might be substantially out of proportion to the bribes received relative to resources wasted, the opportunity cost of misused resources, and the inefficiencies introduced in the system (Tanzi, 1998). Specific negative effects of public procurement risk include:

a) Biased procurement decision; in a situation when the decision to select a supplier is motivated by corruption, the most competent supplier might not get the contract. In this instance it is the best briber who gets the contract and not necessarily the one who offers best value for money (Soreide, 2002).

b) Waste of Tax Payers’ Money; public procurement irregularity such as bid rigging leads to substantial increase in the costs of goods, works, and services (Jennings, 2013). This waste of resources obviously has the potential of negatively effecting the socio-economic development of a country and its people.
c) Procurement of inferior goods, works, and services; because procurement risks often entail the diversion of public resources for private benefits, actual availability of resources becomes very limited, and this might bring about the procurement of inferior and sub-standard goods, works, and services which might even be dangerous for public use (OECD, 2007; Soreide, 2002).

d) Budget deficit; increase in public spending as result of waste, abuse, and fraud in public procurement invariably decrease government revenues, and this partly explains budget deficit facing many countries in which public sector procurement is characterised by massive corruption (Soreide, 2002).

e) Poor Service Delivery; the consequences of fraud, corruption, abuse of public resources, and other public procurement risks affect service delivery. Essential public goods and services are often in short supply and of poor quality, and these pose real challenges to the standard of living and the general wellbeing of citizens and other inhabitants of a country.

Management of Public procurement Risks
Risks management in public sector procurement is about putting in place an organisational and systematic process for evaluating and addressing the impact of risks in a cost effective way and using staff with appropriate skills to identify and assess the potential for risks to arise (Kalvet, & Lember, 2010). The United Nations Procurement Capacity Development Centre (2012) suggests the following actions for managing procurement risks:

- a) Risks Identification; this could take the form of brainstorming, discussion with end-users, reviewing of previous cases, and the use of checklists.
- b) Assessment of Identified Risks; identified risks should be assessed in terms of the likelihood of them occurring and the anticipated consequences if they should occur.
- c) Risks Prioritisation; this is usually done by quantifying the level of each risks by combining scores for how likely the risk is to occur.
- d) Managing Risks; this entails identification of mitigation strategies, assigning responsibilities, and monitoring.

Procurement Risks in Higher Education
Deloitte (2011) suggests that procurement risks such as procurement fraud occur in higher education institutions, and examples of frauds facing universities in Australia include invoicing and procurement fraud, misuse of university assets, conflict of interests and expenditure fraud. Fraud in higher education institutions comes with significant economic and social costs, some of these costs include: monetary loss; reputational damage to the institution and its staff; risk of grant funding being affected negatively; disruption to the core business of the institution as resources are diverted to deal with such issues internally, including investigation of suspected staff, and ongoing legal processes that may drag on for years (Deloitte, 2011).

Polytechnic Education in Ghana
Higher education in Ghana consists of universities, polytechnics, colleges of education, colleges of nursing, and colleges of agriculture. The Polytechnic Law, 1992 (PNDC 321) and the revised law of 2007 (Act 745), mandate polytechnics to be higher or tertiary education institutions. Polytechnics in Ghana have the mandate to achieve two main objectives: to provide tertiary education in the fields of manufacturing, commerce, science, technology, applied social sciences, applied arts, and related disciplines; and also to provide opportunities for skills development, application of research findings and publication of these findings (Nyarko, 2011). Like other institutions of higher learning in Ghana and other developing countries, the main challenge of polytechnics in Ghana is the scarcity of financial and other resources (Nyarko, 2011).

For the polytechnics to be able to achieve their mandates effectively, provision of adequate financial resources and other logistics is of paramount importance. This also requires that available resources must be utilised as judiciously as possible especially in these times when resource allocation to higher education keeps dwindling especially in the developing countries (Altbach, Reisberg, & Rumbley, 2009). The role of effective procurement in this situation of resource constraints therefore becomes a matter of critical importance.

Methodology
This section provides an overview of the design of the study, the procedure of data collection and the method of data analysis.

The Design of the Study
This is a descriptive research; its focus is to provide an accurate and valid representation of the phenomenon being studied (van Wyk, n.d.). Since the object of this study is to ascertain and describe the procurement risks in the polytechnics and their associated costs, the descriptive research design was found to be very appropriate.

Data Collection
Secondary data was used for this study. A secondary data is often used to describe data collected by others which is not specifically for the study at hand (Stewart, 1984). This study analysed information in the 2013/2014 Auditor-General’s report on the public accounts of polytechnics in Ghana. This report is a public document.
which can be accessed from Ghana Audit Service website. The secondary data analysis approach was considered most appropriate for this study considering the nature of information involved. Access to this type of information using primary data collection approach could be very difficult to obtain especially as it has to do with the disclosure of how these institutions spent their funds. However, the polytechnics are obliged by law to provide this information to the Auditor General’s Department. Information pertaining to public procurement risks or irregularities obtained from the Auditor General’s report is likely to be more credible and valid than what the researchers in this study could collect through the use of questionnaire or interviews. Secondary data research has tremendous advantages, such as the ability to gain access to certain information that would be difficult or impossible to obtain using primary data collection method (Smith et al., 2011; Cowton, 1998).

Collection of relevant data was done by thorough and careful reading and reviewing of the 2013/2014 audit report. Information pertaining to procurement risks in the various polytechnics was recorded in a code book. Also recorded were amounts of money associated with these risks.

**Data Analysis**

Thematic analysis was used to categorise the procurement related risks in the audit report for the purpose of analysis. Five major themes emerged from the analysis of the procurement risks, and these are: Use of Inappropriate Procurement Method; Irregularities in Payments for Contracts; False Claims and Inflated Price; Arbitrary and Unjustified Upward Review of Contract Sum; and Poor Record Keeping. The number of times these risks appeared in the report (i.e., the frequency of the risks) was recorded against each of the risks as well as the amount of money associated with the risks. A summary table was used to organise the procurement risks in a structured format.

**Findings of the Study**

The research findings are captured under five themes and presented using two tables. One of the tables shows the various procurement risks and the frequency of their occurrence in the research instrument, the other table shows the identified risks and the amount of money associated with these risks.

The theme ‘use of inappropriate procurement method’ involved practices such as splitting of contracts into smaller lots, use of price quotation instead of competitive bidding, procuring without recourse to procurement plan, inconsistencies in procurement contract terms, and procuring from unqualified vendors. Irregularities in payment for contracts included practices such as payment of contract mobilisation fees above acceptable rates, payment without certificate of work, and failure to account for appropriate tax. False claims and inflated price was about permitting suppliers to put in claims for payments they were not entitled to and also allowing suppliers to submit prices which were unreasonably inflated. Arbitrary and unjustified upward review of contract sum referred to variation of contract amount without approval, and exorbitant upward review of contract prices. Poor record keeping was about failure to record inventory and procurement not backed by appropriate documentation.

<table>
<thead>
<tr>
<th>Procurement Risk</th>
<th>Frequency of Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of inappropriate procurement method</td>
<td>9</td>
</tr>
<tr>
<td>Irregularities in payment for contracts</td>
<td>4</td>
</tr>
<tr>
<td>False claims and inflated price</td>
<td>2</td>
</tr>
<tr>
<td>Arbitrary and unjustified upward review of contract sum</td>
<td>4</td>
</tr>
<tr>
<td>Poor record keeping</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
</tr>
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</table>

**Table 1: Procurement Risks and Frequency of Occurrence**

Table 1 depicts the various inappropriate procurement practices (risks) which exposed the polytechnics to loss of money and other negative consequences, and the frequency of their occurrence. The table shows that the procurement risk that occurred most frequently in the polytechnics is the use of inappropriate procurement methods; this featured nine times in the analysis and the risk with the lowest frequency is false claims and inflated price; it featured two times.
Circumvent the procurement process so as to eliminate inappropriate procurement methods are often used to avoid and other negative implications on procurement. State agencies, and as such tax and other statutory payments are evaded. Procurement contracts in which some of the provisions of the contract are inconsistent could be misleading and create confusion which may have financial and other negative implications on procurement. Inappropriate procurement methods are often used to circumvent the procurement process so as to eliminate competition and create opportunity for procurement fraud. The inappropriate procurement methods identified in this study could be for the purpose of promoting anti-competition. Such practices create avenue for corruption, abuse and waste of resources (PricewaterhouseCoopers, 2009; OECD, 2007; Jennings, 2013).

One of the key findings of this study is that the most frequent procurement risk in the polytechnics is the use of inappropriate procurement procedures. This finding agrees with the suggestion of OECD (2013) that the choice of inappropriate procurement procedure is among the common public procurement malpractices. Another finding of this study is that the highest amount of money associated with procurement risks in the polytechnics is with respect to the use of inappropriate procurement method. This finding is not far-fetched because the practices that constitute inappropriate procurement method such as artificial splitting of contracts and the use of price quotation instead of competitive bidding lead to increase in procurement costs and loss of value (African Development Bank, 2014; Jennings, 2013; OECD, 2007).

Irregularities in Payment for Contracts
Irregularities related to payment for contract identified are; payment of contract mobilisation fees above acceptable rates, payment without certificate of work, and failure to account for appropriate tax. The audit report on polytechnics for 2013/2014 suggests that payment of high mobilisation fees could have dire financial consequences for the institutions in case of abandonment of project, and payment without inspection of certificate of work could lead to execution of sub-standard work by the contractors.

False Claims and Inflated Price
This finding suggests that some of the polytechnics allowed false claims to be submitted and payments effected, and purchases were also made from suppliers whose prices were substantially above prevailing market prices. Inflated prices and false claims are among variety of schemes used to perpetuate procurement fraud (PricewaterhouseCoopers, 2009; Deloitte, 2011; OECD, 2007). Deloitte (2011) for instance identified false

<table>
<thead>
<tr>
<th>Procurement Risk</th>
<th>Amount involved (GHC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of inappropriate procurement method</td>
<td>2,660,914.74</td>
</tr>
<tr>
<td>Irregularities in payment for contract</td>
<td>333,869.94</td>
</tr>
<tr>
<td>False claims and inflated price</td>
<td>52,407.12</td>
</tr>
<tr>
<td>Arbitrary and unjustified upward review of contract sum</td>
<td>1,434,517.53</td>
</tr>
<tr>
<td>Poor record keeping</td>
<td>552,539.12</td>
</tr>
<tr>
<td>Total Amount</td>
<td>5,034,248.45</td>
</tr>
</tbody>
</table>

Source: Field Data, January, 2016
claims and inflated prices as some of the common procurement frauds found in Universities in Australia.

**Arbitrary and Unjustified upward review of contract Amount**

This involves contractors unilaterally making upward review to contract amount, and in some instances contract amounts were reviewed upward by about 160% (Ghana Audit Service Report, 2015). It is obvious that such practices invariably increase public expenditure and could have dire consequences for the tax payer and the national economy as a whole.

**Poor Record Keeping**

This entailed failure to record inventory in stores, and procurement not backed by appropriate documentation. Failure to keep proper record on procurements and other transactions does not facilitate clear audit trail and could lead to loss or misapplication of resources procured with public funds. Poor record keeping is often seen as a characteristic of many developing countries (Tukumahawa, 2012), and has been identified as one of the common public procurement irregularities in Ghana (Asenso-Boakye, & Etsie, 2014). Poor record keeping in public procurement creates opportunity for bribery and corruption, and circumvention of the procurement process (Thurston, 2005; Akech, 2005).

**Conclusion and Recommendation**

Based on the findings made in this study the following conclusions are drawn and recommendations made:

**Conclusion**

From the research findings it is concluded that there are five major procurement risks in Ghana’s public polytechnics, and these are: the use of inappropriate procurement methods; irregularities in payment for contracts; false claims and inflated prices; arbitrary and unjustified upward review of contract; and poor record keeping. The procurement risk that occurred most frequently in the polytechnics was the use of inappropriate procurement methods, and the risk with the lowest rate of occurrence was false claims and inflated prices. It is also concluded that substantial public funds are at stake when procurement risks occur and the risk associated with the highest expenditure is the use of inappropriate procurement methods. The risk that recorded the second highest procurement expenditure was the practice of arbitrary and unjustified upward review of contracts.

**Recommendation**

Based on the findings of this study the following recommendations are made:

a) Members of procurement entities should be trained to clearly understand the various procurement methods, and how they are supposed to be applied. Laws and regulations which are not enforced are as good as being non-existent, in this regard sanctions applicable to abuse of procurement methods should be made sufficiently punitive and should be applied when regulations are breached. A lot of reorientation, training of attitude, and sensitisation should be employed to improve the attitude of stakeholders in public procurement, as it is quite evident that the inappropriate procurement practices in these institutions are deliberate acts to create opportunities for fraud and rip-off of the state. Furthermore, due diligence and transparency are required in the process of recruiting procurement officers.

b) Contractors who unilaterally review contract agreements need to be sanctioned appropriately. Consultants who advise unreasonably high upward review of contract sums should be investigated, and when found to have engaged in any form of fraudulent act must be sanctioned. The state should endeavour to pay contractors on time so that projects do not delay unduly to occasion the need for substantial upward review of contract sums. As much as possible contract terms and agreements should be complied with to ensure more effective and efficient utilisation of state resources. As much as possible credible sources of funding government projects should be identified before awarding projects on contract.

c) Procurement officers who allow false claims to be submitted and paid for pose danger to judicious resource utilisation of the state, so are those who accept obviously inflated prices. Appropriate sanctions need to be applied in such instances, and as much as possible those who have proven through their actions or inactions to be working against the interest of the state should be removed from their positions; such people have no business whatsoever continuing working for the state.

d) There is a perception that procurement fraud in Ghana is considered a trivial issue because not much is seen or heard about sanctions meted out to those indicted by audit reports. State agencies like the Attorney General Department, the Judiciary, the Commission on Human Right and Administrative Justice (CHRAG) the Police Service, the Economic and Organised Crime Office (EOCO), and the Public Procurement Authority should pursue those found to have engaged in procurement fraud, and actions taken against those found culpable should be made public so as to make procurement fraud an expensive and unattractive venture.

e) There is the need to equip public officers with effective record management skills. Institutions must put
in place record management policies, and staff should be appropriately trained to be able to keep and manage records effectively and efficiently. Workshops and seminars should address the attitude of poor record keeping which has often been described as characteristic of people in developing countries; the importance of proper record management for individual and organisational success need to be emphasised, and people encouraged to keep records on events and transactions.

The Ministry of Education, the Ghana Education Service, religious organisations, the home, and other stakeholders involved in the training of behaviour, especially the behaviour of children must emphasise the nobility and importance of virtues such as honesty, integrity, love for country and humanity, selflessness, and respect for laws and institutions. Many of the corruptions and fraud going on in public institutions could have been prevented if the agents of character training and formation were up and doing; a person trained to be patriotic and selfless will have less propensity to defraud the nation for personal gains.

References


