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GHANA**

**Development of Works Procurement Policy Guidelines for a Private Tertiary Institution: A  
Case Study of the Methodist University College Ghana**

**by**

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**College of Art and Built Environment**

**in partial fulfilment of the requirement for the degree of**

**MASTER OF SCIENCE**

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## DECLARATION

I hereby declare that this submission is my own work towards the MSC and that, to the best of my knowledge, it contains no material previously by another person, nor materials previously published by another person, nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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## **ABSTRACT**

The large volumes of infrastructural works elevate to the fore the need to be particular about the procurement procedures for the acquisition of infrastructure. The private tertiary education industry in recent times has been financially challenged. One of such institutions is the Methodist University College Ghana. Low levels of student admissions have had a direct correlation with revenue projections and therefore the lack of a proper framework in the utilization of scarce funds toward physical development could have serious consequences. The study sort to develop policy guidelines for the Methodist University College Ghana to regulate the procurement of works. The specific objectives were to identify the procurement and contracting cycles in practice; and also to identify the construction procurement structures that exist in the University College. Data were collected through questionnaire survey involving key officers in charge of the procurement of works in the institution. An analysis of existing procurement documentation was also undertaken using seven new management tools. The study found that there was the lack of a regulatory policy for construction procurement. There was the absence of an open competitive tendering process because key tender boards had not been constituted. As a result, poor contract management/administration and supervision, procurement reporting, monitoring and evaluation were the challenges the institution was faced with. The study therefore makes recommendations for the rationalisation of the procurement structures in the institution by the introduction of tender boards and distinctly laying out the requisite roles and responsibilities of all procurement functionaries. Guidelines are also proposed to aid in the preparation of a policy that covers generic tendering procedures, risk management, contracting and contract administration.

## **TABLE OF CONTENT**

### **CHAPTER ONE**

INTRODUCTION	1
1.1 BACKGROUND OF THE STUDY	1
1.2 PROBLEM STATEMENT	3
1.3 RESEARCH AIM	4
1.4 RESEARCH OBJECTIVES	4
1.5 RESEARCH QUESTIONS	5
1.6 SIGNIFICANCE OF STUDY	5
1.7 RESEARCH METHODOLOGY	6
1.8 SCOPE AND LIMITATION	6
1.9 STRUCTURE OF REPORT	7

### **CHAPTER TWO**

LITERATURE REVIEW	8
2.1 INTRODUCTION	8
2.2 PROCUREMENT OF WORKS	8
2.3 PROCUREMENT POLICY	9
2.4 PRINCIPLEES OF PROCUREMENT	11
2.4.1 Transparency	12
2.4.2 Competition	13
2.4.3 Economy	13
2.4.4 Value for Money	14
2.4.5 Effectiveness and Efficiency	14
2.4.6 Accountability	15
2.5 PROCUREMENT STRUCTURES	15
2.5.1 Procurement Entity	16
2.5.2 Head of Procurement Entity	17

2.5.3 Procurement Unit	17
2.5.4 Entity Tender Committee	17
2.5.5 Tender Evaluation Panel	17
2.5.6 Tender Review Board	18
2.5.7 Originating Unit	18
2.5.8 Inspection Teams	18
2.6 PROCUREMENT METHODS AND PROCEDURES	18
2.6.1 Procurement Documentation	19
2.6.2 Solicitation of Tender Offers	19
2.6.3 Tender Process and Procedures	20
2.6.4 Award of Contracts	21
2.6.5 Contract Administration	22
3.7 HISTORY OF MUCG	22
3.7.1 Vision	23
3.7.2 Mission	24
3.8 ORGANISATIONAL STRUCTURE OF MUCG	24
3.8.1 Council	24
3.8.2 Finance Committee	25
3.8.3 Physical Development Committee	25
3.8.4 Council's Tender Board	26
3.8.5 Internal Tender Board	26
3.8.6 The Principal	26
3.8.6 (i) Vice Principal	26
3.8.6 (ii) Finance Officer	26
3.8.6 (iii) Director of Development	27
3.8.6 (iv) Internal Auditor	27
3.9 WORKS PROCUREMENT PROCEDURE	27

3.9.1 Current procedure	27
3.9.1 (a) Stage 1	30
3.9.1 (b) Stage 2	30
3.9.1 (c) Stage 3	31
3.9.2 Possible Improvements	32
CHAPTER THREE	
RESEARCH METHODOLOGY	32
3.1 INTRODUCTION	32
3.2 STUDY DESIGN	32
3.3 QUESTIONNAIRE DESIGN	32
3.4 POPULATION AND SAMPLING	33
3.5 SOURCES OF DATA	33
3.6 DATA COLLECTION	35
3.7 DATA ANALYSIS	35
CHAPTER FOUR	
DATA PRESENTATION AND ANALYSIS	37
4.1 INTRODUCTION	37
4.2 DEMOGRAPHY OF RESPONDENTS	37
4.3 PROCUREMENT AND CONTRACTING CYCLES	38
4.3.1 Planning	40
4.3.2 Sourcing	41
4.3.3 Contracting	43
4.3.4 Contract Management	44
4.3.5 Utilization and Maintenance	45
4.3.6 Disposal	45
4.3.7 Evaluation	45
4.3.8 Discussion	46

4.4 THE WORKS PROCUREMENT STRUCTURES	50
4.4.1 Roles and responsibilities	52
4.4.2 Main Failings	53
4.4.3 Discussion	51
4.4.3.1 Tender Boards	51
4.4.3.2 Roles and responsibilities	53
4.5 MAIN ISSUES IN PROCUREMENT DOCUMENTATION	57
4.5.1 General	57
4.5.2 Themes	55
4.5.3 Relationships	62
4.5.4 Discussion	65
CHAPTER FIVE	
CONCLUSION AND RECOMMENDATION	67
5.1 INTRODUCTION	67
5.2 REVIEW AND RECOMMENDATIONS ON OBJECTIVES	67
5.2.1 OBJECTIVE 1	67
5.2.2 OBJECTIVE 2	69
5.2.3 OBJECTIVE 3	71
5.3 POLICY GUIDELINES	72
5.4 RECOMMENDATION FOR FURTHER RESEARCH	80
REFERENCES	83
APPENDIX	86

## LIST OF TABLES

Table 2.1 - Standard Tendering Procedures	21
Table 4.1 Demography of Respondents	38
Table 4.2 Identified Procurement Cycle of MUCG	40
Table 4.3 Improvements to procurement cycle	47
Table 4.4 Identified Procurement Structures in MUCG	51
Table 4.5 Membership of statutory boards	52
Table 4.6 Coding of Research Data	57
Table 5.1 Elements of Procurement	68
Table 5.2 Proposed Generic Procurement Cycle	69
Table 5.3 Proposed Procurement Structures for Construction	70
Table 5.4 Tendering Procedures	82



## LIST OF FIGURES

Figure 2.1 Works Procedure flow chart	29
Figure 4.1 – Affinity Diagram	55
Figure 4.2 - Interrelationship Digraph	59
Figure 4.3 Tree Diagram	63

## **DEDICATION**

This work is dedicated to my wife, Linda and my son, Franklin for their tireless support and prayers during the study.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 BACKGROUND OF THE STUDY**

Procurement is recognized as having a major role in the economic and institutional growth of a developing nation (Schooner et al. 2008). Public procurement in Ghana over the years has formed a large part of government expenditure between 50 – 70% of national budget (Adu-Aning, 2010). The function of procurement of good, services and works is no different for private business organizations. One industry of interest where this assertion holds prominence is the private tertiary education industry. This is mainly due to the fact that this industry has rapidly expanded within the past decade and has been without direct government support since its inception about 20 years ago. The industry actors have had challenges competing with the state owned and sub vented tertiary institutions. With the aid of the state, public universities have the resource for physical expanded mainly for their internally generated funds.

Private universities struggle to admit and maintain large student numbers due to the lack of physical infrastructure, the funds to expand the existing structures and the relatively higher academic fees compared with public universities. According to The Chronicle (2013) corporate tax exemptions being enjoyed by the private education industry was revoked with the amendment of Section 6 of the Internal Revenue Act, Act 859 of 2000. This further highlights the limited financial resources available to private educational establishments and the need for efficient utilization of such resources.

The Methodist University College Ghana (MUCG) is arguably one of the leading private tertiary education establishments in the country. It is fully owned by the Methodist Church Ghana and has the Church's Presiding Bishop as the Chairman of its Council. The University College had had steady growth in terms of student numbers and revenue from its inception in 2000 to 2012. The student population is said to have increase by 85% from 3,412 to 6,302 between 2009 and 2011 while revenue also increased by 72% from GH¢ 8,318,044.60 to GH¢ 13,559,980.40 (Ampadu, 2015). In the light of this the Council of the University College as part of the strategic goal of attaining autonomy adopted for implementation a five year infrastructure development plan, MUCG Strategic Plan 2011 – 2016.

MUCG negotiated a credit facility from Prudential Bank to carry out major physical and electronic infrastructural development on its three campuses in anticipation of further growth in student numbers. In June 2011 a loan of GH¢ 10,000,000.00 was secured for this expansion drive with a floating interest of 20.5%, 11 equal semester payments and 7 years tenor (Ampadu, 2015). Repayment of the loan is however causing the University College challenges due to a downward trend of student intakes replacing a high number of graduands for the past three years (Adjepong, 2015). This is as a result of new admission requirements issued by the National Council for Tertiary Education (NCTE). Admission figures of MUCG dropped from 2500 to under 1000 over the period and the figures have yet to improve. This represents a drop of more than 60% of the annual fresh students' fee revenue.

Graphic Online (2015) reports of general speculations within the University College community and the Methodist Church that the works procurement and contractual

arrangement for the projects were not undertaken appropriately. Thus forcing the Methodist Church to bail out the University College by compulsorily levying its members. These assertions are further evident in the long project durations, the seemingly lack of capacity by some of the project contractors and sub-contractors, scope creep, volume of construction waste and surplus building materials upon project completion.

The University Colleges' Internal Auditor adds that "The decision to secure the GH¢ 10million loan to expand the infrastructure base of the University was inevitable at the time and management is commended for taken that decision, however Internal Audit is of the view that adequate internal control measures were not put in place to ensure value for money. Internal structures should be respected and used, while internal procedures are adhered to when undertaken future projects" (Ampadu, 2015). The MUCG Development Office (2015) recognizes the challenges and faults of the existing system of construction procurement and argues for the adoption of a new works procurement policy to promote efficiency, accountability and value for money in the operation, management and reporting of works procurement.

## **1.2 PROBLEM STATEMENT**

The lack of value for money due to the absence of an open competitive tendering process was highlighted by the Development Office (2015) in its project report in the recently completed 10 million loan projects. Contractors and subcontractors were all nominated. The procedures stipulated in the MUCG Financial and Stores Regulation, 2007 which control the financial administration of the University College only focus the procurement

planning and budgeting process but it is silent and does not incorporate the organisational procurement structures such as the Council Tender Board and the Internal Tender Board as provided for by the MUCG Statutes, 2004. The regulation is quiet on:

- Procurement methods and tendering procedures,
- Contract management/administration and supervision, and
- Procurement reporting, monitoring and evaluation.

Safeguarding efficiency, accountability and transparency and abiding by good procurement policies within the procurement function in the MUCG will enhance its financial performance and corporate image.

### **1.3 RESEARCH AIM**

The aim of this research was to develop policy guidelines for the Methodist University College Ghana to regulate the procurement of works.

### **1.4 RESEARCH OBJECTIVES**

In achieving the research aim the following objectives were advanced;

1. To identify an appropriate procurement cycle for construction in the Methodist University College Ghana;
2. To identify the procurement structure for the procurement of works based on the Methodist University College Ghana Statutes and governance structure; and

3. To identify the possible challenges of construction procurement in the Methodist University College Ghana.

## **1.5 RESEARCH QUESTIONS**

In order to attain the research objectives the following questions were posed:

1. Does MUCG have an appropriate work procurement policy?
2. Does the current system exhibit the attributes of good procurement practice?
3. Is there a need for improvement in the current system?

## **1.6 SIGNIFICANCE OF STUDY**

In recent times, the private tertiary education industry has been challenged and particularly for MUCG the presidential charter granted Central University College makes the competition for University candidates only sterner. The government has also upgraded several public polytechnics into technical universities (Boateng, 2016). This implies tougher times ahead with regards to the levels of student intakes and revenue projections. Development works are highly capital intensive and the lack of a proper framework in the utilization of scarce funds could be dire. It is the hope of the researcher that the policy to be developed shall be adopted and implection for future projects by the MUCG.

## **1.7 RESEARCH METHODOLOGY**

The research was undertaken with data from both primary and secondary sources. Comments and contributions of Heads and Staff of the Physical Development and the Finance Offices together with Principal management members and other stakeholders formed the primary data. Secondary data were gathered from reports, memos and minutes of Committee meetings. The research process was mainly qualitative. There was a lot of dependence on primary and secondary literature. As per the objectives stated, the outcome of this research was expected to be applicable to the case study subject.

## **1.8 SCOPE AND LIMITATION OF RESEARCH**

This study was limited to MUCG because the researcher has a close association with it. The research covered other financial and academic issues that had a close link to works procurement because of the size of the University College and its existing procurement practises. The institution is in the quest for autonomy and to implement its strategic plan, its vision and mission it shall be confronted with huge financial commitments. The study regarded an effective works procurement policy as indispensable to the growth and expansion of the University College. The study examined procurement practices in comparison to the guidelines set out in the Public Procurement Amendment Act, 2016 (Act 914).



## **1.9 STRUCTURE OF REPORT**

The study was organised in five chapters. Chapter one was the introductory chapter thus giving a brief background and introduction to the research. The problem statement, aim, objectives and research methodology are also highlighted here. Chapter two provided the available literature to back the arguments of the study. This chapter delved into various principles and ethic of procurement relevant for the development of guidelines for a works policy. Chapter three contains the research methodology. This chapter set out the governance structure of MUCG, identifying appropriate routes for a good works procurement cycle. It established the suitable authorization, approvals and threshold levels based on the periocular nature of works expenditure in the MUCG. Imports and contributions by key stakeholder shall also be incorporated in the methodology in this chapter. Chapter four was the presentation of the analysis and the outcomes of the methodology established in chapter three. The report ended with chapter five that mainly contained the recommendations for the adoption of the works procurement policy developed.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

More often than not, available literature on procurement and its associated legal framework, policies and regulations tends to discuss procurement related to public sector financial administration. In this chapter we seek to highlight and discuss literature relevant to procurement in general but specifically to the procurement of works under philosophies that make the topic relevant to both the public and private sectors. The chapter shall discuss the procurement of works, procurement policy, procurement principles, methods, structures and cycle that are applicable to private sector transaction.

#### **2.2 PROCUREMENT OF WORKS**

In seeking to define works, one ideally considers what type of task is being undertaken and what you are working on. Definitions can be as simple as carrying out any building, civil engineering or engineering construction work with a distinction being made for drilling and extraction in the extractive industries (Health and Safety Authority, 2012). In jurisdictions such as Australia, legislation through the Queensland Building and Construction Commission Act 1991 defines construction works to include alterations, repairs and restorations, works such as maintenance and demolition of buildings that are part of land or structures that will form land.

From the MUCG Statutes (2004) works can be inferred to mean the acquisition, development, maintenance and disposal of land, building and property. This description is equivocal in that it leaves room for further interpretation and explanation of acquisition, development, maintenance and disposal. In the context of this research we shall rely on the definition as provided in the Public Procurement Amendment Act, 2016 which defines works to mean work that are generally associated with the construction, reconstruction, demolition, repair or renovation of structures or surfaces these works basically comprises site preparation, excavation, erection, assembly, installation of plant, fixing of equipment and laying out of materials, decoration and finishing that are typical encountered in a construction procurement contract. This definition comprehensively covers every all aspects of works and does not allow for much ambiguity.

The procurement concept in construction has been defined in many ways. Kyei (2011) describes it as the process of obtaining construction project from the client's initial idea, through to his/her occupation. According to the International Organization for Standardization (2008) procurement is expressed as a chain of logically connected activities performed in a certain specific order that completes in the deliverance of a major objective. These actions and processes are reinforced by a documented set of rules that are analytically ordered. The key activities of procurement are fulfilled through operational policies, methods and procedures. This puts the procurement of works in a much better perspective where one would appreciate that the works procurement is undertaken by systematic methods and procedures back by good policies.

### **2.3 PROCUREMENT POLICY**

A procurement policy is said to be a set of rules and regulations that govern procurement processes and activities within an organization and a carefully laid out and implemented procurement policy plays an essential role in providing a guidelines and associated framework for the operation and execution of efficient procurement practices. This theory holds for both small and large companies, governments as well as non-profit organizations which on a regular basis outline and apply procurement policies to guide on procurement issues (Njeru et al. 2014). In some jurisdictions including Ghana, procurement policy is developed to speak to the agenda of transparency, value, or process efficiency incorporating provisions and procedures that then to promote accountability, transparency and ethics in the operation, management and reporting of procurement (PPA Manual, 2004). Some others have however recognized that many other governmental policies such as environmental protection, unemployment, social regionalization, investment policies through a broader more strategic policy suite can be enhanced by the development of very effective and efficient procurement policy. This broader approach to procurement policy can also suggests a view that an intrinsic role of government is to recognize and exploit the potential for externalities (Schapper et al. 2006)

The International Standards Organisation (2008) in streamlining standards for construction procurement advocates for the development by organisations of procurement policies that; specify procurement methods, circumstances and categories of procurement, contracting, provides records and reports the functions and composition of the organizations structures and evaluation panels, risk management, legal requirements, procurement restrictions, advertising arrangements among others. The British Standards

Institute (2011) defines procurement policy as one that details the strategies and objectives for the acquisition of construction projects; spanning the whole project life cycle from identification of needs through to the end of the useful life of an asset and in expanding the bounds of a typical procurement policy they promote the provision of clauses for issues of corrupt and fraudulent practices, risk planning and management, dispute resolution, conflicts of interest, financial payment and management, stakeholder management, cost management, third party rights issues, health and safety issues, corporate social responsibility and sustainable procurement. As ideal as such a policy may be one shall have to consider the size and expenditure of the procurer as small and low levels of investment may tend to make comprehensive policies to laborious.

## **2.4 PRINCIPLEES OF PROCUREMENT**

Procurement has gained strategic importance as a basic cost saving function especially in the public sector mainly because the objective of public procurement is much substantial that is the need for social services, transportation, environmental issues and other public services implies the variety of customer needs of the public sector organizations are much larger than private corporations and their profit margins (Arlbjorn et al. 2012). In public administration, the concepts of transparency and accountability are the most significant in procurement due to the annual public expenditures. Snider (2006) as cited by EL-Gayed (2013) adds that private organizations have no restriction as to the criteria they adopt and therefore use whatever internal control methods they see fit to govern the expenditure and payments to suppliers and as such procurement may have more of a strategic character in the private sector than in the public sector, and it is this difference

in the strategy, tactics and operations of procurement that highlights the difference between public and private procurement. Up until recently, the perception was that only public procurement promoted social and environmental objectives but this theory is not necessarily the case because through corporate social responsibility many private sector organizations are turning their attention to the promotion of social and environmental objectives as well. Public and private procurement more or less share many objectives, such as achieving value for money and guaranteeing an efficient procurement process. (EL-Gayed, 2013).

#### **2.4.1 Transparency**

Transparency International (2006) defined transparency as laws, regulations, institutions, processes, plans and decisions that are made accessible to the public at large or at least to representatives of the public so that processes and decisions can be monitored, reviewed, commented on and influenced by the stakeholders, and decision makers can be held accountable for them. An increased emphasis on the transparency of the procurement process decreases the opportunity for manipulation and abuse of the process. Corruption and abuse of resources are prime when there is an inherent lack of transparency in procurement activities (Hui et al. 2011).

Transparency is exhibited when government broadcast the steps taken in the procurement process this in turn guarantees equal opportunities and access to the stakeholders. It is part of the process in helping society achieve a more efficient, fair, and legitimate government procurement system (Kinsey, 2004). Publication of procurement processes

and the decisions that inform these processes is highly advocated. This makes the verification of the process against a preset criteria easy. Procurement documentation has to be issued in a clear, comprehensive and easily understandable way (ISO, 2008). A policy framework that highlights transparency provides a clear procedure to ensure all procurement participants follow the proper due process and participate in true competition. Transparency is a key anti-corruption measure in the public procurement as it provides benefits for stakeholders through economic benefits, enhanced confidence in the procurement system and increased integrity (DaAses, 2005).

#### **2.4.2 Competition**

Competition is a key attribute of good procurement. True competition is enhanced through the emphasis on transparency and clear cut rules and procedures that ensure proper procedures are followed and corrupt practices are cut out (DeAses, 2005). The appropriate levels of competition ensure cost-effectiveness and best value outcomes. The U.N. Convention (2003) advocates for each party the procurement process to “take the necessary steps to establish appropriate systems of procurement, based on transparency, competition and objective criteria in decision-making, that are effective, inter alia, in preventing corruption”

The United Nations Office on Drugs and Crime (2013) adds that competition seeks to drive down prices and enhance the levels of quality upwards consequently the quality of construction work or any other goods and service for that matter declines when the

tendering and procurement process as a whole is rigged with corruption. Systems that integrate competition provide for cost-effective and best value outcomes.

### **2.4.3 Economy**

Economic activity is indispensable to the creation of business and employment opportunities in a community. Both the private industry and governmental sectors have huge prospects in using construction procurement and its subsequent utilization to achieve goals relating to the creation of employment and business opportunities in targeted communities. The use of procurement as a tool of social and economic policy should, however, be continuously monitored to ensure that policy objectives are met. As direct impacts of procurement policy on the economy, procurement entities can provide incentive through preferences and incentive payments to contractors to employ unemployed people, and select construction work methods and technologies which promote the creation of employment for unemployed persons. Some indirect effects of procurement policy shall have the unemployed, unskilled and semi-skilled workers receiving training. Wealth is made to flow from the project into the local community and households (ISO, 2008)

### **2.4.4 Value for Money**

It is stressed, that transparent and efficient public procurement system offers numerous benefits including better value for money, encouraging investment, innovation, and reduction of corruption. The British Standards Institute (2011) argues that lowest priced



tenders may not provide the best value for money in that value for money is the optimum combination of whole life cost and quality in meeting the procurer's requirement. Thus long term value over the life of an asset is essential. This view is supported by Ren et al., (2012), they added that using price as the only condition for procurement does not foster meeting quality requirements and value for money. Quality, time, price competition and responsibility should be considered in meeting value for money.

#### **2.4.5 Effectiveness and Efficiency**

The risk of errors and wastefulness is high because of the expensive nature of the procurement process. The quest to attain value for money with the least resource shall be through standardized processes, procedures and methods with sufficient flexibility to effectively manage and control procurement processes. Value for money requires the operation of effective and efficient procurement systems by various organizations. Value for money, the promotion of social and developmental objects through the procurement of capital projects all form part of the thrust for effectiveness and efficiency (ISO, 2008). Effective and efficient procurement systems guarantee minor leakage from the system as much as possible with long procurement cycles being the result of a system in vice versa (Hui et al., 2011)

#### **2.4.6 Accountability**

The concept of accountability is very significant mainly because procurement accounts for a sizable amount of an entities expenditure. Public and stakeholder confidence are

underpinned by the attribute of accountability in the procurement process (Schapper et al. 2006). The examination of the procurement function by different stakeholders is intense. The issue of accountability is to ensure that public funds are properly managed and wastage is kept to a minimum. Personnel with the procurement system can be a factor toward its possible ineffectiveness and therefore a focus on the management practices and working culture is a good measure to promote accountability (Hui et al. 2011). The World Bank (2016) adds a new twist in advocating for the institutionalization of accountability through efficient complaint mechanism by offering disgruntled suppliers as forum to air their complaints.

## **2.5 PROCUREMENT STRUCTURES**

Small organizations of perhaps one or a few people do not need formal organizational structures to undertake procurement functions and processes. The head of the entity gives instructions to employees with mostly no clear roles and responsibilities. As organizations grow it becomes increasingly difficult for a single person to control hence the need for formal structures. An entities procurement structures whether formal or informal are established through the provision of regularities in activities such as task allocation, supervision and coordination.

Procurement functions are ideally effectively carried out when the roles and responsibilities are clearly laid out for the different processes. Formal structure are allocated these duties across the various departments and employees. This creates a system of accountability through the authority to control. Procurement structures should

implement processes that harness the interdepartmental relationships of the various functional units. The size and nature of the entity determines the activities of the procurement function. As the organization gets larger the procurement function requires specialization and will need professionals (Anon, 2016).

The review of literature uncovered that procurement structures were mostly documented in respect of public procurement. These structures represented bodies of review, authorization, appropriation and other several roles and responsibilities that are required by governments and international funding agencies namely the World Bank, International Monetary Fund and the African Development Bank. In Ghana, the national procurement law clearly stipulates these structures. The manual to the procurement law in Ghana, the Public Procurement Amendment Act, 2016, Act 914 and elaborates of as generic procurement structure within the public procurement function.

### **2.5.1 Procurement Entity**

The organization aside having the legal mandate to undertake procurement processes, it shall uniquely identifiable with no overlap of operational area. It must have a head who is authorized to incur expenses on behalf of the institution. There should be an available, appropriated and authorized budget and it shall be about to undertake procurement and form contracts. [Manual - Public Procurement Amendment Act, 2016 (Act 914)]

### **2.5.2 Head of Procurement Entity**

The Procurement Entity head is the one with whom authority is delegated and shall ultimately be responsible and accountable for all procurement actions. The head reviews and approves recommendations for contract awards and serves as a Chairman or Member of the Entity Tender Committee. [Manual - Public Procurement Amendment Act, 2016 (Act 914)]

### **2.5.3 Procurement Unit**

This Unit is established to undertake all activities related to procurement within the entity with its head responsible for undertaking and coordinating all detailed procurement activities within the entity. The appointed Head of the Unit shall be a proficient procurement person with the requisite qualifications, experience and skills. [Manual - Public Procurement Amendment Act, 2016 (Act 914)]

### **2.5.4 Entity Tender Committee**

The Tender Committee is to ensure compliance with the regulating procurement policy or law. It is established to review, approve and consider submissions of the Procurement Unit or the Tender Evaluation Panel. In the performance of its functions, a Tender Committee shall ensure that at every stage of the procurement activity, procedures prescribed, exercise sound judgment in making procurement decisions; and refer to the appropriate Tender Review Board for approval, any procurement above its authority. [Manual - Public Procurement Amendment Act, 2016 (Act 914)]

### **2.5.5 Tender Evaluation Panel**

Ideally as an ad hoc panel, the Tender Evaluation Panel has the purpose of assisting the Tender Committee in its work for a specific procurement package. Constituted by panel member with the required expertise to evaluate tenders and make recommendations to the final approval authority. [Manual - Public Procurement Amendment Act, 2016 (Act 914)]

### **2.5.6 Tender Review Board**

Tender Review Boards have been established with high authority to provide concurrent approvals for contract award made by tender committees. The Tender Review Board is the highest procurement control authority with the powers to review the activities at each step of the procurement cycle which eventually leads to the selection of the suitable offers from tenders by the Procurement Entity. [Manual - Public Procurement Amendment Act, 2016 (Act 914)]

### **2.5.7 Originating Unit**

The Originating Unit is the initiator of requests for procurement. Thus any department within the organization can be the originating unit. In simple terms, the originating unit is one that identifies and requires the need. [Manual - Public Procurement Amendment Act, 2016 (Act 914)]

### **2.5.8 Inspection Teams**

The validation of work completed is subject to inspection and verification an Inspection Team. This team is ideally constituted of the professionals within the procurement

function and most importantly the representation of the Originating Unit. [Manual - Public Procurement Amendment Act, 2016 (Act 914)]

## **2.6 PROCUREMENT METHODS AND PROCEDURES**

The procurement process consists of procurement authorization and appropriation, procurement planning, solicitation of tenders, contract formation, contract administration and an evaluation of the process. With this, various tendering techniques are used to solicit works. The type of process adapted will be determined by applicable policy and regulations, the cost and the complexity of the project (Robinson, 2009)

### **2.6.1 Procurement Documentation**

Procurement draws up a lot of scrutiny from stakeholders thus in the effort to promote transparency and accountability the documentation of the process is essential. Procurement documentation should ideally be prepared in conformity to the organizations procurement policy in a language that is accepted and easily understandable. In promoting transparency, all required specifications should be clear, unambiguous, comprehensive and understandable. The conditions for evaluation and selection shall be clear and well defined stating the risks, liabilities and obligations expected under the contracts. Other key notable information required shall be the specific descriptions of work, the expected quality and the requirement for the administration of the project under the contract (ISO, 2008).

### **2.6.2 Solicitation of Tender Offers**

The contractor selection process in most jurisdictions is highly regulated and the procurement regulations normally contain detailed tendering and selection procedures regarding, for instance, procedures for advertisement, procedure for the handling of incoming tenders, and the choice of contractor. An important competence is a thorough knowledge of the legislation (Ancarani, 2009). In Ghana, the Public Procurement Amendment Act, 914 (2016) is elaborate on the various types of tender solicitation. Considering all the literature read, it is noted that tender offers are solicited in accordance with the organization's documented procurement policy or the applicable law using one of the following procurement procedures: competitive selection procedure, negotiated procedure with a sole contractor, competitive negotiation procedure and in recent times' electronic procedures.

### **2.6.3 Tender Process and Procedure**

The contracting processes are conducted in conformity to the appropriate tender data and with the relevant procurement documentation. Ideally offers are evaluated against criteria that are clearly spelt out and made know to all tenderers in the procurement documents. Submitted offers are kept securely throughout the entire process involved in the solicitation and selection of a qualified tenders. To promote transparency and for auditing purposes all decision at best shall be duly recorded especially reasons that pertain to the rejection of a tender offer (ISO, 2008).

Table 2.1 - Standard Tendering Procedures

Procedures		Descriptions
A	Negotiations	A tender/bid is sort from a single bidder.
B	Competitive selections Processes	This covers procurement procedures for which the highest evaluated tenderer or the tender offering the lowest offer is selected as the successful tender
	1 Nominated Procedures	Qualified and eligible tenderers are registered in a database and requested to submit tenders.
	2 Open Competitive procedures	A competitive process where tenders are sort the open advertisements
	3 Selective Tendering	The procedure makes use of a first call for expressions of interest that is advertised. Based on their submissions the tenderer satisfying the conditions are selected to submit tender offer
	4 Quotation Request	Offers are normally requested from the open market from not less than three tenderers. The best offer is mostly the tenderer giving the least cost.
	5 Two envelope system	The proposals received are in two fold. One technical and the other financial. The technical is evaluated first after which only qualifying tenderers have their financial proposals opened.
	6 Two-stage System	Similar to the two envelope system however only technical proposals are invited first. The tenders submitting acceptable technical proposal are then request to make offers.
	7 Shopping Procedure	Readily available materials are solicited this way by seeking out the lowest financial quotations from the at least three suppliers.
C	Competitive negotiation processes	This process uses negotiations to competitively select tenderers. The tenderers making acceptable proposals are invited to submit final bids
D	Electronic process	The procurement process is normally that of an adversarial system. However the system is electronically processed such that the condition of evaluation and points awarded are programmed. These conditions are appropriately made known to all tenders.

Source: ISO 10845-1

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#### **2.6.4 Award of Contracts**

The selection process ends with the award of a contract. The contracting is undertaken when it is established that there is no unacceptable commercial risk to the procurement entity. Also the contract award cannot proceed should it be apparent that the tenderer does not possess the technical, professional and financial resource, capacity and reputation to undertake the contract. When such a challenge is encountered the procurement process is stopped and appropriately started again or the next best evaluated tenderer is looked at as a possible replacement

#### **2.6.5 Contract Administration**

Contract administration is also a major part of the procurement process for the procurement of works. This when the works are checked and monitored such that the contractor completes the contract in conformity to the specific requirements of the project. When the contractor's performance is unsatisfactory and this is resulting from the contractors' shortfall, mitigating measures including sometimes sanction can be applied as per the conditions of contract

Monitoring the performance is undertaken by representatives of the procuring authority and they ensure the required quality standards are attained and all other specifications are complied with.

## **2.7 HISTORY OF MUCG**

The establishment of the Methodist University College Ghana was by a decision of the Methodist Church in 1997. After due preparation and processes the University College was granted accreditation by the National Accreditation Board (NAB) in August, 2000. Its application for affiliation to the University of Ghana was approved in October, 2002. MUCG started academic work in October, 2000 with the first batch of students reporting for lectures in November, 2000. The second batch in October, 2001. The University College is now in its fifteenth academic year.

The main campus of MUCG is situated on a twelve (12) hectare land located to the southern end of the Wesley Grammar School compound at Dansoman, Accra. There are two other campuses at Tema and Wenchi in the Brong Ahafo Region with plans advanced to establish another campus in Takoradi.

The Presiding Bishop of the Methodist Church, Ghana is the Chairman of MUCG Council. The University College had had steady growth in terms of student numbers and revenue from its inception in 2000 to 2012. In the light of this the Council of the University College as part of the strategic goal of attaining autonomy adopted for implementation a five year infrastructure development plan, MUCG Strategic Plan 2011 – 2016. MUCG negotiated a credit facility from Prudential Bank to carry out major physical and electronic infrastructural development on its three campuses in anticipation of further growth in student numbers. In June 2011 a loan of GH¢ 10,000,000.00 was secured for this expansion drive with a floating interest of 20.5%, 11 equal semester payments and 7 years tenor. Repayment of the loan is however causing the University College challenges due to a downward trend of student intakes replacing a high number

of graduands for the past three years. This is as a result of new admission requirements issued by the National Council for Tertiary Education (NCTE). Admission figures of MUCG dropped from 2500 to under 1000 over the period and the figures have yet to improve. This represents a drop of more than 60% of the annual fresh students' fee revenue.

### **2.7.1 Vision**

To promote and develop academic excellence, spirituality, morality and service within the Ghanaian society.

### **2.7.2 Mission**

To impart knowledge and skills in disciplines relevant to national development with the context of general global development and at the same time ensure an all-round development of the student mentally, physically and spiritually on the basis of Christian principles.

## **2.8 ORGANISATIONAL STRUCTURE OF MUCG**

As a tertiary educational establishment, MUCGs organisational structure is elaborate due to the duo functions of the structure in both academic governance and administrative governance. In this section we seek to highlight the units of administrative governance specific to the operations and control of the works procurement function within the

organisation. The structures as will be illustrated here are not necessarily functional per se. The operations and controls of the works procurement function as it exists is also explained in the next section. The MUCG Statutes (2004) sets up the following structures and stipulates their functions as follows;

### **2.8.1 Council**

The Council is the highest decision making body of MUCG chaired by the Presiding Bishop of The Methodist Church Ghana. The Council has control and disposition of all the property, funds and investments of the University College and has the power to (in the specific context of procurement of works):

- Generally, enter into, carry out, vary and cancel contracts,
- Determine the expenditure necessary for the development and maintenance of the property of the University College

### **2.8.2 Finance Committee**

The Finance Committee advises Council on all issues of finance, investment and management of the University Colleges funds. It also;

- On the instructions of Council incur or authorize persons or bodies to incur expenditure from the University College funds, and
- Examine annual development estimates and make recommendations to Council

### **2.8.3 Physical Development Committee**

This Committee is responsible for all matters concerning the acquisition, development, maintenance and disposal of land, building and property that fall within the functions of the Council. It has powers to also;

- Determine building programmes and approve plans for the physical development of the University College,
- Decide on contracts for site and building development where appropriate, and
- Take all such steps as it thinks fit for the development, care and maintenance of the property of the University College.

The Committee is assisted in its work by a sub-committee, The Building Committee which is chaired by the Vice Principal

### **2.8.4 Council's Tender Board**

The Council's Tender Board is a sub-committee of Council and considers contract awards and reports to Council.

### **2.8.5 Internal Tender Board**

The Internal Tender Board considers contract awards not exceeding a limit to be determined by Council.

### **2.8.6 The Principal**

The Principal is the Chief Administrative Officer of the University College and is responsible for organising and conducting the financial and administrative business of the University College. In the operation of the works procurement function the Principal is assisted by:

#### **2.8.6 (i) Vice Principal**

The Vice Principal acts in the absence of the Principal and performs other functions that may be assigned to him by the Principal. In this case as the chairman of the Building Committee.

#### **2.8.6 (ii) Finance Officer**

Prepares for the consideration of the Finance Committee estimates as the Committee may require.

#### **2.8.6 (iii) Director of Development**

The Director of Development is a professional person whose responsibility is to see to the best implementation of the plans of the Physical Development Committee.

#### **2.8.6 (iv) Internal Auditor**

The Internal Auditor is directly responsible to the Principal and ensures the establishment and operations of efficient and effective financial control systems. He monitors and ensures that all expenditure incurred have been authorized and are within budgetary provisions.

### **2.9 WORKS PROCUREMENT PROCEDURE**

We seek to open up and set out the project delivery system as it currently exists in the Methodist University College Ghana. This entails mainly the procurement processes and contracts administration practices as adopted for the ‘10million loan projects’.

#### **2.9.1 Current Procedure**

The documentation that best describes the University College’s works procedure is contained in the Financial and Stores Regulation 2007, Clause 22.3. It reads;

##### **“22.3 PROCEDURE FOR PREPARATION OF DEVELOPMENT ESTIMATES**

- I. The Development Committee shall meet to consider new development projects submitted by Heads of Departments/Sections for inclusion in the Capital Expenditure for the financial year. The costs of new projects shall be determined by the Director of Development in consultation with the Finance Officer;
- II. In addition to new projects, the amount required to complete existing projects shall also be worked out. The total costs of new and continuing projects shall

represent the funds required during the financial year for development projects in the University College; and

- III. After approval by the Finance Committee the Estimates shall be submitted to the Council for the final approval.”

The flow chart presented overleaf further illustrates the processes in practice.



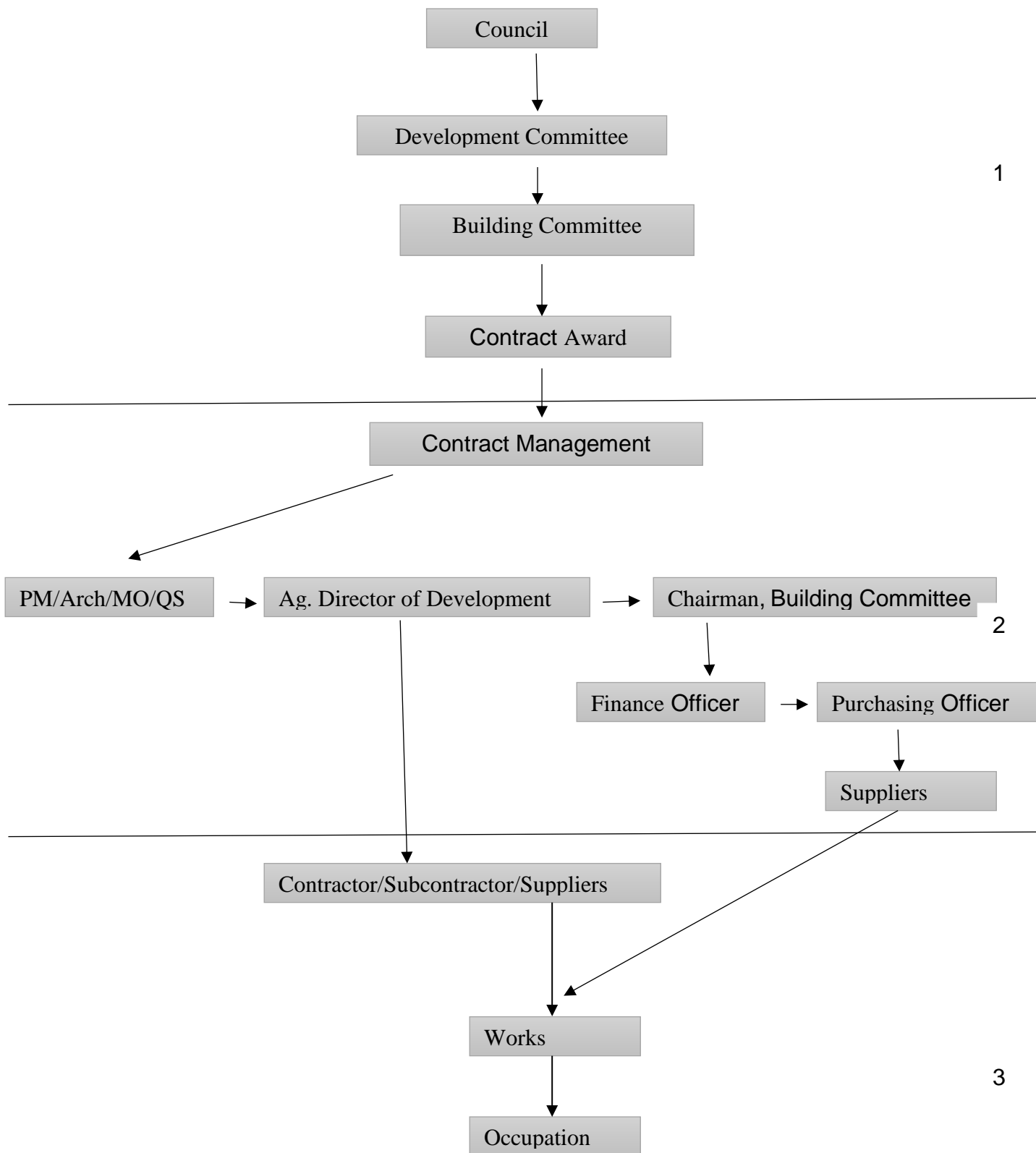


Figure 2.1 Works Procedure flow chart

Source: Development Office Projects Report, 2015

### **2.9.1a Stage 1**

The University Council determines the expenditure necessary for the development of the property of the University College. With the Development Committee acting as a committee of Council it takes responsibility for all matters concerning the acquisition, physical development of land, building and property that fall within the functions of Council.

The Building Committee acting at a sub-committee of the Development Committee decides on contracts and building developments appropriately.

### **2.9.1b Stage 2**

Primarily, contracts in the University College have always been labour only contracts. Contractual arrangements are such that contractors are paid based on a percentage of the value of material utilized. On the projects under consideration this principle was followed except for the completion works on the Tema Faculty Block where a full admeasurement was used.

Contracts are administered by the Development Office under the supervision of the Building Committee through the Chairman. Direct project communication to the contractors is through the Office. The staff function as Project Managers, Project Coordinators, Site Agents, Clerk of Works etc. Decisions of the Building Committee are communicated and implemented through the Development Office.

All material requests, labour requests and contractor claims are initiated by the Project Manager/Architect/Maintenance Officer/Quantity Surveyor to the Acting Director of Development. They are then recommended to the Chairman of the Building Committee for approval if the requests are satisfactory to the head of Development. Upon further verification by the Chairman, approval may be granted and forwarded to the Finance Officer for further processing. If the requests are for materials for the project, supplies are made to the project site via the Purchasing Officer.

### **2.9.1c Stage 3**

Mostly majority of contractors and subcontractors for the projects had had history working with the University College. Most of them were therefore nominated contractors and nominated subcontractors. The exception is in some special circumstances where the element of work was new to the University College.

### **2.9.2 Possible Improvements**

The essence of a good procurement of works system is to ensure the achievement of value for money in the procurement of works. Thus procuring construction projects of the vest value being the best fits of quality, the right cost, the right time and at the right place through an open competitive tendering process. It is therefore essential that adequate attention is given to the processes and procedures for a timely procurement on a competitive basis.

The contractors and subcontractors on the projects under consideration were mostly nominated with no tender procedures. The objective of tendering is to select a suitable contractor at an appropriate time and to obtain from him an acceptable offer. The selection of a good contractor for a project is an important factor contributing to its successful completion. Building contractors should exhibit; reputation, financial stability, availability and spare capacity, good price levels.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

This chapter discusses the processes and techniques used in carrying out the study. It describes the research methodology used to gather the relevant data and inputs for the research with the view of finding the best approach to achieve the research aims and objectives. It speaks to the type of study, the research method and design, data collection and data analysis procedures.

#### **3.2 STUDY DESIGN**

Study design is a plan which indicates how data relating to the research should be collected and analyzed. It provides the practical outlines for the conduct of any exploration and inquiry. In this study, the researcher adopted a single case study approach. It targets a single function in the Methodist University College Ghana with a qualitative process to explore the procurement of works as in how it is administered and in what regulatory framework it is done. The intention of the researcher is to have an applicable research outcome in the form of policy guidelines for the Methodist University College Ghana.

### **3.3 QUESTIONNAIRE DESIGN**

The questionnaire employed for this study was developed from the research objectives and a review of current literature. In order to obtain the respondents own knowledge, perceptions and opinions on the research topic, open ended questions were mostly used and self-administered to all the respondents. Respondents were given much freedom to give any detail as they wished to provide. No limits were used on most responses. The presentation of the questionnaires was influenced by courtesy to the respondents, ease of reading and supplying the required data so that contributor's time were not wasted during the data collection.

### **3.4 POPULATION AND SAMPLING**

The study focused on key officers in the Methodist University College Ghana who are directly involved in the execution of construction projects. These officers included senior management members and staff of the Physical Development Office, the Finance Office and the Internal Audit Section. These sections are not large and are managed by departmental heads who are professionals in their respective fields. They are assisted by administrative staff who are not technical personnel and therefore not involved in the authorization and decision making processes. The number of persons directly involved in the works procurement function within these departments and whose opinions are relevant to the study were seven (7). The study population was small and did not necessitate any further sampling processes and techniques.

### **3.5 SOURCES OF DATA**

The research was not limited to a single source of data. The primary source of data included information that was gathered from questions inviting comments and contributions towards the subject matter from the key works procurement functionaries in the University College. The questionnaires sort the understanding of each of the respondents, their perceptions and ideas of works procurement in the general and also in the MUCG with regards the research questions posed and the objectives of the research also in mind. The questionnaires were distributed to the following:

1. The Principal, Head of Entity;
2. The Vice Principal, Chairman of the Building Committee;
3. The Acting Director of Development, Head of Development Office;
4. The Projects Manager, Development Office;
5. The Quantity Surveyor, Development Office;
6. The Finance Officer, Head of Finance Office; and
7. The Acting Internal Auditor.

This research for a large part also relied on secondary data because it provides records of the submissions and opinions of key committees within the case study organisation on the research topic. The relevance of such documents to this study was invaluable as the management of the University College make decisions based in the recommendations of such Committees. The conclusions and recommendations of these unit and committee reports were transcribed to aid in the qualitative analysis process. To support the research process secondary data were sourced from the following:

1. Building Committees' Responses to Special Project Audit: 10m loan projects (2016);
2. Report for Special Project Audit, Development Office (2015);
3. Projects Report, Quantity Surveyor (2015);
4. Report on 10 million loan projects, Finance Office (2015);
5. Special Internal Audit Report on the GH¢10 million loan projects (2015);
6. Observation from minutes of Development Committee meetings (2011 – 2015);  
and
7. Observations from minutes of Building Committee meetings (2011 – 2015).

### **3.6 DATA COLLECTION**

The reluctance of the respondents to grant recorded interviews was noted by the researcher. Most respondents referred the researcher to departmental reports on a recent set of construction projects administered by the University College. Coincidentally, during the period of sourcing for research data the Council of the University College had commissioned an audit into the procurement processes and contracts administration of the said projects. Therefore the reaction of the respondents in essence was largely understood by the researcher. Notwithstanding this challenge, the researcher was able to administer a questionnaire to the respondents and to transcribe enough information from the secondary data sources;

The strategy adopted for the segmentation of data was by using a combination of priori and inductive codes. The priori codes were developed from the research questions and



the inductive codes were developed as new significant concepts or opinions were observed during the coding process.

### **3.7 DATA ANALYSIS**

The nature of the research process, questions and objectives necessitates the use of qualitative analysis for the data collected this is because most of the data that was accessed are unquantifiable facts about the case study organization. The views presented represent the majority of respondents' views. Direct interpretation and pattern matching were used for the analysis. The responses were analyzed with other relevant secondary data that made clearer the responses received. The secondary data analysis involved searching for themes and holistic features with the specific context of work procurement policy formulation.

It is hoped that the research outcome can be applied by the case study organization and therefore the units and respondents involved in the research process were invited to comment and give feedback on the policy guidelines to be developed.

## **CHAPTER FOUR**

### **DATA PRESENTATION AND ANALYSIS**

#### **4.1 INTRODUCTION**

This chapter presents an analysis of the results and discussions on the research data based on the views and opinions of key departments and their respective departmental heads on the procurement of works in MUCG. The major observations in reports and other procurement documents as stated in Chapter three are also presented. The qualitative data analysis process was in two stages, the first stage covers the primary data obtained from the respondents and the second stage is from the conclusion and recommendations of committee reports which were coded for themes conceptualising all issues that they contained. The themes were analysed using management and planning tools to seek the core and most relevant matters relating to the development of works procurement policy guidelines. The resulting findings are discussed.

#### **4.2 DEMOGRAPHY OF RESPONDENTS**

A presentation of the experience and professional backgrounds of the respondents is provided. Five out of seven responses were received for this study. The table presented provides information on the professions, professional associations, industrial experience and the knowledge of procurement management of the five respondents. This is to generate confidence in the data the respondents provided. The respondents represented three key departments responsible of the execution of construction procurement in the Methodist University College Ghana.

Table 4.1 Demography of Respondents

<b>Profession</b>	<b>Experience (years)</b>	<b>Professional Associations</b>	<b>Department</b>	<b>Knowledge of procurement management</b>
<b>Project Manager</b>	16 – 20	CIOB, PMI	Development Office	Yes
<b>Architect</b>	6 – 10	GIA, PMI	Development Office	No
<b>Accountant</b>	Above 20	ICA(G)	Finance Office	Yes
<b>Quantity Surveyor</b>	6 – 10	GHiS	Development Office	Yes
<b>Accountant</b>	11 – 15	ICA(G)	Internal Audit	Yes

The table above indicates that the respondents are qualified professionals with membership of a number of prominent professional bodies. The Project Manager, Architect and Quantity Surveyor are built environment professionals while the other two are Accountants. These professions are relevant and influential in the procurement of works. Two of the respondents have industrial experience of between 6 – 10 years and can be considered young professionals. One respondent each had experiences ranging 11 – 15 years, 16 – 20 years and above 20 years respectively. With exception of the Architect who indicated no special training in procurement management, all other respondents reported knowledge of procurement management at one stage in their professional experience.

### 4.3 PROCUREMENT AND CONTRACTING CYCLES

The respondents in the study admittedly accepted that there was no works procurement policy in the University College. However, also notable was that procurement is a word only recently encountered in the context of construction work for most of the respondents expect for the Quantity Surveyor and the Project Manager. This was because the procurement of construction work as practised the University College implied procurement to mean purely purchasing of goods and that construction was not conceived of as technically being procurement. This theory was evident in the various contractual arrangements the University College had with its building contractors. According to the respondents, University College in an effort to lower the mark up and profits of contractors in sourcing of building materials took up the responsibility of purchasing all building materials (procurement of goods) and then contracted builders on a labour only system (procurement of services) to undertake the building projects. A percentage of the materials utilized by the contractor was the basis of valuation for work done. This is documented in the Special Internal Audit Report on the GH¢10m loan projects:

*“Contracts for the projects were labour only contracts. This means the contractors were paid based on a percentage of the value of material utilized. The University procured all the materials for the projects “(Ampadu, 2015).*

The researcher in most cases had to explain the concept of construction procurement to some of the respondents. Some respondents attributed the breakup of works procurement as was practiced to the personal interests of some persons in top management, the acting Internal Auditor states that:

*“The problem as an issue of misplaced priority because the University College has not put enough priority on the procurement of works” (respondents view).*

The respondents were in unison that the current system does not exhibit the attributes of a good procurement practise as it does not promote competition, transparency and accountability. The facts from the research data have duly established that the MUCG needs an appropriate works procurement system. Procurement professional institutions, governmental organisation, academic institutions, research organisations, standards organisations and funding agencies worldwide in the effort to streamline the procurement practise and profession have duly incorporated the elements of competition, accountability, transparency, value for money, fairness and equity in the procurement process. Various procurement and contracting cycles have been developed and implemented to successful ends in efficiency and economy. The procurement cycle in the Methodist University College Ghana is identified and analysed under the following.

Table 4.2 Identified Procurement Cycle of MUCG

Cycle	Comments
<b>Planning</b>	Through annual budgeting
<b>Sourcing</b>	Negotiations with nominated contractors and sub-contractors
<b>Contracting</b>	Labour only contracts
<b>Contract Management</b>	Administered by Development Office Building materials procured by Procurement Unit
<b>Utilization</b>	User departments
<b>Maintenance</b>	Maintenance administered by the Development Office
<b>Disposal</b>	By the Board of Survey
<b>Evaluation</b>	Project Audits by the Internal Auditor

#### 4.3.1 Planning

The respondents were of the view that the planning phase of the construction procurement was ideal. It was reported that although the process was not document as part of University regulations, the practise is just as in the public sector. All departments were involved in the budgeting process prior to the approval of the annual budget by the Council. The Development Office makes sure all proposed projects are captured in the annual procurement plan based on the provisions they made in the budget. The respondents from the Development Office report that project needs are extracted from the Strategic Plan and other requests made by the Academic Faculties/Departments. Cost estimation is provided by the Development Office and the needs are appropriately incorporated into the annual budget and procurement plans for authorization and approval by Council.

Further investigation revealed that the process was apparently captured in the MUCG Financial and Stores Regulations, 2007 Clause 22.3. It reads:

*“The Development Committee shall meet to consider new development projects submitted by Heads of Department/Section for inclusion in the Capital Expenditure for the financial year. The costs of new projects shall be determined by the Director of Development in consultation with the Finance Officer.”*

Some respondent however emphasised the need for improved procurement documentation from the planning stage. This was to allow for transparency and easier auditing procedures.

#### 4.3.2 Sourcing

It was reported that no proper tendering procedures are undertaken in the institution. One respondent stated that:

*“Majority of contractors and subcontractors for projects had had satisfactory history working with the University” (respondents view).*

This view was generally accepted by other respondents who criticised contractors’ poor performances from the seemingly lack of competition nominated contractors go through.

One added that:

*“The selection of a good contractor for a project is an important factor contributing to its successful completion” (respondents view).*

It was apparent that all respondents understood the essence and benefits the institution would gain from tendering. The Building Committee in response the project audit report stated that:

*“....There was no need to experiment with a new contractor when the loan projects arose and therefore the decision to continue with “.... “We would admit however that on the project the contractor was not that diligent (Building Committee, 2016).”*

One respondent stated that:

*“The result of this action was that some of the contractors lacked the capacity to execute the project and complete on time” (respondents view).*

Project durations have been documented to have averaged 28 months when they were originally scheduled for 12months. With all respondents appreciating the gains of a

proper tender process, the reasons why tendering was not undertaken was hard to recognise. However there was an underlining feeling among some of the respondents that the absence of tendering was to give some officials in management some personal gains.

#### **4.3.3 Contracting**

With no formal offer and acceptance procedure as would be undertaken in tendering, all contract awards are through negotiations. The University College has until recently been practising labour only contracts. The University College procures all project materials through the Purchasing Officer and building contractors are paid a percentage of the value of materials used. Some respondents especially those belonging to the Development Office do not accept this system of contracting to be beneficial. The following comments resonated with some of the respondents.

*“The current procedure does not allow the University to focus on its core business and it is therefore stretched thin during project administration” (respondents view).*

*“Material price inflation impacted negatively on the cost of projects due to delay in completion” (respondents view).*

*“Although the arrangement is an effort to control cost. There are better and more established ways of achieving this other than taking up all the risk and uncertainty in this system” (respondents view)*

None of the respondents was able indicate the analysis and basis of this contracting system as no make or buy analysis had been undertaken. It was widely accepted by all



that the system was cheaper as the saving made are significant. However some respondent also argued that with the gains in cost, the school still lost out on time and quality. This therefore meant that value for money was still underachieved. The Development Office Projects Report (2015) indicated that the contractual arrangement make the institution liable to contractual claims from very professional contractors when materials supply lines are slow, the school is directly affected by material price hikes which can easily be avoided if contracts were lump sum, the institution risked buying additional material when works turn out undesirably and cannot be attributed to the contractor. Furthermore, contractors are not motivated to avoid avoidable waste and it is difficult to ascertain if poor test results are from bad materials or poor workmanship.

All the respondents were open to the suggestion of allowing contractors to take up the materials sourcing as part of their contractual obligations so that the University College could concentrate on its core businesses.

#### **4.3.4 Contract Management**

All the respondents shared the view the poor contracts administration was a major failing of the existing works procurement system. One respondent claimed:

*“MUCGs’ construction procedures, contractual arrangements and contracts administration does to allow for cost management and control to be undertaken by the Quantity Surveyor” (respondents view).*

It was revealed that one major contributory factor to this was the contractual arrangements the University College implemented. The Quantity Surveyor was not involved in the

sourcing of project materials. This was undertaken by the Purchasing Officer. There was no direct information flow between the two officers and as such materials are bought not knowing the estimated material costs. The supply of these material too are at the instance of the Purchasing Officer who is not a member of any of the project teams or works procurement bodies. Cost control is not in the hands of the Quantity Surveyor. Project administration is undertaken by the Building Committee which has representative by the end users, consultants, the Development Office staff and some management members. Respondents were of the view that project communications and the dissemination of it should be improve.

#### **4.3.5 Utilization and Maintenance**

The lack of planning for the life cycle maintenance of the various construction projects was brought to the fore. This assertion was well elaborated by one respondent who commented of the fact that there were four number five storey structures that had been put up. He said that the University College had not acquired any scaffold that will help in the regular painting works.

Some respondents revealed that appraisal for projects mostly did not consider the life cycle costs. Reference was made to the unpainted Faculty Quadrangle as the respondents claimed it attested to this fact lack of planning for construction maintenance.

#### **4.3.6 Disposal**

By the view of the respondents the disposal of any physical property had never been undertaken by the University College before. However, it was brought to the fore the existence of a separate body that has on several occasions disposed of any remaining building materials after the completion of projects. Enquiries revealed that the MUCG Finance and Stores Regulation (2007) in clause 19 talks of a Board of Survey whose duties among others is:

*“To make such recommendations or decisions as may be considered necessary for the sale, disposal or destruction of items either by public auction or open tender”.*

#### **4.3.7 Evaluation**

This process in principle has not been undertaken before. However the respondents were quick to mention an audit process that had recently been commissioned on a set of projects that had just been completed. The need for an evaluation of the procurement process was appreciated by all respondents with one commenting that:

*“We appreciate the fact that there can be improvements and we therefore advocate for the adoption of best practices in the industry to correct the faults and failings of our systems and procedures” (respondents view)*

#### 4.3.8 Discussion

The views of the respondents indicate that elements in the procurement cycle for MUCG each have peculiar challenges. Some sections require marginal improvements while other sections will require major overhauls. The planning process was seen to be adequate. The budgetary process was comprehensive and therefore most physical development projects were adequately thought of and planned for.

It is worth noting however that even with appropriation and authorization all projects were subject to the availability of funds. Best practice as advocated by Tai (2009) is to have the procurement functionaries start the process as soon as the need is known and the experiences acquired from previous processes should be revisited to refine project requirements and procurement strategies. Below in a tabular form is an indication of the issues that were observed.

Table 4.3 Improvements to procurement cycle

Cycle	Issues Raised
Sourcing	Introduction of tendering procedures. Setting out procurement methods and procedures.
Contract Management	Improvement in the contractual arrangements. The need to outline the line of project communications.
Utilization/Maintenance	To incorporate the life cycle costs in procurement planning.
Evaluation	Evaluation procedures to be set up.

**i. Sourcing**

MUCG has the expertise to conduct successful contractor evaluation and selection. An argument for the reason why this process is not undertaken in the view of the researcher is that tendering processes can be expensive and time consuming. An expense the University College has sought to avoid over the years. Tendering is a key component of the completion in the procurement process with the objective of selecting a suitable contractor and to obtain from him an acceptable offer. The selection of a good contractor for a project is an important factor contributing to its successful completion. The long project durations in the MUCG show this concern.

**ii. Contract Management**

Contractual arrangements set out the legal relationship parties wish to establish and hence, create rights, obligations and procedures for resolving disputes. They establish the basis for making payment to the contractor (Dowuona-Hammond, 2011). Labour only contracts are not unusual in construction, as stated above this is an acceptable client requirement in most cases. The following are improvements we wish to suggest.

**a) Percentage Labour charge against Labour output rates**

As indicated in the responses received in the study, some savings are made with the current labour arrangements however value for money is still not achieved. This is because contractor are wasteful on site in an effort to increase the labour

margins as it is the basis for labour calculations. Standard labour output constants value the time taken to undertake works therefore contractors will be forced to be prudent.

b) Material supply lines

The industry practise is for contractors to bear the responsibility and risks associated with the supply of materials for projects. The anxiety that was expressed was that contractors make astronomical profits on materials, cutting corners and short changing the client with substandard materials. The current arrangement however highlights the following difficulties;

- Liability to contractual claims from contractors when supply lines are slow.
- Material price hikes.
- The risk of purchasing additional material when works turn out undesirably but cannot be attributed to the contractor.
- The difficulty of ascertaining whether poor test results are from bad materials or poor workmanship.

**iii. Utilization/Maintenance**

The cost of ownership of physical property adds up to the total cost of any project. It will be prudent for the introduction of life cycle costing techniques in the planning of projects.

#### **iv. Evaluation**

The audit that was commissioned after the recently completed projects was a good exercise. The process sought to review the utilization of the credit facility used to finance the projects and therefore it did not review the procurement process in detail. It is suggest that procurement review audits are conducted such that procedural errors as identified can be planned for and appropriately addressed and the procurement process improved.

#### **4.4 THE WORKS PROCUREMENT STRUCTURES**

It was generally accepted by most of the respondents that MUCG had an ideal governance structure for the procurement of construction works. This in their view was because the governance structure as set by the MUCG Statutes, 2004 specified appropriate statutory bodies whose composition and functions make it perfect for the implementation of a good works procurement policy. This notion was however not accepted by one respondent when he stated that:

*“The Finance Officer is currently in charge of all procurements, payments and stores. These three important functions have to be separated for effective implementation of a procurement of works policy” (respondents view).*

His thoughts were as a result of the current practise in the institution where some of the structures as laid out in the statutes have not been constituted yet. He revealed that the procurement process is administered by the Procurement Officer who is supervised by the Finance Officer. The Council Tender Board and Internal Tender Board have not been constituted. The absence of the statutory bodies was admitted by all the respondents and

accepted by some respondents as a major problem. The following structures in order of descending approval authority were recognised by all the respondents as the existing works procurement structure in practise:

1. Development Committee;
2. Principal; and
3. Building Committee.

The key officers who are responsible for the execution of projects were:

1. Vice Principal (Chairman of Building Committee);
2. Finance Officer;
3. Director of Development; and
4. Procurement Officer.

Table 4.4 Identified Procurement Structures in MUCG

Body	Responsibility
Development Committee	Review Authority. Responsible for all matters concerning the acquisition, development, maintenance and disposal of land, building, and property. Review and approval of annual development expenditure, procurement plans and construction procurement strategy.
Principal	Head of entity.
Building Committee	As a subcommittee of the Development Committee. Supervises the projects administration and contracts management. The inspection, verification and validation of work completed.
Vice Principal	Chairman, Building Committee. Approves most procurement request unless substantial then forwarded to the Head of Entity.
Finance Officer	Supervises all payments and procurement of goods.
Director of Development	Superintends the contracts administration of projects.
Procurement Officer	Reports to the Finance Officer and is responsible for the procurement of all building materials.



With this system the Director of Development heads the originating unit and seeks approvals depending of project scope and value from either the Vice Principal as head of the Building Committee, the Principal or the Development Committee. Contracts are administered by the Development Office under the supervision of the Building Committee through the Chairman. Direct project communication to the contractors is through the Office. The staff function as Project Managers, Project Coordinators, Site Agents, Clerk of Works etc. Decisions of the Building Committee are communicated and implemented through the Development Office.

All material requests, labour requests and contractor claims are initiated by the Project Manager or Quantity Surveyor to the Acting Director of Development. They are then recommended to the Chairman of the Building Committee for approval if the requests are satisfactory to the head of Development. Upon further verification by the Chairman, approval may be granted and forwarded to the Finance Officer for further processing. If the requests are for materials for the project, supplies are made to the project site via the Procurement.

#### **4.4.1 Roles and responsibilities**

The general consensus among respondents was that there were no clearly laid out roles and responsibilities among the works procurement functionaries. One respondent believed that:

*“There is no policy. A policy has to be drawn to layout clearly the various roles and responsibilities” (respondents view)*

Two respondents went as far as to allege that some management members seek personal interests in not having clearly defined roles. It was stated that:

*“Personal interests are put above MUCGs’. It can be resolved by putting the human face aside and implement what is to be done in the interest of the institution” (respondents view).*

It was revealed that procurement decisions were mostly at the prerogative of the head of entity. One respondent stated off record that the decisions of committees were all subject to the acceptance or otherwise of the head of entity and has been occasions where committee decisions have been countered and changed.

#### **4.4.2 Main Failings**

The main failings of the current practise were identified as having no of tendering procedures resulting in the lack of competition in the sourcing/selection of contractors and poor contract administration. These made the system inadequate in achieving an overall value for money of the University Colleges projects. All the respondents stated that there is a need for improvement in the works procurement function. The lack of value for money meant that a policy has to be developed incorporating all the element of good procurement practises.

Four out of the seven respondents with one indifferent view and the two others dissenting made the foregoing arguments. They argued that competitive tendering, errors in sourcing and selection of contractors and poor contract administration are the major challenges currently being confronted by the University College. This in their view was because the

constitution of the present Development and Building Committees did not have enough expertise to consider contracts. They were of the view that in line with the procurement practice in the public sector under the Public Procurement Amendment Act 914, appropriate authorisation, internal control and monitoring was essential. It was therefore the claim that:

*“The tender boards should be the overall authority in the consideration of contracts” (respondents view).*

The Development Committee even though can decide on contracts has its primary objective which is:

*“Determine building programmes and approve plans for the physical development of the University College and take all such steps as it thinks fit for the development, care and maintenance of the property of the University College.” (MUCG Statutes, 2004)*

The majority of respondents proposed that Councils Tender Board assumes the responsibility of having the highest authority.

#### **4.4.3 Discussion**

##### **4.4.3.1 Tender Boards**

Although this procedure as is being practised has been since the inception of the University College, some respondents strongly believed that this current structure contradicts the MUCG Statutes, 2004 as it is stipulated in Statute 18 that:

i. *“Council’s Tender Board*

*There shall be a University College Tender Board which shall be a sub-committee of Council. It shall consider contract awards and report to the Council.*

ii. *Internal Tender Board*

*There shall be an Internal Tender Board which shall consider contract awards not exceeding a limit to be determined by Council.”*

Both Tender boards are currently not established and the reason for this some of the respondents say was due to personal interests of some management members. This claim could not be substantiated by the study however a key observation of the researcher was that the Statutes also give the Development Committee in Statute 17(ii) (c) the power to:

*“Decide on contracts for site and building development where appropriate”*

A respondent who is a key management member commented that:

*“The functions of the Development Committee as it were has made the Tender Boards not necessary, the work done is the same and in essence the only difference is the name” (respondents view).*

Since the Development Committee was performing the functions of the Tender Board and thus the reason why the tender board has not been set up. The study took a look at the membership requirements of these committees.

A comparison of the compositions of the Statutory Tender Boards as shown in Schedule “A” of the MUCG Statutes, (2004) against the compositions of the Development Committee is shown overleaf:

Table 4.5 Membership of statutory boards

	<b>Councils Tender Board</b>	<b>Internal Tender Board</b>	<b>Development Committee</b>
<b>Membership</b>	Two members representing Council, One of whom shall be Chairman	Principal – Chairman	Two members appointed by Council who are not in the employ of MUCG
	Principal	Vice Principal	Principal – Chairman
	Vice Principal	Deans of Faculties	Vice Principal
	Director of Development	Registrar	Deans of Faculties
		Finance Officer	Dean of Students Affairs
		Director of Development	
<b>In Attendance</b>	Registrar		Registrar
	Finance Officer		Director of Development
			Finance Officer
			Director of Property, Procurement and Projects, Methodist Church

The purpose and functions of the Tender boards are specific “shall consider contract awards”. The Statutes in using “shall” make it mandatory that contract awards are administered by these bodies. To this end, the membership of the boards include all key management members and the built industry professional in the Director of Development from who the expertise are drawn. The Development Committee has a more responsibility. Among other functions the Committee approves plans and determines building programmes, appoints built environment professionals as and when required and takes all necessary steps to develop, care and maintain University College property (MUCG Statutes, 2004). It is suggested the Tender Boards are set and made to function as part of the general procurement function of the University

#### **4.4.3.2 Roles and responsibilities**

The Statutes clearly outline the compositions and functions of all statutory bodies. The main challenge is with the function of key officers in the construction procurement process. According to the Development Office Projects Report (2015), the Architect and Quantity Surveyor also functioned as project coordinators, site agents, clerk of works etc. This is seen as a contributory factor towards the problem of poor contracts administration. The project audit report criticized the duplication of functions when it stated that:

*“Building Committee was created by management to handle all procurement issues instead of Procurement Advisory Committee as prescribed by the MUCG Financial and Stores Regulation 2007.”*

The absence of a regulation for construction procurement is a major factor to this problem. The need for such a regulation has come to the fore and it is strongly advocated for.

### **4.5 CHALLENGES OF CONSTRUCTION PROCUREMENT**

#### **4.5.1 General**

The survey took into consideration the conclusions and recommendation of the various reports in as noted in Chapter three. The codes for seeking themes were developed from the research questions and when new significant concepts or opinions were observed during the coding process. After a thorough scrutiny of all the information the following

codes with their definitions were developed as the most important and relevant to the study.

Table 4.6 – Coding of Research Data

Code	Definition
Improvement	Represents the recognition of a shortfall in the current works procurement function and the willingness to accept that improvements need to be made.
Poor Contract Administration	The concept that the current system allows or encourages poor contract administrative practices.
Erroneous System	The current procedure is riddled with errors.
Tendering Required	Represents the concept that tendering is a key constituent of competitive procurement practise that is needed to enhance the existing procedures.
New Policy Required	The opinion that a new policy should be written to regulate the works procurement function entirely.
Ideal Existing System	The view that the current system is adequate on its own and therefore does not require any changes.
Competition Encouraged	Represents the belief that competition is adequately catered for by the provision of the current works procedure,
Inadequate System	General signs of a deficient works procurement process.
Goods Procurement	Where the process undertaken by the entity represents the procurement of goods rather than the procurement of works.

To give a general overview of the themes that run across the data an affinity diagram was used as below to organize the data into groups based on natural relationships. The formation of the distinct groups helped to make a meaningful picture of the data, thereby making it feasible for further analysis.

Code	Notes(Refer to notes in Appendix)								
Improvement	BC5	DO11	QS3	QS4	QS7	FO5			
Poor Contracts Administration	QS6	IA4	IA6	IA7	IA8				
Erroneous System	D08	QS5	FO1	IA2	IA5	IA8			
Tendering Required	DO7	DO9	QS2	FO3	IA2				
New Policy Required	DO1	DO2	DO5	DO10	QS1				
Ideal Existing System	BC1	BC2	BC3	BC4	FO2	FO4	IA1	IA3	IA9
Competition Encouraged	BC6								
Inadequate System	DO3	DO4	DO6						
Goods Procurement	IA1	IA3							

Figure 4.1 – Affinity Diagram

#### 4.5.2 Themes

##### a) Improvement

The willingness to accept improvements in the construction procurement process was evident in several secondary data. In its response to the projects audit report the Building Committee concluded that:

*“We appreciate the fact that there can be improvements and we therefore advocate for the adoption of best practices in the industry to correct the faults and failings of our systems and procedures” (Building Committee, 2016).*

Other reports called for clearer procurement methods and procedures while introducing professional standards in contractual arrangements and contract management.



b) Poor Contracts Administration

Problems with project information distribution and dissemination were highlighted in the project audit report. The enormous project delays were also partly as a result of poor contracts administration. One of the most significant findings was noted when the Quantity Surveyors Project Report noted that:

*“MUCGs’ construction procedures, contractual arrangements and contracts administration does to allow for cost management and control to be undertaken by the Quantity Surveyor” (Development Office, 2015)*

The project audit report further revealed that:

*“On-site orders to contractors contrary to the decisions of Building Committee and sometimes without the knowledge of the Building Committee” (Ampadu, 2015).*

c) Erroneous System

Across the range of the secondary data available the contractual arrangement where the University College sources materials was accepted as erroneous.

*“The challenges of the 10million loan projects can easily be traced to the lack of or omission of some of these established built environment and construction industry principles in the procedures and regulations of MUCG” (Development Office, 2015).*

The errors also included contractor selections, project schedules, etc.

d) Tendering Required

The selection of a good contractor for a project is an important factor contributing to its successful completion. All the data established that no appropriate tendering procedures were undertaken in the institution. The project audit report sums this up by the conclusion that:

*“Contractors and subcontractors were selected without any tender process. The result of this action was that some of the contractors lacked the capacity to executive the project” (Ampadu, 2015)*

e) New Policy Required

The need for a new construction procurement policy was campaigned by the Development Office Projects Report, 2015. It called for clearer procurement methods and procedures adding that:

*“There is the need for food works procurement and contracts administration in institutions like ours following the aftermath of the 10million loan projects”.*

f) Ideal Existing System

Arguments are also made in favour of the existing systems. In the Building Committee response to the Project Audit Reports it affirms its belief that the structures and processing in the University College are good.

*“During the administration of projects the Building Committee has regular representation from Prudential Bank for several months. They affirmed their*

*confidence in our systems and commended the University College adding that they were satisfied with our procedures as against what pertained in the banks experience with other entities” (Building Committee, 2016)*

g) Inadequate System

The Development Office Project Report in its argument against the inadequacies within the existing system stated that:

*“The MUCG Financial and Stores Regulations 2007 does not adequately elaborate a systemic construction procurement policy” (Development Office, 2015)*

h) Goods Procurement

The sourcing of building materials by the University for construction projects strictly represent a condition where the procurement of works is has now been divided into procurement of goods and services (labour). This is acknowledged in the Project Audit Report by the auditor stated that:

*“Building Committee was created by management to handle all procurement issues instead of the Procurement Advisory Committee as prescribed by the MUCG Financial and Stores Regulations 2007. The reason given for the action was to speed up the procurement processes to enable the project management team meet the project deadlines” (Ampadu, 2015).*

### 4.5.3 Relationships

In seeking to understand the causal relationships between the different issues that surfaced, the researcher employed the use of an interrelationship digraph. This shall aid in identifying the most important codes and themes to be focused on in pursuing the research aim.

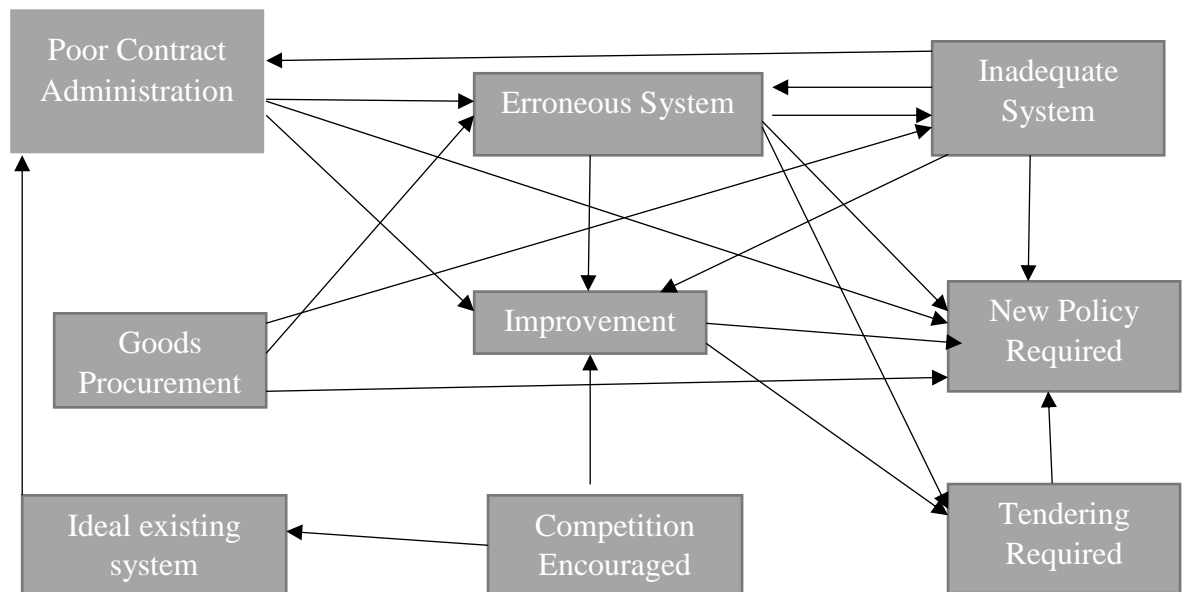


Figure 4.2 - Interrelationship Digraph

Source: Manual cause and effect analysis of research data

The interrelationship digraph creates a logical causes and effects relationship among the themes that have been developed. The themes with the most arrows incoming to them shall be deemed the key factors and the themes with the most outgoing arrows shall be the root causes. The foregoing charts explain the digraph above.

### Notes to Interrelationship Digraph

- i. The theme of “poor contracts administration” results in an “erroneous system” as report in several documentation. To resolve the problem it is accepted that “improvements” are required. This can require the adaption of a “new policy”.

<i>Cause</i>	<i>Effect</i>
<b>Poor Contract Administration</b>	has led to an <b>Erroneous System</b> of works procurement
	will require the development of a <b>New Policy</b> regulation
	will require <b>Improvements</b> in the contracts administration

- ii. The systems' “inadequacy” is the cause of the “errors” and has led to “poor contracts administration. Resolving the inadequacies requires system “improvements” and possibly a “new policy”.

<i>Cause</i>	<i>Effect</i>
<b>The current Inadequate System</b>	has led to an <b>Erroneous System</b> of works procurement
	requires the development of a <b>New Policy</b> regulation
	will require <b>Improvements</b>
	Has led to <b>Poor Contracts Administration</b>

- iii. Some documentation argue that the current works procurement system is “ideal” however it is this system that is causing “contract administration” problems

<i>Cause</i>	<i>Effect</i>
<b><i>Ideal Existing System</i></b>	Is causing <b>Poor Contract Administration</b>

- iv. Administering construction procurement as “goods procurement” has led to system “errors” and “inadequacies”. A “new policy” is needed to change this process.

<i>Cause</i>	<i>Effect</i>
<b><i>Administering Works procurement as Goods Procurement</i></b>	will lead to an <b>Erroneous System</b> of works procurement will require the development of a <b>New Policy</b> regulation Has created a generally <b>Inadequate System</b>

- v. The system “errors” have led to the inadequacies and the “improvements” required include the introduction of “improvements” which include “tendering” procedures and possibly a “new policy”.

<i>Cause</i>	<i>Effect</i>
<b><i>An Erroneous System</i></b>	Has created a generally <b>Inadequate System</b> will require the development of a <b>New Policy</b> regulation will require <b>Improvements</b> in the works procurement function Will require the introduction of <b>Tendering</b> procedures

- vi. Major “improvements” are either the introduction of “tendering” or “new policy” regulation.

<i>Cause</i>	<i>Effect</i>
<b><i>Improvements</i></b>	will require the development of a <b>New Policy</b> regulation Will require the introduction of <b>Tendering</b> procedures

- vii. The documents that support the theme that “competition” is encouraged in the current system suggest the system is “ideal” but are open to any “improvements”.

<i>Cause</i>	<i>Effect</i>
<i>With <b>Competition encouraged</b> in the existing system</i>	An <b>Ideal system</b> is enhanced
	<b>Improvements</b> are however acceptable

- viii. The introduction of comprehensive “tendering” procedures will mean the “new policy” regulation.

<i>Cause</i>	<i>Effect</i>
<i><b>Tendering procedures</b> are required in the current system</i>	will require the development of a <b>New Policy</b> regulation

The diagram shows the following conceptual codes as the key factors on the assessment of the secondary data in MUCG:

- a) The need for major improvement in the procurement of works and
- b) Ultimately the adaption of a new policy regulation for the University College

#### **4.5.4 Discussion**

This clearly speaks to the belief that generally all the data support the need for improvement to eliminate the errors and inadequacies of the current system. Ultimately, the most appropriate way of doing so is by the formulation of a new works procurement policy. The foregoing sections of the analysis shall brainstorm ways to develop such policy.

Various generic procurement policy manuals have been formulated by professional bodies, funding agencies, governments and procurement organisation. Guided by other regulations procurement become a complex process. An ideal procurement policy is one that the procurement process and all stake holders observe proper procedures and rules that are clear and consistent with other existing regulations (NIGP, 2012). Procurement processes will appear random, uninformed and unfair if comprehensive policies are not put in place. In identifying the steps needed to provide a new policy, the aid of a simple dendrogram is employed to map out the range of tasks and paths that need to be undertaken in order to achieve this. The tasks include establishing basic organizational concepts, defining authority and responsibilities, setting out ethics and code of conduct, defining criteria for procurement, establishment of guidelines, ensuring competition, fairness and transparency, source selection and contract formation, methods and procedures



The tree diagram as illustrated overleaf catalogues the following steps toward the development of a works procurement policy.

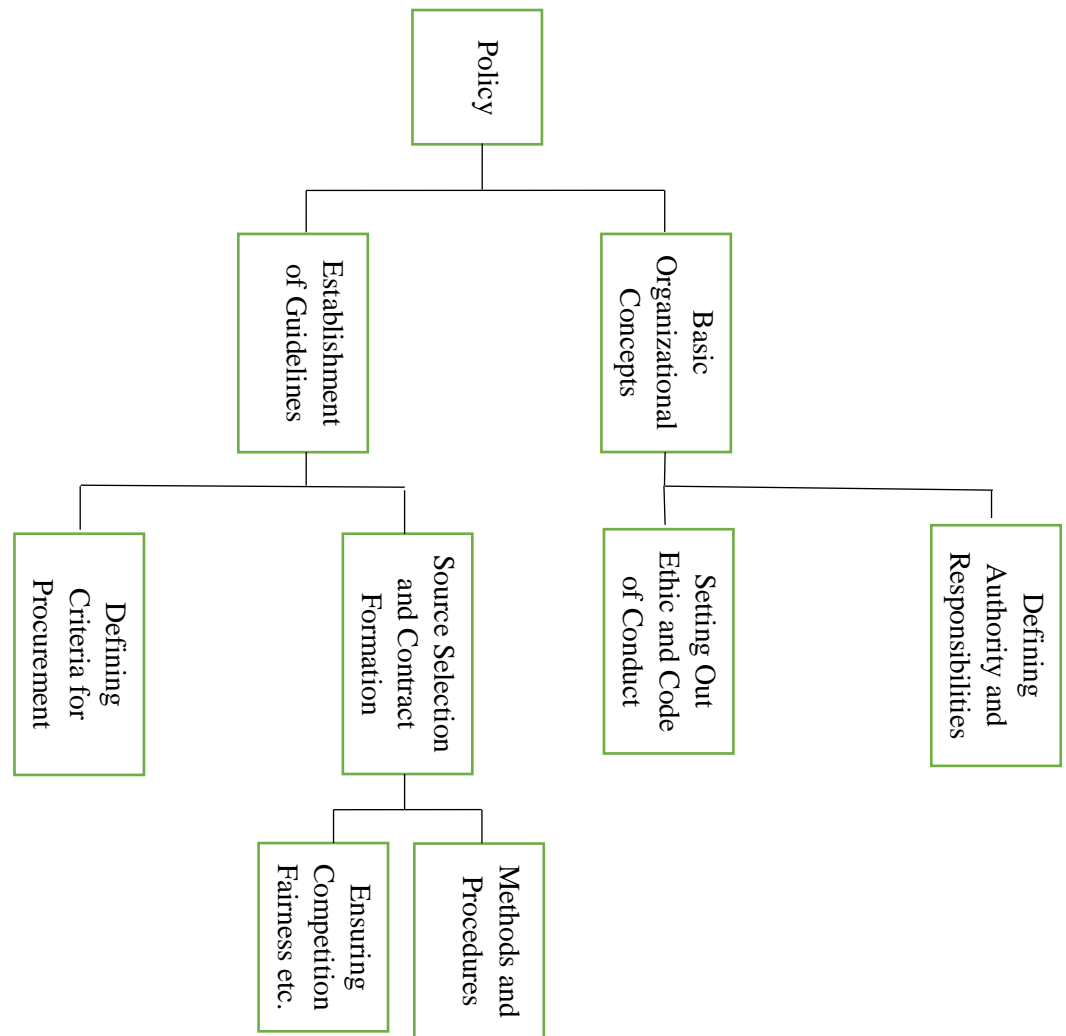


Figure 4.3 Tree Diagram

Source: NIGP (2012)

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATION**

#### **5.1 INTRODUCTION**

This concluding chapter presents a review of the findings of the study from which recommendations are made and conclusions are drawn for the procurement of works process at the Methodist University College Ghana. The recommendations include suggestions for the reconstitution of construction procurement structures incorporating tender bodies that are already stipulated in the Statutes that govern the institution but have not been constituted to function.

#### **5.2 REVIEW AND RECOMMENDATIONS ON OBJECTIVES**

##### **5.2.1 OBJECTIVE 1. To identify an appropriate procurement cycle for construction in the Methodist University College Ghana**

The study has brought to the fore through responses and reactions from key construction procurement officers that the procurement of works procedure and processes in the Methodist University College Ghana has peculiar challenges. The absence of an appropriate works procurement policy was established as the major reason for the issues of cost control, cost management, project delays, poor contract administration and the lack of laid out roles and responsibilities within the procurement functionaries. Tendering had never been rightly conducted and contractual arrangements represented the procurement of goods and services rather than the procurement of works. The inherent

lack of a regulatory policy for the procurement of works was apparent from this study. The absence of such policy as attributed by some respondents to the personal interests of management could not be substantiated by the study. The study also revealed the willingness of the respondents to accept that there is room for improvements in every aspect of the procurement and contracting process in the institution. The Methodist University College Ghana in seeking to develop and document its works procurement function should incorporate fairness, transparency, equity, competition, effectiveness and efficiency together with any existing regulations as illustrated in Table 5.1. The policy should be one that offers all eligible and accessible contractors the same opportunity to supply works procured with University College funds, depending on the method of procurement adopted in compliance with regulations at any material time. The elements of good procurement practice are explained as tabulated overleaf:

Table 5.1 – Elements of Procurement

<b>Principle</b>	<b>Basic requirement</b>
<b>Fairness</b>	The contracting process is conducted by not favouring any tenderer. Information is made available to all stakeholders simultaneously and timely. The terms of contracts are prepared not to disadvantage any of the participants of the tendering process.
<b>Competitiveness</b>	The system is to provide adequate levels of competition to promote the achievement of value for money.
<b>Transparent</b>	The specifications of all procurement processes and procedures are made comprehensively clear in an understandable language and means. All decisions shall be made public to allow for the scrutiny of the process to check if all stated criteria were applied.
<b>Equitable</b>	The only reason for failing to contract a particular tenderer who has been evaluated and is found to comply with all specifications are any further restrictions that bar business activities with MUCG and the lack of capacity, other legal restrictions and any possible conflicts of interest.
<b>Effective and efficient</b>	Promotes the avoidance of wasted time and effort with the ultimate aim of the best quality in the eventual outcome. The processes, procedures and methods are standardized to achieve value for money in respect of quality, time and cost.

With the elements of procurement as illustrated in Table 5.1 duly incorporated in an appropriate procurement cycle the fundamental activities shall have the following characteristics:

Table 5.2 Proposed Generic Procurement Cycle

Cycle	Characteristics
<b>Planning</b>	The identification of the needs, The planning of the appropriate procurement strategies, Through annual budgeting.
<b>Sourcing</b>	The solicitation of tender offers from eligible and capable tenders, The evaluation of tender offers all responsive tenderers, Negotiations with nominated contractors and sub-contractors.
<b>Contracting</b>	The award of the contract to the best evaluated tenderer, Labour only contracts.
<b>Contract Management</b>	The management of the contract, Administered by Development Office, Building materials procured by Procurement Unit.
<b>Utilization</b>	User departments
<b>Maintenance</b>	Maintenance administered by the Development Office
<b>Disposal</b>	By the Board of Survey
<b>Evaluation</b>	Project Audits by the Internal Auditor

**5.2.2 OBJECTIVE 2.** To identify the procurement structures for the procurement of works based on the Methodist University College Ghana Statutes and governance structure

The governance structure of the institution allowed for the implementation of works procurement regulations as the statutes had prescribed the formation of tender bodies which had not been constituted yet. The challenges with regards to the works procurement structures contributed to the belief by some stakeholders of alleged personal agenda and interests by some management members. Procurement strategy, methods, procedures and contracting strategies change as project scope and value change. As projects scope and

values increase, construction and financial risks also increase. Concurrently, the authority for procurement decisions change as higher thresholds require higher authority and responsibility. With the recommendation that tender boards as stipulated in the MUCG Statutes 2004 should be constituted and made to function, the new approval authorities for construction projects in ascending power shall be:

- i. The Principal;
- ii. Internal Tender Board;
- iii. Development Committee; and
- iv. Councils Tender Board.

The projects administration shall be undertaken by the Building Committee as is currently done.

Table 5.3 Proposed Procurement Structures for Construction

<b>Body</b>	<b>Responsibility</b>
Councils Tender Board	Review Authority.
Development Committee	Responsible for all matters concerning the acquisition, development, maintenance and disposal of land, building, and property.  Review and approval of annual development expenditure, procurement plans and construction procurement strategy.
Internal Tender Board	To evaluate Tender and assist the Development Committee in its works. The Board shall be ad hoc and not of more than five members set up for a specific package.
Building Committee	Shall be responsible for projects administration and contracts management. The inspection, verification and validation of work completed.
Principal	Head of entity.
Director of Development	Originating unit for all works procurement procedures.
Procurement Unit	Responsible for administering procurement

The thresholds shall be the prerogative of Council and can be based on recommendations of the Development Committee. Under this proposal the Councils Tender Board is the highest approval authority with powers of review over all works procurement activities and procedures. Where Councils Tender Boards' approval is not required the Development Committee shall be the next approval authority. With its original functions unchanged the Committee shall be in the best position to oversee the procurement function. The Internal Tender Board shall be the default authority in the consideration of contract awards. Approval shall be forward to the Development Committee or Councils Tender Board only if projects fall outside its approval threshold. For small, low risk project the Principal can grant approval. Building Committee shall be responsible for projects administration and contracts management, inspection, verification and validation of work completed. Director of Development shall be the head of the originating unit for all works procurement procedures. Procurement Unit shall be responsible for administering procurement.

While observing all relevant regulations set a code of conduct for procurement to regulate the deeds of staff, consultants, agents should be formulated. The proposed regulation shall at least require that these persons:

- a) Execute their duties and responsibilities with integrity,
- b) behave equitably, honestly and transparently,
- c) avoid to the greatest extent any possible conflicts of interest and appropriately declare any such conflict, and
- d) not maliciously attempt to injure the reputation of another party.

**5.2.3 OBJECTIVE 3.** To identify the possible challenges of construction procurement in the Methodist University College Ghana.

A study of existing works procurement documentations revealed a number of documents that spoke to theme that support the notion that tendering had never been rightly conducted and the errors in the current practice needed improvements in the form of new regulations. It is the recommendation of the study that policy guidelines cover all practical aspects of a typical procurement of works cycle is adopted. Achieving value for money will be possible as such guidelines holistically cover procurement methods, tendering procedures, contract management and administration, procurement reporting, code of conduct for employees, dispute resolution etc. The comprehensive policy guidelines will bring to the fore procedures that were originally absent in the Methodist University College Ghana. It is desired that the case study subject shall adapt the guideline so as to safeguard efficiency, accountability and transparency in its works procurement system. Should the guidelines be put to use the University College shall benefit through stable financial and controlled performance and in the rum term the corporate image of institution shall be enhanced.



### **5.3 POLICY GUIDELINES**

It is recommended that MUCG shall firm up the works procurement function by documenting a new procurement policy which addresses:

#### **A. Procurement documentation**

All procurement documentations shall:

- i. be produced in conformity with MUCGs' procurement policy,
- ii. present specifications of all procurement processes and procedures in a comprehensively clear in an understandable manner,
- iii. require tenderers to submit up to date company details adequate for MUCG to evaluate their tenders, to establish their qualifications and to examine their capabilities and capacities to undertake the contract,
- iv. set out in a clear and unambiguous manner the criteria by which tenders are to be evaluated,
- v. outline the liabilities and obligations of all parties to the contract and the practices for the management of the contract, and
- vi. outline the quality, type and quantity of construction works to be provided in the performance of the contract.

#### **B. Tendering Procedures**

In soliciting for tenders MUCG shall use one of the generic tendering procedures listed in Table 5.3. The procured are grouped under the following:

- competitive selection processes,
- negotiations,
- competitive negotiation processes.

### **Competitive selection processes**

Competitive selection processes are to aid with the identification of one tenderer as per the terms of a project requirements and the evaluation conditions as made clear in the tender data. Negotiations are permitted in this process but however only for items like the scope of works, the method statement and the conditions of contract with the best evaluated tenderer. These negotiations are not to grant the tenderer any competitive advantage and therefore negotiations should not alter the original scope of works substantially. If budgetary constraints do not allow for the continuation of a project, the original scope of works can be scaled down. Should negotiations render an evaluated tenderer ineligible for the award of the contract or negotiations result in MUCG not achieving best value for money, the next highest ranked tenderer shall be the next eligible for negotiations. The procedure is repeated until a contract can be awarded to the most preferred tenderer.

### **Negotiations**

A single tenderer shall be issued with a procurement document, produced in conformity to all the University Colleges' regulations. The scope of work, terms

of contract and financial quotations shall be negotiated in the best interests of MUCG. The contract shall be awarded in conformity to the requirements of policy guideline E. The negotiations and its processes shall be documented and the reasons for this choice of method shall be kept for record and audit purposes.

### **Competitive negotiation processes**

Documentation for competitive negotiation processes shall be produced in conformity to the requirements of policy guideline A. All responsive and duly qualified tenderers shall be negotiated with by restricted and open competitive negotiation procedures. Throughout the negotiations, MUCG:

- i. shall ensure fairness to all tenderers in the procurement process. All documentations and information concerning the negotiations shall not give another tenderer competitive advantage over another,
- ii. can allow for the negotiations to be undertaken in other sequential phases in order to decrease the number of tenderers being negotiated with. The conditions for such processes should be clearly spelt out in the tender documentation sold to the tenderers,
- iii. shall treat the negotiation process strictly confidential,
- iv. may allow for the clarification of tender information if only the information does not:
  - a) involve alterations being made to the basic elements of the tender data and procedures, or

- b) alter any substantially the original offer presented or introduces substantially new elements which will flow competition and fairness in the tender process, and
- v. shall end all negotiations when appropriate solutions which meet the procurement needs are identified. The tenderers are informed accordingly and the best and final offers are called for.

All information concerning the competitive negotiation process shall be made available in the tender data. Same with all evaluation conditions and associated weights methods. The evaluation conditions associated with each phase of negotiations shall not be varied from what was made known to the successful tenderers. The scope of work, terms and conditions of contract and financial quotations that are negotiated shall be in the best interests of MUCG. Minutes of such negotiations and the reasons for choosing this method shall be kept for record and audit purposes.

### **C. Conditions for recording and reporting procurement processes and proceedings**

MUCG shall allow for adequate records management to keep documented all decisions and determinations made, as well as the reasons and details relating thereto. Appropriate records shall be made and kept of all contract awards. Ideally the records shall contain:

- i. the contract and project references numbers,
- ii. a description of the work,

- iii. the contract sum,
- iv. a record of the points acquired during evaluation, and
- v. the name and address of the winning tenderer.

**D. The composition of the MUCG's construction procurement structures and evaluation panels as stipulated by the Statutes and any other relevant regulation.**

This shall be as recommended under Objective 2.

**E. Risk Management**

Plans for risk management with regards to the breaching of the principles of procurement as established in Table 5.2. After all evaluation processes the winning tenderers who are to be contracted will have their tender offers appraised through risk management procedures to ascertain whether the commercial risk they present can be tolerated by MUCG. The appraisal shall consider:

- i. unduly high or unduly low tendered rates;
- ii. the content of tender returnable which are to be included in the contract.

All issues passing as potential risks that MUCG deems unacceptable to the commercial success of the project shall be negotiated upon with the tenderer. Failure in such negotiations can lead to a rejection of the tender offer should MUCG not be in a position to mitigate, tolerate or accept the risk. The risk management processes shall be undertaken for the next highest evaluated tender in case the original tenderers negotiation fail.

**F. The legal situations under which MUCG will decline to enter into a contract, in terms of the awards of contracts.**

Contract awards shall not be granted to tenders who pose or present an unacceptable commercial risk to MUCG. The following are general conditions under which a contract shall not be awarded.

- i. If the tenderer is under any restrictions preventing them from participating in MUCG's procurement,
- ii. If the tender cannot demonstrate that he possesses the professional and technical qualifications, professional and technical competence, financial resources, equipment and other physical facilities, managerial capability, reliability, experience and reputation, expertise and the personnel, to perform the contract,
- iii. If the tenderer does not have the legal capacity to enter into the contract,
- iv. When there are signs of eminent insolvency or the tenderer is insolvent, in receivership or being wound up, has his affairs administered by a court or a judicial officer,
- v. If the tenderer does not comply with the legal requirements that may be stated in MUCG's procurement policy, and
- vi. If the tenderer exhibits or declares any conflict of interest that might hinder his performance of the contract in the best interest of MUCG.

Contracts shall be signed and validated as soon as possible after the notification of award by the appropriately authorized persons. In situations of no contract

award, there shall be a review the procurement processes and procedures to eliminate all flaws and failing to begin the procurement process again.

**G. Methods by which advertisements will be managed when seeking for tender offers and when requesting for the expressions of interest.**

Advertisement publications shall be in a medium of wide circulation to allow for all prospective and eligible tenderers get access to the information. Invitations to submit tender offers shall contain the following information:

- i. the tender, project or contract reference number,
- ii. the name of the proposed contract or project,
- iii. a brief description of the goods, services or construction works which are required,
- iv. a brief description of conditions for eligibility,
- v. the closing date, place and time for submission of tenders,
- vi. the date and time of the site inspection or briefing session, if any, and
- vii. the time and place for collecting procurement documents.

**H. The cost of procurement documents such as tender documents.**

Tenderers shall either purchased for non-refundable deposits for tender documents approximately equivalent to the cost of reproducing such documents or be issued with documents free of charge. When tender documents are sold the

tenderers shall be allowed inspection of the document without cost before the final sale to them.

**I. The allowable fluctuation and variation increases in the final contract amount during contract administration.**

Contracts shall be administered using the terms and conditions of the contract as stipulated in the tender documentation. In the event that MUCG determines that the contractor's performance is unsatisfactory due to circumstances within the contractor's control, MUCG may take whatever actions or impose whatever sanctions it deems appropriate in accordance with the terms of the contract. MUCG's consultants and appropriate staff shall monitor the contractor's performance under the contract to ensure that the requisite quality standards are attained and the requirements are complied with, and shall certify compliance upon completion of the contract. Where, through unforeseeable circumstances, it is necessary to increase the quantum of work or to perform additional work within the broad scope of the contract, the contractor may be instructed to perform such work under the contract provided that the final contract amount is not above the percentage contained in the procurement policy, excluding any provision for price adjustment, at the time that the contract is awarded. Work in excess of this limit shall not be undertaken without the express permission of the Council. If, at any point during the term of a contract, a contract is terminated or cancelled by either the contractor or MUCG, a record of the reasons for this cancellation or termination shall be made. Upon completion of a contract, a record of the key



performance indicators relating to time, cost and the attainment of goals pertaining to that contract should be made.

**J. Departures from acceptable and documented procedures as per the laid down procedures and regulations.**

With the approval of Council, departures from the documented methods and procedures shall be allowed. Appropriate reasons shall have to be given prior to any such approval so far as the new proposed route shall comply with the basic procurement requirements as stipulated in these policy guidelines.

**K. The desired means of communication for the procurement of works.**

All communication shall be by the most appropriate means that does not prejudice any party within the procurement process. Communications shall therefore shall be by post, by fax or by electronic means, where such means is easily available, or by a combination of these means, in relation to the preference of MUCG. The means of communication chosen shall be generally available and thus not unfairly restrict a tenderer's access and opportunities in a procurement procedure.

**5.4 RECOMMENDATION FOR FURTHER RESEARCH**

The research topic was not fully exhausted by the researcher's limitation to the Methodist University College Ghana as the case study. The private tertiary education industry although is of a relatively recent enterprise is still growing. With no state funding and the ever present challenge posed by the public

universities, the eleven proposed policy guidelines expose the need for further research in the following topics specific to this industry;

- Processes, methods and procedures for construction in the private tertiary education industry,
- Authority, roles and responsibilities of procurement structures for the procurement of works,
- Contracting strategies and contractual arrangements for construction,
- Risk management in construction procurement,
- Effective contract administration for project performance and delivery.

Table 5.4 – Tendering Procedures

Procedures		Descriptions
A	Negotiations	A tender/bid is sort from a single bidder.
B	Competitive selections Processes	This covers procurement procedures for which the highest evaluated tenderer or the tender offering the lowest offer is selected as the successful tender
	1 Nominated Procedures	Qualified and eligible tenderers are registered in a database and requested to submit tenders.
	2 Open Competitive procedures	A competitive process where tenders are sort the open advertisements
	3 Selective Tendering	The procedure makes use of a first call for expressions of interest that is advertised. Based on their submissions the tenderer satisfying the conditions are selected to submit tender offer
	4 Quotation Request	Offers are normally requested from the open market from not less than three tenderers. The best offer is mostly the tenderer giving the least cost.
	5 Two envelope system	The proposals received are in two fold. One technical and the other financial. The technical is evaluated first after which only qualifying tenderers have their financial proposals opened.
	6 Two-stage System	Similar to the two envelope system however only technical proposals are invited first. The tenders submitting acceptable technical proposal are then request to make offers.
	7 Shopping procedure	Readily available materials are solicited this way by seeking out the lowest financial quotations from the at least three suppliers.
C	Competitive negotiation processes	This process uses negotiations to competitively select tenderers. The tenderers making acceptable proposals are invited to submit final bids
D	Electronic process	The procurement process is normally that of an adversarial system. However the system is electronically processed such that the condition of evaluation and points awarded are programmed. These conditions are appropriately made known to all tenders.

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## **APPENDIX**

<b>Development Office Projects Report, 2015</b>		<b>Code</b>
DD1	There is the need for good works procurement and contracts administration in institutions like ours following the aftermath of the 10 million loan projects.	Policy Required
DD2	It is therefore essential that best practices are adopted and industry standards complied with.	Policy Required
DD3	The MUCG Financial and Stores Regulations 2007 does not adequately elaborate a systemic construction procurement policy.	Inadequate System
DD4	Faults and failings have been identified and systems to correct them shall be formulated.	Inadequate System
DD5	A draft works/construction procurement policy shall soon be ready for presentation to management for review. It is our hope that future projects more efficient.	Policy Required
DD6	It is essential that adequate attention is given to the processes and procedures for a timely procurement on a competitive basis.	Inadequate System
DD7	The selection of a good contractor for a project is an important factor contributing to its successful completion.	Tendering
DD8	The current procedure does not allow the University to focus on its core business and it is therefore stretched thin during project administration.	Erroneous
DD9	Tendering, solicitation and sourcing procedures should be taken seriously as these form the fundamentals of procurement best practice.	Tendering
DD10	Procurement methods and procedures should be clear.	Policy Required
DD11	Contractual arrangement, contract administration and construction management should be professional undertaken to meet industry practice.	Improvement

Figure 4.1 – Transcribed notes, Development Office Projects Report, 2015

<b>Building Committee Response to Special Audit Report: 10m Loan Project</b>		<b>Code</b>
BC1	During the administration of projects the Building Committee has regular representation from Prudential Bank for several months. They affirmed their confidence in our systems and commended the University College adding that they were satisfied with our procedures as against what pertained in the banks experience with other entities.	Ideal Existing System
BC2	The Building Committee did its best in the interest of MUCG and the Church.	Ideal Existing System
BC3	The external consultants were excellent and insisted on the best.	Ideal Existing System
BC4	Committee meetings and site meetings were regular and advised well.	Ideal Existing System
BC5	We appreciate the fact that there can be improvements and we therefore advocate for the adoption of best practices in the industry to correct the faults and failings of our systems and procedures.	Improvement
BC6	Mostly majority of contractors and subcontractors for the projects had had satisfactory history working with the University College.	Competition Encouraged

Figure 4.2 – Transcribed notes, Building Committee Response to Special Audit Report:

10m Loan Project

<b>Quantity Surveyors Project Report to Director of Development, 2015</b>		<b>Code</b>
QS1	Quantity Surveyors' assertion that a construction procurement policy is developed for MUCG.	Policy Required
QS2	Tendering, solicitation and sourcing procedures should be taken seriously as these form the fundamentals of procurement best practice.	Tendering
QS3	Procurement methods and procedures should be clear.	Improvement
QS4	Contractual arrangement, contract administration and construction management should be professional undertaken to meet industry practice.	Improvement
QS5	The challenges of the 10million loan projects can easily be traced to the lack of or omission of some of these established built environment and construction industry principles in the procedures and regulations of MUCG.	Erroneous,
QS6	MUCGs' construction procedures, contractual arrangements and contracts administration does to allow for cost management and control to be undertaken by the Quantity Surveyor.	Poor Contract Administration
QS7	Although the arrangement is an effort to control cost. There are better and more established ways of achieving this other than taking up all the risk and uncertainty in this system.	Improvement

Figure 4.3 – Transcribed notes, Quantity Surveyors Project Report to Director of Development, 2015

<b>Special Project Audit: 10m Loan Projects, 2015</b>		<b>Code</b>
IA1	Building Committee was created by management to handle all procurement issues instead of the Procurement Advisory Committee as prescribed by the MUCG Financial and Stores Regulations 2007. The reason given for the action was to speed up the procurement processes to enable the project management team meet the project deadlines.	Ideal Existing System, Goods Procurement
IA2	Contractors and subcontractors were selected without any tender process. The result of this action was that some of the contractors lacked the capacity to execute the project.	Erroneous, Tendering
IA3	University College procures all materials for its projects.	Ideal Existing System, Goods Procurement
IA4	Contractors are paid based on a percentage of materials utilized.	Poor Contract Administration
IA5	Material price inflation impacted negatively on the cost of projects due to delay in completion.	Erroneous
IA6	On-site orders to contractors contrary to the decisions of Building Committee and sometimes without the knowledge of the Building Committee.	Poor Contract Administration
IA7	On-site instructions not backed by technical reasoning.	Poor Contract Administration
IA8	Projects are not completed on schedule.	Erroneous, Poor Contract Administration
IA9	Adequate internal control measures were not put in place to ensure value for money. Internal structures should be respected and used, while internal procedures are adhered to when undertaken future projects.	Ideal Existing System

Figure 4.4 – Transcribed notes, Special Project Audit: 10m Loan Projects

<b>Finance Office Report for Special Project Audit, 2015</b>		<b>Code</b>
FO1	The Finance Office admits the current system ideally has errors. The Office is not even well informed about the bases of contractor selection and contractual arrangements in some cases.	Erroneous
FO2	Things were undertaken this way as management sort a faster way to deliver projects and thus the creation of the Building Committee as against the Procurement Advisory Committee.	Ideal Existing System
FO3	It is difficult to say why Council has not established the Tender Board as the statutes stipulate.	Tendering
FO4	We feel value for money was achieved as similar projects in other entities is much more highly priced compared to ours.	Ideal Existing System
FO5	It is acknowledged that not all procedures were perfect and therefore we are open to having improvements if they shall aid the University in gaining.	Improvement

Figure 4.5 – Transcribed notes, Finance Office Report for Special Project Audit, 2015