Supply chain – a service delivery enhancement or an impediment

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Abstract: Supply chain management in the Republic of South Africa is a cause for concern. The Auditor General South Africa, year in and year out, raises corruption fears emanating from supply chain. The Public Protector, Special Investigation Unit and National Prosecuting Authority also lamented government officials flouting supply chain procedures for their own enrichment. Supply chain management enhanced service delivery by procuring quality goods and services transparently and cost effectively. Paradoxically, often than not, the same supply chain is perceived to be actually halting service delivery because of the collusion between corrupt individuals in the system and those in the civil society and the private sector. Case studies employed drew primary and secondary data from documented sources to validate the argument whether supply chain enhanced or impeded service delivery and thus informed response mechanism and compelling conclusion. The study analysed supply chain case studies and determined at the end that supply chain enhanced service delivery, but impeded in the way it was implemented.

Keywords: ethical architecture; supply chain management; SCM; corruption; ethics.

Biographical notes: Modimowabarwa Kanyane is a renowned researcher in South Africa within the broader field of public administration. He obtained his PhD in Public Administration from the University of Pretoria in South Africa and a Certificate in International Economic and Financial Negotiations from International Institute of Public Administration in France. He participated in over 80 local and international activities (presented papers and key note addresses, chaired sessions and facilitated capacity building workshops, led large-scale research projects) mostly culminated into 80 publications. He has outstanding analytic and writing skills adapted to fourth industrial revolution (4IR).

Molebedi Sisi's career started back in 1992 as an Assistant Clerk in Procurement in the then Bophuthatswana Government. He developed his career through part-time study and acquired B. Iuris in 2002, LLB in 2003 and MBA in 2009 at the University of the North West. He is an admitted Advocate of the High Court of South Africa since 2003. He is pursuing his Doctoral degree in Public Administration with the University of Fort Hare. He served in various capacities as a Senior Manager, Divisional Head, and Chief Director: Supply Chain Management in respective departments, agency and Metropolitan municipality in the Gauteng Province. Currently, he is a Divisional Head: Governance and Compliance in the City of Ekurhuleni.

1   Introduction

The late President of the Republic of South Africa, Nelson Mandela (1999) said in the opening address of Parliament on 5 February 1999 that

> "Our hope for the future depends on our resolution as a nation in dealing with the scourge of corruption. For us to be successful we need to accept that we are a sick society in many respects. All this was spawned by apartheid; and no amount of self-induced amnesia will change this reality of history. Nevertheless, it is also a reality of the present that among the new cadres in various levels of government you find individuals who are as corrupt as – if not more than – those they found in government."

Studies already conducted on this subject show that corruption is inherent in the system. It has been in existence since time immemorial and the same can be said in South Africa during apartheid and today's democratic dispensation. As in other parts of the country, municipalities including metros in the Republic of South Africa are experiencing high volume of supply chain corruption, which affects service delivery negatively. Significant resources of the metros dedicated to Special Investigation Unit (SIU), Public Protector (PP), National Prosecuting Authority (NPA) and other external service providers were committed to investigate and prosecute supply chain corruption criminals in the system.

Procurement is an area that has long been recognised as being susceptible to corruption, where both public and private sectors alike are contrary to the provision of the Constitution of the Republic of South Africa, 1996, in particular, Section 217 which

states that procurement of goods and services should be carried-out in a fair, equitable, transparent, competitive and cost effective manner. The issues of supply chain are addressed and accommodated in the constitution. It is therefore important to state that the provision of Section 217 of the constitution was upfront to address evolution of supply chain corruption.

The study reflects on supply chain corruption issues underpinned by conceptual and theoretical expositions. Constitutional bodies, ethics and corporate governance issues are reviewed in the light of study. The article examines international experiences, which provide useful insights on key lessons learnt. The article also reveals an understanding of the concept of ethics in supply chain corruption and further addresses the different concepts of ethics such as values and norms, morality, ethical conduct, ethical dilemma and accountability. The article also investigates several theories of ethics linked to empirical analyses of the study and thereby underpins the study on ethics architecture, which is discussed briefly to inform and attempt to resolve supply chain corruption. At the end, a compelling conclusion is made about the critical issues raised.

It is for this reason that the study assessed the impact of supply chain, its enhancement and impediment on service delivery. As in other parts of South Africa, the City of Ekurhuleni, City of Johannesburg and City of Tshwane (selected as case studies) experienced high volumes of supply chain corruption which impacted negatively on service delivery. The study delved briefly into cases identified and data sourced through unstructured interviews, observation as well as documentary reviews. Sourced data was utilised specifically for this study and confidentiality maintained to protect key informants participated in the study.

The article responds to research question whether supply chain is an impediment or enhancement to service delivery. Therefore, issues of ethics, governance and ethical architecture are discussed under legal account, conceptual and theoretical exposition as well as empirical analyses to inform a clear position and conclusions as to whether supply chain is an impediment or enhancement to service delivery or both.

2   Methodology

The research design used in this study was a descriptive and interpretive case studies, which were analysed through qualitative methods to inform the findings of the study. The study employed qualitative methodology to gather data from the key participants in the three Metropolitan Municipalities, the Cities of Tshwane, Johannesburg and Ekurhuleni in Gauteng Province. Key participants interviewed include managers in supply chain management (SCM), managers in internal audit, managers in risk department, managers in human resource management, managers in information communication technology (ICT), project managers in the department of water and sanitation as well as managers in corporate legal services.

The key participants were interviewed through unstructured interview questions, with an intention to gather empirical data on supply chain corruption. The research questions posed were classified and answered across the metros and those specifically affecting each case study of the metro. These included reviews of government documents and participant observations.

3   Legal accounts

In order to curb the supply chain corruption, municipalities promulgated legislations to ensure that procurement processes follow the rule of law. Thus, numerous legislations were developed to guide procurement practices for the successful state institutions and management of municipalities, legislations such as the Constitution of the Republic of South Africa, 1996; Municipal Demarcation Act 27 of 1998 and its Regulations (South Africa, 1998a); Municipal Structures Act 117 of 1998 (South Africa, 1998b); Promotion of Administrative Justice Act 3 of 2000 (South Africa, 2000d); Promotion of Equality and the Prevention of Unfair Discrimination Act 4 of 2000 (South Africa, 2000e); Preferential Procurement Policy Framework Act (PPPFA) 5 of 2000 (South Africa, 2000c); Municipal Systems Act 32 of 2000 and its Regulations (South Africa, 2000b); Construction Industry Development Board Act 38 of 2000 (South Africa, 2000a); Broad-based Black Economic Empowerment Act 53 of 2003 (South Africa, 2003a); Municipal Finance Management Act (MFMA) 56 of 2003 (South Africa, 2003b); Prevention and Combating of Corrupt Activities Act 12 of 2004 (South Africa, 2004), etc.

The Constitution of the Republic of South Africa, 1996, is set as the baseline to combat supply chain corruption. Section 217 of the constitution provides:

> "When organ of state in national, provincial or local spheres of government or any other institution identified in national legislation, contracts for goods and services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective."

In terms of Chapter 11 of the MFMA Act 2003, Section 115(1)(a) and 115(1)(b) states that the accounting officer of a municipality or municipal entity must implement the SCM policy of the municipality or municipal entity; and take all reasonable steps to ensure that proper mechanisms and separation of duties in the SCM system are in place to minimise the likelihood of fraud, corruption, favouritism, unfair and irregular practices. The PPPFA 5 of 2000 was published in the South African Government Gazette No. 97 on 3 February 2000. The act was intended to give effect to the constitutional provisions relating to socio-economic objectives as contemplated in Section 217 of the Constitution of the Republic of South Africa pertaining to public sector procurement policy. The act has regulations that go further to unpack the bid evaluation process, in terms of evaluation criteria based on functionality, price and equity. The SCM Regulations, paragraph 7(1), stipulates that each municipality and municipal entity must establish SCM Unit to implement its SCM policy. However, the promulgation of the law is one and the implementation of SCM policies is another and these contradictions requires robust internal and external control measures to prevent supply chain corruption.

Prevention and Combating of Corrupt Activities Act 12 of 2004, declares corruption and related activities an offence; establishes a register in order to place certain restrictions on persons and enterprises convicted of corrupt activities relating to tenders and contracts; and place a duty on certain persons holding a position of authority to report certain corrupt transactions. Section 3 of the act, states in blatant terms, matters that characterise corruption:

"Any person who commit 'corruption' in terms of who directly or indirectly accepts or agrees or offers to accept any gratification from any other person, whether for the benefit of himself or herself or for the benefit of another person; or gives or agrees or offers to give to any other person any gratification, whether for the benefit of that other person or of another person, in order to act personally; or by influencing another person so to act, in a manner that amounts to illegal, dishonest, unauthorised, or biased actions; or misuse or selling of information or material acquired in the course of the exercise, carrying out or performance of any powers, duties or functions arising out of a constitutional, statutory, contractual or any other legal obligations; that amounts to the abuse of a position of authority; a breach of trust; or the violation of a legal duty or a set of rules; designed to achieve an unjustified result; or that amounts to any other unauthorised or improper inducement to do or not to do anything."

In eliminating or minimising risk exposure relating to conflict of interest, fraud, corruption, favouritism, unfair and irregular practices as spelled out in Section 115 of the MFMA 2003, as well as to optimise service delivery, such standards must be enforced. SCM function should not play second fiddle to any other function as it is currently happening. The supply chain and procurement functions need to be elevated and given the recognition they deserve as one of the most critical and strategic imperative to be given full potential. These functions impact significantly on both service delivery and socio-economic transformation. The supply chain procurement practitioners must be fully empowered and mandated with appropriate authority and seniority to provide professional advice, make professional judgements and decisions to perform their duties independently and objectively without any fear, prejudice or influence.

Moreover, the accounting officer must take all reasonable steps in terms of Section 115 of the MFMA 2003, which ensure that proper mechanisms and separation of duties in the SCM system are in place to minimise the likelihood of fraud, corruption, favouritism as well as unfair and irregular practices. A compendium of legal instruments and regulations promulgated to regulate the supply chain environment are critical. Despite all these plethora of legislative frameworks, South Africa is still experiencing corruption in supply chain. Why?

The Constitution of the Republic of South Africa, 1996 envisages a public service that is professional, accountable and development-oriented. There is, however, a serious deviation from the provision of the constitution, in particular Section 195 of the Constitution of the Republic which provides that public administration must be governed by the democratic values and principles enshrined in the constitution, including high standard of professional ethics, efficient; economic and effective use of resources; services must be provided impartially, fairly, equitably and without bias; people's needs must be responded to; public administration must be accountable; transparency must be fostered by providing the public with timely, accessible and accurate information; public administration must be broadly representative of the South African people, with employment and personnel management practices based on ability, objectivity, fairness and the need to redress the imbalances of the past to achieve broad representation. The 'essence' of these principles was endorsed through the adoption of what has become known as the Batho Pele principles. Arguably, Batho Pele principles were not lived to the letter and remains unquestionably rhetorical and not action oriented.

4   Conceptual and theoretical expositions

Arrowsmith (2010, p.1) declares that public procurement refers to the government activity of purchasing the goods and services needed to perform its functions, the basic purpose of which is to secure best value for public money. Odhiambo and Kamau (2003, p.10) define public procurement as the purchasing or obtaining goods or services through a competitive bidding process. The process also involves the strategic sourcing of commodities as well as contracting of construction works and services. It includes procurement endowed with resources from the state, local authority, domestic or foreign loans guaranteed by the state, foreign aid and revenue received from the economic activity of state. Hommen and Rolfstam (2009, p.11) argue that acquisition of goods and services by government or public organisation like municipalities is a public procurement and should be handled in a transparent, competitive and cost effective manner. Bolton (2008, p.4) argues that in South African context, the word 'procurement' has a broader meaning than usual. It refers to both the acquisition and the selling or lending of assets.

Burt et al. (2003, p.9) define SCM as a chain that includes all internal functions plus external suppliers involved in the identification and fulfilment of needs for materials, equipment and services in an optimised fashion. For example, in municipal setup, the process starts through needs identification, which is normally carried out through public participation (imbizos). The identified and agreed upon community needs will be taken through the process of infrastructure development plan (IDP). Budget will be made available for the implementation of community needs and delivery will be affected through the normal procurement process. Monczka et al. (2002, p.4) submit that SCM is a continuous evolving management philosophy that seeks to unify the collective productive competencies and resources of the business functions found both within the enterprise and outside the firm's allied business partners.

Burt et al. (2003, p.9) argue that all participants of a supply chain should focus on value-adding functions such as quality, cost, time, technology and continuity of supply. This means that the procurement of goods and services should be handled in terms of the signed contract between the municipality and the service provider(s). As such, the supply chain includes systems management, operations and assembly, purchasing, production scheduling, order processing, inventory management, transportation, warehousing and customer service. Supply chain is essentially a series of linked suppliers and customers. Every customer is in turn a supplier to the next downstream organisation until the finished product reaches the ultimate end user. It is for this reason that procurement and supply chain are interchanged nascent concepts.

According to Monczka et al. (2002, p.4), supply chain as a core competency presents cost reduction or improvement; improved material delivery; shorter life cycle, including product development cycle; access to product and process technology and quality improvement. Watermeyer (2010, ISO 10845-1) describes supply chain as the practice, which forms, manages and implement contracts. Odhiambo and Kamau (2003, p.10) write that supply chain is a process of acquiring goods and services by any contractual means. Supply chain in the public sector focuses on inviting the private sector to bid for supplying goods and services to construct and maintain infrastructure. It is concerned with activities, which precede and continue after the signing of a contract. Arguably, it is the responsibility of government to provide services to the community and in most cases the services are rendered through the appointment of a service provider and all these processes must be put on check.

Monczka et al. (2002, p.4) offer an extensive definition of supply chain and its management that encompasses all activities associated with the flow and transformation of goods from the raw material stage which is referred to as extraction, through to end users, as well as the associated information flows. The SCM process take place through the following basic phases: "demand management, acquisition management, logistic management, contract management and disposal management." It is in these areas of work where supply chain corruption, in a form of bribes, inventory stock and fruitless expenditure, wasteful, unauthorised and irregular expenditure is prevalent. Hence, corruption takes place at any place and stage of the procurement cycle.

Regrettably, despite these SCM phases, World Bank (2000, p.2) observes that corruption strangles economic growth and severely hurts the poor. It undermines public support for development assistance by creating an erroneous perception that all assistances are corrupt. Arrowsmith (2010, p.12) submits that in both developed and developing economies, the problems of collusion or corruption or both distorts efficient functioning of public procurement. Procurement is a hot spot for corrupt malpractices. According to Global Compact (2010), billions of dollars are lost in supply chain due to different kinds of fraud, including information theft, bribery, money laundering, kickbacks, fraudulent billing and various purchasing schemes. Passas (2007, p.4) affirms that supply chain is an area long recognised as susceptible to corruption that strives on cartels. The Parliamentary Centre (2000, p.29) underscore corruption in general as the abuse of position for personal gain or for the benefit of an individual or group to whom one owes allegiance. It is for this reason that government employees must declare their interest in the procurement process so as to avoid unnecessary litigations and delay on provision of services, at the same time that will secure fairness on procurement dealings. Supply chain corruption is therefore a two-way process involving members of both public enterprises and receivers of service who engage in illegal, illegitimate and unethical actions that diminish a country's economic prospects, degrades its social and political standing.

Mawenya (2008, p.2) submits that public procurement is prone to corruption and is therefore a chief cause of poverty in the continent of Africa, thus, an impediment to socio-economic development and growth. According to Lander et al. (2007, p.12), supply chain corruption squanders limited funds meant for service delivery and infrastructure development. Wesley (2004, p.9) confirms that corruption in supply chain continue to influence every business enterprise to pass on the costs to the poor. Kanyane (2014, p.32) asserts that supply chain corruption is beneficial for those who are engaging in it, but not for the rest of the beneficiaries, who are taxpayers. It constrains the growth of a healthy market and distorts economic and social development. Undisputedly, if supply chain corruption is not quarantined, it does impede supply chain performance and economic growth. In addition, Chiocha (2009, p.5) and Armstrong (2005, p.7) submit that corruption in supply chain increases the cost of construction, compromises quality and is undermining competition, which is one of the essential requirements for open bidding process. This is true as there is a possibility of potential collusion between the public contracting official and the private supplier. As such, corruption constitutes a vertical relationship between the public official concerned, acting as a buyer in the transaction and one or more bidders, acting as sellers in this instance.

Against this backdrop, corruption in public procurement is attributed to a combination of socio-economic factors. Perhaps the most crucial is bad governance, manifested by

lack of transparency, weak accountability and lack of integrity by public officials entrusted with procurement. These officials often violate regulations and procedures with impunity. Corruption affects all sectors of the economy and cuts across democracy and political governance; economic governance and management; corporate governance; and socio-economic development which are thematic areas of the *African Peer Review Mechanism (APRM)*. The 'lukewarm' attitude of those who are supposed to enforce the laws of the land could lead to people engaging in corrupt behaviour, knowing fully well that government or state at large is weak on consequence management. Marquette (2012, p.11) declares that contemporary literature points out that corruption is sophisticated that principals are corrupt themselves and have no interest in holding agents accountable.

The SIU (2010, p.111) in their *Training Manual* states that corruption is endemic, especially in the procurement of goods and services. Corruption in the supply chain destroys relationship between the state and society and thus creates distances between the two as it brings about mistrust in conducting the affairs of the state. The unfortunate state of affairs is witnessed by the events in South Africa where the PP, Advocate Thuli Madonsela in her Public Protector's *State of Capture Report* dated 14 October 2016, confirmed the allegation of state capture. This is a damning report where there are overwhelming evidence of violating bid process and awarding bid to un-qualifying bidders. The case in point is the corrupt business transaction process followed by Eskom Power Utility on the pre-payment of R659 558 079.00 inclusive of VAT to Tegeta [Public Protector of South Africa, (2016), p.21].

Passas (2007, p.5) also concedes that supply chain is a phenomenon susceptible to corruption. Corruption in supply chain poses a substantial inherent risk of which creates haven for criminals and thus requires some aggressive efforts to fight it. OECD (2010, p.24) acknowledges that corruption in supply chain involves a relationship between one or more bidders and the procurement official. It is a principal-agent problem where the agent (the procurement or the client department official) enriches himself at the expense of his or her principal (the government or the public more generally). It is therefore apparent that public procurement accounts for a large lion share of national economies wherein the potential of corruption to damage a national economy is significant. It is because corruption arises in procurement when the agent of the procurer in charge of the procurement is influenced to design the procurement process or alter the outcome of the process in order to favour a particular firm in exchange for bribes or other rewards. A gross conflict of interest was recently witnessed through the work carried out by the Public Protector on the *State of Capture Report*, 2016 as well as the recent court judgement on the corruption and money laundering case of the former Chairperson of the ANC and the MEC of Finance and others, in the Northern Cape Province, Mr. John Block. Arguably, conflict of interest creates incentive to act opportunistically notwithstanding pre-existing obligation either ethical or legal and so is of special interest in both law and behavioural ethics.

Coming to theoretical exposition, the theory of ethics informs an individual character and the way one wants to be treated. In a study on the ethical fitness of public managers, Edwards (2001, p.2) explains ethics in terms of several individual frameworks. Plato [as cited in Edward, (2001), p.2] on one hand was of the view that ethics was based on theoretical insights which one can gain by means of philosophical thought. The author refers to this theoretical insight and knowledge as episteme, which implies that with the knowledge of good, one can become morally good and undertake good deeds. Aristotle [as cited in Edwards, (2001), p.2] on the other hand, refers to the study of ethics as the

study of excellence or the virtues of character. In the view of Aristotle, ethics implies the kind of life people ought to live. Aristotle differs from the views of Plato on the concept and reality of ethics.

According to Aristotle [as cited in Edwards, (2001), p.2], ethics is not just a matter of gaining intellectual understanding, but also a practical hand on experience and a sense of what action is the most appropriate in a given situation. Institutions usually try to live by an ethical code, while the people who set up a code of ethics often study and think of and reflect on it. Pauw et al. (2002, p.327) emphasise the aspect that ethics concern people's ideals, their motives of choice and their pattern of good and bad conduct. Ethics represents three varied concepts, the systematic thinking or reflection on morality, people morality and an agreed upon view of what is permissible for the practitioners or group of people. People or institutions have different living and working structures, beliefs and as such, their ways of doing business are different. However, they have acceptable behaviours and norms that guide their existence. They often reflect on their way of doing business and try to be guided by a defined code of conduct.

Ethics can be distinguished into normative and descriptive. Normative ethics designates the standard for the rightness and wrongness of acts, whereas descriptive ethics is an empirical investigation of people's moral beliefs. The law thus set the minimum standard for ethical investigation of people's moral beliefs. It is viewed as the promoter of ethical behaviour. The fact that an act is legal does not make it ethical; example in this regard is the apartheid laws in South Africa (1948–1994). According to Mavuso (1999, p.63), ethics serves to guide the actions or behaviour of individuals only insofar as it is necessary for the good of an institution. Ethics is a matter of responsibility management as much as it is individual property. It requires some basic moral dispositions and presupposes fundamental moral principles [Mavuso, (1999), p.63].

According to Cameron and Stone (2000),

> "Ethics is different from law because it involves no formal sanctions. It is different from etiquette because it goes beyond mere social convention. It is different from theology because it makes no theological assumptions. It is different from prudence because it goes beyond self-interest to include the interests of others. Ethical enquiry consists of asking what is good and what is evil; what is right and what is wrong."

Commenting on public sector ethics, Kennedy (1999, p.14) expresses the view that ethics is vested in a process of conventional thinking about what are moral and reaching judgements in relation to what is right and wrong or good and bad. This process of thinking ultimately leads to decisions being taken and the way people behave. Therefore, ethics is not restricted to race, colour, culture or creed. Kernaghan (1993, p.15) recognises that the criteria can be in writing or merely phantom interpretation by an individual of what is acceptable or not. However, both are palpably insufficient in promoting public service ethics.

Kanyane (2010, p.82) elucidates that within the context of the public service, leaders and managers need to possess high standards of ethics and professionalism, which are two convergent qualities that must be recognised as non-negotiable requirements for any political or public officials, leaders and managers to lead and manage by example. If government is serious about turning service delivery around for the good of the public, the conduct and the attitude of the public officials and political office bearers must be beyond reproach and above suspicion of selfishness in the rendering of public services.

The public interest must supersede their private interest. Mbatha (2005, p.16) describes ethics as a moral value of an individual. It is about principles relating to human behaviour with due consideration to what is right or wrong of certain actions as well as motives of such behaviour and the end thereof. Presumably, if ethics is lived, it could be a preventive measure against supply chain corruption.

Holtzhausen (2007, p.154) states that consideration must be given to the existence of values and morals, which are deemed by the public to be sound and desirable as well as providing the background for rigorous transparent administration. Holtzhausen (2010, p.261) explains ethics by referring to its teleological and deontological implications. Ethical deontological theories maintain that circumstances determine which actions are considered ethical or not. This is referred to as the intention of the doer. The well-known ethical theories are consequentialist and deontological. Consequentialist is evaluating acts based on their characteristics. An example of a consequentialist theory is utilitarianism, which states that one should choose actions that maximise the sum of happiness across all individuals. An example of a deontological theory is the Kantian perspective, which deems unethical actions that violate a set of principles called the categorical imperative.

Caroll and Buchholtz (2008, p.242) accentuate that the first line of defence against supply chain corruption is ethics. Law enforcement comes after the facts as reactive remedial action. Caroll and Buchholtz (2008, p.242) posit that "ethics is a discipline that deals with moral duties, behaviour and obligations of an individual. It focuses on what is good and bad." Olanipekun (2006, p.186) and Gebler (2010, p.2) write that ethics is a branch of philosophy that studies and assesses the right and wrongs of voluntary actions of human beings. Kernaghan (1993, p.16) and Levin (2002, p.11) argue that ethics is not only concerned with distinguishing right from wrong, good from bad but also more with the commitment to do what is good or what is right. As such, the code of conduct is a requisite to do what is right against maladministration and unethical conduct at all spheres of government. Klitgaard (1998, p.4) proposes a formula for analysing the act of wrongdoing, the tendency for corruption to exist: corruption = monopoly + discretion – accountability ($C = M + D - A$). In the sum total, a lack of accountability in the formula is the recipe for moral bankruptcy.

Public Service Commission (2001, p.152) states that being 'ethical' adheres to moral values and therefore subscribes to ethical standards that indicate the appropriate stance and behaviour of individuals, groups, institutions as well as organisational and social systems. These standards are moral obligations arising from principles about right and wrong. Ethical behaviour builds on core moral values while respecting cultural diversity. In addition, the Public Service Commission (2001) espouses the importance of promoting ethics and ethics management in the workplace. To this end, ethics should be understood as the preventive measures and if ethical values are lived, supply chain corruption could be prevented from taking place.

5   Empirical analyses

During unstructured interviews, there was arrogance displayed by the key participants when responding to questions throughout the session. The SCM Policy, Internal Audit Reports, Auditor General Reports and Public Protector Report including the Investigations Report mounted on the intranet of the City of Tshwane, City of Johannesburg and Ekurhuleni were studied. This included bid specification, bid

evaluation and bid adjudication reports and minutes relevant to the cases under study sourced from Supply Chain Management Division of the three metropolitan municipalities.

The minutes of all SCM committees showed that the committee members were actually reading reports compiled by officials but whatever hidden in the report is recommended and approved without necessarily verifying facts derived from the bid documents. It also appeared that the provision of Regulation 32(1) of the MFMA Supply Chain Management Regulations and Supply Chain Policies were abused with malicious intention to perpetrate supply chain corruption. Although Regulation 32(1) makes provision for procurement of goods and services under contract secured by other organs of state, the study revealed that the provision was abused in pursuit of supply chain corruption in the metros under study.

During the interview, the key participants were sensitive to issues of compliance to the SCM policies and regulations that implicated them. In other questions posed, the participants claimed ignorance of the prevailing legislations, though they appeared to be conversant with the provision thereof. It was difficult to establish facts from service providers as they argued that they were not conversant with the internal processes of the three cities under study claiming that they submitted their proposal in good faith and waited for the cities to finalise their internal processes and make an award to a successful bidder. The service providers stated that they are not sitting in any of the supply chain committees of the metros that finalised the award of tenders. The key participants claimed that they do not have any potential relationship with employees in the metros and that none of their family members are working in those metros. Their claim corroborated with the evidence contained in the declaration of interest form (Form 4). All municipalities and entities to declare their interest use the Form 4. However, such declarations can be made, but there is no guarantee that relationships or collusions between the metro officials and the said service providers do exist or not.

5.1   City of Ekurhuleni Metropolitan Municipality

On cases affecting Ekurhuleni Metropolitan Municipality, the case of R109 million tender for the supply of intelligent water metres, the appointment was done through deviation in terms of MFMA Regulation 32 of the Municipal Supply Chain Management Regulations. Upon document review and analysis, it was discovered that even though the deviation process was followed, there was an error on interpretation of the specification by both managers in SCM and the project manager in the client Department of Water and Sanitation. The error appeared to have been committed deliberately, with an intention to commit supply chain corruption. As such, the two former employees appeared before the Commercial Crimes Court on charges of supply chain corruption involving R32 million IT tender. In this case, it was clear that the head of department and manager ICT deliberately failed to declare their interest as they were related to the service provider and benefitted from the appointment. They crafted specifications for the tender, evaluated it and presented it to the Bid Adjudication Committee for recommendation and approval by the accounting officer.

It became evident from the interviews and documents review process that the former Head of Department: Information Communications and Technology abused his power and position by engaging a contractor without declaring his interest and thereby

disadvantaging other bidders, further that the former Chief IT Architect deliberately misled the committee by not declaring his interest and that action resulted on him benefitting from the appointment in a corrupt manner and at the detriment of other bidders. It was that relationship that led to supply chain corruption and rendered the whole transaction irregular and invalid.

5.2   City of Johannesburg Metropolitan Municipality

In this case, it was established that Pikitup appointed an audit firm to conduct investigation on alleged tender rigging. The entity paid an audit firm an amount of R6 m of which the instruction was stopped before the audit firm could prepare a final report into dodgy tenders worth R360 m. The matter was pursued with an intention to investigate what led to the entity terminating the investigation before the work was completed. There were parties involved on the transaction, who based on their knowledge and expertise as well as their involvement in the supply chain processes leading to the appointment and investigation of cases under study, were identified as key participants in the study.

Corruption Watch established that the City of Johannesburg, its entity Pikitup paid an audit firm an amount of R6 million to investigate tender rigging worth R360 million. The probe stopped before the procured audit firm could prepare a final report about the dodgy tenders. It was later discovered that the investigation implicated senior executives in Pikitup Johannesburg (Pty) Ltd. and were later suspended. Through interview process, the key participants were able to provide information on the rationale behind stopping the consultant before the project was finalised by indicating that the findings of the said investigation showed weaknesses in internal policies and some wrongdoing in human resources and financial management.

5.3   City of Tshwane Metropolitan Municipality

Collusion and corruption was prevalent on inflated prices for various goods procured for the City of Tshwane Metropolitan Municipality. It was observed from the interviews conducted and the document review process that prices of items were unreasonably escalated. Due to conflict of interest, the public officials concerned were benefitting from the transactions. For example, there was supply chain corruption on the appointment of contractor for smart metres. The contractor was appointed and paid the whole sum of supplying 800,000 smart metres yet only a portion thereof was delivered. The contract was later terminated. Further, the study also found that 66 officials had conflict of interest that they failed to disclose to the authorities. There were also eight procurement investigations amounting to R104 millions of irregular, fruitless and wasteful expenditures identified on seven procurement transactions. It was also realised that there were 83 cases investigated and finalised where work was allocated to service providers without following due SCM process.

To this end, in all accounts of these case studies from the three metropolitan municipalities in Gauteng, the affected parties were found to be senior/executive managers operating within the cartel. Despite uncovering of supply chain corruption in the three case studies, there is a serious lack of consequence management. This is in line with what transpired from the documents reviews, interviews and observation that supply chain corruption is inevitably rife in the three cities of Tshwane, Johannesburg and

Ekurhuleni. The supply chain process is corrupted from the initial or conceptual stages of projects, where services on capital projects are outsourced to professional service providers, who in most cases are having conflicting interest that are not disclosed. The specifications and evaluation criteria were found to have been communicated to bidders' way before the bid is advertised. On the part of the internal staff in all three metros under study, the potential abuse was observed on the utilisation of the provision of Regulation 32 that allows the other municipalities to use services procured by other municipality or municipal entities.

6 Ethics architecture model – a response mechanism against supply chain corruption

In the light of the uncovered supply corruption in the three case studies under study, the study recommend the use of Kanyane (2014) ethics architecture model as a response mechanism to prevent corruption from happening. This resonates with the old adage, 'prevention is better than cure', a unique model contrary to commonly practiced and expensive post mortem solutions. Kanyane (2014, p.2) confirms that ethics architecture refers to systems and structures in the form of a set of rules, institutions and practices designed by local authorities to promote ethical conduct against corruption. Emphasis on the need for the effective ethics architecture arises from the detrimental effects of corruption. The architecture model is a complete and a comprehensive hybrid comprising of legal, institutional and social elements. The call to design embryonic ethics architecture to address the problem of corruption and also to encourage and promote high standard of professional conduct in the public sector is a global phenomenon.

According to Behnke (2002, p.679), the term 'ethics architecture' was first coined by the Organisation for Economic Co-operation Development as structures of institutions, procedures and traditions that aim to promote ethical behaviour and to fight corruption among public officials. Kanyane (2014, p.8) submits that ethics architecture is a comprehensive strategy to fight corruption in modern public institutions, so it becomes imperative to examine the effectiveness of ethics architecture as an instrument of enhancing ethics against corruption. Siswana (2007, p.224) writes that ethics is an essential part in support of good governance and the sharing of information between institutions in order to support quality decision-making, accountability, transparency and responsibility.

The Kanyane (2014) ethics architecture model is unique in the sense that it is a hybrid of anti-corruption legal instruments, institutional structures and socialisation/moralisation of society and therefore encompasses the elements of the letters 'ethical' (i.e., *e*xcellence, *t*ransparency/*t*rust, *h*onesty, *i*ntegrity, *c*ommitment, *a*ccountability and *l*oyalty), as the main drivers to deter the growing rate of supply chain corruption. The model addresses the character development from childhood until the ethical practice becomes a norm. The codes of ethics lay down the norms and standards of what is acceptable and unacceptable conduct within organisations, in this case, the metros. The compliance and integrity approaches form part of the components of organisational ethics architecture, the compliance and consequence management is provided for by the ethics architecture components of accountability and control mechanisms, effective legislative framework, public scrutiny (active civil society and probing media) and legal codes of ethics or

conduct. The integrity route is supported by the components of socialisation ethical leadership (leadership commitment) and code of ethics and conduct. The ethics architectural model managed by an Integrity Management Office is crucial in the battle against corruption. This includes exemplary leadership, well paid workforce, robust and balanced media platforms and active citizenry aimed to enhance social accountability.

Undisputedly, parents are the first and most important medium shaping character and the axiological paradigm. It is on this understanding that moral development has become an essential part of the development of the core values that will remain firm throughout the adult life. Character building and development must be a crucial component in life of individual. Kanyane (2014, p.173) writes that it is within the bosom of the family that values are handed down from one generation to the next. The family institution should play a critical moralisation role inculcating values of respect, honesty, incorruptibility and moral uprightness in their children during their formative years.

White (1903, p.26) postulates that "the greatest want of the world is the want of man – man who will not be bought or sold; man who in their inmost souls are true and honest; man who do not fear to call sin by its right name; man whose conscience is as true as needle to the pole; man who will stand for the right though the heavens fall." This is the highest call for duty for every ethical and responsible citizen. Johnson (2001, p.2) confirms that ethics is the heart of leadership and that the two should go hand in hand. Ciulla (2005, p.326) affirms that power has the potential for all sorts of ethical difficulties that stem from what one uses it for, to how it is exercised. For example, the power that comes from being a leader can also be used for evil as well as good. Leaders should therefore be aware that that the power that comes from being a leader can also be used for evil as well as good and as such, an ethical leader should always do what is good. When leaders assume the benefit of leadership, they should know to also assume ethical burdens. Webb (2012, p.107) suggests that the rewards given for the good work should be visible. This will ensure that employees gain a clear understanding and knowledge of both ethics and operational policies.

In line with Conradie (2007, p.17), the oversight model of the South African Legislative Sector [Republic of South Africa, (2012), p.3] views accountability as a social relationship, where an individual or agency feels obliged to explain and justify his or her conduct. Parliament's oversight and accountability model outlines that the accountability functions are to enhance the integrity of public governance in order to safeguard government against corruption and abuse of power; to effect democratic control; to improve performance and enable public to judge; to assure public confidence by being transparent, responsive and answerable.

Overall, given the ensued discussions emerged from legal account, conceptual and theoretical expositions and empirical analyses as well as Kanyane (2014) ethics architecture model, supply chain if not given necessary attention, it facilitates impediment of service delivery through corrupt officials and service providers. Without ethics, the vehicle, referred to as supply chain, that is meant to improve the lives of citizens through service delivery and economic empowerment translates into a guzzler that sucks the blood out of the life of citizens. As such, due to corruption, supply chain becomes an impediment to service delivery. The Department of Public Service and Administration (2013, p.17) in its strategic planning session 2015/2020 confirms that corruption impedes service delivery, compromises development and undermines public confidence in the state. In an attempt to strengthen the fight against corruption, it is prudent to take steps to prevent public officials from doing business with the state.

Regrettably, there are numerous impediments in supply chain and they are actually public officials who are handling procurement of goods or services without complying with the legislative precincts. These are unethical officers who solicit bribes from the bidders and deliberately and intentionally fail to declare their personal interest, but rather prefer to handle supply chain process so that they can perpetually pursue their selfish interest. This includes service providers who are found to be colluding with the municipal officials on price fixing and offering bribes to officials so that they can be awarded tenders. The crucial issue which makes supply chain to be an impediment is failure by authorities to enforce consequence management by instituting a disciplinary and prosecutorial action against perpetrators of supply chain corruption to recover money and benefits acquired through corruption. At most to even prevent corruption from happening by inculcating culture of ethics and morality in society.

7 Conclusions

Unless the culture of ethics is inculcated in the civil society, public and private institutions, supply chain corruption remains to undermine democracy and thus impedes service delivery and development. The study demonstrated promulgated legislations to curb the abuse of power in SCM, but corruption remains unchecked. The Kanyane (2014) ethics architecture expounded requires practical application. The architecture takes into consideration all stakeholders required for the success of sound ethical governance. Ethics are essential for sound and transparent public administration and when viewed in conjunction with moral compass, serve as the cornerstone of public administration.

There have been lessons, though, from the ensued discussions on the differences between consequentialists and deontologists theories on ethics. Indisputably, both the consequentialists and deontologists together with corruption combating structures in government, business and the civil society should come together to robustly keep holders of public office on check under public scrutiny. Besides the corruption combating structures, what matters most is the embodiment of an ethical behaviour to yield positive attitude. Presumably, with the positive human factor derived from Kanyane (2014) ethics architecture lettering of 'ethical' (i.e., *e*xcellence, *t*ransparency/*t*rust, *h*onesty, *i*ntegrity, *c*ommitment, *a*ccountability and *l*oyalty), existing legal provisions promulgated to mitigate the scourge of corruption will be naturally adhered to. People will be willing to do the right thing not without fear of sanctions, but because they are predisposed to doing the right thing. It is within the work environment, which largely comprises of positive human factor that even people who have not acquired the right attitude to work will change their behaviours for the better.

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