An Assessment of Compliance with the Public Procurement Act by Nigerian Local Government

Patrick OMAGBON
Department of Accounting, Faculty of Management Sciences,
University of Benin P.M.B. 1154, Benin City, Edo State, Nigeria,
Email: paomagbon81@yahoo.com

Abstract

This study examined the extent to which Nigerian Local Government comply with Public Procurement Act. The objectives of the study are to determine the extent of local government compliance with the procurement act and the role of media publicity in exerting compliance with the Public Procurement Act in Nigeria Local Government, as well as investigate the relationship between professionalism and compliance with public procurement Act and political interference and compliance with Public Procurement Act in Nigeria Local Government. In order to collect sufficient primary data, the survey method was employed and questionnaires designed and distributed to collect the needed data. The data were analyzed using IBM SPSS Statistics 21 ordinary least square nonparametric and one-sample t-test analytical technique. The study found a considerable political interference with the procurement process which partly account for the low level compliance with the procurement act by the local governments.

Keywords: Compliance, Public procurement, Local government, Nigeria.

1.0. Introduction

In today’s world, corruption poses as the greatest threat to economic and political development. This challenge has become a devastating issue facing Nigeria since the colonial rule. Although this threat has eaten deep into the fabric of our system, various mechanisms for checkmating this threat are continually put in place by the government (Mohammed, 2013). One of such means has been through the issuance of the public procurement act of 2007. World Bank (1995) refers to Public procurement as the acquisition of goods, services and works by a procuring entity using public funds. Public bodies have always been big purchasers, dealing with huge budgets. Public procurement accounts for a high proportion of total expenditure of Nigeria (Jibrin, Ejura & Nwaorgu, 2014).

According to Adewole (2014), the Nigerian Public Procurement Law 2007 is one of the most radical and commendable institutional reform agenda that the country embarked upon in recent years. Basically, the law is a pro-active response to Nigerian weak institution in order to achieve good governance in public procurement sub-sector. This is against the backdrops of the fact that the problems of weak and strong institution in addition to corruption are widely accepted impediment to Nigerian sustainable growth and development.

Local government is a government at the grassroots level. According to Ojofeitimi, (2002) states that the word “local” connotes that council are meant for small communities and the word “government” means that they have certain attributes of government. Thus, local government can therefore be defined as a political sub-division of a nation (or in a federal system, a state) which is constituted by law and has substantial control of local affairs including the power to impose taxes or to demand labour for prescribed purposes, Ojofeitimi, (as cited in Ojo, 2009).
Local government makes procurements relevant for its development, however in doing this, certain irregularities and misappropriations occurs which impedes the objective of government procurement.

Sound public procurement policies and practices are among the essential elements of good governance (Hui et al., 2011). OECD, (2007) notes the irregular procurement activities in public institutions provide the biggest loophole through which public resources are misappropriated. According to Thai (2001), the basic principles of good procurement practice include accountability, where effective mechanisms must be in place in order to enable procuring entities spend the limited resources carefully, knowing clearly that they are accountable to members of the public; competitive supply, which requires the procurement be carried out by competition unless there are convincing reasons for single sourcing; and consistency, which emphasizes the equal treatment of all bidders irrespective of race, nationality or political affiliation.

The process should also uphold integrity by ensuring that there are no malpractices; informed decision-making, which requires public bodies to base decisions on accurate information and ensure that requirements are being met. More still, the Procurement practice should be responsive to aspirations, expectations and needs of the target society. Finally, there is need for transparency to enhance openness and clarity on procurement policy and its delivery (OECD, 2007).

1.1. Research problem
Procurement encompasses the whole process of acquiring property and/or services. It begins when an agency has identified a need and employs public procurement as a vital instrument for achieving economic, social and other objectives (Arrowsmith, 1998), and is regrettably an area vulnerable to mismanagement and corruption (OECD, 2007). Besides, most of the studies on public procurement compliance have been conducted outside Nigeria and mostly in the developed world.

In Nigeria, a wave of procurement reforms that begun in 1999, culminated into the enactment of the Public Procurement Act 2007. Unfortunately, many government ministries and agencies have since then not followed prescribed practices (Agaba & Shipman, 2007). Gelderman et al. (2006) stipulate that compliance occurs when the target performs a requested action, but is apathetic about it, rather than enthusiastic, and puts in only a minimal or average effort. However, as an organizational outcome, compliance has traditionally been understood as conformity or obedience to regulations and legislation. It is on this premise that this study seeks to therefore provide answers to the following questions:

To what extent does the Local Government comply with the Act?
What is the role of media publicity in exerting compliance with the Public Procurement Act in Nigeria Local Government?
What is the relationship between professionalism and compliance with Public Procurement Act in Nigeria Local Government?
What is the relationship between political interference and compliance with Public Procurement Act in the Nigeria Local Government?

1.2. Objective of the study
The broad objective of this study is to assess the extent of compliance with Public Procurement Act by the Nigeria Local Government. The specific objectives are to:
Examine the extent to which Local Government comply with the Public Procurement Act in Nigeria.
Determine the role of media publicity in exerting compliance with the Public Procurement Act in Nigeria Local Government.
Investigate the relationship between professionalism and compliance with public procurement Act in Nigeria Local Government.
Investigate the relationship between political interference and compliance with Public Procurement Act in Nigeria Local Government.

1.3. Research hypothesis
In order to answer the research questions and achieve the research objectives, the following hypothesis stated in the null form shall be tested.
Ho1: Nigeria Local Government does not comply with the Public Procurement Act.
Ho2: Media publicity does not exert compliance with the Public Procurement Act in Nigeria Local Government.
Ho3: There is no relationship between professionalism and compliance with Public Procurement Act in Nigeria.
Ho4: There is no relationship between political interference and compliance with public procurement Act in Nigeria.

2.0. Literatures Review
This study assesses the compliance with the public procurement act by the Nigeria Local government. The main variable review is the factors that influence the compliance with the procurement act and the recent reforms in public procurement in Nigeria. The variables include: media publicity, professionalism and political interference and how it influences compliance with the public procurement act in Nigeria Local Government.

2.1. Public procurement in Nigeria
Prior to 2007, there was no statutory provision that directly regulate the award of public contracts in Nigeria and the result is that the award of contract becomes an avenue by which the government functionaries reward their friends and cronies and by which they too amass wealth. Most of the rich business men that we have in Nigeria today make their money through contracts that are awarded to them in the past by the governments, whether military or civilian government it is the same. Disgusted by the depth of corruption in the procurement system and its effects on the economy, the Federal Government commissioned the World Bank in 1999 in collaboration with some private sector specialists to review the country’s public sector procurement structure, including the existing legal framework, organizational responsibilities and capabilities, and present procedures and practices, including how these may differ from the formal rules and procedures. Rather than enacting a statutory legislation to regulate public contracts, the government took a step to check the abuse in the system by establishing the Budget Monitoring and Price Intelligence Unit (BMPIU) in the Presidency with an objective among others to ensure that merit and due diligence are adhered to in the award and execution of contracts, procurement of products and services. However on the 4th of June 2007, the then president of Nigeria President Umaru Musa Yar’Adua signed into law the Public Procurement Act (PPA) which is the first procurement law in the history of Nigeria. The purpose of the Act is to ensure transparency, competitiveness, value for money and professionalism in the public sector procurement system (Jacob, 2010). The Act provides for the establishment of the National Council on Public Procurement (NCPP) and the Bureau of Public Procurement (BPP)
as regulatory authorities responsible for oversight, management and monitoring of public procurement practices and system.

There is a presumption that every enacted statute has a purpose. Section three, subsection one of the PPA establishes a regulatory body known as the Bureau of Public procurement [BPP]. The body becomes an agency with corporate personality. The objectives of the PPA as a statute are not directly stated in the Act but could be gathered from the statutory function of the BPP. In a section of the law titled the objectives of the Bureau the Act mentioned four objectives of the Bureau which are first to harmonize the existing government policies and practices on public procurement and to ensure probity, accountability and transparency in the Procurement process. The Second is to establish pricing standards and benchmarks while the third is to ensure the application of fair, competitive, transparent value-for-money standards and practices for the procurement and disposal of public assets and services. The fourth is the attainment of transparency, competitiveness, cost effectiveness and professionalism in the public sector procurement system. In section one of part one, the Act establishes the National Council on Public Procurement [NCPP] and in section three of part 224 it establishes the Bureau of Public Procurement (BPP) both as regulatory authorities responsible for the monitoring and oversight of public procurement in Nigeria. While the BBP really performs regulatory and administrative functions, the NCPP exerts control over the administration of BPP to ensure that the objectives of the Act are not defeated. It gives directives for implementation to the BPP to ensure that it does not derail from the fundamental principles for procurement. It approves contract thresholds and policies on public procurement to ensure and maintain sound procurement process.

2.2. Role of media publicity in compliance to PPA

The media play a vital role in corporate compliance. The corporate community is made aware of the regulatory outcomes (Zubicic and Sims, 2011). It’s evident that wide publication of tenders in the media could help reduce corruption by increasing transparency and participation, thereby enhancing public procurement compliance. Media exposure reduces the incidence of wrongdoing through press coverage that highlights instances of wrongdoing (Borden 2007). Furthermore, Jubrin, Ejura and Nwaorgu (2014) stated that in an environment of heightened and effective press coverage of misconduct, others contemplating misconduct may be discouraged. They opined that media publicity improves public procurement compliance. In the works of Obanda (2010), he argued that there is a direct correlation between negative media publicity and their subsequent approach to corporate compliance.

2.3. Professionalism and Public procurement

Professionalism in public procurement relates to the levels of education and qualifications of the workforce and also to the professional approach in the conduct of procurement activities. If the workforce is not adequately educated in procurement matters, serious consequences including, breaches of codes of conduct occur (Raymond 2008). The lack of high degree of professionalism in public procurement leads to corruption which ultimately impedes compliance. Procurement officers must be trained and aware about all regulations in relation to procurement and related procedures. Basheka and Mugabira (2008) stated that the level of professionalism in public procurement in Nigeria is low or rather non-existent. Therefore, non-compliance in public procurement is attributable to lack of purchasing professionalism in the public sector. Thus, purchasing professionalism increases public procurement compliance.
2.4. Political interference and public procurement

Public procurement is considered an inherently a politically sensitive activity. Pillary (2004) argues that senior officials and political leaders use public office for private gain and this has weakened the motivation to remain honest. Raymond (2008) also opined that ministers and political parties receive clandestine payments in government procurement. This ultimately interferes with the procurement process and constrains compliance. This is also re-echoed by Lodhia and Burritt (2004), who recognizes that social and political influences have an important bearing on public sector reform. In developing countries; one of the major obstacles to the procurement system is ministerial interference with the tender process where ministers intervene and influence tender awards. The threat of being suspended or fired has in many cases intimidated public officers into obeying illegal ministerial directives leading to non-compliance (Akech, 2005). In support of this, Hui et al. (2011) asserted that interference from the local politicians, businesspersons, members of parliament and very influential top management individuals has interrupted the procurement processes and deterred transparency. Lodhia and Burritt (2004) further stated that political influence in public sector management limits information, transparency and favour is extended without management being held to account. Coviello and Gagliarducci (2010) also revealed that politicians influence public procurement through non-compliance acts such as collusion. It therefore implies that political interference has a negative effect on public procurement compliance.

3.0. Methodology

The survey research design was used in this study. The population of the study comprises top, middle, and lower level management staff of some Local Government in Edo State drawn from Works and Housing, Administration, Finance and Treasury, Environmental Health, Medical and legal departments respectively. The rationale behind the choice of these groups is based on the fact that they are usually saddled with the responsibilities of executing procurement and procurement process in any organization and also, on the fact that these group constitute a pool of eligible staff from which a procurement committee members may be constituted (Bureau of Public Procurement, 2011).

Primary data was used in the study and the data was generated using well-structured likert scaled questionnaire. Likert scale questionnaire was preferable because it can be tested for internal consistency. For the purpose of analyzing the data collected; we employed nonparametric statistical test and One-Sample T-Test of the IBM SPSS Statistics 21 in the study. The nonparametric test has two assumptions both met by this research: that the observations are independent, and the variable under study has underlying continuity.

4.0. Presentation of results

The Likert scales measurement and the scales’ item analysis result for this study is presented in table 2. Cronbach’s alpha normally ranges between 0 and 1. There is actually no lower limit to the coefficient. The higher the Cronbach’s alpha coefficient is, the greater the internal consistency of the items in the scale (Cronbach, 1951; Gliem and Gliem, 2003). Thus, the Cronbach’s Alpha coefficient for this study performed satisfactorily with a value of 0.776 and 0.820 for the standardized items, an indication that the research instrument’s scale and the items display high internal consistency.

The results of the descriptive statistics of individual item computed from the responses to the questionnaire items of the hypothetical questions are presented in tables 3, 4, 5, and 6. As evident in table 2, the mean and standard deviation responses of 3.35 and 1.182 for “Local
Government compliance with the procurement act”, 3.31 and 1.284 for “Local Government officials adhere to procurement act when making government purchases”, 2.78 and 1.195 for Local Government authorities are fair to all bidders for government procurement”, and 3.09 and 1.368 for “Local Government are transparent and uphold integrity in the procurement of supplies for their communities” respectively suggests that respondents are in unison as to compliance with procurement act by local governments in Nigeria.

Also evident in table 4, the means and standard deviations of responses of 4.22 and 0.666 for “The media plays a vital role in ensuring compliance with the procurement act”, 4.04 and 1.028 for “Publication of tenders in the media help increase transparency and participation of the public in local government”, 3.62 and 1.093 for “the media in Nigeria are highly involved in the coverage of government procurement”, and 3.07 and 1.188 for “Nigerian media sector is highly politicized and therefore cannot be totally relied on in respect of government procurement” respectively suggests that respondents are in unison as to the role of media publicity in compliance with the procurement act by Nigerian local government.

In the same vein, in table 5, the means and standard deviations of responses of 3.72 and 1.232 for “Professionalism in public procurement lead to strong compliance with the act”, 3.19 and 1.557 for “Procurement officers in the local government are well trained and are aware of the requirement and regulation of the procurement act”, 3.34 and 1.389 for “Noncompliance in public procurement is attributable to lack of professionalism in local government”, and 3.00 and 1.648 for “There have been training in the local government over the last two years on procurement reforms in Nigeria” respectively suggests that respondents are in unison as to the effect of professionalism on compliance with public procurement act in Nigerian local government.

Similarly, in table 6, the means and standard deviations of responses of 4.32 and 0.905 for “Political activities has a negative effect on procurement process and compliance in local government”, 3.65 and 1.290 for “Ministerial interference with the tender process impedes compliance with the procurement act”, 3.15 and 1.200 for “The 2007 procurement reforms act limited the influence of senior officials and political leaders in the procurement process”, and 3.44 and 1.670 for “Top government officials adhere to the procurement act as regard advert for public bidders” respectively suggests a unison among respondents that political interference impedes compliance with public procurement act in Nigerian local government.

In addition to the descriptive statistics test results in tables 3, 4, 5, and 6 which show that respondents’ response in all hypothetical question scenarios almost unanimously agree on the compliance level of Nigerian Local Governments with the public procurement act, a t-test was conducted to test the hypotheses. The results of the t-test are presented in table 7. The t-statistics of 2.027 and a significance value of 0.046 indicate that Nigerian Local Governments slightly comply with the Public Procurement Act, consequently, the null hypothesis one is rejected. In the same vein, the t-statistics of 2.028 and a significance value of 0.046 indicate that media publicity slightly exert the compliance with the Public Procurement Act in Nigerian Local Governments; we therefore reject the null hypothesis two.

Also the t-statistics of 2.028 and a significance value of 0.046 reveal that a slight relationship exist between professionalism and compliance with Public Procurement Act in Nigeria, we therefore reject the null hypothesis three. Furthermore, the t-statistics of 43.914 and a significance value of 0.000 reveal that a significant relationship exist between political
interference and compliance with Public Procurement Act in Nigeria, hence hypothesis 4 is rejected.

5. Conclusion and Recommendations
The study presents empirical analysis of the compliance level of Nigerian Local Governments with the Public Procurement Act. The results reveal that Local Governments’ level of compliance with the public procurement act is at its lowest end. The reason for this low level compliance may be due to poor media publicity of local government procurement and poor display of professionalism in the procurement process by the local government procurement officers. This was further reinforced by the considerable political interference with procurement process in the Local Government. This study has advance the literature on compliance with the public procurement act. The result of this study is subject to further analysis and should therefore be considered with care.

It is advised therefore that, in order attain full compliance with the public procurement act, Local Government authorities must ensure wide publicity of all procurement, training of procurement officers, and more importantly minimize political interference. Also the authorities must ensure probity, transparency, and accountability in procurement process.

6. References


7. Tables
1. Public procurement reforms has helped checkmate the problem of corruption and misappropriation in the LG

2. LG officials adhere is to procurement Act when making government purchases.

3. LG authorities are fair to all bidders for government procurement.

4. LG are transparent and uphold integrity in the procurement of supplies for their communities.

5. The media plays a vital role in the ensuring compliance with the Procurement Act.

6. Publication of tenders in the media help increase transparency and participation of the public in LG procurement.

7. The media in Nigeria are highly involved in the coverage of Government procurements.

8. Nigeria media sector is highly politicized and therefore are cannot be totally relied on in respect to Government procurement.

9. Professionalism in public procurement lead to strong compliance with the Act.

10. Procurement officers in the LG are well trained and aware of the requirement and regulation of the Procurement Act.

11. Non-compliance in public procurement is attributable to lack of purchasing professionalism in the LG.

12. There has been training in the LG over last two years on Procurements reforms in Nigeria.

13. Political activities has a negative effect on procurement process and compliance in the LG.

14. Ministerial interference with the tender process impedes compliance with the procurement Act.

15. The 2007 procurement reforms Act limited the influence of senior officials and political leaders in the procurement process.

16. Top government officials adhere to the procurement Act in make advert for public bidders.

Table 1. Questionnaire: Key: SA=Strongly Agree, A=Agree, U=Undecided, D=Disagree, SD=Strongly Disagree. Source: The researchers’ design (2015).

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Local Government compliance with the procurement act</td>
<td>3.35</td>
<td>1.182</td>
<td>68</td>
</tr>
<tr>
<td>2. Local Government officials adhere to procurement act when making government purchases</td>
<td>3.31</td>
<td>1.284</td>
<td>68</td>
</tr>
<tr>
<td>3. Local Government authorities are fair to all bidders for government procurement</td>
<td>2.78</td>
<td>1.195</td>
<td>68</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>Cronbach’s Alpha Based on Standardized Items</th>
<th>N of Items</th>
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<tr>
<td>.776</td>
<td>.820</td>
<td>4</td>
</tr>
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</table>
4. Local Government are transparent and uphold integrity in the procurement of supplies for their communities  

Table 3: Local government compliance with the procurement act.  

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
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<tbody>
<tr>
<td>5. The media plays a vital role in ensuring compliance with the procurement act</td>
<td>4.22</td>
<td>0.666</td>
<td>68</td>
</tr>
<tr>
<td>6. Publication of tenders in the media help increase transparency and participation of the public in Local Government procurement</td>
<td>4.04</td>
<td>1.028</td>
<td>68</td>
</tr>
<tr>
<td>7. The media in Nigeria are highly involved in the coverage of government procurement</td>
<td>3.62</td>
<td>1.093</td>
<td>68</td>
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<tr>
<td>8. Nigerian media sector is highly politicized and therefore cannot be totally relied on in respect of government procurement</td>
<td>3.07</td>
<td>1.188</td>
<td>68</td>
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Table 4: Media publicity and public procurement act in Nigerian local government.  

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
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<tbody>
<tr>
<td>9. Professionalism in public procurement lead to strong compliance with the act</td>
<td>3.72</td>
<td>1.232</td>
<td>68</td>
</tr>
<tr>
<td>10. Procurement officers in the Local Government are well trained and are aware of the requirement and regulation of the procurement act</td>
<td>3.19</td>
<td>1.557</td>
<td>68</td>
</tr>
<tr>
<td>11. Noncompliance in public procurement is attributable to lack of professionalism in Local Government</td>
<td>3.34</td>
<td>1.389</td>
<td>68</td>
</tr>
<tr>
<td>12. There have been training in the Local Government over the last two years on procurement reforms in Nigeria</td>
<td>3.00</td>
<td>1.648</td>
<td>68</td>
</tr>
</tbody>
</table>

Table 5: Professionalism and compliance with public procurement act in Nigerian local government.  

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
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<tbody>
<tr>
<td>13. Political activities has a negative effect on procurement process and compliance in the Local Government</td>
<td>4.32</td>
<td>0.905</td>
<td>68</td>
</tr>
<tr>
<td>14. Ministerial interference with the tender process impedes compliance with the procurement act</td>
<td>3.65</td>
<td>1.290</td>
<td>68</td>
</tr>
<tr>
<td>15. The 2007 procurement reforms act limited the influence of senior officials and political leaders in the procurement process</td>
<td>3.15</td>
<td>1.200</td>
<td>68</td>
</tr>
<tr>
<td>16. Top government officials adhere to the procurement act as regard advert for public bidders</td>
<td>3.44</td>
<td>1.670</td>
<td>68</td>
</tr>
</tbody>
</table>

Table 6: Political interference and compliance with public procurement act in Nigerian local government.  
Table 7: One-Sample T Test.