



**DETERMINANTS OF PUBLIC PROCUREMENT REGULATORY COMPLIANCE BY COUNTY GOVERNMENTS IN KENYA: A CASE OF HOMABAY COUNTY GOVERNMENT**

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**ABSTRACT**

*The main objective of this study was to identify the determinants of Public Procurement regulatory compliance by County governments in Kenya. The research design employed in this study was descriptive. The target population comprised 525 respondents. Stratified random sampling was used with sample size of 20% of the target population, which comprised of 105 respondents. The study collected data using questionnaires. The study adopted both qualitative and quantitative data analysis techniques. Data was edited after collection and analyzed using SPSS Version 21.0 and Microsoft word tools. The study found that procurement process management, Procurement Ethics, Contract Management and Financial Cost Management had a positive and significant influence on procurement regulatory compliance. The study concluded that an improvement in procurement process management, Procurement ethics, Contract Management and Financial cost Management would lead to a positive improvement in procurement regulatory compliance in Homa Bay County, Kenya. The study recommended that the government of Kenya and other policy makers in procurement and county governments sector should stipulate policies that would improve the institutionalization of E-procurement so as to enhance the procurement regulatory compliance in county governments. There is also need to invest in training on internal controls in order to enhance their skills, knowledge and overall prowess in dealing with procurement regulatory compliance. The study also recommended that the government of Kenya and other policy makers should stipulate policies that would improve institutionalization of accountability, transparency and integrity in the procurement process so that compliance to procurement regulations can be enhanced.*

**Key Words:** Procurement Ethics, Contract Management, Procurement Process, Financial Cost, Procurement Regulatory Compliance

## INTRODUCTION

Public Procurement is the process by which public entities contract for the acquisition or supply of goods, services or works. It is a big part of the developing countries economy accounting for an estimated 9-13% of the developing nations Gross Domestic Product (GDP). It therefore needs attention in the face of increasing non-compliance, (Odhiambo & Kamau, 2003). This study sought to provide a comprehensive analysis of the determinants of procurement regulatory compliance in public entities with much focus on the county governments in Kenya.

Regulatory compliance is an organizations' adherence to laws, regulations, guidelines and procedures relevant to its business, (Payan & McFarland, 2005; Gelderman *et al.*, 2006). Whereas compliance is the degree to which an agent adheres to principal's directives, policies and procedures, non-compliance is the degree to which an agent initiates deviant policies and procedures that are not approved by the principal, Roodhooft & Abbeele, (2006).

The public procurement process in India is quite complex given the federal framework for public service delivery. The constitutional arrangements across the Union and State governments, autonomous and statutory bodies, public sector undertakings (PSUs), and the local governments (Panchayats and municipalities) demand a broad range of requirements for providing public services, (Bhabesh & Pratap, 2017). The system in India has become more complex as the country does not have a comprehensive public procurement law guiding the procurement activities.

In developing countries, public procurement is increasingly recognized as essential in service delivery (Basheka & Bisangabasaija, 2010), and it accounts for a high proportion of total expenditure. For example, public procurement accounts for 60% in Kenya, (Akech, 2005), 58% in Angola, 40% in Malawi and 70% of Uganda's public spending (Wittig, 1999; Government of Uganda, 2006) as cited in Basheka &

Bisangabasaija, 2010). This is very high when compared with a global average of 12-20 %, (Frøystad *et al.*; 2010).

In Uganda, a wave of procurement reforms that begun in 1997, culminated into the enactment of the Public Procurement and Disposal of Public Assets (PPDA) Act 2003, and regulations 2003. Unfortunately, many central government ministries and agencies have since then, not followed prescribed practices (Agaba & Shipman, 2007). The procurement audits carried out by the PPDA have revealed that out of 322 contracts audited at the end of 2005, only 7 (2%) were assessed as compliant.

The public procurement system in Kenya has evolved overtime from a crude system with no regulations to the current orderly and legally regulated procurement system, (Aberé & Muturi, 2015). Kenya's Procurement system like many countries in the world has had continuous transformation through the Government's efforts to ensure it is in tandem with emerging issues in procurement, technological changes, embracing best practices with the overall objective of quality service delivery, prudent management, and curtailing wastage of public resources, (PPOA, 2016).

According to EACC, procurement process in Homabay County is still prone to lobbying, vested interest by the top management and non-compliance to procedures. Bribery in payment processing to avoid delay in payment due to limited funds, inflation of prices, tampering with documents of suppliers, providing wrong information, nepotism and political interference, Shoddy implementation of projects due to collusion between contractors and County employees is rampant, (EACC, 2015).

### Statement of the Problem

Compliance in Public procurement involves making sure that public procurement regulations are followed to the letter, (Mwangi, 2017). Past studies reveals that even after enactment of regulations in

procurement there are inefficiencies observed in public funds usage in procurement due to inadequate compliance,(Onchweri& Muturi,2015).According to EACC ,Corruption has resulted in County underdevelopment, poor service delivery, poor road construction, budget deficits, denial of public participation in project and unfair recruitment process, (EACC,2015).

Data from the office of the Auditor-general for the period ended 30 June 2014, reported various issues of non-compliance ranging from non-conformity to procurement regulations to sheer impunity towards the PPDA Act, 2015 within the CGOHB. According to the Auditors generals' report, payments were made to various firms for provision of legal services, insurance services and conducting of a baseline survey, where no procurement procedure was followed and documents confirming the provisions of the services were not availed for audit review, (Auditors Generals report, 2014).

In the financial year 2014/2015, the expenditure of Kshs.4, 418, 181 could not be confirmed as a proper charge to the public funds. Financial statement of Assets as at 30 June 2014 shows cash and cash equivalents of Kshs.61, 042,101 represented by surplus of Kshs.20, 050,177 resulting to unexplained difference of kshs.40, 991,924. The statement of cash flows shows a figure of Kshs.1, 003,202,084 as net cash flow from operating activities instead of Kshs.1, 064,202,084 leading to a variance of Kshs.61, 000,000. The cash and cash equivalents of Kshs.20, 050,177 in the statement of cash flows differ with the amount of Kshs.61, 042,101 financial statements.

These trends replicated for the period ended 2015 and 2016.According to The National Council for Law Reporting (Kenya Law), petition 2 of 2017, there was financial impropriety as well as misappropriation of funds, theft and loss of public funds as supported by the auditor generals' report 2014/2015. The county government of Homabay awarded irregularly a

contract worth Kshs 3,389,587 to a company known as Oasis group international for the construction of various roads in the County without any records of procurement process followed. This is gross violation of the procurement laws and regulations. The county assembly spent Kshs. 5,540,800 on committee meetings outside the assembly without providing relevant supporting document. In the same financial year, Homabay County Water Ministry lost of Kshs. 55,069,113 looted by public officers, (Kenya Law, 2017).

### **Objectives Of the study**

The general objective of this study was to identify the determinants of public procurement regulatory compliance in county governments in Kenya, specifically Homabay county government. The specific objectives were:-

- To determine the effect of Procurement process management on procurement regulatory compliance in Homabay County Government
- To establish the effect of Contract management on procurement regulatory Compliance within the County Government of Homabay
- To assess the influence of Procurement ethics on procurement regulatory Compliance in Homabay County Government
- To assess the effect of financial cost on procurement regulatory Compliance in Homabay County government

## **LITERATURE REVIEW**

### **Theoretical Review**

#### **System Theory**

System theory was proposed in the 1940s' by biologist Ludwig Von Bertalanffy (General system theory, 1968) and furthered by Ross Ashby (Introduction to Cybernetics, 1956). It is an interdisciplinary theory concerning every system in

nature, in society and in many scientific domains as well as a framework with which we can investigate phenomena from holistic approach (Capra, 1997). When two or more people work together to achieve a group result, it is an organization. After the objectives of the organization are established, its functions must be performed and determined, (Payan & McFarland, 2005).

Most Organizations are divided into departments, sections and sub sections headed by different individuals but closely knit together and independent in their functions, (Montana & Charnov, 1993). Organizations can well be said to be a system of integrated parts that work together to achieve a common function. The Procurement department of an organization is part of a larger system that is tasked to establish and administer purchasing practices and procedures, institute necessary reports, arrange and approve term contracts, consolidate purchases of like or common items, and generally obtain savings for goods, services and works for the institution,(Onchweri& Muturi, 2015).

Procurement department has the final responsibility for obtaining prices and conditions of the sale for all purchases and contemplated purchases by the institution, (Mugo, 2013). The organizations' requirements are assessed and the physical resources needed to accomplish the organizations' objectives determined. These elements must then be coordinated into a structural design that will help achieve the objectives of the whole system-the firm, (Ahmady, 2016).

Procurement process management ensures that all the organizations products, services and works are ordered, delivered and received in accordance with the organizations' procurement plan,(Lawal,2016). The systemic perspective argues that we are not able to fully comprehend a phenomenon simply by breaking it up into elementary parts and then reforming it; we instead need to apply a global vision to underline its functioning. Although we can start from the analysis of the elementary components of a

phenomenon, in order to fully comprehend the phenomenon in its entirety, we have to observe it also from a higher level: a holistic perspective, (Lawal, 2016).

A system therefore is a set of things that affect one another within an environment and form a larger pattern that is different from any of the parts, (Obanda, 2010). For example, the introduction of E-procurement ensures all the organizations' departments are integrated. Successful e-procurement implementation hinges on a combination of both internal and external factors, (Abouzeedan & Busler 2002).

Effective Procurement procedures ensure seamless interactions of the organizations' departments, (Munywoki, 2016). A closed system does not interact with its environment. It does not take in information and therefore is like a trophy that is to vanish. An open system receives information, which it uses to interact dynamically with its environment. System theory was connected to the strictly binary way of operation for the nerve cell, (Lawal, 2016).

In investigating the effects of Procurement process management on regulatory compliance; this research concentrated on the effects of internal control, procurement procedure, sourcing procedure and the use and adoption of e-procurement. This theory supported the variable by linking the components of procurement process management i.e. Procurement Internal control, E-Procurement Adoption and Procurement procedures to the functions of a system to achieve compliance to the procurement regulations.

### **Agency Theory**

Agency theory established by M. Jensen and W. Meckling (1976) was predicated on the assumption that the previously described theories are implausible on the theoretical level and impossible to test empirically. Agency theory elucidates in clear terms the conflicting interests of principals and agents. It explains how to best organize relationships in which

one party determines the work while another party does the work, (Mugo, 2013).

In this relationship, the principal hires an agent to do the work, or to perform a task the principal is unable or unwilling to do, (Obanda, 2010). Similarly, a contract is a binding legal obligation between two or more parties. All contracts involve the principles of offer, acceptance from the agent and consideration as a means of compensation for work performed. Basically, one party makes an offer and the other party accepts it, (Muller, 2005).

Agency theory assumes both the principal and the agent are motivated by self-interest, (Munywoki, 2016). This assumption of self-interest dooms agency theory to inevitable inherent conflicts. Thus, if both parties are motivated by self-interest, agents are likely to pursue self-interested objectives that deviate and even conflict with the goals of the principal. Yet, agents are supposed to act in the sole interest of their principals.

Contract management enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract, (OECD, 2015). It also involves building a good working relationship between Agent and the Principal. It continues throughout the life of a contract and involves managing proactively to anticipate future needs as well as reacting to situations that arise. To determine when an agent does (and does not) act in their principal's interest, the standard of "Agency Loss" has become commonly used, (Rasheli, 2016)

Contract Management enables Agents to holistically manage contracts from planning, through to execution and beyond. The key value Contract Management provides is the ability to look at the end-to-end lifecycle of a given contract, (Osei-Tutu et al 2015). Contract Management directly impacts an Agents delivery of services, the cost, degree of compliance, and reporting of results. Contract Management primarily focuses on creating, executing and managing contracts across three (3) key

implementation phases: Planning, Execution and Contract management, (Rasheli, 2016).

The central aim of contract management is to obtain the services as agreed in the contract and achieve value for money. This means optimizing the efficiency, effectiveness and economy of the service or relationship described by the contract, balancing costs against risks and actively managing the Agent-Principal relationship, Njiraini *et al* (2006), This begs for our research question: How is contract management a determining factor in the County governments' compliance to the procurement regulations.

In agency relationships the agent has a moral responsibility for her actions, which she cannot dismiss simply because she acts as an agent for another, (Osei-Tutu et al 2015). County Procurement professionals must ensure integrity and fairness in conduct of their procurement duties. Njiraini *et al* (2006), states that the proponents of this theory argue for increasing participation of the public in the procurement processes.

### **Institutional Theory**

Meyer & Rowan, DiMaggio & Powell asserts that institutional environment can strongly influence the development of formal organizational structures. The institutional theory uses a traditional approach to examine elements of public procurement, (Obanda, 2010). Eyaa *et al*, (2011) observes that there is no single universally agreed definition of institution or institutional theory. He asserts that, institutions are composed of cultural-cognitive and regulative elements that, together with associated activities and resources give meaning to life. Scott, (2004) identifies three pillars of institutions as regulatory, normative and cultural-cognitive.

The regulatory pillar emphasizes on the use of rules, laws and sanctions as enforcement mechanism, with expedience as basis for compliance. Ensuring compliance, focusing on high risk areas, understanding suppliers' operations and offering

guidance and support when improvement is necessary or appropriate should ensure that the strategic and operational risks associated with unethical practices are minimized, Eyaa *et al*, (2011)

The normative pillar refers to norms and values, social obligation being a basis of compliance. The cultural –cognitive pillar rests on shared understanding, Scott, (2004). Ethics are the principles that define behavior as right, good and appropriate. Employees in public service are bound to uphold certain values. Any attempt to realize personal gain by conduct inconsistent with the proper discharge of the employee's duties is a breach of the public trust, Eyaa *et al*, (2011)

Public procurement professionals need to focus on ensuring compliance with their ethical code and the policies that it touches on their day-to-day conduct, Scott, (2004). To ensure compliance, the focus should take place in parallel with the development of monitoring procedures, (Obanda, 2010). County governments work with delegated functions from the national government. They may seem different units, but the same government policy governs all the units of the devolved functions. This leads to the research question: What effects does procurement ethics have on compliance to procurement regulations?

County governments must be cost effective and efficient in the use of resources while upholding the highest standards of integrity, (Obanda, 2010). Procurement practices are subject to audit and scrutiny under the Comptroller and Auditor General (Amendment) Act 1993 and Accounting Officers of procuring units are publicly accountable for expenditure incurred. Procurement professionals in County governments should ensure that there is an appropriate focus on good procurement practices in purchasing. Where there is a significant procurement function with procedures in place to ensure compliance with all relevant guidelines, professionalism should take preference, (Obanda, 2010).

When the actor behaves according to the pattern, the institution is enacted. In the same manner, institutions are produced or reproduced. After some time the institution becomes sediment and taken for granted which might make it hard to realize that the behavior within the institution is controlled and hence causing non-compliance to the set rules and regulations, Scott, (2004). Innovative structures of organizations can improve technical efficiency in organizations if they are legitimized and adopted early, Eyaa *et al*, (2011)

Ethical procurement best practice starts with the employees in procurement following an ethical code which dictates their behavior and actions while conducting business, (Munywoki, 2016). Ethical procurement practices should be extended to all stakeholders in the procurement cycle. Ethical procurement should also include an understanding of suppliers' operations and the procurement professional should offer guidance and support when improvement is necessary or appropriate, Scotts, (2010). Effective governance in the public sector encourages better decision making in our institutions and the efficient use of resources and strengthens accountability for the stewardship of those resources, (Obanda, 2010).

This theory asserts that institutions are produced and reproduced. Therefore, effective governance is encouraged by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption, Tolbert and Zucker, (1935). Effective governance can improve management, leading to more effective implementation of the chosen interventions, better service delivery, and, ultimately, compliance to the set regulations, (Obanda, 2010). This theory supports the variable by helping understand institutional ethics and Traditions. Institutions are founded on Rules, Values, Norms and understanding. Procurement Professionals must align themselves to the values, norms and rules of the institution.

## Pecking Order Theory

Pecking order theory can be traced back to research by Donaldson (1961), which asserted that the order of financing sources takes precedence over their weight. Myers (1984) introduces an extended version of the theory where symmetric information available to managers and investors causes adverse costs of selection (and determines the pecking order in financing new projects). The theory later developed as an alternative to trade-off theory, (Myers and Majluf, 1984). The preference for internal financing, followed by debt financing and equity issuance as a last resort, represents the “pecking order of financing” new projects, as firms recur to self-financing under asymmetric information conditions. Thus, cost management requires a deep understanding of a firm’s cost structure, Hansen & Mowen, (2006). Managers must be able to determine the long and short-run costs of activities and processes as well as the costs of goods, services, customers, suppliers, and other objects of interest. Causes of these costs are also carefully studied, (Park, 2001).

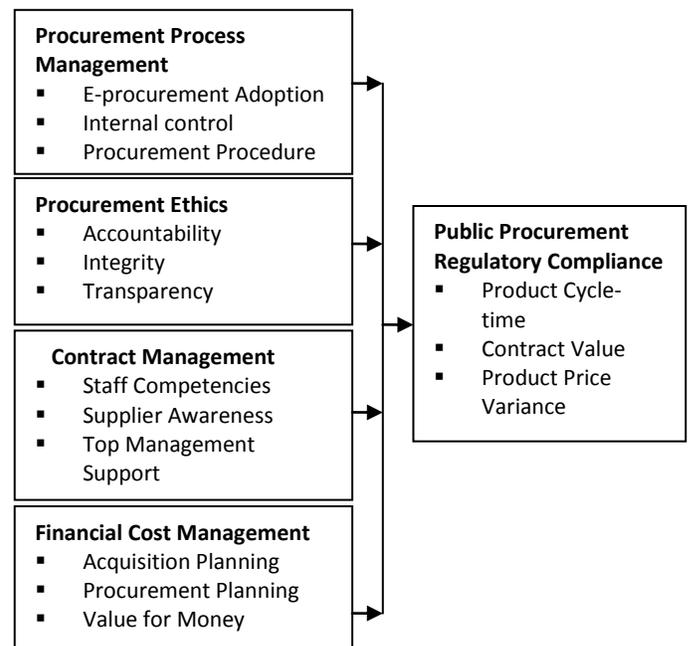
Financial cost management identifies, collects measures, classifies, and reports information that is useful to managers for determining the cost of products, customers, and suppliers, and other relevant objects and for planning, controlling, making continuous improvements, and decision making, Hansen & Mowen, (2006). The novelty of pecking order theory lies in incorporating information asymmetry, as managers rather than outside investors have preferential access to information on the state of the firm, Pesendorfer, (2002).

Assuming that investors do not know the actual value of assets and of the firm's development opportunities, they are unable to accurately evaluate the shares issued by the firm to finance its new investments, Hansen & Mowen, (2006). More precisely, if firms are obliged to finance new investment projects by issuing equity, the markdowns

on share prices may be so high that new investors will gain higher earnings than the net present value of the new project, (Park, 2001).

This might result in net loss for current shareholders; consequently, even though the net present value of the project is positive, the project will be abandoned; underinvestment may be avoided by using other financing resources that are not marked down sharply by the market (e. g. Internal funds, risk-free loans and even relatively risky loans). According to pecking order theory, the firm prefers to fund its investments first by internal resources, then by low-risk borrowed capital, and, only as a last resort, by equity, Hansen & Mowen, (2006).

## Conceptual Framework



**Independent Variables      Dependent Variable**

**Figure 1: Conceptual Framework**

### Procurement process management.

Procurement process management is a method for establishing relationships between an organization’s purchasing department and external suppliers to order, receive, review and approve all the procurement items necessary for project execution,

(CIPS, 2007). Public procurement process is a legal procedure established in law but influenced by economic, cultural, legal, political, and social environment, (OECD, 2009). The procurement process management in this study applied to the procedure used in purchases made against government funds. In investigating the effects of Procurement process management on regulatory compliance, I concentrated on the effects of internal control, procurement procedure, sourcing procedure and the use and adoption of e-procurement.

### **Contract management**

Contract Management has significant upstream and downstream effects to an organization's broader operations and financial management, (Mugo, 2013). Effective Contract Management enables organizations to holistically manage contracts from planning, through to execution and beyond, (OECD, 2009). The key value Contract Management provides is the ability to look at the end-to-end lifecycle of a given contract. Contract Management directly influences an organizations' delivery of services to its citizens, the cost, degree of compliance, and reporting of results, (Rasheli, 2016).

### **Procurement ethics**

Procurement Ethics are the guidelines or rules of conduct by which procurement functions are undertaken, Eyaa *et al*, (2011). Organizations like individuals have ethical standards and frequently ethical codes, (Kangongo, 2013). The ethical standards of an organization are judged by its actions and the actions of its employees, not by pious statements of intent put out in its name, (Obanda, 2010). The pressures which the marketplace exerts on purchasing departments and on individual buyers make it essential that top management, purchasing and supply managers, buyers and all other members of the procurement system recognizes and understands both professional and ethical standards

required in performance of their duties,(Ndolo & Njagi,2014).

### **Financial cost management**

Financial cost management is the process of estimating and justifying costs in order to secure funds, controlling expenditure and evaluating the outcomes, Hansen & Mowen, (2006). Financial cost management process plays a critical role in regard to effective management, (Park, 2001). It allows organizations to be able to tell their customers the full cost of providing products or services as well as identify how changes in behaviors (theirs or their customers) affect these costs.

It is important when assessing alternatives to accomplish specific objectives or goals. Basically, it will allow organizations to more effective bill for services or goods provided to another organization, identify the life-cycle cost of providing services or goods, and implement a measurement basis for continuous improvement (or other long-term) goals, Eyaa *et al*, (2011). Financial Cost management provides the best information for planning and program execution decisions, Pesendorfer,(2002).

### **Public Procurement Regulatory Compliance**

Efficient, effective and transparent public procurement must be viewed as the responsibility of all stakeholders. These include the procuring entities, the suppliers as well as the funders and beneficiaries of the procurement, the Kenyan public, (PPOA, 2009). Public procurement rules and procedures do not represent an effective obstacle to bribery; ineffective or inadequate public procurement rules and procedures can even create a multitude of opportunities for bribery. These opportunities may be deliberately created, or they may arise from discretionary interface between the public procurement agents and the private operators, (OECD, 2007).

## **Empirical Review**

### **Procurement Process Management**

The Procurement department is to establish and administer purchasing practices and procedures, institute necessary reports, arrange and approve term contracts, consolidate purchases of like or common items, and generally obtain savings for goods and services for their Institution,(OECD,2011). Traditionally, public procurement has been perceived as belonging only to the implementation phase of the budgetary process. In reality, procurement officials are involved in procurement after agencies obtain procurement budget, (Lawal, 2016).

The procurement process consists of many stages, this includes Purchase Need Identification, procurement Planning, Requirements, Competitive Document (RFP/RFA, Blackout Period & Bid Receipt, Evaluation, Agreement, Award Notification, Vendor Debriefing and Document Retention,(Mugo, 2013). Public procurement is continuing to evolve both conceptually and organizationally. Knudsen, (1999) suggested that procurement process starts from purchasing efficiency and effectiveness in the procurement function in order to change from being reactive to being proactive to attain set performance levels in an entity. Knudsen did not further explain further stages of the Procurement Process.

### **Contract Management**

Contract management is the process that enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract, (Obanda, 2010). Effective Contract Management ensures Compliance with the set regulations which includes ensuring value for money, competitiveness, efficiency and transparency in Procurement, (Evetts, 2012). It also involves building a good working relationship between the contractor and the principal. This continues throughout the life

of a project and involves managing proactively to anticipate future needs as well as reacting to situations that arise, (Mugo, 2013).

### **Procurement Ethics**

Ethics are the guidelines or rules of conduct by which we aim to live on, Scotts, (2004). Procurement ethics focuses on the nature of the procurement process and the conduct of procurement personnel, Kothari, (2004). Procurement personnel should base their actions on the right virtues. Therefore, the central theme in procurement ethics is shaping people into morally good and responsible creatures. This is because the part of ethics we call morality is modeled on law, even if other parts are not.

Thomason, (2013) says that managers are often responsible for making a variety decision, which affects both internal and external stakeholders for an organization. The best and most successful organizations recognize that they will only prosper in the long term if they satisfy the aspirations of their stakeholders; including customers, suppliers, employees, local communities, investors, governments, public interest and environment groups.

### **Financial Cost Management**

Financial Cost management produces information for internal users, Hansen&Mowen, (2006). Specifically, cost management identifies, collects, measures, classifies, and reports information that is useful to managers for determining the cost of products, customers, and suppliers, and other relevant objects for planning, controlling, making continuous improvements, and decision making.,(Park,2001;Kholdy,2001).Donaldson, (1961) that asserted that the order of financing sources takes precedence over their weight.

According to (Titman, 1984; Titman and Wessels, 1988); leverage increases: when the product produced by the firm is not unique and does not require special knowledge, with the elasticity of

demand for the product (Maksimovic, 1988); when workers have easily transferrable skills (Sarig, 1998) and when the firms are not focused on the reputation for producing high quality products. Various researchers however have failed to find out the link between financial cost management and compliance to Procurement Regulations. Financial Cost management has a much broader focus than that found in traditional costing systems. It is not only concerned with how much something costs but also with the factors that drive costs, such as cycle time, quality, and process productivity.

### Public Procurement Regulatory Compliance

Working also in the area of ensuring transparency and compliance to procurement rules in Kenya are the Kenya National Audit Office and the Internal Auditor General (IAG). The precise scope of oversight generally includes the legality, transparency and efficiency of procurement, (PPOA, 2004). Although the main objective of this oversight mechanism is ultimately to prevent and deter corrupt practices in procurement, it can bring a much wider range of benefits, such as increased transparency and accountability, enhanced trust in authorities and government contracting, contributing to a good reputation among contracting authorities, saving costs and improving competition, (PPOA, 2014).

PPOA is the main procurement oversight body in Kenya whose mandate is to conduct investigations on any complains of noncompliance with the procurement rules and regulations and makes recommendation to the Ethics and Anti-Corruption Commission (EACC), (PPOA, 2010). It is a legal entity established under the Constitution for its assistance in enforcing compliance with the procurement rules by investigating and recommending prosecution of suppliers and or procurement or public officers found to have acted corruptly in the public procurement process. Public Procurement Oversight Authority (PPOA) is critical in playing this role, (PPOA, 2010).

### METHODOLOGY

This research problem was studied through the use of a descriptive research design. According to Cooper and Schindler, (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. The study population of this research included 525 persons inclusive of county assembly procurement staff, procurement staff at the governor's office, procurement staff at the county ministries, sub –county procurement staff, county suppliers, procurement staff at the county referral hospital, and the procurement staff at the sub county hospitals. Procurement officers, supply chain officers, procurement clerks and county chief ministers were also included as accounting officers of their various ministries. This study applied both qualitative and quantitative research approaches of data analysis and presentation. Pre-analysis process was undertaken where the completed questionnaires were edited for completeness and consistency before being processed. SPSS Version 21 and Microsoft Excel were used to conduct data analysis. The regression was calculated using the regression model below;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where;

- Y = Dependent Variable
- B<sub>0</sub> = Constant term
- B<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>, β<sub>4</sub> = Beta Coefficient
- X<sub>1</sub> = Procurement Process Management
- X<sub>2</sub> = Contract Management
- X<sub>3</sub> = Procurement Ethics
- X<sub>4</sub> = Financial Cost Management
- ε = Error Term

### FINDINGS

#### Procurement Process Management

The first objective of the study was to analyze the influence of procurement process management on procurement regulatory compliance in Homa Bay

County. Findings in table 1 showed that the majority of respondents at 55% agreed that adoption of E-procurement secures online bid submission and ensures fairness; while 50% agreed that E-procurement adoption enhanced transparency; while 60% agreed that had they had effective internal controls. A total of 65% of the respondents agreed that the PPDA (2015) was being used positively as a guideline for strengthening the internal controls. A total of 55% of the respondents agreed that there

was proper procurement records management, while 59% of the respondents agreed that there was consultation with successful counties and other experts. A total of 65 % of the respondents agreed that Procurement Process Management influences Procurement Regulatory Compliance. Finding is consistent with those of other scholars. CIPS, (2007) explain that for effective procurement regulatory compliance the procurement process is important.

**Table 1: Procurement Process Management**

<b>Statements on Procurement Process Management</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Adoption of E-procurement secures online bid submission and fairness	35	20	20	15	10	185	4.28	0.891
E-Procurement ensures transparency	25	25	20	15	15	185	4.080	0.757
Internal controls are effective	42	18	12	9	18	185	4.330	0.851
PPDA (2015) is used as a guideline to strengthen internal controls.	35	30	10	12	13	185	3.730	0.741
There is proper record management	30	25	16	18	25	185	4.220	0.661
Consulting with successful counties/experts has improved compliance	35	24	14	15	12	185	3.750	0.740
Procurement process management influence procurement regulatory compliance.	30	35	15	10	10	100	3.770	0.721
<b>Average</b>							<b>4.25</b>	<b>0.722</b>

**Procurement Ethics**

The second objective of the study was to establish the influence of Procurement Ethics on Procurement Regulatory Compliance. The results in table 2 showed that 51 % of the respondents agreed that there were regular reviews and audits of the procurement officers, while 45% of the respondents agreed that there were proper controls in the tendering process. A total of 50% of the respondents agreed that there was good accountability and information in the

tendering process. A minority 38% of the respondents agreed that there was a system to prevent fraud and corruption in procurement, while 47 % agreed that there was no transparency hence unethical practices. A total of 67% respondents agreed that transparency was a key requirement in effective procurement. A total of 67% of the respondents agreed that procurement ethics influences procurement regulatory compliance. The findings concurred with those of other scholars. The pressures which the

marketplace exerts on purchasing departments and on individual buyers make it essential that top management, purchasing and supply managers, buyers and all other members of the procurement

system recognizes and understands both professional and ethical standards required in performance of their duties, (Ndolo & Njagi,2014).

**Table 2: Procurement Ethics**

Statements on Procurement Ethics	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	N	Mean	Std. Deviation
There are regular reviews & audits of procurement officers	24	27	22	11	16	185	3.920	0.882
There are proper controls in the tendering process	26	19	9	26	20	185	4.040	0.969
There is good accountability & information in the tendering process	30	20	16	9	8	185	3.800	0.764
There is a system to prevent fraud & corruption in procurement	25	13	21	22	19	185	3.730	0.741
There is no transparency hence unethical practices	20	27	10	18	25	185	3.990	0.884
Transparency is a requirement in procurement.	36	31	14	10	9	185	3.750	0.740
Procurement ethics influences procurement regulatory compliance	35	32	19	8	5	100	3.721	0.723
<b>Average</b>							<b>3.712</b>	<b>0.742</b>

**Contract Management**

The third objective of the study was to find out the influence of contract management on procurement regulatory compliance. Findings in table 3 Showed that 44% of the respondents agreed that there were competent procurement officers. A total of 40 % of the respondents agreed that their professionals were selected who fit the moral & procurement behavioral profile, while 48% agreed that the suppliers were aware of the PPDA 2015 provisions. A total of 58% of the respondents agreed that there were strategies

and timelines to ensure procurement regulatory compliance, while 56% of the respondents agreed that they there were regular discussions to ensure procurement regulatory compliance. A total of 57% of the respondents agreed that contract management influences compliance with procurement regulations. The findings agreed with those of other scholars. Evetts, (2012) articulates that the manner in which the contract is managed will directly influence the procurement regulatory compliance.

**Table 3: Contract Management**

Statements on Contract Management	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation
There are competent procurement professionals	21	23	8	25	23	3.240	1.086
Professionals were selected who fit the moral & procurement behavioral profile	29	11	21	22	18	3.180	1.031
Suppliers are aware of the PPDA 2015 provisions	23	25	16	26	10	3.330	1.148
There are strategies and timelines to ensure procurement regulatory compliance	37	21	19	15	8	4.020	0.968
There are regular discussions to ensure procurement regulatory compliance	26	30	17	15	12	3.170	1.022
Contract Management influence procurement regulatory compliance	30	27	20	15	8	<b>3.221</b>	<b>1.023</b>
<b>Average</b>						3.221	1.023

**Financial cost management**

The fourth objective of the study was to find out the influence of financial cost management on the procurement regulatory compliance. Findings in table 4 Showed that 54% of the respondents agreed that the acquisition plan is aligned with procurement objectives, while 53% of the respondents agreed that the budget based on the acquisition plan requires modification during the year. A total of 53% of the respondents agreed that the funds are available &

sufficient for the procurement cost/payments, while 50% Of the respondents agreed that procurement planning was based on approved proposals. A total of 63% of the respondents agreed that there was value for money in all products /services. These findings agreed with those of other scholars. Clearly, the design of the financial cost management rules plays a key role in determining how well public procurement functions and is therefore an issue of great economic importance, (OECD, 2009).

**Table 4: Financial Cost Management.**

Statements on Financial cost management	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N	Mean	Std. Deviation
The acquisition plan is aligned with procurement	29	26	19	15	11		4.170	0.974

objectives						100		
The budget based on the acquisition plan requires modification during the year						100	4.030	0.942
Funds are available & sufficient for the procurement cost/payments	32	21	18	16	13	100	4.080	1.038
Procurement planning is based on approved proposals	26	27	13	23	14	100	4.340	0.955
Homabay county tries to create value for money in all products /services	30	20	29	12	9	100	4.060	0.789
Financial cost management has an influence on procurement regulatory compliance	28	35	17	10	10	100	4.123	0.876
<b>Average</b>						100	4.001	
	30	35	15	10	10			

### Procurement Regulatory Compliance

The fifth objective of the study was Procurement Regulatory Compliance. The indicators under this study were computed to help the study describe the dependent variable. The findings in table 5 showed that 54% of the respondents agreed that reduced Product cycle time in CGOHB offer client's lower costs, while 49% agreed that payment terms agreed to in the contract or purchase order improves compliance to procurement regulations. A total of 57% of the respondents agreed that to ensure value in Contracts, confidential information must be protected. A total of 35% respondents agreed that establishing and enforcing quality control systems on

Contracts will guide the organization in improving procurement compliance. A total of 58% of the respondents agreed that goods, works or services must be procured at the best possible cost to meet its needs in terms of quality, quantity, time and location. A total of 63 % respondents agreed that developing principles for establishing payment methods and rates is important. Findings concur with those of other scholars. An acquisition plan is a document that outlines the procurement methodology and strategy to be undertaken in procuring the required goods or services, Arrowsmith (2010). Arrowsmith further points out that planning along the entire supply chain is key to procurement success.

**Table 5: Procurement Regulatory Compliance**

Statements on Procurement Regulatory Compliance	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation
Reduced Product cycle time offer clients lower costs.	25	29	10	12	14	4.040	0.906
Reduced Cycle time ensures Payment terms are typically agreed to in the contract or	23	26	23	15	13	4.110	0.933

purchase order.

To ensure Value in Contracts, confidential information must be protected.	29	28	19	18	6	4.100	1.004
Heads of procuring units must establish and enforcing quality control systems on Contracts.	20	15	22	29	14	3.990	0.903
Goods, works or services are procured at the best possible cost to meet its needs in terms of quality, quantity, time and location	33	25	14	7	3	4.040	0.880
A set of principles for payment methods and rates in alignment with statutory requirements.	30	33	19	8	10	4.050	0.952
						<b>4.111</b>	<b>0.922</b>

**CONCLUSION**

The study found that procurement process management was statistically significant to procurement regulatory compliance. This implies that a unit increase in procurement process management will lead to an improvement in procurement regulatory compliance. The study concludes that procurement process management is positively related to procurement regulatory compliance. From the forgoing, it can be concluded that an improvement in procurement process management leads to a positive improvement in procurement regulatory compliance in Homa Bay County, Kenya.

The study found that contract management was statistically significant to procurement regulatory compliance. This implies that a unit increase in contract management will lead to an improvement in procurement regulatory compliance. The study concludes that contract management is positively related to procurement regulatory compliance. From the forgoing, it can be concluded that an improvement in contract management leads to a positive improvement in procurement regulatory compliance in Homa Bay County, Kenya.

The study found that procurement ethics was statistically significant to procurement regulatory compliance. This implies that a unit increase procurement ethics will lead to an improvement in procurement regulatory compliance. The study concludes that procurement ethics is positively related to procurement regulatory compliance. From the forgoing, it can be concluded that an improvement in procurement ethics leads to a positive improvement in procurement regulatory compliance in Homa Bay County, Kenya.

The study found that financial cost management was statistically significant to procurement regulatory compliance. This implies that a unit increase financial cost management will lead to an improvement in procurement regulatory compliance. The study concludes that financial cost management is positively related to procurement regulatory compliance. From the forgoing, it can be concluded that an improvement in financial cost management leads to a positive improvement in, procurement regulatory compliance in Homa Bay County Kenya.

**RECOMMENDATIONS**

The study also recommended that the government of Kenya and other policy makers in procurement and county governments sector should stipulate policies

that would improve the institutionalization of E-procurement so as to enhance the procurement regulatory compliance in county governments. There is also need to invest in training on internal controls in order to enhance their skills, knowledge and overall prowess in dealing with procurement regulatory compliance. Training should be done to improve the competence levels of the procurement procedure.

The study also recommended that the government of Kenya and other policy makers should stipulate policies that would improve institutionalization of accountability, transparency and integrity in the procurement process so that procurement regulatory compliance can be enhanced. There is need also to invest in user friendly approaches that enhance accountability, transparency and integrity since the findings indicated that procurement ethics can enhance procurement regulatory compliance in Homa Bay County. There is also need to invest in attitude change training for the procurement and supply chain personnel. There is need for a paradigm shift in from the traditional methods of procurement to modern methods.

The study therefore recommended that the government of Kenya and other policy makers should stipulate policies that would improve the instruments of contract management, since the findings confirmed that contract management influences procurement regulatory compliance. There is need also to invest in capacity building on staff

competencies to enhance their understanding on contract management as well as procurement regulatory compliance. Capacity building is needed to enhance supplier awareness on procurement regulatory compliance as well as to enhance top management support on institutionalizing procurement regulatory compliance in Homa Bay County, Kenya.

The study also recommended that the government of Kenya and other policy makers should stipulate policies that would enhance financial cost management to improve procurement regulatory compliance. There is need also to invest in training on acquisition planning, procurement planning and the concept of value for money since the findings indicated that they enhance the procurement regulatory compliance. There is also need to develop platforms that enhance institutionalization of the concepts of financial cost management.

#### **Areas for Further Research**

This study investigated the determinants of procurement regulatory compliance in Homa Bay County, Kenya. The study recommends that; a similar study should be done in other counties for comparison and to allow for generalization of findings on the determinants of procurement regulatory compliance in county governments. Future studies should focus on studying other variables other than procurement process management, procurement ethics, contract management and financial cost management as was the case with this study.

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