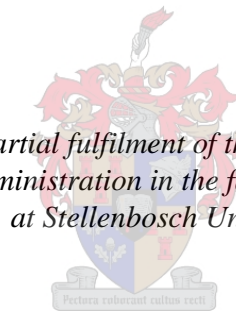# Exploring Behavioural Challenges in Supply Chain Management of George Municipality in order to Function Optimally

By

Adri Pienaar

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Masters in Public Administration in the faculty of Management Science
at Stellenbosch University

Supervisor: Dr Len Mortimer

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DECLARATION

By submitting this thesis electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the sole author thereof (safe to the extent explicitly otherwise stated), that reproduction and publication thereof by Stellenbosch University will not infringe any third-party rights and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

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ABSTRACT

The employees working in the supply chain management Unit and environment at George Municipality are experiencing behavioural challenges, which have a negative effect on the unit's functioning, the productivity of employees and service delivery to communities. The purpose of this study is to explore the unethical conduct that occurs, the way management deals with the occurrence of such behaviour, and if instilling good values and moral standards can make a difference in the behaviour of the leaders and employees in order to redress the negative perception employees and the public have of the municipality. The literature review contains theories and research from scholars in the field of ethical behaviour in organisations, with specific reference to supply chain management units. It includes research regarding codes of ethics and standards; the importance of ethical conduct; existing unethical behaviour; and financial management and behavioural challenges, with a focus on the international, national and local environments. The legislative considerations for ethical governance are discussed and a case study approach is used to investigate the research problem, pointing out the occurrence of existing unethical conduct in the organisation. Managers and employees are included in the study, which uses data-collection methods of face-to-face interviews and self-administered questionnaires.

The study concludes that the municipality is marred with behavioural challenges amongst managers and employees in the Supply Chain Management unit and environment. Findings of the study reveal that the municipality does not have an ethics policy or ethics officials in its employment, and does not pay adequate attention to the occurrence of unethical conduct and challenges. Furthermore, the study reveals that political interference is present in the administration of the municipality. Therefore, for the municipality's Supply Chain Management unit to function optimally and in order to instil good behavioural values and moral standards there is a need to establish and implement an ethics policy and provide training programmes and awareness campaigns on behavioural challenges to all internal and external stakeholders. Further studies

should include the exploration of the consequences of behavioural challenges for managers, officials and service delivery in government organisations.

OPSOMMING

Die werknemers in die Voorsieningskanaal Bestuurseenheid en omgewing van die George Munisipaliteit, ervaar gedragsuitdagings wat 'n negatiewe effek op die eenheid se funksionering, die produktiwiteit van die werknemers en dienslewering aan die gemeenskap het. Die doel van die studie is om die onetiese gedrag wat voorkom te verken en vas te stel of die instel van goeie waardes en morele standaarde 'n verskil aan die gedrag van leiers en werknemers sal maak, met die doel om die negatiewe persepsie wat werknemers en die publiek van die munisipaliteit het, te herstel. Die literatuuroorsig bevat teorieë en navorsing van geleerdes in die veld van etiese gedrag in organisasies, met spesifieke verwysing na Voorsieningskanaal Bestuurseenhede. Die literatuuroorsig sluit navorsing in rakende Etiese Kodes en Standaarde; die belangrikheid van etiese gedrag; bestaande onetiese gedrag; en finansiële bestuur en gedragsuitdagings, met die fokus op internasionale, nasionale en plaaslike omgewings. Die wetgewende oorwegings vir 'n etiese regering word bespreek en 'n gevallestudiebenadering is gebruik om die navorsingsprobleem te ondersoek, wat onetiese gedrag wat in die organisasie voorkom, uitwys. Bestuurders en werknemers is ingesluit in die studie, wat van aangesig tot aangesig onderhoude en self-geadministreerde vraelyste ingesluit het om data te versamel.

Die studie het bepaal dat die munisipaliteit geskend is met gedragsuitdagings onder die bestuur en werknemers in die Voorsieningskanaal Bestuurseenheid en omgewing. Bevindinge van die studie het onthul dat die munisipaliteit nie 'n Etiekbeleid in plek of etiek amptenare in diens het nie, en nie voldoende aandag aan die voorkoms van onetiese gedrag en gedragsuitdagings skenk nie. Verder toon die studie dat politieke inmenging in die administrasie van die munisipaliteit teenwoordig is. Dus, vir die munisipaliteit se Voorsieningskanaal Bestuurseenheid om optimaal te funksioneer, is daar 'n behoefte om 'n Etiekbeleid te skryf en implimenteer en opleidingsprogramme en bewusmakingsveldtogte oor gedragsuitdagings aan alle interne en eksterne belanghebbendes te verskaf, ten einde goeie gedragswaardes en morele standaarde te bewerkstellig. Verdere studies moet ondersoek wat die gevolge van die

gedragsuitdagings inhou vir bestuurders, amptenare en dienslewering in regeringsorganisasies.

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C: Survey: Questionnaire

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E: Permission Letter: Municipal Manager

CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 Introduction and Background

This chapter contains the theoretical background to government organisations' legislative obligations in supply chain management (SCM) units. The chapter outlines behavioural challenges faced by government SCM units regarding unethical behaviour in the supply chain environment, with reference to George Municipality. The benefits of efficient and effective functioning SCM in the organisation accrue to taxpayers through adequate service delivery.

The researcher embarked on this study because of the importance of SCM processes in the spheres of government in South Africa. The continuous occurrence of unethical conduct in this field suggests that there is a lack of internal control, which has led to an increase in cases of irregular expenditure, fraud, corruption and maladministration in local government and the governmental environment. This research study aims to investigate the influence of the research objectives on the optimal functioning of the SCM units in government organisations.

The Auditor-General (AG) reports feature irregular expenditure, fraud, corruption and maladministration. These reports highlight corrupt government spending and procurement. The result has been the regulation of the processes of governmental procurement and expenditure in order to reduce wasteful and irregular expenditure in government organisations.

The study aims to explore and describe behavioural challenges in SCM units in government organisations in South Africa that influence the optimal functioning of the units and which could be a factor in the occurrence of irregular expenditure, fraud, corruption and maladministration cases in the country. Irregular, fruitless and wasteful expenditure statistics are reflected in the annual financial statements of government institutions, but not much attention has been given to the implementation of structures to eradicate negative information and behaviour.

This study focuses on exploring the challenges that unethical behaviour poses to the SCM environment. One challenge is the low morale of SCM and other officials caused by dealing with these behavioural challenges on a regular basis. According to the Oxford Advanced Learner's Dictionary, 'behavioural' is the study of human behaviour; and a 'challenge' is a statement or action of which the rightness or legality can be questioned (Hornby, 2015:123,235). Bad behaviour or unethical conduct can therefore be described as behaviour that negatively impacts other individuals or an organisation.

Due to the highly regulated SCM process of purchasing services and goods, SCM units are often seen as an operational burden by officials in other departments. The system and processes are perceived as time consuming and operated in a bureaucratic manner, making the spending of departmental budgets difficult to execute. Controls have been introduced into the SCM system to prevent fraud and corruption, and to promote sound financial practices within government organisations. This area has become an important focus of the AG during municipal audits. This study is important as a means to improve the situation in terms of reducing negative behavioural traits, as well as for improving controls and prevention mechanisms in the SCM environment. SCM units form a critical part of service delivery in municipalities and government as a whole.

George Municipality (a local government organisation, Category B) has made a strong commitment to adhere to the legal instruments that regulate SCM practices. According to the Municipal Systems Act (No. 32 of 2000a) (MSA) (Republic of South Africa, 2000), the legal character of a municipality is described as "an organ of state with legislative and executive authority within the area determined by the Municipal Demarcation Act 27 of 1998" (Republic of South Africa, 1998). The role-players within the municipal structure comprise of the community, administration of the municipality and political structures (council). The purpose of the municipality is to use municipal resources in the best interest of taxpayers and communities and to provide services in a financially and environmentally sustainable manner, also referred to as elements of developmental local government.

Chapter 11 of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) (Republic of South Africa, 2003) describes conditions to be met with

respect to procurement when engaging in tenders. According to the MFMA and the SCM Policy and Operational System of 2017 (George Municipality, 2017), the supply chain policy is applicable to all municipal officials, stakeholders, contractors, suppliers, service providers, councillors and any party doing business with the municipality.

The Constitution of the Republic of South Africa, 1996 (the Constitution) is the supreme law of South Africa and Section 217 specifically states that when a local sphere of government advertises tenders and quotations for goods or services, it must do so in accordance with a system that is open, fair, equitable, transparent, competitive and cost-effective. The Constitution imposes legal and moral obligations on municipalities to perform their duties in a developmental manner and Section 195 specifically addresses ethical conduct as one of the characteristics of a public servant.

1.2 Public Servants Code of Conduct for the Western Cape

The Code of Conduct, which includes a Code of Ethics, became effective on the 1st November 2010 and applies to the public sector in the Western Cape. Public sector employees should use the Code of Ethics as a guide to ethical behaviour. The purpose of the Code is to instil trust in the Public Service sector and ensure professional behaviour from public servants. Furthermore, the Code aims to guide employees in their relationships with co-workers, the public (taxpayers), councillors and other role-players. The Code directs the manner in which relationships should be maintained in performance of duties and how conflicts of interest should be avoided and dealt with in a professional manner. Top management should ensure that all employees are informed of the Code, sign their acceptance of it annually, and work according to its prescripts (Western Cape Government, 2018).

The content of the Code of Conduct can be summarised as a range of rules, organisational values, behaviours, principles and organisational expectations for employees to follow in order to ensure the successful functioning of the organisation. As a result, an individual's ethical conduct should be positively influenced, which will

in turn improve the ethical culture of an organisation and gain the trust and support of the public.

1.3 Local Government Code of Conduct for Supply Chain Management Practitioners and Other Role-Players

Government organisations, including municipalities, should compile a Code of Ethics to foster a culture of ethical behaviour in order to enhance service delivery and ensure a fair distribution of contracts awarded in terms of the tender system and its legal framework. For example, George Municipality consists of various outlying areas, such as Thembalethu, Syferfontein and Lawaaikamp, where residents often complain of poor services and, as a result, strikes and social unrest frequently occur in these areas.

The Constitution makes regular reference to the requirement of ethical behaviour from councillors and staff in municipalities. Section 195 of the Constitution prescribes that all public matters must be conducted according to the following statements:

- Professional ethical standards must be advocated;
- Resources must be managed economically, effectively and efficiently;
- The public administration's priority must be to develop communities in their area;
- Service delivery must be provided to all communities in the area in a fair and equal manner;
- The public administration must be held accountable for their actions and decisions; and
- The public administration must act inclusively, with fair practices that represent all people in order to change the imbalances of the past.

The Constitution defines various obligations for ethical behaviour by municipalities, which must be included and implemented in their policies and strategic municipal

documents. Municipalities need ethical policies to promote ethical behaviour in their work environment. These policies must be reviewed annually by a Risk and Ethics Committee in order to establish their effectiveness and then be recommended to council for approval. The National Codes are only a broad guideline and do not address specific local government issues.

1.4 Purpose of the Study

Developing means and systems to deal with behavioural challenges in the SCM environment requires that government organisations ask the following questions:

- How often do unethical behaviours occur and what is the current situation in SCM units in the country?
- What is the influence that unethical behaviour has on the country's financial stability?
- Where do we want to go and how do government organisations want to get there?

The study aims to explore and describe existing behavioural issues, the modes of managing morality, methods and tools in use to manage behavioural challenges, the benefits of instilling good behavioural values, and the eradication of unethical behaviour in SCM units of government organisations.

1.5 Potential Value of the Study

Government organisations in South Africa are performing poorly and the occurrence of fraud, corruption and maladministration in supply chain management practices are constantly reported in the media. Behavioural challenges arising during procurement processes should therefore be further explored to identify means and/or processes to

improve government operations, which ultimately aim to eradicate unethical behaviour in SCM. The study therefore has potential value in contributing towards existing research and addressing behavioural challenges in SCM units in order to ensure optimal functioning, which will lead to better financial efficiency through open and cost-effective processes.

1.6 Research Problem and Objectives

1.6.1 Research problem

A number of behavioural challenges exist in the SCM environment of George Municipality, which is the local government organisation chosen for this study. The study will attempt to address challenges of unethical behaviour confronting the SCM unit. The research has an aim to explore the behavioural challenges in the SCM unit that influence its optimal functioning. Officials in the SCM unit follow strictly regulated instructions and procedures; however, during the past five years the SCM unit of George Municipality has faced difficult situations and has been the subject of numerous investigations. The implementation and adherence to the municipality's SCM policy and the management of internal controls are crucial to overcome these challenges, in order to reach tender and quotation output targets and comply with time limits set to achieve budget targets. Unless the municipality's supply chain procedures and regulations are adhered to by all officials, the municipality will fail to remain compliant with legislation and follow correct tender procedures, and as a result will not function optimally or without interference in, and disruption to, tender processes.

1.6.2 Research aim

The study aims to explore behavioural challenges in SCM in George Municipality that impact the optimal functioning of the unit.

1.6.3 Research question

Do behavioural challenges in the SCM unit of George Municipality have an influence on the optimal functioning of the unit?

1.6.4 Research objectives

The research objectives are:

- To determine which behavioural challenges exist and may lead to the unethical behaviour of officials and other role-players in the SCM unit and environment of George Municipality:
  - The lack of ethical behaviour whereby role-players choose to ignore SCM procedures and instructions; the leaking of confidential tender information during early stages of the processes; and officials in user departments dealing with tenderers directly and making decisions based on emotions;
  - Direct council instructions regarding tender processes, directly or indirectly, which amount to interference in SCM processes and result in unethical behaviour and irregular expenditure;
- To determine the manner in which behavioural challenges in the SCM unit and its environment are managed in George Municipality;
- To determine the benefits of instilling good behavioural and ethical values and the eradication of unethical behaviour in the SCM unit and environment of George Municipality.

The main focus of the SCM unit is to ensure timeous delivery of goods and services at the right time, of good quality and cost-effectively. This can only be achieved if organisations behave in an ethical manner.

1.7 Research Design and Methodology

A research design is a plan of how the researcher intends to conduct the research study. The design shows the available knowledge in the literature of other researchers, guiding the researcher to ensure that the information is systematically ordered. The question, this researcher had to consider is: what is the most suitable research design for studying the exploration of behavioural challenges in the SCM units of government organisations (Mouton, 2001:32)? The purpose of the study is to explore behavioural challenges in the SCM unit of George Municipality that influence the optimal functioning of the unit.

The non-empirical component of the study, comprising of the literature review, is conducted using information regarding the public and private sectors, with the main focus on the public sector. The empirical component, comprising of the research study, is constructed based on a case study design, containing both primary and secondary data with the units of analysis being officials working in the SCM unit and environment. The researcher uses a case study design as the qualitative element to enable the research to gain insight and knowledge of the factors that influence ethical behaviour, and to conduct a content analysis with respect to the findings on behavioural challenges in the SCM unit of George Municipality. A non-probability sampling technique is used to purposefully select individuals to contribute to the research. The study includes officials from the SCM unit, other user departments and managers who participate in the SCM processes and officials from the National Treasury.

Data-collection tools include a self-administered, semi-structured and open-ended questionnaire, interviews with individuals in management positions and observations by the researcher. Interviews are more open-ended and less structured; and conducted face-to-face. Interviews were held with the following individuals: four senior municipal managers; three external clients/suppliers; two politicians; and one official in the office of the Provincial Treasury. A semi-structured questionnaire, containing both closed- and open-ended questions was used to research the behavioural challenges of managers, as well as SCM and other municipal officials. The sample consists of eleven individuals (a 100% sample) from the SCM unit and twenty-four individuals (a quota of three

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individuals per user department) in the eight user departments whose work are SCM related. Purposeful sampling was applied for the selection of the twenty-four officials (from other departments), as well as the managers, external clients, politicians and personnel from the National Treasury. Observations are informal, conducted of individuals working in the SCM unit and the researcher is not a participant.

The researcher is the instrument of credibility, which means the credibility of the study depends on the effort, ability and skills of the researcher. The design of the study, analyses of the results and quality of the research should be valid and reliable and attention worthy.

Data analysis includes the interpretation of the data gathered through coding, which is the identification of similarities and differences interpreted by the researcher using a content analysis. The researcher makes notes of, and highlights, sections of text in order to understand behavioural perspectives. The data generated from the studies is analysed and presented in the case study. The qualitative study aims to convey why people act and behave in the way they do.

1.8 Chapter Outline

The study is comprised of chapters one to six, structured as follows.

Chapter 1

This chapter proposes the study and provides its rationale. The chapter includes the research problem, objectives and research design, and methodology of the study.

Chapter 2

This chapter introduces the concept of SCM through the exploration of the definition through legislation. The chapter explores how behavioural challenges in SCM units of

government organisations are perceived by other researchers in their literature. It focuses on exploring behavioural challenges in SCM and the implementation of processes to reduce the challenges and adhere to prescribed legislation when following tender procedures.

Chapter 3

This chapter introduces the statutory and regulatory prescripts for implementation in SCM at local, national and provincial government. This provides the researcher with legislation on how the country's legal mandate sets out processes and prescribed behaviour in government organisations.

Chapter 4

Chapter 4 describes and explains the case study of George Municipality, and highlights existing behavioural challenges, as discussed in detail in Chapter 2.

Chapter 5

This chapter presents and interprets the results of the research conducted on behavioural challenges of role-players in the SCM unit and environment of George Municipality and SCM division of the National Treasury, as well as external stakeholders such as suppliers and contractors. This is to determine whether they comply with legislation and the implementation of codes of conduct and ethics.

Chapter 6

The final chapter contains the recommendations and conclusion of the findings of the study from chapters 1 to 5. The researcher summarises and discusses the most noticeable points, offers recommendations based on the findings and provides a conclusion to the study.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter offers an exploration of the behavioural challenges (or ethical challenges) that influence the efficient and effective operations of SCM. The aim of the research is to explore behavioural challenges of role-players in the SCM environment of government organisations that have impacted the optimal functioning of the units. Technology has advanced rapidly, but the supply chain environment is still based on continuous interaction between people, which creates greater opportunity for ethical issues to arise during the phases of the SCM processes. Supply chains consist of sub-sections that enable the procurement of goods, services, as well as infrastructure procurement that enables the movement of goods and services to and from the municipality, and from suppliers, service providers and contractors (Sairamnath, 2014:1).

Literature on the challenges of behaviour is plentiful, but there is still a gap between supply chain procedures and the implementation of those procedures in an ethical manner, which can have a negative impact on service delivery. This is particularly of interest in South Africa when one looks at the negative publicity in the media and negative comments in the Auditor-General's reports regarding corruption, favouritism, fraud and maladministration in government institutions. These accusations are an indication of a lack of moral and ethical behaviour in these organisations. The research review highlights the importance of ethical behaviour in organisations and the benefits of instilling good governance. The study is not trying to fill the gap, but to contribute towards knowledge about perceived challenges.

Since the recession in 2008 there has been a drastic rise in government debt, from R450 billion (2009/10) to R1.4 trillion (2013/14), and this amount is projected to grow even higher. This situation has made government realise that they need to reprioritise spending in the country and increase the efficiency of departments in government

organisations. This includes SCM, which spent R500 billion in 2013/2014 on construction projects and goods and services in order to render services to communities. Government's vision for SCM is that officials should have the necessary skills and knowledge and make well-informed decisions in an ethical manner to carry out important work as prescribed in the country's Constitution, laws and regulations (Fuzile, 2015:3). Ethical behaviour and good governance play a critical role in the efficiency of financial systems of government.

Since the inception of SCM (in 2003) of the South African public sector, training programmes and workshops have taken place in all spheres of government. SCM officials have been capacitated with skills and knowledge, but the execution of SCM functions remains a challenge. Pressure on government entities to solve behavioural issues around SCM is increasing. This pressure comes from the public sector, service providers and the media, who increasingly focus on stories about SCM (Ambe & Badenhorst-Weiss, 2012:11003-11004).

Moral and ethical dilemmas in organisations can be addressed if managers identify the problems, learn to understand their causes (many people may not realise they are behaving immorally), have a vision for the organisation and implement strategies to achieve a healthy, moral organisation (Collins, 2012:viii). SCM's purpose is to get the work done as quickly, efficiently and effectively as possible, without errors and at the lowest cost to the organisation (Jacobs, Chase & Aquilano, 2009:4).

The literature review seeks to describe existing phenomena, and provide a basis for understanding the importance of ethical behaviour and the consequences of unethical behaviour in public organisations, especially in the SCM unit. Ghillyer (2010:6) defines the field of ethics as a study of 'right' and 'wrong' behaviour. The exploration highlights the importance of recognising challenges regarding behaviour in organisations in order to ensure adequate service delivery. Good moral and ethical behaviour are the foundation on which supply chain procedures should be established. However, behavioural challenges are often ignored by politicians and management or not perceived as unethical by those involved.

A survey of various theories from different scholars follows. The researcher attempts to research and consider contributions from various scholars in the field of supply chain management and ethical and moral behavioural challenges. This study guides the researcher in recognising important variables for behavioural challenges in the SCM environment with specific regards to the unethical behaviours mentioned.

The State Capture Report reminds one that a state with a desire to abide to the rule of law should be driven by a moral commitment to safeguard the survival of South Africa's democracy (Madonsela, 2016). Within this context, the next section explores the process theory of SCM.

2.2 Supply Chain Management as a Process Theory

SCM is a complex environment to understand, and consists of the flow of activities, functions, officials and role-players. The process of procurement in SCM encompasses the flow of goods and services in an organisation, and involves acquisition, movement and storage of goods through the inventory to the point of consumption, to meet the organisational service delivery targets through the spending of financial resources. The supply chain processes are full of opportunities for abuse, which makes SCM officials and other officials dealing with SCM processes more vulnerable to making unethical choices. Officials dealing in SCM matters are exposed to internal (political) and external environments, and when they engage in unethical behaviour it poses a risk to the organisation's reputation and negatively impacts service delivery.

The procurement framework, published by the South African Government (Republic of South Africa, 2004), illustrates the SCM process flow and the application of SCM requirements. Value is added at each step of the process (Migiro & Ambe, 2008:232-233). This framework is displayed in Figure 2.1 below.

Figure 2.1: Framework of the Supply Chain Management Process
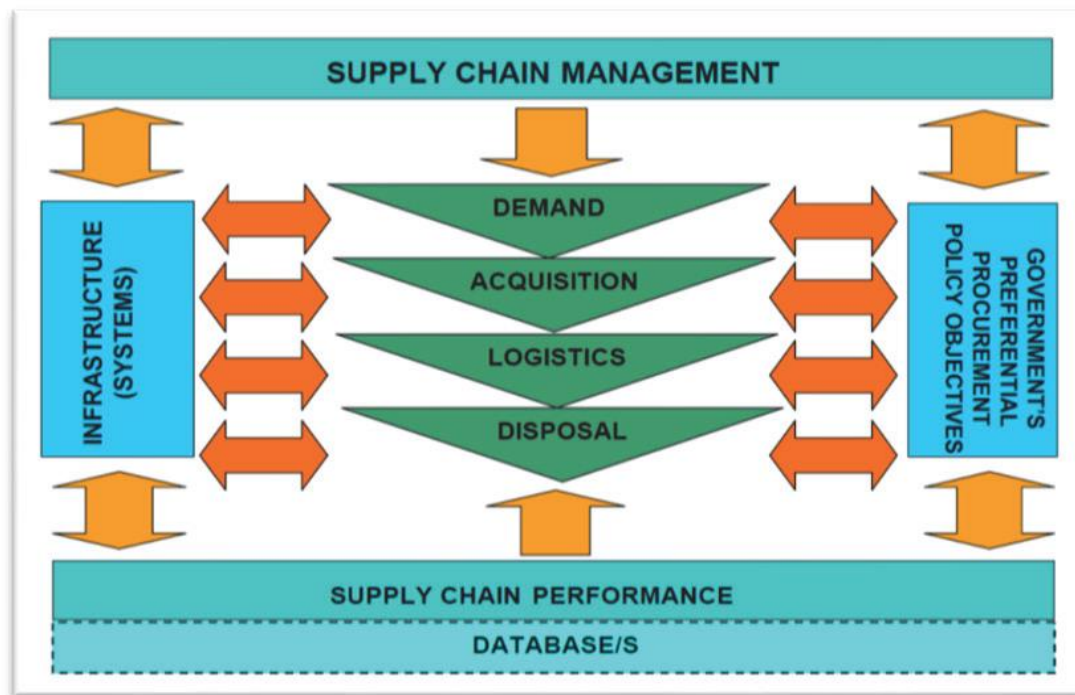
Source: Migiro and Ambe (2008:233).

The aim of SCM units is to improve efficiency, customer services, and quality through teamwork, as per the legal mandate of local government.

2.3 Ethical Behaviour in Organisations

Section 217 of the Constitution states the following: "goods and services must be procured in a fair, equitable, transparent, competitive and cost-effective manner". This requires government organisations to take positive steps to ensure that transactions are done in an ethical manner and that unethical conduct and allegations are followed up with investigations. According to the MFMA: Municipal SCM Regulations (Republic of South Africa, 2005), municipalities must implement a SCM policy that prescribes transparent and ethical behaviour. All government action is primarily driven by legislation. According to Fuzile (2015:24), the Constitution supports good governance

through a high standard of ethics, taking accountability for actions and being transparent by providing accurate information to the public.

According to Dobie and Plant's (2014:1-2) handbook on ethics reporting, ethics management is a new field that formed over the last two decades in South Africa and was fuelled by the release of the four King Reports, the new Companies Act and by global developments in sustainability and reporting. Stakeholders are expressing their expectations of public organisations more than before and expect good behaviour from officials working with taxpayers' money. Pressure is placed on the monitoring and reporting of ethical behaviour and performance in organisations. The need for ethics is driven in South Africa by the King III Report; the Companies Act (which requires organisations to have social and ethics committees); the Public Service Integrity Management Framework (which requires government organisations to establish ethics committees and programmes) and the Global Reporting Initiative (which requires organisations to report on integrity and ethics to external stakeholders). This means more responsibility is put on organisations to behave in an ethical manner and to monitor and report on behavioural challenges to internal committees and external stakeholders. These communications should be accurate and fair. The measures on behavioural challenges and ethical management in the organisation will ensure organisational improvement – as the adage goes: "what gets measured, gets managed".

According to Dobie and Plant (2014:1-4) sustainability reporting is reporting within the triple context, which includes economic, environmental and social sustainability within organisations. Ethical reporting is one aspect of sustainability reporting. Ethics SA developed an ethics management framework (see Figure 2.2) that includes interventions in an organisation. The framework is aligned to the King III Report and the Public Service Integrity Management Framework.

Figure 2.2: Ethics Management Framework

Culture	1. Commitment from Leaders	Culture
	2. Government Structures	
E. Monitor & Reporting	A. Ethics Risk Assessment	A. Ethics Strategies
D. Regulating	3. Ethics Management	C. Ethical Codes & Policies
Culture	4. Assessment & Reporting Internally & Externally	Culture
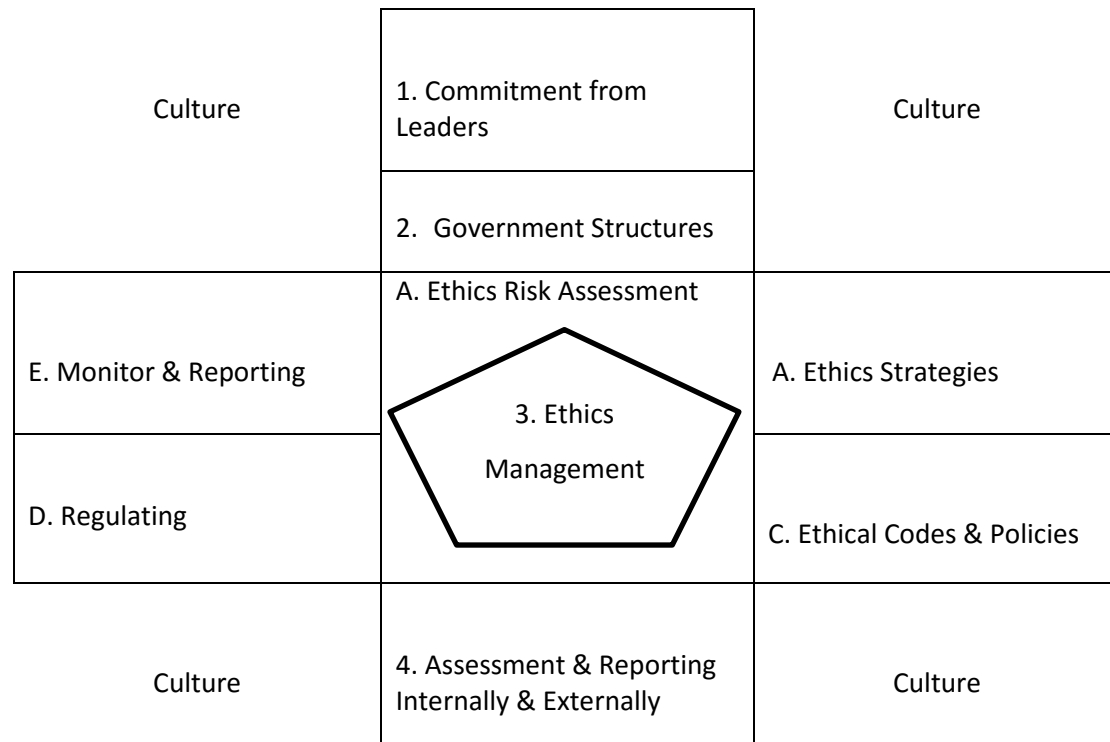
Source: Rossouw (2018:13)

The framework illustrates that commitment from leaders/management is needed first, as their behaviour sets the tone for the organisation and is critical to the success of ethical interventions. Secondly, the structures in the organisation should allow for ethics management through committees and an office with personnel (an ethics officer and ethics champion). Thirdly, these structures should oversee and implement the elements of: A. a risk assessment (to allow the organisation to understand its ethics risk profile); B. a formulated strategy; C. the development of conduct and ethical codes; D. the ethics plan and ensure that the organisation is informed and adheres to the plan; and E. monitoring and reporting by the ethics office to the ethics committee on the progress of the plan and the organisation's ethical behavioural status. Fourthly, an independent assessment of the organisation's ethics performance should be conducted, which is reported internally and externally to the organisational stakeholders. The commitment and success of the implementation of the ethics management framework dictates an organisation's culture.

The ethics office is responsible for reporting to the organisation's ethics committee, providing them with information and keeping them up to date on the progress of the organisational ethics programme. Reporting should include elements of organisational trends towards behavioural challenges; the progress with programme implementation; incidents that occurred, as well as considerations regarding incidents. A trend analysis for a specific unit, for instance the SCM unit, is useful and will provide tangible information that can assist the ethics office in giving strategic direction to the unit and play an oversight role. Examples of trends in the SCM unit to be monitored and reported are the following: the number of declarations of interests and conflicts picked up in tender documents; the gift register, where gifts are declared with their values; the number of employees who received training and points raised during training session evaluations; the helpline, which indicates the types and number of queries per unit; and hotline reports where incidents are reported by officials and the public, indicating categories, outcomes and the financial impact on the organisation. An organisation's internal audit unit could utilise the reports and information released by the ethics office. The function of the Internal Audit office is to assess information and make recommendations for the improvement of government processes, which includes evaluating the organisation's ethics objectives, the design and implementation and effectiveness thereof; and promoting ethical behaviour and values in the organisation (Dobie & Plant, 2014:6-7).

Dmochowski, Jurczuk & Szczepankowski (2015:1) state that ethical behaviour is one of the most important components in government that allow democracy to develop. The promises of a democracy can only be realised if the role-players in government organisations behave ethically. A democracy requires that government treat all people equally and does good by its citizens. This requires government officials be independent, responsible and impartial towards the people. When fraud, corruption and bribery occur, it takes away power from citizens and gives it to the few in positions of power and control. This skews the equality of people living in South Africa. The citizens of the country expect public officials to act in the best interest of communities in a fair manner and to use public resources responsibly. Public servants who act fairly

and reliably inspire the trust of the public and contribute towards economic growth in the country.

Managers need to behave ethically when exercising their power within organisations. In government organisations, the power lies with top management and political office-bearers (councillors). According to Collins (2012:272,294), managers who do not behave ethically eventually lose their power base. Power must be used responsibly and accountably. There are two tools that managers use to encourage ethical behaviour in the workplace, namely work goals to motivate ethical behaviour and performance evaluations. Wrongdoers must be dealt with in order to psychologically heal the workforce and create a culture of honesty and trust.

Rossouw (2012:1) claims that behavioural development processes cannot be driven by government organisations alone. Every citizen of South Africa must play an active role in these processes. Businesses that behave socially and environmentally responsibly along the value chain will improve their natural environment, employees and communities and ensure business sustainability. The German Federal Ministry for Economic Cooperation and Development (BMZ) has supported ethical behaviour in business since 2002 and has been operating an office in Pretoria since 2005 under the Centre for Cooperation with the Private Sector (CCPS). The Centre for Cooperation with the Private Sector supports corporate social responsibility (CSR) throughout Sub-Saharan Africa. South Africa has made satisfactory progress towards business behaviour through the Broad-Based Black Economic Empowerment (BBBEE) strategy and King III Report. All state-owned companies, companies listed on the Johannesburg Stock Exchange and public interest companies have had to establish ethics committees since the 1st of May 2012. This initiative enables organisations to position CSR and sustainability.

DuBrin (2013:172-173) identifies various reasons why ethical behaviour of leaders differs. Reasons include their moral development, levels of stinginess, arrogance and greed. A good leader might make the wrong decision when he/she focuses on the intent of the actions, rather than on the action. The three levels of ethical and moral behaviour are: the preconventional, conventional, and post-conventional levels. Level one is when

an individual concentrate on the rewards of ethical behaviour only to avoid punishment. Level two is when an individual only behaves ethically and well to impress other individuals. Level three is when an individual is genuinely ethical and good, and does their work for the good of the cause.

Rossouw (2012:3-4) explains what it means for organisations to behave responsibly. Corporate responsibility is defined as follows in the Guidance on Social Responsibility, issued by the International Standards Organization (ISO 26000): "The commitment of an organization to incorporate social and environmental considerations in its decision-making and be accountable for the impacts of its decisions and activities on society and the environment" (Rossouw, 2012:3-4). Organisations need to be accountable for the impact of their actions. Organisations can have various impacts on their immediate context, which is illustrated in the corporate responsibility figure below:

Figure 2.3: Corporate Responsibility
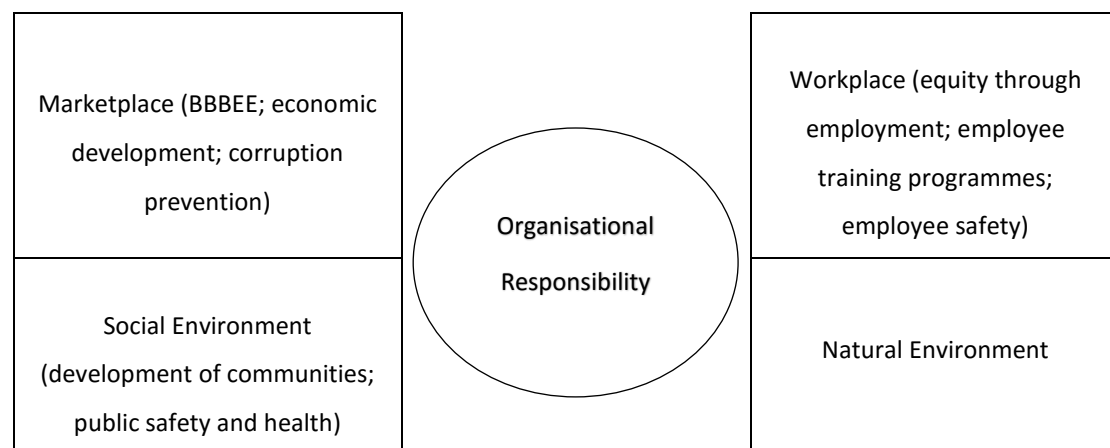
Source: Rossouw (2012:3-4).

The corporate responsibility diagram illustrates that organisations should consider their impact on the environment and that they are accountable for their actions. Organisational behaviour towards the marketplace should therefore be ethical, allow for fair opportunities and be environmentally sensitive. Government organisations should ensure that their supply chain units follow the same responsible behaviour. Organisational social impact on the workplace and officials includes that organisations

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take care of the safety and development of their employees. The social environment includes communities affected by the organisations' service delivery and infrastructure development. Finally, the natural environment includes factors such as pollution, which in municipalities includes the maintenance of sewerage works to prevent health issues and disasters (Rossouw, 2012:4).

Geller (2017:1-5) explains that outsiders observe unethical behaviour in organisations as unbelievable and baffling. Citizens do not understand why leaders allow behaviour and wrongdoing in organisations. Ethical breakdowns in organisations have a huge effect on officials, because, as with most people, they spend most of their time at work. Even a small unethical request can have a significant impact on an individual. Factors contributing to scandals, such as supply chain fraud, have contributing factors and an ethical lapse in an organisation has a profound effect on individuals' behaviour and moral decision making.

All people are vulnerable to dishonest behaviour, especially when officials are exhausted and stressed. Pressure from management can lead to immoral actions and feeling unable to resist temptations. When individuals are in this position, it is easier for them to act in a self-interested manner that they would have previously avoided. The individual's mind goes into defensive mode and they think about themselves, rather than the organisation. There are bad people in every organisation, but not only bad people behave unethically. If an unethical culture has been established in an organisation, such a culture will ensure repeated bad behaviour. The encouragement to be creative can also hold a dark side. Creativity is critical for learning and innovation in organisations, but it can create a sense entitlement and of feeling rare and unique. When people start to think they are special, they start breaking the rules and will not be punished (Geller, 2017:1-5). There is a definite link between feeling entitled and being dishonest. Managers should ensure that all officials think that they can become creative, this will reduce the perception of entitlement and dishonesty amongst individuals.

When officials perceive their managers and leaders as unethical, it influences their own morality and the meaning of their work. Their work becomes meaningless and they become disengaged and unmotivated, which leads them to do bad things. Managers

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should make employees feel psychologically safe and get them to believe in the team and create a space where they can learn from mistakes. Managers and leaders have the responsibility to make other people's lives and work environment better, in order to create a healthy, ethical workplace (Geller, 2017:1-5).

According to Starostina (2017), our world is increasingly impacted by higher levels of complexity, ambiguity, uncertainty and volatility. The pace of behavioural change and transformation is fast and change has become the new norm in organisations. Humans do not do things for nothing; all their actions are related to their subconscious or conscious needs. Humans need to be reminded of the motivations for their actions. Behaviours are memorised and stored in the human brain for repetition; and for this reason, it is important that good ethical and moral behavioural routines are taught through example, in order to allow moral behaviour patterns to develop. The most fundamental behavioural challenge is to keep questioning intentions and remain critical of decisions. An individual's knowledge and skills are not the determining elements for good ethical behaviour, but his or her belief (Starostina, 2017). If individuals believe that an organisation's leaders are behaving ethically and in the interest of service delivery, they will follow the behaviour and believe it to be the right thing to do. An individual's belief is the core driver of his or her actions and managers have the ability to change behavioural challenges in the workplace.

The State of Ontario in East-Central Canada established a Behavioural Insights Unit (BIU) in 2015, with the main target of enhancing public services through behavioural science research. The unit simplifies processes and forms, develops policies and implements government programmes in order to motivate government officials and the public to perform better and behave in an ethical manner through easier compliance with government rules and regulations. The use of behavioural insights in government operations indicates that public services also improved at a lower cost. The unit measures what works in government organisations and what does not. The unit intends to achieve a better, more effective and efficient public service for the people, stating: "The things that do not work can often be as revelatory as those that do" (Behavioural Insights in Ontario, 2018).

Schlegelmilch and Öberseder (2007) state that morality and being fair is addressed in Matthew 7:12 in the Bible as follows: "Do unto others as you would have them do unto you.", and in the Islamic scriptures: "Select for your brother whatever you like for yourself." Whenever interactions between people take place, ethical issues and behavioural challenges emerge. Even organisations may abandon ethically motivated hesitations and buy products that are counterfeits in order to pay the lowest possible prices. Whenever people interact, ethical and behavioural problems can emerge.

2.4 Ethical Behaviour in Supply Chain Management

According to Ambe and Badenhorst-Weiss (2012:11008), the MFMA provides a financial framework, demonstrating and separating the roles and responsibilities of the council: the mayor, councillors and municipal officials. Mayors have political leadership of creating policies and their outcomes. Municipal managers and other senior managers should ensure that SCM regulations and policies are executed in accordance with Chapter 11 of the Act. This will ensure accountable local government that meets the demands of communities and SCM challenges to perform in a more sustainable manner. The MFMA therefore provides measures to combat corruption and abuse in the SCM system.

Section 117 in Chapter 11 of the MFMA states that councillors are not allowed to serve on any municipal bid committees or any committees dealing with tender and quotation evaluations and approvals. They may also not attend such meetings as observers.

The Constitution describes certain rights of the public, which include just administration and access to information. The application of these requires high ethical standards from government officials (Ambe & Badenhorst-Weiss, 2012:11008). If members of the public suspect foul play or unethical behaviour in decision making by a government organisation, they can request to know the reasons for any decisions that affects their rights.

Rossouw and van Vuuren (2010:50) emphasise that organisations are not isolated, tangible systems, but consist of employees who have an influence on each other's lives and on the lives of the stakeholders of the organisation. Ethical behaviour is therefore an integral part of each organisation (SCM unit), without which the organisation would not be able to fulfil its goals and missions.

Rossouw and van Vuuren (2013:123) note that it is important for people with strong ethical values to participate in an environment that also acts in an ethical manner and people will leave an unethical organisation if it is not operating according to their value systems. If organisations stand up for what is right and ethical, this will have a positive effect on the organisation's environment and will attract good people. The most important characteristic of a successful organisation is to have respect for people, which includes employees, and the families of employees and stakeholders. This attitude will gain a favourable reputation for the organisation.

Marx (2019:14) strongly states that laws in South Africa need to be toughened and government should without doubt start prosecuting wrongdoers in order to transform the fraudulent and corrupt behaviour of businesses and government officials, especially in procurement and SCM divisions. There is a lack of accountability under government officials and politicians; and the rights of officials who have criminal cases against them should be suspended. This should be applicable to political individuals, who should not be eligible for election.

2.4.1 What is the Code of Good Ethics and Ethical Standards?

Rossouw and van Vuuren (2010:235) state that codes of ethics were drawn up more than two thousand years ago, for example the Hippocratic Oath for the medical profession, but the Code of Ethics only became part of the business and government sectors about thirty years ago. According to Collins (2012:107,111) the Code of Conduct is a descriptive document for acceptable behaviour in specific situations in the workplace, and the Code of Ethics is a description of broad ethical aspirations. The Code of Ethics contains the following values: respect, caring, trustworthiness,

responsibility, citizenship and fairness. It exists to constantly remind employees how to behave and sends a positive message to the community and other stakeholders. Employees need a common ethical reference point.

The Code of Ethics comprises the following elements towards the public: professionalism, personal integrity, transparency, accountability and compliance; and continuous improvement. Professionalism means that all role-players should treat each other with respect. Confidential information should be kept confidential by all parties involved and all role-players should adhere to rules and regulations. Personal integrity includes personality traits such as honesty and a strong commitment towards morality. Transparency and accountability mean that processes must be open and officials should be responsible for their actions. There should be compliance with laws, policies and regulations, and continuous improvement pertaining to processes and ethical culture in procurement activities (Sairamnath, 2014:3).

Ambe and Badenhorst-Weiss (2012:11011) recommend that all parties involved in supply chain processes comply with ethical standards. Mutual trust and respect are important between the parties, and tender processes should be fair and performed with integrity. SCM officials dealing with suppliers and contractors should behave ethically when recognising and dealing with conflicts of interest; treat all people the same and not compromise the standing of the state by accepting gifts or bribes from suppliers or contractors; use equipment and property economically; and assist in eliminating corruption and fraud. Conflict of interest is a major challenge in the SCM system. The reasons for this are a lack of cooperation within organisations, and contractors who are not experienced enough to declare their interests in the tender document's MBD4 form for Declaration of Interest.

The government's Batho Pele ('people first') principles indicate the services to which the public is entitled and includes openness and transparency. This means that the public should have access to information on tender and quotation results and budgets (Local Government Action: The Batho Pele principles, 1996).

According to Dmochowski, et al. (2015:3), the term 'ethics infrastructure of public life' is defined by the Organisation for Economic Cooperation and Development (OECD) as various processes and tools used against unethical behaviour and/or providing incentives to officials who act in good conduct. The key components of an ethics infrastructure identified by the OECD are commitment from political office-bearers; effective legal compliance; accountability mechanisms that are efficient; training of officials; and an active community who keeps an eye on the actions of officials.

The King III Practice Notes on Ethics Management describe what tones the code of ethics should communicate in order to be effective in organisations. These tones include being prohibitive (no tolerance allowed) and supportive (encouraging good behaviour). The development of a code is an ongoing process that should be established in an organisation's beliefs and behaviours (Practice Notes: Ethics Management, 2009).

When ethics is applied in the business sector, businesses must consider the effect their activities will have on stakeholders. The interests of stakeholders must be respected. Business ethics are therefore standards and values that are applied when interaction between business and stakeholders takes place. There are three concepts that are integral to the definition to ethics, namely 'self', 'good' and 'other'. Business ethics is about the conception of what is good (the standards and values) that guides the business (the self) in interactions with stakeholders (the other) (Rossouw & van Vuuren, 2010:5).

According to Blanchard and Peale (1988:27), there are three questions to check for ethical behaviour before performing an action:

1.   Is the action legal? The individual or organisation should ask if a law, regulation or policy will be violated if the action is taken.
2.   Is it balanced? Will the behaviour or action have a negative influence or effect in the short or long term and will it be to the benefit of the organisation or not.
3.   How will the behaviour or action make the individual or organisation feel about itself? Will there be a proud feeling of accomplishment and how will the media and public react to the behaviour or action?

Badenhorst-Weiss, et al. (2018:104-105) suggest that organisations streamline their codes of conduct and ethics, especially when applicable to the SCM unit, and include detailed guidelines wherein day-to-day activities are stipulated; the allowance or not of the acceptance of meals, vouchers, trips and gifts; the dealing with tender and quotation documentation and confidential information; and using the organisation's equipment and time for personal use. Officials should receive annual training on ethical behavioural challenges and be asked to sign for training courses; and that they will honour the codes of ethics and conduct.

According to Deon Rossouw, CEO of the Ethics Institute, professional organisations have the power to discipline members who do not comply with their codes of conduct. This can include fines, verbal warnings and deleting members from their register, publishing their names or denying them membership (Marx, 2019:12-13).

2.4.2 The importance of ethics and professional behaviour within public and government organisation environments

To be professional is to behave ethically. The relationship between professionalism and ethics is important in public administration. Professional people are competent and qualified to perform their jobs efficiently. Government organisations and municipalities must adhere to certain norms and standards, which include loyalty to jobs and the functions of service delivery, rather than to political office-bearers and self-interests. Professionalism separates an employee from undue political and public pressures; as well as encourages loyalty and taking responsibility for behaviour (Mafunisa, 2001:325-326).

Rossouw and van Vuuren (2010:53-54) illustrate the descriptive model of the different modes of ethics that one can find in organisations.

Table 2.1: The Modes of Managing Morality Model

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	Nature	**Purpose**
Immoral mode	Believes that unethical conduct is good for the organisation. Business is business and not ethics.	Sees unethical behaviour as good business.
Reactive mode	Code of good ethics exists, but unethical behaviour is still not punished.	Ethical standards only exist to keep the critics quiet.
Compliance mode	Strong commitment to ethical behaviour. Rules and regulations are in place.	Ethics are seen as an advantage for the organisation.
Integrity mode	Ethical values and standards are internalised. Ethical behaviour is encouraged and rewarded.	Level of corporate ethical performance is raised. Ethics are an advantage.
Totally aligned organisation mode	Moral interactions with stakeholders are non-negotiable. There is integration of ethics in the organisation.	Ethics is part of the organisational culture and decision making.

The local government organisation of George Municipality can be described by the compliance mode. Rossouw and van Vuuren (2010:59) describe the compliance mode as encompassing organisations that are committed to managing and monitoring their ethical behaviour and performance. Rules, regulations, policies and codes of conduct for councillors and supply chain practitioners exist in this organisation.

Rossouw and van Vuuren (2010:212-213) state that the King III Report is written on a foundation of ethics. A quote from the King III Report reads as follows: "Ethics (integrity and responsibility) is the foundation of and reason for corporate governance. The ethics of governance requires the council to ensure that the organisation is run ethically. As this is achieved, the organisation earns the necessary approval – its licence to operate – from those affected by and affecting its operations." The intention of a government organisation to conduct its affairs ethically is reflected in the actions of the council, risk management, internal and external audit committees. All actions and decisions of council and top management should be based on the four ethical values of responsibility, transparency, fairness and accountability.

The King III and IV reports furthermore stipulate key requirements for ethical business behaviour, including that senior managers/council is responsible for ensuring an organisation is seen; and is responsible, through the development and implementation of policies and strategies to ensure a positive impact on society. The organisation's leadership should be built on an ethical foundation, which ensures that an ethical culture is created through the development of an ethical risk profile and codes of conduct and ethics to address behavioural challenges. Procedures and practices should be implemented to monitor, assess and report behavioural challenges in organisations. Ethical behaviour starts and ends with an organisation's management, which must take responsibility for decisions and actions (Badenhorst-Weiss, et al., 2018:102).

Ethics are rules and regulations that indicate the moral conduct of officials in an organisation. Behaviour and actions can be right or wrong and good or bad motives; and the ways in which these actions end. What should be approved is rightness and what should not be approved is wrongness. In the local government municipal environment, the Accounting Officer plays an important role in promoting ethical behaviour – it is his or her role to enforce the Code of Conduct. The Code of Conduct, as provided in schedule two of the MSA, states that municipal staff members must foster an ethical culture and be committed to serving the public and promote the basic values of the public administration, which includes to uphold a high standard of professional ethics, be efficient, effective and accountable (Mafunisa, 2001:335).

Blanchard and Peale (1988:125) describe the five principles of ethical power for organisations as follows:

- Purpose: the organisation's mission and vision should be communicated from top management. The organisational values and vision should guide employees in what is acceptable and unacceptable behaviour.
- Pride: the organisation should know that it will be able to resist unethical behaviour and temptations and carry a pride culture.
- Patience: the organisation should recognise that ethical behaviour will create a positive culture that will ensure success in the long term.

- Persistence: the organisation should ensure that it lives up to its ethical commitments.
- Perspective: management and employees should take time to reflect on decisions and actions.

Komakech (2016:26) writes that ethical behaviour relates to things that individuals regard as right and wrong, good and bad, desirable or justifiable. It is concerned with each individual person's moral principles and values, which govern a person's decisions, actions and beliefs. Ethical behaviour in the supply chain differentiates between right and wrong decisions when procuring goods and services or contracts. It is important that SCM officials have high moral standards and behave professionally to ensure an effective unit. Being professional will help to control unethical behaviour, because the profession will judge actions against organisational standards.

Private and public organisations influence societies directly and indirectly through their actions and behaviour. They are therefore co-responsible for creating the societies around them. An organisations' behaviour determines whether they contribute towards the development of societies or towards societal degeneration. The responsibility of organisational leaders is important, through their personal and organisational behaviour they contribute towards the ethical or unethical behaviour of the society surrounding them (Rossouw & van Vuuren, 2010:287-288).

2.5 Existing Unethical Behaviour in Government Organisations

Unethical behaviour, such as receiving gifts, preferential treatment and/or monetary commission, is outside the code of good ethics and is wrong (Sairamnath, 2014:3). According to Collins (2012:31), people are primarily honest, but will lie when it is beneficial to them – they firstly care for themselves and then for others.

According to a survey conducted by Deloitte Financial Advisory Services (Preventing procurement fraud and corruption, 2014), employees are the main culprit of SCM fraud

(22.9%), with vendors at 17.4% and sub-contractors at 20.1%. Deloitte states that if red flags and signs of tender fraud are not ignored, it can assist resources to focus on effective SCM, while reducing fraud and cases of abuse. It is alarming that 26.8% of organisations do not have fraud prevention programmes in place and do not detect risks in the supply chain unit at an early enough stage. The main reason presented for this is compliance resource constraints. Deloitte highlights the following warning signs for supply chain fraud, abuse and waste: processes that are not independent and the lack of oversight of administrative SCM functions. The detection of SCM fraud is especially difficult if officials are in collusion with contractors or suppliers (MH&L, 2015).

Ambe and Badenhorst-Weiss (2012:11011) state that unethical behaviour and non-compliance with the supply chain management policy and regulations are the result of the lack of required SCM skills and competencies and a strict regulatory culture in SCM units. These may include the tendency to avoid using the competitive bidding process for tenders and quotations; the lack of bid committees; using contractors who are not complying with the legislative requirements for tenders; extensions of tender validity periods; the lack of tender registers; and insufficient motivations for deviations from normal supply chain procedures. Non-compliance with SCM regulations and policies is due to inadequate capacity of SCM officials, and a lack of ethical culture, skills and knowledge on the part of SCM officials in government organisations.

The roles and responsibilities of government officials and political office-bearers (councillors) need to be clearly stipulated, as the lack thereof can create opportunity for interference in SCM processes and give rise to cases of corruption and allegations against organisations (Fuzile, 2015:5). The correct execution of tender procedures is very important to ensure the fair treatment of all. According to Fuzile (2015:5), unethical behaviour during the pre-tender stage may include actions such as the development of biased specifications, the procurement of items not included in the budget and the abuse of non-competitive procedures. Tendering stage violations include conflicts of interest, which are not declared by officials appointed on bid committees or by tenderers; political interference with tender specifications and processes; the manipulation of points for price and preference scores; and favouring

one tenderer above another. Post-tender violations include inadequate supervision by the project manager and the submission and payment of inflated invoices.

According to Dmochowski, et al. (2015:4,6), all countries have legal frameworks that address various unethical and corrupt issues, such as the abuse of power, extortion, corrupt practices and the abuse of government officials' influence. The legislation is in place, but the enforcement thereof is inadequate. Systems for recruitment of personnel, training initiatives and checking of corrupt activities have a critical role in the management of ethical behaviour in organisations. Promotion and pay incensement for good behaviour and performance can have a positive effect on ethical behaviour and create awareness amongst officials on how their actions will be assessed.

Rossouw and van Vuuren (2010:274) state that organisational performance should be measured and monitored, and unethical behaviour and performance (non-compliance with the code of conduct or ethics) should be reported. Unethical behaviour is not the absence of ethical behaviour. The organisation has a corporate responsibility to report unethical behaviour. They further state that the term 'social audit' was used by Theodore Kreps for the first time in the 1940s. During the 1980s the United Kingdom and United States of America (USA) started screening organisations based on their ethical performance.

According to the Kroll report (2017/2018), all businesses' supply chain divisions are vulnerable to fraudulent behaviour through each step of the SCM processes. Fraud can appear in the form of theft, misrepresentation of inventory assets or poor quality of works or materials. The Global Fraud Report, dated 2007/2008 (Kroll, 2007), indicates that 42% of businesses have experienced some kind of supply chain fraud or theft. Kroll is a company based in New York that conducts risk analyses and investigations into fraud. According to Kroll, the success of supply chain divisions lies in the effectiveness of their control systems. When supply chain systems are more complex, the risk for fraud is greater. Supply chain divisions need to set up standards, certify these standards and regularly audit them in order to prevent fraudulent behaviour. Sullivan lists four important occurrences that can be seen as red flags for supply chain fraud. The first is an increase in payments to one contractor or supplier; second is a large number of

transactions under an approval signature threshold; third is consecutive invoice numbers or various invoices to the same contractor or supplier on the same day; and four is payments according to the Benford's law. The Benford's law is when numbers that occur in natural format usually follow a pattern. People who behave fraudulently do not normally have the skills or capacity to fake these four occurrences (Wailgum, 2008).

According to Farrington and Lysons (2012:641), supply chain officials can behave fraudulently on purpose or by error, and the latter is not intentional unethical behaviour. An individual can commit a violation and not do so knowingly. Errors occur accidentally due to negligence or a misunderstanding or due to the incompetence of the individual. Fraudulent action is when a violation is committed on purpose and intentionally by an individual, with the intention to harm the organisation knowingly and wilfully, with the purpose of gaining from the unethical behaviour.

Ramafoko (2010:6-8) states that financial mismanagement remains a problem in government, including SCM, which in particular requires extensive improvement. The Public Service Commission (PSC), who is the custodian of good governance, found that misconduct in SCM divisions are mostly committed by SCM officials at levels lower than T13. These officials are not obligated to declare their financial interests, according to the Financial Disclosure Framework, which only requires senior managers to declare their financial interests. The PSC did a study on the Constitutional Principle of Professional Ethics on 30 departments in the Free State, Mpumalanga, North West and the Western Cape and found that performance levels were high at 61%; however, misconduct is still a concern and creates the impression that behavioural challenges and unethical behaviour is tolerated, which has a negative effect on discipline.

2.6 Financial Management and Behavioural Challenges in Government Organisations

The successful implementation of infrastructure projects and the delivery of services in government organisations are reliant on a firm foundation of financial management

systems and capacitating of organisations. Measures must be introduced to enforce compliance with prescribed legislation to ensure good governance and accountable, ethical behaviour by government officials when dealing with financial matters. These measures include the withholding of personnel transfers, introduction of codes of conduct for officials and political figures; and the withholding of performance bonuses, should the government organisation fail to deliver services (Financial Management and MFMA Implementation, 2008:174).

The citizens of a country hold government accountable for the management of the country's funds and resources. All government officials must therefore behave in an ethical and accountable manner to achieve the organisation's service delivery targets. Public officials must perform certain functions, which means they have a fiduciary relationship with citizens. Officials make decisions on the spending of government funds in the form of procurement through the supply chain processes to obtain goods and services. Accountability for decisions taken by managers and staff members covers the obligations to adhere to the principles of due care and the responsible use of public resources (Khan, n.d.).

Badenhorst-Weiss, et al. (2018:102) emphasise that behavioural challenges in the SCM divisions are the biggest concern to managers, business people and individuals. The reasons for these concerns are that purchasers are in control of substantial amounts of money that they need to spend; the purchasers have the last say in terms of to whom contracts are awarded; purchasers are more exposed to unethical temptations than other officials in organisations; unethical behaviour influences the organisation's relationship with contractors and suppliers; and temptations in this environment have an influence on a purchaser's thinking and objectivity.

According to the 2013/2014 Global Fraud Report (Supply Chain Fraud: Theft That's Hidden in Plain Sight, 2015), global incidences of fraud increased during 2013, and the biggest increase was in SCM units. The Association of Certified Fraud Examiners reported in 2014 that organisations on average lose 5% of their yearly revenue due to fraudulent activities. This amounts to a global loss of approximately 3.7 trillion dollars annually, of which a large portion leaks through supply chain units. Supply chain fraud

can be fatal, for example in the industries of food, medicine and aerospace. Supply chain fraud is on average only detected about 18 months after it has already started; and external audits and whistle-blowers are to slow to avoid losses, according to the Association of Certified Fraud Examiners (Pearson, Puschke & Grbic 2015:1).

There are areas of unethical behaviour in the SCM environment where dishonest officials are in the position to favour or give preferential treatment to contractors or enrich themselves personally through the awarding of tenders. Unethical behaviour can consciously or unconsciously occur when a supply chain official has a relationship with a supplier or puts his or her interests before the organisation's interests. The purchaser will therefore not act rationally due to a conflict of interest. An official can also purposefully award a tender or quotation to a friend, a person with political influence or a family member, which might hold financial gain for the official in the form of a bribe or political favour. Another area is when information on contractors is not treated confidentially. A contractor's individual rate is confidential information and it can harm a company if an official behaves unethically and shares this information with other contractors. Tender specifications should be set to not exclude certain suppliers or contractors from taking part in tender processes (Badenhorst-Weiss, et al., 2018:103).

Fraud in SCM is becoming an increasing risk to organisations. Collusive behaviour, bid-rigging, bribery and corruption are common in the supply chain environment and becoming harder to detect and prevent. Modern SCMs are more open to tender fraud because of their global reach, the growing networks of contractors and suppliers and the enormous number of transactions. Resources to combat behavioural challenges are rare, and supply chain systems are becoming more complex. Every step of the supply process is an opportunity for misconduct or fraud. According to the Association of Certified Fraud Examiners, 44.7 percent of supply chain fraud are discovered by accident or through whistle-blowers; and only 39.2 percent of supply chain fraud is discovered by internal audits. 65 percent of fraud is enacted by officials from inside the supply chain offices and 35 percent by external individuals or companies. When government organisations fail to follow regulations, it can have catastrophic effects on the supply chain unit, causing the slowdown or shutdown of manufacturing;

investigations and audits, which mean increased costs towards compliance; or litigation costs. An organisation's productivity is also negatively affected by behavioural challenges in supply chain units. The difficult economic climate is forcing organisations to cut costs at the expense of internal controls, and this allows for more exploitation of weak points in supply chain systems by fraudsters (KPMG International, 2016).

2.6.1 International environment: behavioural challenges in supply chain management

Tendencies of unethical behaviour are not only present in South Africa – similar trends can be found in other countries. Some efforts made by countries to halter fraud and corruption have been through the establishment of bodies and treaties. Some of these bodies are the African Union Convention on the Preventing and Combating Corruption; the Southern Africa Development Community Protocol against Corruption; and the United Nations Convention against Corruption. Even international and supra national bodies have great concerns about the rapid increase of behavioural challenges globally (Administratio Publica, 2012:141).

According to Komakech (2016:28), the United Nations, World Bank and World Trade Organisation are worried about the lack of institutions in African countries to fight fraud and corruption. African governments (Burundi, Uganda, Kenya and Tanzania) have lost political will to fight ongoing fraud and corruption and the situation is deteriorating. In order to achieve good procurement practices, governments need strong, ethical leadership, with competent supply chain officials.

Southall (2019:2) refers to Russian President Vladimir Putin as one of the most corrupt and unethical leaders in the world, who misuses and exploits Russia's resources and people in order to enrich himself. Following in his footsteps are other economies, such as Malaysia and Turkey, as well as African countries, such as Equatorial Guinea and Nigeria. Sub-Saharan Africa is, according to the Transparency International Index, the most corrupt. The question that can be asked is: why did behavioural challenges spread so fast globally? Globalisation and neo-liberalism have increased the power of leaders,

organisations and networks who operate unethically and conceal the movement of money through the world's financial systems. These monies are absorbed into a country's procurement processes.

Poor behavioural choices made by leaders, managers and officials in other countries leads to various challenges in the supply chain environment; these challenges include the limited number of available resources to attract qualified personnel; conflicts of interest not assisted by supply chain divisions; violations of the SCM regulations that are not blacklisted; and corrupt contractors simply continuing to do business with government organisations. A controversial procurement corruption scandal occurred in Tanzania's Central Bank during the construction of the Twin Towers in Dar es Salaam. Two officials who worked for the bank inflated the costs of the project, which ended up costing four times more than similar construction projects in London or New York. One of the two officials was charged and sentenced to two years in prison in 2010, and the charges against the other were dropped due to a lack of evidence. The Central Bank never recovered the money. Uromi (2014) suggests that government organisations create greater awareness of the functions of public procurement, procedures and laws. This information must be made available to society, stakeholders and contractors, and government must establish effective communication and awareness mechanisms to make information available to members of the public easily and cost-effectively (Uromi, 2014:58-59).

For the first time since 2011, in 2019 the United States was not ranked within the top 20 countries to be internationally least corrupt (Sibanda, 2019). A study done by Transparency International in 2017 shows that the United States faced various challenges regarding the abuse of power in government organisations for private gain of certain individuals. The behavioural challenges include the influence of for-profit companies and associations and the abuse of the government's financial system for personal gain. According to an opinion survey done by Transparency International, the majority of citizens in the United States feel that corruption in government has become worse, with 60% of citizens saying that corruption levels in government organisations have escalated from 2015 to 2016. A new survey, done in October and November 2017

by Transparency International, indicates that citizens still did not trust certain key individuals and government institutions. The study reveals that citizens believe that government officials in Washington are the most corrupt in the United States; and that most the officials in the Office of the President are also corrupt. The current President, who was elected in December 2016, promised to clean up American politics and government (Corruption in the USA: The difference a year makes, 2017:1-2).

One of the largest insurance company scandals in the United States was uncovered in 2005, when the insurance company American International Group (AIG) was investigated for misconduct and bid-rigging. After the company pleaded guilty to numerous criminal charges, they had to pay more than six billion dollars in penalties and amendments (AIG Settles Fraud, Bid-Rigging and Improper Accounting Charges with SEC, N.Y., 2006). According to Treaster (2004), the New York state attorney general accused the AIG of cheating many of their customers (Jim Beam Spirits, Titleist Golf Balls, Greenville School District, amongst others) by misleading them to believe they were getting the best prices for insurance coverage, which was untrue. The American International Group and three other insurance groups worked together to commit bid-rigging and steering. The insurance companies were guilty of conflict of interest, as they did not disclose the way in which dealings between these companies and themselves worked. The AIG made higher profits for themselves and their brokers, while their customers had to pay higher costs. The leadership of these companies portrayed low ethical standards and bad behaviour towards their clients.

A great supply chain challenge in the United States is the occurrence of cargo theft. This includes the theft of goods and money while it is moved by vehicle, railcar, storage facility, aircraft, or any other means of distribution. The scale of impact on insurance companies, cargo owners and clients are enormous. The United States developed a data-sharing program, CargoNet, in order to combat cargo theft. Through the use of this system, 880 incidents were reported in the United States and Canada during 2015. The total loss for supply chain cargo fraud cost the country 98 million dollars in 2015. Cargo theft disrupts supply chain processes. Organisations use various ways to prevent cargo theft, for example radio frequency identification (the installation of tags to goods and

vehicles) is a supply chain tool that assists with the tracking of the location of diverted goods. Technology can be useful in the prevention or detection of fraudulent activities in the supply chain process, as it allows for better inventory control (KPMG International, 2016).

According to Fraud Management in Local Government, Report 19: 2014-2015, the behavioural challenge of fraud, requires the following four elements, working simultaneously to occur: opportunity, motivation or pressure, capability and attitude (Queensland Audit Office, 2015). It takes time for an unethical individual to identify an opportunity to commit fraud. The motivation to behave unethically can arise through pressure (a financial need, greed or revenge). Unethical individuals also often have personality traits, such as intelligence, ego, position or stress, which make it easy for them to execute fraud. Associated attitudes include individuals believing that their unethical behaviour is not wrong, or that they are not being treated fairly by management or are unhappy in their current position (Queensland Audit Office, 2015).

Queensland and the Australian government system have 77 local councils throughout the state, each providing goods, services and infrastructure to communities. The Australian Standard for Fraud and Corruption AS8001-2008 defines fraud and corruption as dishonest behavioural activities. The Australian Institute of Criminology indicates in their 2014-2015 report on fraud management in local government, that fraud costs the economy $8.5 billion per annum (Queensland Audit Office, 2015). The risk of fraud in the supply chain is high due to the enormous volume of goods and services being procured. The audit involved local government, and the Institute discovered that the risk of undetected supply chain fraud was unacceptably high due to non-effective management of the behavioural challenges occurring in the supply chain environments. According to the report, managers and leaders in many councils did not provide guidance on the detection of fraud and what to do when fraud is discovered. The leaders' reliance on external auditors to identify fraudulent behaviour, demonstrates their lack of responsibility and accountability towards the control of fraud in these organisations.

The most common types of SCM fraud found against the local government organisations were the theft of assets; and officials and/or councillors who use their positions or access to tender information to benefit personally through receiving kickbacks, bribes and gifts. These unethical conducts cause reputational and financial damage to organisations. Statistics on fraud cases over a period of four years in Australia indicate that less than 10% of funds lost due to supply chain fraud are recovered; and it cost organisations three times as much to recover what they lose due to fraudulent activities. The Australian Institute concludes that it is more beneficial to follow a preventative approach to manage fraud in the supply chain, than to recover stolen monies after fraud occurs (Queensland Audit Office).

The Victorian Ombudsman investigated a case of supply chain fraud and presented a case study thereof at a conference on 25-26 July 2012 in Sydney, Australia (National Public Sector Fraud and Corruption Congress Conference, 2012). The case involves behavioural challenges of a small group of government officials, who took advantage of their SCM powers and ability to buy toner cartridges for government institutions in order to personally benefit. The acting commissioner of the Corruption and Crime Commission of Western Australia provided information to the Victorian Ombudsman in April 2010 regarding fraudulent activities in these government organisations, an investigation was conducted and a final report tabled by the Ombudsman in June 2011. The investigation found that the supply chain officials received gifts in return for placing orders for toner cartridges at a certain supplier. The supply chain officials worked in different government offices, the Arts Victoria office, three Victorian Government schools, as well as a prison. Government funds were used inappropriately to procure toner cartridges from the company and, in return for using only a certain supplier, they received gifts in the form of 8 000-dollar pre-paid VISA cards and vouchers. The fraudulent behaviour costed the Arts Victoria office alone over 80 0000 dollars. The following issues were identified during the investigation: the purchases were made from a supplier who did not have a contract with the Australian government (the contract was awarded to another company: OfficeMax); public funds were spend improperly (much higher prices were paid for cartridges than the prices of the successful tender, OfficeMax); various gifts were accepted by these government

officials, which they did not declare; and the officials destroyed public records in an attempt to hide the fraud. The government officials did not comply with the prescripts in their organisation's Code of Conduct and ignored supply chain regulations. Disciplinary action was taken against the government officials, and they were reprimanded and fined for their unethical behaviour (Rawlin & Sullivan, 2012:1-10).

Schlegelmilch and Öberseder (2007) state that the citizens of Europe increasingly want to know the ecological and social context of the products and services that their government procures. Research conducted in the United Kingdom indicates that citizens judge organisations based on their commitment towards ethical behaviour and social responsibility.

Rose-Ackerman (2016:1-3) writes that Portugal is a country with serious fraud and corruption problems. The country ranks 29 out of 180 countries on the Corruption Perceptions Index, with a score of 63 out of 100 points. The behavioural challenges in the country's government are a headache for prosecutors and judges, who must deal with wrongdoers. The researcher suggests that the definition of offense should be tightened, penalties increased, legal procedures should be streamlined and the judiciary should function independently. Government should also consider the reform of its administration in order to discourage tender fraud and the further deterioration of government administration. Current government scandals in Portugal include bribes to incentivise government officials, irregular payments to contractors and bid rigging. The existing tender fraud in the country increases procurement costs by as much as 50%. These increased costs mean lower revenue to spend on other community projects. The writer suggests the following anti-corruption measures be introduced in order to improve behavioural challenges: illicit enrichment and conflict of interests be criminalised and whistle-blowers protected; sufficient funding be provided to fight fraud and corruption; and clear anti-corruption legislation be established and enforced.

Komakech (2016:26) notes that the government of Uganda requires all their supply chain officials in government organisations to sign a code of ethical conduct. All suppliers, consultants and contractors must sign a declaration of compliance with the code of conduct before doing business with government. This is a good measure to

ensure that all parties involved in the tender processes are informed of the government's requirements regarding behavioural conduct.

In 2005, Switzerland launched the Marrakech Task Force on Sustainable Public Procurement, which they are still leading to allow for the responsible spending of taxpayers' money. This task force believes that by doing this government money will be saved, which will help foster innovation and allow for more competitive behaviour of firms in the global market. Sustainable public procurement allows for the effective use of resources and the reduction of CO_2 emissions, which reduces environmental impacts and increases the well-being of people. This contributes to social justice. The task force introduced guidelines to already developed, as well as undeveloped, countries in the world to develop sustainable public procurement. The principles of this approach aim to introduce good procurement behaviours that are non-discriminating, economic and transparent (Perrez, 2011). Frameworks similar to the Marrakech Task Force on sustainable public procurement have been developed in Australia, the USA and Japan, and these principles are also being implemented in local governments.

2.6.2 National environment: behavioural challenges in supply chain management

According to the 2018 Transparency International's Corruption Perceptions Index (CPI) measures, South Africa ranks 73 out of 180 countries worldwide, with a score of 43 points out of 100. The index ranks countries on how corrupt their governments are perceived to be. The lower the point out of 100, the more corrupt the country. The low score of 43 indicates that South Africa is failing to control fraud and corruption, which is a threat to democracy. When the results were released, President Ramaphosa said the following: "this should now be the last time that South Africa is described like that. We are going through a very cathartic moment where all the wrong things are spewing out" (Sibanda, 2019).

The definition of ethics is the application of values to behaviour, which steers an individual into taking actions that are either good or bad. In government, corruption is the most prominent example of a behavioural challenge conducted by political office-

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bearers and employees. The Public Service Commission (PSC) regularly reports on unethical and corrupt behaviour in government; and reported a total of 2 297 alleged corruption cases for the period 2004 until 2005; and 3 355 for the period 2006 until 2007. The amount of cases escalates each year, and what is disturbing is that only 36% of all cases are actually reported. The statistics are an indication that departments have not been able to strengthen their capacity to deal with behavioural challenges, which leaves the perception of a corrupt Public Service in South Africa. The SA Local Government Research Centre publishes cases of unethical behaviour monthly, which are reported through the Hotline. These cases are also published in newspapers, which contributes to the already negative perception of the public service. The increase of unethical conduct cases is a yearly trend in South Africa and this remains a stumbling block in achieving governmental goals in order to improve the livelihoods of citizens (Administratio Publica, 2012:140-142).

In South Africa, unethical conduct even occurs in cabinet. During 2011, two members of cabinet were released from duty, because they were guilty of conflict of interest. These officials misused their powers to irregularly and illicitly gain financially and gave advantages to individuals connected to them. It was also pointed out that the previous minister of Cooperative Governance and Traditional Affairs, Sicelo Shiceka, used state resources to visit his girlfriend in a Swiss prison. The details of the case were included in the report of the Public Protector of South Africa. The Public Protector also reported on the then Minister of Public Works, Gwen Mahlangu-Nkabinde, for awarding two tenders to the amounts of R1 116 billion and R604 million to a business man who is politically well connected, for the leasing of premises for the South African Police Service at amounts far above market price. The Public Protector clearly stated that such behaviour is against the rules (Sibanda, 2019).

Hes (2018:58-59) states that the South African government's fight against behavioural challenges of fraud and corruption are intensifying and that there has been many break-throughs in various government departments (all spheres of government) where public officials were arrested for crimes, but the fight only started. The South African government is placing new focus on the enforcement of legislation and strategies to

prevent and identify unethical behaviour and corruption. The most prominent Act against fraud and corruption is the Prevention and Combating of Corrupt Activities Act, which was introduced in 2004. The Act emphasizes that fraud and corruption are damaging to the rule of law, democratic institutions, and the country's economy and ethical values. Anti-corruption legislation in South Africa is extensive, but not always enforced by government organisations and citizens. Important institutions outside of government, such as the National Anti-Corruption Forum and Corruption Watch are important role players in the fight against behavioural challenges in the country.

Hes (2018:59-60) introduces the National Anti-Corruption Strategy (NACS), which is currently in development and will be government's main tool in establishing national consensus on how to handle behavioural challenges in the country. Various consultations took place between government, private businesses and civil society, which culminated in a discussion document that includes the most challenging behavioural issues that need to be addressed in the fight against fraud in South Africa. The issues include: awareness campaigns to empower citizens and measures to better protect whistle-blowers; building a public sector with ethical leaders, who act professionally and are citizen-orientated; the improvement of data collection and reporting of unethical behaviour; strengthening the capacity of bodies designed to fight fraud; and adequately training government officials in behavioural challenges and the reporting thereof.

Southall (2019:1-3) asks the question of whether South Africa is a democracy or a kleptocracy. The citizens of South Africa have been spellbound by the evidence and testimonies regarding behavioural challenges of fraud and corruption, which emerged through the Zondo Commission's inquiry into state capture since 2016. Perceptions exist that the South African government has, under former President Jacob Zuma (May 2009 until March 2018), changed from a democracy to a kleptocracy, which means a state ruled by thieves. The word 'kleptocracy' is derived from Greek words referring to thieving and ruling, and emerged through work done by the Polish-British sociologist Stanislav Andreski in 1960. His book, 'The African Predicament', identified African regimes as kleptocratic. Kleptocracy is a government ruled by corrupt, unethical leaders

who misuse their power to exploit a country's resources and citizens in order to extend their own personal wealth and power. Southall (2019) indicates that kleptocracy has become a danger to democracy globally. Revelations to date, through the Zondo Commission, indicate that South Africa is in danger of becoming a kleptocracy. President Ramaphosa has already taken important steps such as the introduction of new action plans to reverse fraud and corruption, but in the end, it will depend on the ruling party's political will to get rid of fraud and corruption in South Africa.

The State Capture Report testified on behavioural challenges in various government organisations, which includes allegations of cabinet posts being offered to ministers by the Gupta family, who had a long-standing friendship with the family of former president Jacob Zuma's; the appointment of persons connected with the Gupta family in positions without following proper procedures; and dealings between government and the Gupta family, which were allegedly irregular and corrupt. Government used the Gupta family business, the New Age newspaper, and awarded numerous government contracts to the amount of R235 million to the family in 2016 (Madonsela, 2016).

The Standing Committee on Appropriations held a meeting on 13 February 2019 regarding the substantial number of deviations and expansions in the 2018/2019 fiscal year at Eskom's SCM unit, and various other government entities. The number of deviations and expansions approved by Eskom are challenging. The Committee highlights that information and reasons provided by Eskom's Chief Procurement Officer regarding deviations and expansions did not speak to the figures provided to the Standing Committee, and that interventions were needed to lessen the occurrence of deviations and expansions in the organisation. The committee decided that remedies should be implemented to enforce accountability when procurement is done through deviations, such as details of the procurement must be made public and published; consequences should be implemented for poor planning, and lifestyle audits should be done of all board members and/or senior managers. Deviations and expansions are the result of poor behaviour in the form of planning and contract management and the Standing Committee on Appropriations will introduce training programmes, starting with officials in Provincial Treasuries, who must set an example for other departments

when trying to address the behavioural challenges. The committee concludes that deviations are the result of government organisations who do not follow proper supply chain procedures, and is a challenge that needs to be managed (PMG, 2019).

Eskom is one of many government organisations struggling with behavioural challenges, such as mismanagement, corruption, incompetence and an enormous debt as a result of an incompetent government. Guilty parties who looted Eskom are individuals such as Matshela Koko, Brian Molefe, Anoj Singh, and many more, through prepaid contracts for coal (which was never delivered) to the Gupta family businesses, nepotism and payment of excessive consultancy fees. A culture of unethical behaviour caused Eskom to become an insufficient government organisation. There are too many personnel employed and, according to a study by the World Bank in 2019, 60% of the personnel at Eskom are unnecessary. The average salary per official is R700 000 per year, which is excessive, while production levels are low. A similar organisation in India delivers 40 times more electricity per official than Eskom. Eskom's debt for 2019 is R419 billion and this is estimated to increase to R600 billion during the next three years. The situation holds the risk that South Africa's credit rating might be further downgraded, which will be a national crisis (Mazzone, 2019:5).

The chairperson of Eskom's board, Jabu Mabuza, testified to the Zondo Commission of Inquiry on 25 February 2019 that the most vulnerable period for Eskom was during 2015 when the former President changed the leadership of Eskom. This enabled third parties connected with the Gupta family to cause chaos and loot Eskom's finances. Mabuza said Eskom was an easy target for fraudulent behaviour because the organisation plays an important role in the country's economy and is awarded large state contracts (Corruption Watch, 2019a).

A contract for the delivery of coal was awarded by Eskom to Brakfontein mine in March 2015. The contract manager, Gert Opperman, working at Brakfontein mine (which is owned by Tegeta Explorations and Resources, one of the Gupta family's businesses), testified on 11 March 2019 before the Zondo Commission of Inquiry, that Eskom lied to the National Treasury regarding coal being delivered to the Majuba power station by their company. Gert Opperman stated that no coal was supplied to Majuba. Regarding

the contract with Brakfontein mine, Eskom claimed that it was receiving 77% more coal, then stipulated specifications in the contract. The National Treasury requires that tender contracts for goods and services can only be varied by 15% of the contract value; subject to approval by the National Treasury. Opperman testified that Eskom did not perform any standard quality tests on the coal, which was standard procedure, before signing the contract with Brakfontein mine. The quality of the coal became a problem to Eskom, as the stockpiles of coal increased due to its poor quality. The contract was then suspended with Brakfontein mine but, on instruction from the acting chief executive, it was immediately reinstated. Gert Opperman was working with the contract account and tried to stop the contract the second time, but was instructed remain silent (Corruption Watch, 2019b).

Corruption Watch filed an application in the High court in Pretoria to have the board members of Eskom declared delinquent, because of Eskom's poor management. The executive director of Corruption Watch, David Lewis, commented that Eskom was part of state capture and its management should no longer be allowed to loot the organisation, or any other state organisation. Corruption Watch wants the directors who were part of the unethical behaviour to be declared delinquent and be excluded from holding directorship in any other organisation. According to the Companies Act, Section 162(5) (c), directors should be fit to occupy such a position, especially in state-owned companies. Corruption Watch indicates that the directors of Eskom enriched themselves, as well as a host of third parties, by abusing their positions of power. Eskom's debt was downgraded as a result of the state capture saga, and it led to the downgrading of South Africa's credit rating (CW files delinquency application re: Former Eskom Board, 2019).

The chairperson of Transnet's board, Popo Molefe, confirmed that they are starting with civil proceedings in order to recover R1.3 billion from former Transnet executives. He stated the following about the situation at this state-owned company: "One would not be exaggerating to say what we found at Transnet was a horror show." Scrutiny of the books uncovered irregular expenditure, which rose from R3 billion in 2017 to R19.6 billion in 2018. The award of contracts was not necessarily done fraudulently if they

are found to be irregular expenditure, but it means that the supply chain procedures were not followed by the company's officials and should be investigated, according to the Public Finance Management Act (PFMA) (Merten, 2019).

The CPI for 2018 remained that same as in 2017 and this is a clear indication that fraud and corruption in supply chain units in South Africa remains a problem. Tenders and procurement in government came in handy for corrupt individuals and provided an easy platform for unethical behaviour. The international corruption indexing clearly took note of events regarding unethical behaviour of South Africa's executive and the corrupt awarding of tenders to the Gupta family. Details regarding state capture were reported by the Public Protector on 14 October 2016. The report led to the establishment of the Zondo Commission on State Capture (Sibanda, 2019).

The Zondo Commission of Inquiry is important because the hearings into state capture are critical for the South African people in the fight against the corrupt behavioural challenges in the country. The South African people have hope that moral and ethical values will be restored within the public services. State capture happens when a small group with political power misuses its powers and, through greed, takes control of key government structures in order to enrich themselves. They take control of structures, such as the police service, public broadcasting and the South African Revenue Services to gain access to taxpayers' money and power over the criminal prosecution authority. The members in the group benefit themselves at the expense of the citizens, and by having captured the most important law enforcement institutions, they avoid prosecution and the state is captured. The economy is suffering, while only a few are allowed to take part and make money out of the situation. Many leaders become victims of the captors through blackmail and they lose their self-respect in the process. All ethical principles, truth and justice, which are essential for national wellbeing, are destroyed (Mkhatshwa, 2018). The main target of the Zondo Commission is to expose cases of state capture in South Africa.

According to Mkhatshwa (2018), living in a state that is captured, holds the following consequences:

- While a few select steal the taxpayers' money, they are actually robbing the poor people. The state will not be able to properly perform its functions, such as creating employment and developing society;

- Less money is available for delivery of services, such as medical care;

- Less money is available for educational institutions, such as schools and universities. Learners are therefore withheld from a good quality of life, resulting in poorer and uneducated citizens;

- Citizens are not encouraged to live according to laws, and without justice the people will perish; and

- State capture makes people believe that loyalty is more important than integrity, where political parties thrive on the support of people loyal to them. This means honesty and fairness are absent and society cannot flourish.

A 2016 report by the Public Protector triggered the biggest scandal South Africa has experienced, involving state officials and the former president Jacob Zuma. Many individuals were accused of improper behaviour during the award of government contracts. The report mentions the misuse of state funds in security upgrades at Jacob Zuma's home, called Nkandla. The investigation further focuses on involvement with the Gupta family businesses through the appointment and dismissal of ministers and officials of government organisations, which resulted in the award of contracts to the Gupta family of billions of Rands. In 2016 the Public Protector ordered the then president to assign a commission to investigate the findings and report on it. The report from the Public Protector became known as the 'State Capture Report', which included unethical behaviour by powerful individuals in government organisations and businesses who influenced national policies, the economy and the legal environment in order to privately benefit. These actions held negative consequences for the South African economy and the provision of services. These allegations increased the public's already negative perceptions of a fraudulent government and the lack of accountability. According to a survey done by the Afro-Barometer Team in South Africa, 68% of South

Africans believe that government officials who commit crimes 'always' or 'often' go unpunished. The government institution that holds the greatest trust is the Public Protector's office, followed by the judiciary (Lekalake & Nkomo, 2016:1-2).

Rapport calls the whistle-blower, Angelo Agrizzi (hereafter called Agrizzi), the corrupt philanthropist. Agrizzi worked for African Global Operations (previously known as, and hereafter referred to, as the Bosasa Group), since 1999. During his testimony in January 2019, Agrizzi told judge Raymond Zondo how he counted and packed millions of Rands into grey security bags, R500 000 per bag, to be delivered to bureaucrats, ministers and even Jacob Zuma in order to fraudulently benefit from government contracts. The Bosasa Group called this 'monopoly-money'. Agrizzi said he followed orders, given by Gavin Watson, the Chief Executive Officer of the Bosasa Group.

Gwede Mantashe admitted in January 2019 that the Bosasa Group installed security equipment at three houses as a gift to ministers in 2016. The Bosasa Group allegedly installed security equipment on a regular basis at houses of influential African National Congress (ANC) politicians. Agrizzi said that he approached Willie Hofmeyr, the deputy director of public prosecutors, more than a year ago to assist on him in uncovering fraud and corruption at the Bosasa Group, but nothing happened. Agrizzi claims that Gavin Watson already had Jacob Zuma in the Bosasa Group's pocket and also wanted to get a hold on the current President, Cyril Ramaphosa, through his son Andile Ramaphosa. The Bosasa Group allegedly paid R500 000 into Andile Ramaphosa's bank account, which was transferred to the President's campaign account. Agrizzi said that being a whistle-blower has already cost him R3 million in legal fees, and that South Africa does not protect whistle-blowers (Retief, 2019:11). Agrizzi decided to use the platforms of the judiciary and the press to come forward with evidence and allegations against the Bosasa Group; and by doing this he has received numerous threats on his life (Basson & Cowan, 2019:2).

The Bosasa Group's website indicates that the company specialises in SMART integrated management solutions, with their focus on multi-services, the development of human capital and renewable energy (Akwasi, 2019).

Angelo Agrizzi's testimony describes how the Bosasa Group paid bribes to various government officials by using union leaders with political influence and connections to win government tenders. They obtained tenders in an illegal manner and paid government officials up to R1 million per month each to influence tender processes. Dyambu Holdings, a subsidiary of the Bosasa Group, won a tender for catering because the Bosasa Group bribed the National Union of Mineworkers' leader, Jackson Mafika, and put pressure on the union to win the tender. The Bosasa Group used money as a tool to illegally obtain various government tenders (Sokutu, 2019).

The fact that donation money from the Bosasa Group, who made money through fraudulent government tenders, was accepted by President Ramaphosa's campaign manager, is alarming. The Bosasa Group was established by leaders of the ANC Women's League, namely Hilda Ndude, Nomvula Mokonyane, Nosiviwe Mapisa-Nqakula and Baleka Mbete and the company won many government tenders since the early nineties. Gavin Watson was appointed as Chief Executive Officer of the company, as he was closely linked with the ANC underground in the Eastern Cape. Mr. Watson later bought the company. The Bosasa Group also had links to Thabo Mbeki through his advisor, Titus Mafolo, who was a shareholder in the Bosasa Group. During 2006, Ms. Linda Mti, a former prisons boss became a Bosasa Group employee, and in exchange for her new position at Bosasa, the company was awarded various contracts by the Department of Correctional Services for security, kitchens and fencing. The Bosasa Group received billions of Rands in payment for these contracts.

In 2009 the Special Investigation Unit (SIU) drew up a report on the fraudulent behaviour between the Bosasa Group and government. The Hawks and National Prosecuting Authority have been dealing with the reported allegations for ten years, while dockets disappeared and politicians interfered, and nothing happened. The link between the Bosasa Group and the R500 000 towards Cyril Ramaphosa's campaign goes much deeper, assisting the ANC with conference facilities and housing election parties for them (Basson, 2018). This scenario creates an opportunity for President Cyril Ramaphosa to act ethically and show taxpayers how serious he is about getting rid of

behavioural challenges in South African government. The President said that he had no knowledge of the payment, and has vowed to return the R500 000 to the Bosasa Group.

The Bosasa Group still has active contracts in place with government, for example a R1 billion contract between the Department of Home Affairs and themselves. They also control the Lindela Repatriation Facility, who detains illegal immigrants in South Africa. The Democratic Alliance (DA), during a parliament session in January 2019, demanded that this contract be terminated, but the contract remains in place and the contractual stipulations even allow for a five-year renewal, guaranteeing the Bosasa Group a further R500 million to run the facility (Head, 2019).

Angelo Agrizzi testified before the Zondo Commission of Inquiry during January 2019 and made the following statements: The Bosasa Group paid the amount of R2 million towards ANC election campaigns and the company crashed their server in order to destroy evidence before the Special Investigation Unit visited the company; and the company allegedly paid an amount of R1 million towards legal fees for former SABC manager, Hlaudi Motsoeneng.

Agrizzi calculated that the Bosasa Group costed taxpayers around R100 million over the past nine years in bribery money and for prosecutorial immunity. The company did not pay-off government officials only once, but kept paying them to ensure long-term contracts. Government officials who were aware of these fraudulent activities were paid bonuses to keep quiet. Agrizzi kept records and collected evidence of hard cash, which was generated and kept in the Bosasa Group's safes; and he provided the Zondo Commission with detailed information regarding an account for these systems, which the company used for the generation of cash. The company needed more money, as their government contracts grew with the Department of Correctional Services, and they thought of new systems. One of these was to capitalise on the death benefit fund that their employees had with Metropolitan. The process of pay-outs through Metropolitan were slow and the Bosasa Group decided to pay their employees an amount upfront, when death in their families occurred. The Bosasa Group used the names of these families to issue a second cash payment to the families who lost loved ones, but the families never saw any money. These cheques were cashed and used by

the Bosasa Group for bribe monies. According to Agrizzi, the company had many such systems in place to ensure the generation of money. They would, for example, order alcohol from a liquor store, namely Jumbo Liquors, who produced an invoice but never delivered the goods. The payment was electronically transferred to Jumbo Liquors, which would pass the cash to an individual, who handed the money back to the Bosasa Group in exchange for a small payment. The invoices were put through as tax deductible 'operational' expenses, which also benefitted the company. The Bosasa Group also created and paid ghost workers in order to produce more cash for briberies and inflated amounts on invoices, which were made out to the Department of Correctional Services for various orders, such as chicken and other non-VAT items – these items were not even on the prison menus. All of these schemes provided the company with cash for their bribery pay-out operations (Bezuidenhout, 2019:1-2).

According to Hunter (2019) monies paid for fraudulent contracts with the South African government were only "a drop in the ocean" in comparison with the money that the Bosasa Group made from government contracts. Angelo Agrizzi testifies that the company continuously bribed government officials in order to ensure that their lifestyles became accustomed to the extra money, in order to get a permanent hold on them. The company, for example, bought groceries on a monthly basis for the former chemicals' workers union Ceppwawu's general secretary, Simon Mofokeng, to the amount of fifteen thousand rand in order to put pressure on this individual to obtain a catering contract with Sasol. Mofokeng even told the Bosasa Group what his monthly grocery package should include, such as braai packs and cold drinks. Dludla (2019) reports that Agrizzi testified regarding a meeting that was scheduled between himself, Simon Mofokeng and Gavin Watson, requesting them to adjust their tender prices to allow Simon Mofokeng to ensure that the tender would be awarded to the Bosasa Group. The Bosasa Group requested Mofokeng to pressure the union to organise the stopping of work at Sasol in order to force them to award a catering tender to the Bosasa Group. This catering contract ran from 1999 until 2002, and government officials gladly received bribes during this period. The monies paid towards briberies for this contract was recorded as operational costs in the Bosasa Group's books. A five-year contract for catering was also awarded to the Bosasa Group by the Airports Company of South

Africa in 2001, and piles of cash were taken to the OR Tambo Airport to make bribery payments to officials working at the Airports Company.

The Bosasa Group experienced a growth in business from the early 2000s, when they entered into various catering contracts with mining organisations, Sasol, the South African Post Office and the Airports Company of South Africa. According to Agrizzi, Bosasa bribed specific individuals, who dealt with the procurement of goods and services at the above-mentioned government organisations to gain access to tenders. New contracts between the Bosasa Group and government organisations were signed and existing contracts extended, even beyond the contract periods, without following the correct supply chain processes in accordance with legislation (Smit, 2019).

Angelo Agrizzi confirms that the Bosasa Group had about eighty government officials on their official bribery list who received bribes in the form of gifts, payments in cash, and favours, such as payment of school fees and servicing of cars. Agrizzi was directly involved in the pay-outs and would confirm the pay-out of bribes with Gavin Watson before payments were delivered. Gavin Watson worked with the bribery pay-outs of the more important individuals, and even paid them in person to ensure a personal relationship between them. All of the bribes were personally approved by Gavin Watson. Agrizzi kept a black book, in his own handwriting, containing transactions and records of the Bosasa Group's fraudulent systems, which he handed over to the Zondo Commission. One of the Bosasa Groups former auditors, Peet Venter, signed an affidavit in December 2017, which contained various unlawful instructions he had executed in assignment for Gavin Watson. The affidavit of Peet Venter's started with the heading: 'Tax fraud and racketeering by Gavin Watson' (Bezuidenhout, 2019:2-3).

The Zondo Commission of Inquiry usually alerts people who they identify to testify ahead of time, but this did not occur during the Bosasa case as Agrizzi is the most important witness and his life was in danger throughout the process. Agrizzi's identity was kept secret by the Zondo Commission of Inquiry, as he received numerous death threats and the Commission approached all evidence with caution. Investigations already undertaken by the commission have shown that parts of Agrizzi's testimony are

true. The commission decided in January 2019 that it would be in the public interest that the information be made public (Haffajee, 2019).

The testimony of Angelo Agrizzi led to various charge sheets being served by the National Prosecuting Authority and the arrest of individuals on 6 February 2019. Charges were for, amongst other things, the irregular award of tenders by the Department of Correctional Services to Bosasa Group. The Accounting Officer of this department, Linda Mti (accused number 1), handed himself over to authorities. Accused number 2 was Patrick Gillingham; and accused numbers 3 and 4 (working at the Bosasa Group), were Angelo Agrizzi and Andries van Tonder. All the accused individuals were released on bail of R20 000 each. The charge sheet of accused number 1 indicates that he unlawfully and on purpose failed to comply with provisions in the Public Finance Management Act regarding procurement, which includes the following:

- Section 38(1)(c)(ii): an appropriate SCM system was not maintained;
- Section 38(1)(b): no responsibility was taken for the effective and economic use of government resources;
- Section 38(1)(c)(ii): irregular expenditure was not prevented during the tender processes;
- Section 38(1): compliance with the PFMA was not ensured.

The charge sheet indicates that SCM processes were manipulated by Linda Mti during the award of a tender for catering and training services to the Bosasa Group, which amounted to R718 283 084.07 (Makatile, 2019).

The former Bosasa Group COO, Angelo Agrizzi, further testified on 28 March 2019 in front of the Zondo Commission of Inquiry into State Capture that the Bosasa Group sent cheques of between R10 and R12 million to the top six role-players in the ANC (the top leadership structure), which included then ANC President Jacob Zuma, then Deputy President Cyril Ramaphosa, then secretary general Gwede Mantashe, Jesse Duarte (Mantashe's deputy), then chairwoman Baleka Mbete and Mkhize. Deputy Chief Justice Raymond Zondo instructed Agrizzi that he had to produce evidence for

these allegations or request the commission's legal team to assist him to get hold of evidence thereof. The ANC treasurer-general confirmed after this testimony that the governing ANC party had accepted monies from the Bosasa Group in the form of donations. Evidence was submitted of 'war rooms', which the Bosasa Group set up in 2012 at their Krugersdorp head office for the ANC's Jacob Zuma to use for election purposes (Zulu, 2019). The testimonies before the Zondo Commission of Inquiry since 2016 ripped open the depth and extent of unethical conduct such as fraud and corruption in the South African government, whereby officials and politicians are implied in various unethical activities.

It is the task of the National Treasury to oversee spending of government organisations, which includes all SCM processes. When the PFMA provisions are not complied with by government officials, the SCM regulations are also not adhered to. At local government level, the MFMA and its SCM regulations are applicable to all procurement. A shortage of skills and capacity have been identified as the most critical barrier to successful SCM in South Africa. The government supply chain structures must be fully skilled and professional personnel employed to ensure the proper implementation of SCM regulations and the minimising of unethical conduct in the SCM environment (Bolton, 2016).

Too many laws and regulations applicable to South Africa's SCM might cause different expectations or even restrict productivity in SCM units. Public SCM requires special attention, as non-compliance is becoming a problem. The difficult conditions in SCM, with its policies, directives, laws and regulations, are confusing to SCM officials and can be demotivating, while more and more regulations and rules are introduced. The impact of regulation of public SCM is unsure and there are too few studies on this topic. The evidence is weak and incomplete and no conclusion can be made on whether more laws and regulations will lead to service delivery improvement or to the deterioration thereof (Boyne, 2003:211-228).

The inquiry into state capture is a political and legal event in South Africa. The task of the Zondo Commission of Inquiry is to inquire and establish facts of unethical conduct that occurred. The commission is not a guilt imposing tool and will, after all inquiries

are done, issue a report to the President of South Africa on their findings. Advice and recommendations on actions against the guilty parties will be included in the report. This is a time-consuming process, and the Commission needs to be given space and respect during the period of inquiry and legal processes in order to perform their tasks. South Africa is waiting anxiously for the final recommendations and actions which will be taken by the President thereafter in order to deal with guilty parties. The Commission has been given two years to complete their investigation. The actions taken will depend on the power of the President of the governing political party at that stage. The power given to the National Prosecuting Authority will also determine the actions taken if the commission recommends that charges be brought against the bribe-takers and the bribers implicated in the report. This authority has a constitutional duty to act impartially and without political interference. The current President, Cyril Ramaphosa, is however still constrained within the ANC and the threat of the Zuma faction remains and the final decision to act or not will be a political one (Calland, 2019:1-3).

The startling evidence received by the judicial commission of inquiry regarding the Bosasa Group and their unethical conduct and involvement with government contracts and corrupt government officials, from top to bottom, undermines the SCM processes and legislation of South Africa. These allegations are detrimental to the already negative public perceptions and negative international view of the operation of South African government. The Zondo Commission of Inquiry was first occupied with unethical conduct and corruption associated with Jacob Zuma and the Gupta family; and now with the Bosasa Group scandal. SCM and procurement processes are undermined and ignored by many government officials and existing legislation means nothing to the perpetrators. Legislation on SCM in South Africa is adequate, but unethical behaviour of some government officials leads to non-compliance.

The South African government laid down numerous laws, legislations, practice notes and regulations since 2000 to govern SCM, but there is so much applicable legislation that it does not speed up the service delivery processes. The SCM processes are becoming more complex and sophisticated each year and the SCM practices are continuously involving as a result of developments and changes in world economies

and markets. Various reasons are identified for the occurrence of behavioural challenges in SCM units, which include:

- The lack of training of SCM officials on ethics and behavioural challenges in order to curb fraudulent and corrupt practices;
- Top management are not leading by example, but rather give in to political influences, which hinders compliance with SCM processes; and
- Government should renew some legislation in order to speed up SCM processes, improve service delivery and prevent abuse by political leaders and managers (Manyathi, 2014:9-18).

Authorities must start the process of prosecuting guilty parties and manage the consequences of state capture. The National Prosecuting Authority of South Africa is sadly not willing to use its powers until the Zondo Commission of Inquiry has finished their investigation, and this could take years (Sibanda, 2019).

During the State of the Nation Address by President Cyril Ramaphosa in February 2019, he spoke about a "suite of compulsory courses", which government will introduce by the National School of Government. These courses will cover behavioural challenges regarding ethics and anti-corruption strategies and the management of supply chain. The Public Administration Management Act provides for the establishment of this school, which will include training to supply chain officials in government and managers. The Public Administration Management Act was signed by the President in December 2014, but commencement was delayed until now. The intention of the Act is to provide a framework to all government organisations (national, provincial and local) to ensure a degree of uniformity regarding behavioural challenges and the management of integrity in government. The objectives of the Act are to provide values and principles, promote the expected standard of professional behaviour in public administration, promote effective and efficient service delivery and assist in the

prevention and wipe-out of unethical practices in public administration (Corruption News, 2019).

2.6.3 Provincial environment: behavioural challenges in supply chain management

Fourteen municipalities invested R1.5 billion of their funds, received from services delivered, into the VBS Mutual Bank, which was in contravention with the MFMA. The National Treasury cautions municipalities against such investments, but to no avail. The Vhembe district ANC mayor, Florence Radzilani, suddenly resigned, claiming that her behaviour was ethical, while news reports said she was unhappy about only receiving R300 000 for Christmas from VBS Mutual Bank. The minister of Co-operative Governance, Zweli Mkhize, listed these municipalities as dysfunctional in May 2018 (Merten, 2019). VBS Mutual Bank crashed as a result of poor management and regulation and the involvement of politics, which resulted in their customers losing their funds. The communities in these municipalities are now suffering as a result of the poor decisions and bad behaviour of these councils.

The Eastern Cape Education Department awarded a tender for the building of twelve pit latrines and renovations to four classrooms at Myolwa Senior Primary School to the company Commu Investments for the amount of R4.8 million. The contractor was paid in full by the department, but only nine pit toilets were built, and no other work was done. The finance MEC, Oscar Mabuyane, called for an investigation into the tender and found that the work delivered and payments did not match. The contractor underperformed and did not complete the work, as requested in the tender specifications, but was paid the full tender amount. The contractor admitted that the building of toilets was not their company's speciality and the work was only performed on request of the department, because it was an emergency, and that Commu Investments were actually consultants. One official in the supply chain office of the department was suspended, while the investigation is ongoing (Ngcukana, 2019).

According to Corruption Watch, the City of Tshwane metro municipality has various corruption and fraud problems. Their municipal manager, Moeketsi Mosola, was suspended in August 2018 on allegations of tender irregularities. During a council meeting in January 2019, the political parties, ANC and EFF, voted to waive the suspension and the result is that the municipal manager is still in his position. The allegation is that Moeketsi Mosola awarded a tender to the value of R12 million to an engineering company, GladAfrica, without following proper SCM procedures during the award of the tender. The Auditor-General found in 2018 that the tender was awarded irregularly and Mosola accepted it to avoid a qualified audit finding, though he is still denying any wrongdoing (Dlamini, 2019).

A senior executive at the Tshwane metro municipality, Mapiti Matsena, was suspended in 2012 on allegations of tender fraud and for influencing the human resources recruitment process. He allegedly arranged and influenced personnel to ensure that friends and his life partner obtained posts within the municipality, as a human resources specialist, a deputy director and a procurement specialist. He also allegedly intervened in the award of a R8 million tender to ensure that a certain company was successful in the tender award. Matsena returned to work in 2018 and is still in his position (Dlamini, 2019). These officials remain in their municipal positions and no information regarding any further investigations have been released to the public or media.

According to Regchand (2019), the Msunduzi Municipality in Pietermaritzburg was taken to court by the company, Khuselani Security and Risk Management, regarding two tender contracts between them. Khuselani Security and Risk Management brought an application to court, which stated that they were appointed to provide security services, and wanted an interdict against the appointment of another tenderer for this service by the municipality. Khuselani Security had two tenders with the municipality: one for security services for the amount of R3.5 million, and the other for providing guards for the amount of R5.3 million. These agreements ceased on 30 April 2018 and the municipality requested the company to continue with the services on a month-to-month basis. The municipal manager then informed Khuselani Security that the

contracts would end on 30 May 2018, after which the company brought the application to court against the municipality.

The court ruled that no final agreement was reached and the continuation of the services was only legally valid for one month after the initial end of the contracts. The municipality raised an issue of fraudulent conduct by the company during previous contracts and felt entitled to cancel the contracts. These allegations were also set out in a report by the Special Investigation Unit. The judge ruled that if the contract between the parties on 30 April 2018 was valid, the fraudulent conduct would be considered, but no valid agreement was found in the judgement and it was therefore not necessary to pursue the allegations. The high court Judge Piet Bezuidenhout ruled that the municipality is under no legal obligation to continue with the contract, and the municipality decided to end this, after awarding the new tenders.

2.6.4 George Municipality: behavioural challenges in supply chain management unit and environment

All of these alleged corrupt activities wherein government officials are involved in the scandal-ridden multi-services company of the Bosasa Group, and state capture in South Africa, do not set a good behavioural example regarding procurement and SCM processes to politicians, leaders, managers and officials at other government organisations. According to Mkhatshwa (2018) there could be a Gupta in every municipality. George Municipality also needs to be alert of occurring behavioural challenges, which might violate ethical values in the organisation.

Hes (2018:58-60) mentions that government approved the Local Government Anti-Corruption Strategy in 2016, which is very important in the fight against behavioural challenges, such as fraud and corruption at local government level. The municipality, especially the SCM unit, are governed by numerous acts, regulations and policies, such as the Constitution, the MSA, the MFMA, Prevention and Combating of Corrupt Activities Act, Protected Disclosure Act, Electronic Communications and Transactions Act, Promotion of Access to Information Act, SCM and Preferential Procurement

Policy Framework Act (PPPFA) Regulations 2017, SCM and PPPFA policies, and many more. The researcher derives the conclusion that the expectation of compliance with too many acts, regulations and policies might be contributing to non-compliance issues and behavioural challenges occurring in the SCM unit and environment. The following questions arise: Is the level of compliance too complicated or difficult for officials to meet? Are SCM officials well trained in the content of all the legislative requirements applicable to the SCM unit?

In the municipal anti-fraud and anti-corruption policy, strategy and implementation plan (George Municipality, 2015), which should be read in alignment with the Code of Conduct, council express that the municipality has zero tolerance towards illegal or fraudulent acts, maladministration or irregularities by officials, political office-bearers, councillors, consultants, contractors and suppliers. Control measures to prevent and detect unethical actions will be applied and staff is responsible to report incidents of fraud and unethical behaviour, especially in the SCM unit.

In May 2014, a SCM controller who had been working in the SCM division since 2007 was caught with thirty copies of confidential information regarding a construction tender in his handbag. The individual made copies of the confidential information, with the intention of selling it to potential tenderers. The individual was suspended with immediate effect and, after he was found guilty at a hearing, he was dismissed. The effect of the individual's behaviour was immediate distrust from the public and other municipal officials in the SCM office. The image of the SCM unit, including the remaining personnel, suffered as a result of the individual's unethical behaviour. All SCM officials and other committee members appointed on a bid specification committee are made to sign a Declaration of Interest and Confidentiality, agreeing to keep all information and documentation relating to the tender confidential and to not make copies of the information. When sensitive information is leaked, it is a fraudulent activity (SCM: Bid Forms for Municipalities, 2019).

A superintendent at the Civil Engineering Department of George Municipality was suspended on 4 April 2016 for not declaring information in the Declaration of Interest and Confidentiality form during a bid evaluation committee meeting for a specific

construction tender. The official's fiancé was a family member of one of the successful tenderers, and the official failed to declare this information. The official entered 'none' on the declaration form, declaring that he was not aware of any immediate family member or friend who might have an interest in the tender. By signing the form and not declaring this, then withdrawing from the bid evaluation committee meeting and evaluation process, the official had an influence on the award and was not objective. The official was dismissed after the municipality followed the disciplinary processes (SCM: Bid Forms for Municipalities, 2019).

Two construction contracts, awarded to a well-known bidder in George, were cancelled during 2017 and 2018 because the bidder failed to declare in the MBD4, Declaration of Interest form, that the company's directors had an interest in another company, which also tendered and was awarded tenders at the municipality. Neither of these companies declared all their directors' names and details in the MBD4 form. Point 3.14 in the form clearly asks the question: "Do you or any of the directors, trustees, managers, principle shareholders, or stakeholders of this company have any interest in any other related companies or business whether or not they are bidding for this contract?" and no information was declared by the bidder. This led to the cancellation of these contracts with the bidder (SCM: Bid Forms for Municipalities, 2019).

An article in the *George Herald* (Pienaar, 2018) reported on a letter by the Western Cape Minister of Local Government, Anton Bredell, which describes alleged corrupt relationships between officials in top management positions (called the municipality's top dogs in the article) of the George Municipality and a local contractor. The officials allegedly received cash and cars as gifts and attended parties with the contractor in exchange for contracts. Provincial Forensic Services also conducted a forensic investigation at George Municipality and identified various serious allegations, which include irregularities relating to appointments made to contractors and service providers. The article highlights political interference in the municipal administrative procedures, in particular during the award of various large construction tenders. According to the article, top managers from the municipality approached a contractor during January 2017 and asked them to participate in tendering for a certain contract,

which was awarded by deviating from the SCM procedures in exchange for payment of the top manager's son's university fees. These allegations have a detrimental effect on the public's perception of the George Municipality, and the allegations of unethical behaviour by the top structure officials are alarming.

According to a legal opinion requested by the municipality's top management, regarding the Auditor-General's (AG) qualified audit report on the George Municipality for the 2017/2018 financial year, certain procurement related findings were reported. These findings left the SCM unit with enormous challenges regarding tenders still in the process of finalising the specifications, advertising and/or evaluation. The legal opinion, obtained from M O'Sullivan on 21 February 2019, indicates that the AG reported irregular expenditure due to non-compliance with the MFMA and the Municipal SCM Regulations and found that the municipality's PPPFA Policy made provisions that contravene the PPPFA; the PPPFA Regulations, 2017; the MFMA and the SCM Regulations. Some of the AG's findings (which was supported by the legal opinion) were based on George Municipality Council's section 80 committees who were involved in guiding the strategy for tenders above R200 000.00. The AG found that the PPPFA Policy allowed council to include tender conditions in tenders, which resulted in the tenders being irregular. The result for the 2017/2018 financial year is therefore that 70% of all the tenders, which amounts to millions of rands, was declared irregular expenditure. The legal opinion states that the Executive Mayor and section 80 committees made-up a power for themselves, which is in breach with legislation (George Municipality, 2019). This predicament portrays unethical behavioural challenges in the municipality's council and top management, which reflects negatively on the SCM unit.

Cape Town's former mayor, Patricia de Lille, made a statement on Facebook regarding alleged corrupt activities at George Municipality. Patricia De Lille, leader of the Good Party, states that an investment scheme was operated by the DA council at the municipality, which included kickbacks to officials in leadership positions. De Lille claims that these activities were reported to provincial government on more than one occasion, but no action was taken. An independent firm did a forensic investigation into

these allegations, which found irregular transfers of funds since 2017 by the municipality. It included the transfers of consultant fees to a DA councillor's son to the amount of R400 000.00 during the first six months of the transactions. The minister of local government, Anton Bredell, reacted to the allegations and said the case has been reported to the Directorate for Priority Crime Investigation (the Hawks) in George, for investigation. The minister also confirmed that a forensic firm has investigated the allegations and that disciplinary processes against the implicated municipal official are in process. The investigation report concluded that the Chief Financial Officer of George Municipality abused his position, the son of the councillor gained financially from the transactions and that individuals tried to cover up the councillor's conflict of interest by re-drafting agreements. Internal action was recommended in the report, as well as further referral of the matter to law-enforcement agencies for investigation (Pienaar, 2019:1-2).

On Monday, 8 July 2019 the CFO was removed from his office by the Municipal Manager (Pienaar, 2019b:2). The Special Council Meeting (2019) states that the CFO was found guilty of gross negligence on three charges during the disciplinary hearing and was dismissed on 8 July 2019. Comments by Presiding Officer, Mr. Vincent Botto, include that the accused did not follow SCM processes and was in breach of, amongst others, the SCM policy. The Presiding Officer states that "A huge amount of fidelity, ethics and diligence is placed on officials involved in SCM processes and that the CFO, as the person responsible, is bound to act in this manner and with due prudence".

The researcher observes the following regarding the above alleged behavioural challenges at George Municipality: no disciplinary action was taken against the DA councillor involved in the alleged scheme, only against the Chief Financial Officer. The DA Council, which includes the implicated councillor, concludes that action be taken against the Municipal Manager who appointed the investigating firm and attempted to stop the corrupt payments. Whether the alleged allegations against the councillor are true or false, is still to be proven. When such negative publicity emerges, the municipality is portrayed as irresponsible and dishonest, and it appears that the organisation or individuals are only looking out for their own interests, and not the

interest of providing services to the community. Effects include loss of trust from the public, which might discourage taxpayers to continue paying for services. In addition, the reputation of George Municipality is negatively affected, especially if the director responsible for SCM is found guilty of gross negligence and dismissed as a result.

On 9 July 2019, the Hawks visited the George Municipality once more and seized documentation and electronic equipment from the office of the Municipal Manager. On the same day, the Hawks raided private homes of municipal officials. The *George Herald* stated the following: "This investigation relates to alleged fraud and corruption" (Pienaar & Gunning, 2019:2). Such events worsen the already negative perception of the public and employees, and leaves a stigma of corruption, which are contributing factors towards low ethical and moral values within the organisation.

2.7 Costs Associated with Unethical Behaviour

According to the head of the Special Investigating Unit, Willie Hofmeyr, the costs of fraud in SCM processes in the South African government were reported at R30 billion per year (Sibanda, 2019). The cost of state capture hit South Africa hard and with immediate impact. State-owned companies, such as Eskom, have hidden fraud and corruption under 'finder's fees', consultancy fees and commissions paid, but these monies were actually paid out as kickbacks. The price tag for state capture also includes the loss of opportunities, broken trust and reputational damage to the country.

South Africa's borrowing costs increased and economic growth plunged from 4.9% in 2006 to 2.3% in 2010; by 2014 it went down by 2.2% to only 1.5%; and fell again to 1.3% in 2015; ending at 0.7% in 2018. A growth of 1.9% is estimated for 2019, which is an indication of the state failing to deliver a better life for citizens. The value of R506 million was wiped off the country's bonds and listed companies, in which various South African pension funds are invested. South Africa was downgraded to junk status in April 2017 by Fitch and Standard & Poor as a result of the institutional, political and policy uncertainty. South Africa experienced a drop in the collection of tax revenue, which amounted to R90 billion between 2015 and 2018, which created a shortfall. The

South African Revenue Service was also directly linked to state capture, and the country has lost R27 billion in custom and excise taxes since 2014. A culture of untouchability runs through government; as there is a lack of compliance with legislation and no consequences for wrongdoing. The Bureau of Economic Research in Stellenbosch calculated in October 2018 that South Africa's Gross Domestic Product could have been 10 to 30 percent higher and between 500 000 and 2.5 million jobs could have been created in the country if state capture had not taken place. The citizens of South Africa are much poorer, especially the poorest and most vulnerable people who cannot afford private security, education, health services or housing (Merten, 2019).

Costs due to unethical behaviour are often underestimated by managers (Collins, 2012:10). In government organisations, a direct cost is the loss of reputation and public trust. Legal costs are incurred due to an increase in the number of disputes and appeals received against SCM decisions. The most important asset of an organisations is its reputation. When organisations receive lawsuits and disputes containing accusations of unethical behaviour, it can reflect negatively in the media and this can create an obstacle for stakeholder engagement (Collins, 2012: 13).

Collins (2012:62-63) states that there are several criteria associated with enhanced ethical and social performance in the workplace. The Optimal Ethics Systems Model demonstrates the various approaches that can be implemented to enforce ethical behaviours and reduce risks of unethical behaviour in the workplace. Organisations must ensure that ethical employees are hired. The Code of Ethics for government workers and supply chain officials should adequately address the issues. Employees should be able to apply ethical reasoning to situations and make ethical decisions. Ethical training programmes should be in place and the mechanics for raising ethical problems should be adequate. Managers in the organisation should lead by ethical example. Employees' work goals should be realistic and action plans should be in place to include clearly stated problems, solutions to problems, obstacles against eradicating problems and success should be measured and monitored. Accountable managers are important, as are incentives for ethical behaviour.

Figure 2.4: Optimal Ethics Systems Model
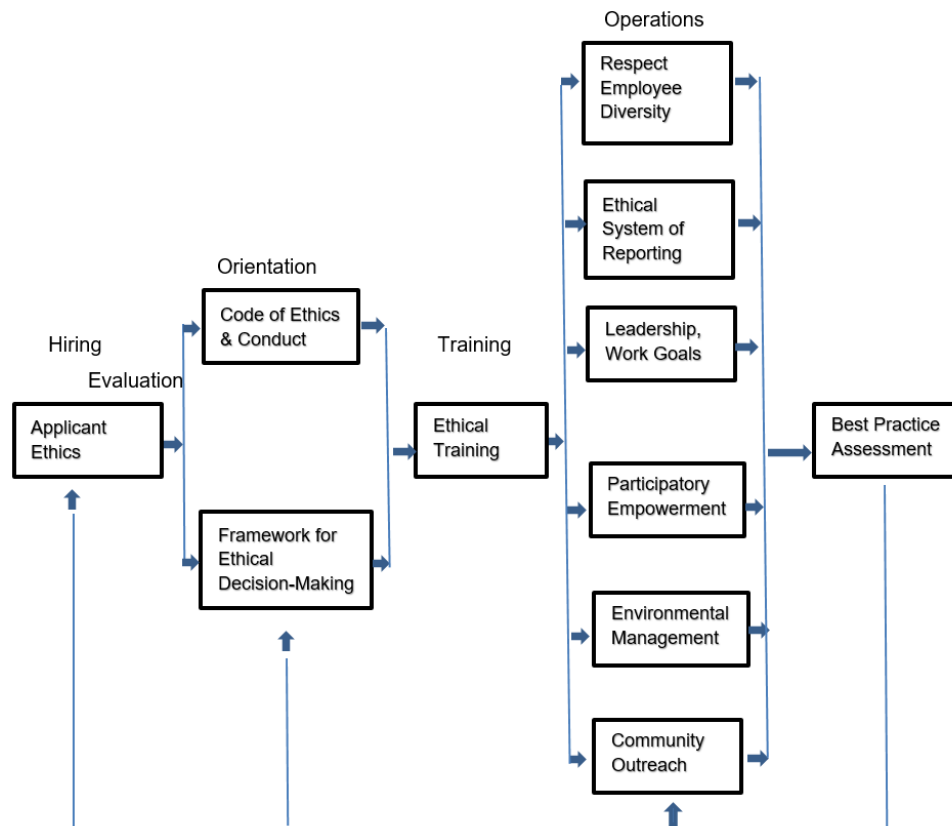
Source: Collins (2012:62).

If employees are aware of wrong, unethical conduct in the workplace they can act as whistle-blowers but, according to Ghillyer (2010:172), whistleblowing on organisational wrongdoings can put employees at personal risk to their own careers and create financial instability. This action should however be seen as the last choice of action. Statistics indicate that 90% of whistle-blowers are either demoted or fired; 27% had to face lawsuits; 26% had to get psychiatric treatment; 10% attempted suicide and 8% went bankrupt. The assumption that is therefore that it is not in the employee's best interest to blow the whistle on wrongdoing or unethical behaviour in the workplace. It can be especially challenging in a political, local government environment.

The King III Practice Notes on Ethics Management state that the whistle-blowing hotline is a safe reporting line, which will protect officials from victimisation (Practice Notes: Ethics Management, 2009). The researcher notices that the practice notes portray

an ideal platform for the reporting of unethical behaviour through whistle-blowing, but this is not always the situation in practice.

Marx (2019:14) strongly requests that individuals stand up against transgression and put the employer's interest first by informing them of malpractice taking place in the organisation. If private and government employees do not speak up, South Africa will rot further, as ethical governments have their roots in ethical employees.

Booysen (2019:36) asks the question: Is whistleblowing legislation effective? The writer states that employees might have honest intentions to report observations of fraud or unethical behaviour in the workplace, but this might not be as easy in practice. Individuals might face the consequences of losing their jobs, which means losing their income and, in the end, everything they own. The interest from social media also makes it difficult, especially in high profile cases and an individual's reputation can easily be ruined. The German-French philosopher and Nobel prize winner, Albert Schweitzer, states the following on ethical behaviour: "Ethics, too, are nothing but reverence for life. That is what gives me the fundamental principle of morality, namely, that good consist in maintaining, promoting, and enhancing life, and that destroying, injuring, and limiting life are evil." The concerns for the implications of whistleblowing are confirmed in many cases. Most individuals who act as whistle-blowers are victimised and treated badly by their employer. The South African government has shown some support for whistle-blowers and government indicates that they need protection. Legislation applicable to whistleblowing are the Protected Disclosures Act 26 of 2000 and Financial Sector Regulation Act 9 of 2017. The first Act provides procedures to follow when individuals want to report unethical behaviour of co-workers or their employer and offers protection for whistle-blowers. The Act was amended to include consultants and contractors to blow the whistle on unethical behaviour. Organisations are obliged to train employees on good, ethical behaviour and awareness programmes and give feedback on the reported case to the whistle-blower.

Section 140 of the Financial Sector Regulation Act 9 of 2017 guarantees that whistle-blowers will be protected and the information provided by them will not be used against them in a criminal case. The regulations of the Treasury fall short of whistleblowing as

it seems to be linked to criminal acts already known. This limits recognition of the full scope of unethical behaviour, for example those exposed by the Zondo Commission of Inquiry regarding the allegations of state capture. Government institutions have written policies and implemented acts regarding whistle-blowing in the workplace, but unethical behaviour has not decreased (Booysen, 2019:37). The whistle-blowing policy of George Municipality addresses procedures to follow, but does not provide legal protection for individuals, should they take this action.

Ethics and conflicts of interest can have a devastating effect on supply chain management implementation. Chief financial officers hold a lot of power, but unfortunately but there is often a lack of communication between them and their senior managers. The National Treasury Guide for Accounting Officers prescribe a standard approach to SCM implementation and procedures to be followed. Studies acknowledge that the implementation of SCM in South Africa is still in its infancy (Ambe & Badenhorst-Weiss, 2012:11012-11013). The purpose of the Guide for Accounting Officers is to help accounting officers to implement changes in the PFMA. The PFMA puts emphasis on accountability and the importance of good governance in government organisations.

There are no real consequences for officials or councillors who do not act ethically or at a required level. The AG highlights a lack of accountability as an issue. There must be consequences in place for officials and councillors who do not act in the best interest of the public (Fuzile, 2015:1).

According to Mthethwa (2019) in a news article on the Times Live (27 February 2019), a Kwazulu-Natal businessman from Bishopstown in Pietermaritzburg was sentenced to twelve (12) years in prison for stealing R7.5 million from the KwaZulu-Natal Department for Cooperative Governance and Traditional Affairs (CoGTA), which was intended for a crèche. He committed the fraud with the help of his girlfriend, who was an official in the department and bypassed the department's payment procedures and transferred the funds into his account. The asset forfeiture unit could only recover R120 000.00 of the stolen money. This effectively means a loss of R15 million for the department as they still owed R7.5 million to the Ingwe Municipality for the crèche.

The director of public prosecutions said the code of conduct was disregarded and she hoped the harsh jail sentence would deter future fraudsters and assist government in eradicating fraud.

According to Fuzile (2015:5), suppliers make use of opportunities when the SCM unit in an organisation is weak. This is noticeable in the soaring prices paid for some contracts, goods and services; favouritism towards contractors; collusion between suppliers and unethical behaviour on the part of officials and suppliers. Long-term strategic relationships with the suppliers needs to be developed in order to overcome the problem.

According to Rozycki (2017), the first question organisations ask after the occurrence of unethical and immoral behaviour, is: "who is to blame?" Organisational leaders set the example for moral and ethical behaviour through their daily actions, by following rules and regulations or not, and through their behaviour towards personnel. Personnel then follow their leaders' example in complying with organisational rules and regulations or not. Organisational structures are set to direct personnel in their behaviour. If both leaders and personnel behave in a challenging manner and in non-compliance with the codes of conduct, who is to blame? The weak leaders, the personnel following their leadership, or both? According to Rozycki (2017), this relates to the ancient theory: "If only the King knew how his ministers behaved".

Rossouw and van Vuuren (2010:287-288) state that ethical leadership is co-responsible for creating the societies which they govern. Their organisations' actions contribute towards sustainable development and the degeneration of society. It is important that leaders understand that their behaviour and leadership styles must align within society's requirements for ethical commitment.

2.8 Benefits of Instilling Good Governance in Supply Chain Management

Fuzile (2015:15) states that good governance ensures accountability, efficiency, transparency and the following of rules and regulations in SCM processes. The rules regarding the SCM system in South Africa are often poorly enforced by government organisations. Governance can be improved by strategic cooperation and trust between the private and public sector. Integrity ensures that resources and the budget is not misused. Integrity violations includes corruption (bribery and nepotism); conflicts of interest which are not declared; collusion between suppliers; discriminatory treatment; and fraud and theft.

Fuzile (2015:24) describes the role of the SCM manager as follows: to ensure compliance with the National Treasury's standards and prescripts; the assessment of SCM processes to identify and remedy gaps in the systems that might lead to corruption or unethical behaviour; and to attract personnel who are skilled and enhance the resistance to act corruptively or mismanage.

Good ethics improves the profitability of organisations. If organisations fight against fraud and corruption it contributes towards improved performance by employees. It is argued that ethics carry a value and are part of an organisation's intangible assets, which is part of the financial capital of an organisation. Ethical capital is created through ethical behaviour according to company rules and towards internal and external stakeholders. It is responsible for growth in other intangible assets, for example improving the quality of relationships between public organisations and communities; and by increasing trust in the organisation (Schoeman, 2012:34).

There are many rewards for public organisations that behave in an ethical manner, which include:

- High performing staff will be interested in the organisation and apply for positions;
- Employees will be committed to perform;

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- The public and other stakeholders will be loyal and not resist paying for municipal services;
- Risk management will improve;
- Market and investors will have confidence in the organisation which will increase the organisation's ability to raise funds;
- The organisation will have a good reputation (Schoeman, 2012:37).

According to Deon Rossouw, the CEO of The Ethics Institute, ethical behaviour can be taught to individuals in three ways. Firstly, through cognitive competence, which means that individuals should have an understanding of ethical theories and how to make good, behavioural decisions. They should be trained to behave ethically. Secondly, through managerial competence, which includes the skills to manage and administer ethics in the workplace. Thirdly, behavioural competence, which is the ability to decide what is right and what is wrong. The third way is the most challenging to teach. A good behavioural culture should be developed in organisations to enable individuals to follow ethical behaviour. To always behave ethically and resist temptation takes courage (Marx, 2019:17).

Good ethical behaviour creates a stronger economy, which will attract investors and stakeholders in government. Sustainable economic growth will not be achieved if good governance practices are not followed in South Africa.

2.9 Summary

SCM has not been properly implemented in South Africa and has not yet achieved its set objectives of ethical, good governance. Proper implementation and execution of SCM processes will enhance SCM and have a positive effect on government's image (Ambe & Badenhorst-Weiss, 2012:11014). Transparent and open processes are important elements of the public sector SCM system. In order to reform South Africa's SCM system, information must be made more accessible to suppliers, contractors and

service providers in order to enhance planning, accountability and oversight (Fuzile, 2015:1).

According to Fuzile (2015:6), government is taking steps to reform systems in line with the National Development Plan (IDP), which includes:

- Auditing accounting officers' performance with regards to SCM regulations, guidelines, treasury instructions, ethical norms and standards, efficiency and effectiveness.
- The development and implementation of a code of conduct and ethics to guide suppliers.
- The development and implementation of a code of conduct and ethics for SCM officials and political office-bearers in SCM.
- Acting against contractors, suppliers and officials who abuse the SCM system.

According to Rossouw and van Vuuren (2010:215), it is top management's responsibility to ensure that organisations adhere to the company's ethical values and codes and act responsibly toward communities and the environment. Council must set the ethical tone in order for the rest of the organisation to follow.

Ghillyer (2012:196) asks the questions: how does an organisation make ethics stick? How can an organisation ensure that all officials in the organisation honour ethical principles? The culture of sustainable ethics should be developed and this requires the involvement of every official in the organisation to support the ongoing processes. Ghillyer (2012:196) sums the stages up as follows: The establishment of a code of ethics; members of organisation should receive training on the code of ethics; appointing an ethics officer; making the organisation's commitment towards ethical behaviour public; and continued monitoring of the organisation and members behaviour as growth takes place.

Professionalism is an effective way to ensure ethical behaviour in an organisation. It is important that continuous training and government education take place to promote professionalism (Mafunisa, 2001:335).

The question remains: does ethical behaviour matter? Schoeman (2012:98) claims that ethics should matter because the consequences of unethical conduct can have a detrimental effect on the optimal functioning of an organisation. Ethics is the right thing to do and contributes towards a sustainable way to reach organisational goals and objectives and deliver benefits to the organisation and service delivery to communities.

Fraud and corruption cannot be hidden behind political or cultural characteristics. Robert Klitgaard said in 1991 that the formula for corruption is: "Corruption = Monopoly + Discretion – Accountability". The South African government has the monopoly and power over public funds and resources and if government is not held accountable for its behaviour, the fight against fraud will never be won. The occurrence of fraud has become normal practice for South Africans (Sibanda, 2019).

Corruption Watch (2018) stated the following: "Now, 25 years into our democracy, we must address the damage wrought by sustained corruption, and continue the work, together with civil society, government and businesses, to undo the erosion of systems and structures put in place to safeguard the delivery of goods and services to all people living in this country".

In conclusion, tender fraud can be described as a cancer. Unethical conduct destroys moral behaviour in nations and the remaining ethical few give up in the end. Society changes forever as justice and integrity are scarred by fraudulent and unethical conduct. In this chapter, the researcher validated the research objectives by proving that behavioural challenges in the form of corruption and fraud in SCM units do exist, and that the manner in which these unethical conducts are managed in some government organisations is poor. Leaders/managers display unethical conduct when they bypass the SCM processes and systems in order to favour others or enrich themselves. Good ethical and moral behaviour needs to be instilled, as it holds numerous benefits for organisations and will ensure better service delivery and value for money.

CHAPTER 3: POLICY AND LEGISLATIVE CONSIDERATIONS FOR ETHICAL GOVERNANCE

3.1 Introduction

Chapter 2 discussed the behavioural challenges facing SCM's functions in the governmental environment. The ethical behaviour of stakeholders remains a complex issue, regardless of the legislature framework prescribed for public organisations. Legislature guides all spheres of government and these organisations must strictly adhere to all prescripts to fulfil their functions. Government organisations are mandated by procurement laws, regulations and policies and must comply with the requirements set out in various acts in order to ensure economic, effective and efficient service delivery to the people.

This chapter aims to provide the legislative framework for SCM within government organisations and municipalities both internationally and in South Africa. The following are some legislation that mandate SCM in South Africa to ensure open, fair, equitable, transparent, competitive and cost-effective processes in this environment:

- The Constitution of the Republic of South Africa (No. 108 of 1996)
- The Local Government: Municipal Systems Act (No. 32 of 2000)
- The Local Government: Municipal Finance Management Act (No. 56 of 2003)
- The Local Government: Municipal Finance Management Act (No 56 of 2003): Municipal Supply Chain Management Regulations, 2005 (SCM Regulations)
- The Preferential Procurement Policy Framework Act (No. 5 of 2000)
- The Broad-Based Black Economic Empowerment Act (No. 53 of 2003a)
- Prevention and Combating of Corrupt Activities Act (No. 12 of 2004)
- The Public Protector Act (No. 23 of 1994)
- National Treasury practice notes

- Public Administration Management Act (No. 11 of 2014)
- The Competition Act (No. 89 of 1998a)

3.2 International Frameworks of Supply Chain Management Regulations and Law Content

According to Farrington and Lysons (2012:636), codes of conduct and ethics were issued by the Chartered Institute of Purchasing and Supply (CIPS) in the United Kingdom and by the Institute of Supply Chain Management (ISM) in the United States of America. National and international codes of conduct and ethics also exist. For example, the United Kingdom's Procurement Code of Good Practice for Customers and Suppliers and the Global Compact, introduced by the United Nations. These codes are a challenge and example to the rest of the world to write their own codes, in order to build an ethical environmental, as well as social pillars to sustain the global economy. These pillars include human rights, labour, a safe environment and anti-corruption.

The codes provide a framework within which countries can work together and set boundaries for ethical behaviour in SCM and procurement globally. Codes of conduct and ethics can therefore prescribe what acceptable and unacceptable behaviour is. These codes should be enforced and violations thereof punished.

According to Farrington and Lysons (2012:644), the United Kingdom introduced the Bribery Act in April 2010. The intention of this Act is to replace old England laws on bribery. It is particularly applicable to activities in procurement and holds far reaching consequences for officials in SCM units. The Act addresses two supply chain offences: the paying of bribes by tenderers and the acceptance of bribes by officials. These actions are an offence if the intention is to induce a person to perform an improper action. Government officials should perform their work duties in good faith, especially in SCM units where officials are in positions of trust.

3.3 South African Supply Chain Management Regulations and Law Content

The South African government's debt has risen dramatically since the recession in 2008 and this trend is continuing. Due to this, government spending patterns have become important, and have been reprioritised in order to secure the continuous delivery of services. It is important that government funds are spent wisely and a strong ethical culture has become a critical aspect to ensure this.

SCM in the public sector is not perfect, and features constant allegations of unethical and corrupt activities. Communities show dissatisfaction with poor service delivery and not receiving the quantity and quality of services they need through delivery protests. All government actions must be carried out in line with South Africa's Constitution, laws and regulations (Public Sector Supply Chain Management Review, 2015:3).

3.4 Management of Behavioural Challenges

The management of behavioural challenges is important to ensure healthy organisations, the delivery of quality services to communities and a good quality of life for citizens. Behaviour is challenging when it causes harm or interferes with organisations that are trying to reach their goals and performance targets. Government organisations in South Africa have to work according to numerous laws, regulations and policies and strong ethical conduct is critical to ensure compliance.

3.5 Legislation that Impacts Government and Municipal Supply Chain Management

3.5.1 The Constitution of the Republic of South Africa (No. 108 of 1996)

The Constitution requires that South Africans must build a democratic and united country, able to function as a sovereign state among the nations.

The Constitution's objectives include the six pillars in the National Development Plan, which are to unite all people in South Africa around a common purpose; citizens should be actively involved in the economy and hold leaders accountable; growing of the economy; capabilities need to be improved; the state should correct the inequalities of the past; and the leaders should work together in order to solve the country's problems and challenges.

Section 217 of the Constitution (Republic of South Africa, 1996) emphasises the strategic importance of the implementation of SCM in all spheres of government, which holds the following benefits for the country:

- Service delivery in South Africa will improve drastically due to the delivery of improved quality goods and services to communities, which will in turn improve the well-being of citizens, especially the poor who rely on government for support.
- Infrastructure will be developed and maintained, which will contribute to economic growth.
- The construction of infrastructure and procurement of goods and services will be done in a cost-effective manner.
- New government projects will be established, which will benefit = the people, e.g. e-government projects in schools.
- The cost of doing business with government will decrease for suppliers.

(Public Sector Supply Chain Management Review, 2015:1)

Obligations of Local Government

Section 217(1) of the Constitution provides that "when an organ of state contracts for goods or services … it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost-effective". SCM in government organisations must provide opportunities for the advancement of people who were discriminated against during the 1994 apartheid era.

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In the matter held in the High Court of South Africa, Eastern Cape Division in Grahamstown between Civil & General Contractors cc (appellant); and Chris Hani District Municipality (first respondent); and The Chairman of the Bid Adjudication Committee (second respondent), the issue in the appeal was that the tender process for the construction of a bulk water supply at Hewu and the upgrade of the Sada water treatment works was not valid, with reference to Section 217(1) of the Constitution. The appellant requested a review and setting aside of the tender award. Thirteen tenders were received by the municipality on the closing date 31 July 2015 at 12:00. The Bid Evaluation Committee recommended that the tender be awarded to Civil & General Contractors cc, for reason that they were the lowest tenderer. Urban Africa Services, was not tax compliant and considered a non-responsive tender. The Bid Adjudication Committee determined on 23 October 2016 that the decision of the Bid Evaluation Committee to exclude Urban Africa Services was not fair, and reinstated their tender. The Municipal Manager accepted the decision and informed Civil & General Contractors cc of the decision. The appeal was upheld with costs and the decision to award the tender to Urban Africa Services was reviewed and set aside. The Court ordered the tender process should start afresh and the first and second respondents were held accountable for payment of the legal costs involved (Du Plessis, 2019).

In another case involving the Constitution, in the matter between the Democratic Alliance, Gabriella Engels and Afriforum (applicants) versus the Minister of International Relations and Co-operation, The President of the Republic of South Africa and The National Director of Public Prosecutions (respondents), the issue was that the First Lady of Zimbabwe, Dr. Grace Mugabe, assaulted three South African women while in the country for a visit. A criminal charge was laid against her and the Minister of International Relations and Co-operation made a decision on 19 August 2017 to grant immunity to Dr. Grace Mugabe. The High Court of South Africa in Pretoria ordered on 30 July 2018 that the minister's decision was inconsistent with the Constitution and the decision was reviewed and set aside (Democratic Alliance & others v. The Minister of International Relations and Co-operation & others (2018) 58755/17). This case illustrated behavioural challenges in the Office of the Minister of International Relations and Co-operation.

3.5.2 The Local Government: Municipal Systems Act (No. 32 of 2000)

The aim of this Act is to empower local municipalities to fulfil their constitutional obligations. The Municipal Systems Act is only one of various acts that aim to fulfil this objective. The policy framework for local government was outlined in a White Paper for local government in 1998.

The objective of this Act is to regulate municipal systems for organisational issues, planning, participatory functions and the delivery of services. This Act contributes to the delivery of services in a democratic, accountable and developmental manner. The Act is divided into sections that provide prescriptions on the legal nature of local government spheres; the powers, functions and duties of municipalities; participation processes within communities; integrated development planning; the management of performance; administration and human resource functions; debt collection and credit control functions; the monitory functions of provincial and national treasuries; and national regulations and guidelines. The Minister of local government is given power by the Municipal Systems Act to make regulations and issue guidelines on the above matters (Republic of South Africa, 2000b).

The section of the Act on local public administration highlights the aspect of accountability and the Code of Conduct for municipal staff members to ensure that all staff are aware of the way in which they should act and the consequences for unethical conduct (Republic of South Africa, 2000).

3.5.3 The Local Government: Municipal Finance Management Act (No. 56 of 2003)

The aim of the Municipal Finance Management Act (MFMA) is to ensure that municipalities operate in a sound and sustainable manner with regard to financial matters. The application of SCM in municipalities is set out in Chapter 11, which gives instructions on the following: the compilation of a SCM policy; the handling of unsolicited bids; the approval of tenders; contract management functions; councillors

barred from serving on tender committees; and the required levels of competency for SCM officials. The implementation of the MFMA is an important strategy for improving service delivery and to modernise municipal functions (Republic of South Africa, 2003).

The Minister of Finance is empowered by Section 175 of the MFMA to make regulations to deal with financial misconduct. Processes and procedures are set out in the Financial Misconduct Regulations that municipalities must follow when dealing with misconduct issues. This is applicable to all municipal staff and political office-bearers (Republic of South Africa, 2003).

3.5.4 The Local Government: Municipal Finance Management Act (No. 56 of 2003): Municipal Supply Chain Management Regulations, 2005 (SCM Regulations)

The SCM Regulations address all functions in the SCM environment (Republic of South Africa, 2005). Chapter 1, section 6 of the SCM Regulations sets out the oversight role that council plays in municipalities and the barring of council members from serving on tender committees to prevent interference in the tender processes. Chapter 2, Section 46(1) sets out the ethical standards with which officials and other role players in SCM must comply in order to ensure mutual respect and trust between role players and an environment acting in a reasonable and fair manner; and Section 46(h) highlights the function of the code of ethical standards to assist the accounting officer in combating unfair, corrupt and fraudulent practices.

In the matter between DDP Valuers (appellant) and the Local Municipality of Madibeng (respondent), the municipality advertised a tender for the compilation of a General and Supplementary Valuation Roll on 10 May 2013. DDP Valuers had been the municipal valuer at the time of advertising the new tender, and were shortlisted with the second lowest price. DDP Valuers' issue was that the successful bidder's tender (which had the lowest price) was out of proportion and exceeded their own tender by far. DDP Valuers objected to the award and, in terms of regulation 50 of the SCM

Regulations, requested the municipality to appoint another party to deal with the dispute. The municipality reacted via e-mail and stated that because DDP Valuers instituted legal action against them, it would be unethical for the company to communicate with municipal staff; and DDP Valuers launched an application in the Gauteng Division of the High Court in Pretoria for the review and setting aside of the tender award. The municipality argued that the appellant did not exhaust the internal remedies in terms of Section 7(2) of the PAJA. The judge ruled that regulation 50 of the SCM Regulations did not provide an internal remedy and therefore the appellant was not obliged to utilise its provision. SCM policies must therefore set out the procedure to resolve disputes and deal with objections and queries regarding municipal decisions and actions (Venter, 2015a).

In another matter, between Telkom South Africa versus Merid Trading (Pty) Ltd and others; Bihati Solutions (Pty) Ltd and others, Telkom advertised a tender for the provision of network services. The validity period stipulated in the tender document was 120 days, which lapsed on 12 April 2008. Telkom only requested an extension of the validity period of the tender after the tender had already lapsed and not all tenderers responded to the request. Telkom shortlisted tenderers and awarded the tender to six tenderers. Objections and complaints were received by unsuccessful tenderers after award of the tender and Telkom applied to the High Court to have the awards set aside. The Court ruled that the extension of validity period after it had already lapsed was unlawful and the negotiation process to extend was neither competitive nor equitable and lacked transparency (Venter, 2015b).

3.5.5 The Preferential Procurement Policy Framework Act (No. 5 of 2000)

The Preferential Procurement Policy Framework Act 5 of 2000 (Republic of South Africa, 2000) prescribes the procurement points system to be used in the calculation of points for preference in formal quotations and tenders above the value of R30 000.00 (VAT included). The aim of this act is to award additional points to tenderers owned by historically disadvantaged persons. An objective test of treating all tenderers equally

may not be met, but is necessary to give effect to the socio-economic goals prescribed in the Constitution.

In the matter of Mogale City Municipality vs. Fidelity Security Services, the municipality advertised a tender for the provision of security services for the period of three years. Fidelity Security Services, together with another tenderer, Red Ant Security, scored the highest procurement points, but the Bid Evaluation Committee excluded Fidelity's tender from the process due to the fact that one of their directors was listed on the National Treasury's database as a director prohibited from doing business with government. It was, however, the National Treasury's duty to inform Fidelity Security Services of this, but they neglected to do so. The Bid Evaluation Committee reconsidered the two tenders and recommended that the tender be split between the two with the highest points. According to Advocate Helen Venter, this action was irregular due to the fact that the tender specifications did not allow for a split between tenderers. Fidelity Security Services' challenge was upheld and the South Gauteng High Court ruled that the award be set aside and the tender be re-evaluated and awarded within four weeks (Venter, 2014).

3.5.6 The Broad-Based Black Economic Empowerment Act (No. 53 of 2003)

The aim of the Broad-Based Black Economic Empowerment Act No. 53 of 2003 (Republic of South Africa, 2003b) is to address the inequalities of the previous apartheid era, during which black people were excluded from meaningful participation in the economy of South Africa. The objective of the Act is to ensure economic transformation and active participation of black groups and people in the economic activities of government transactions. All tenderers should be treated equally and fairly and no persons may be excluded from the procurement process or be unfairly discriminated against.

3.5.7 Prevention and Combating of Corrupt Activities Act (No. 12 of 2004)

The Prevention and Combating of Corrupt Activities Act No. 12 of 2004 (Republic of South Africa, 2004) aims to prevent corrupt activities and fight its occurrence in both the private and public sectors. The purpose of the Act is to provide measures to prevent corrupt activities; to place a duty on persons in positions of authority to report corrupt activities; and to ensure that whistle-blowers do not suffer as a result of their good intentions to report unethical conduct. This Act is aimed at all members of the private sector, public sector and the public (taxpayers and community members) and makes corruption a crime. Corruption costs South Africa millions of Rands annually and the loss of money has a detrimental effect on the economy and affects the lives of all people. In order to prevent corruption, government has developed many laws, regulations and policies for government organisations and the private sector.

South Africa has agreed to establish laws in line with the United Nations Convention against Corruption and the African Union Convention on Preventing and Combating Corruption. These conventions require countries that agree to be part of them to act against corruption, prevent crimes, stop corruption from occurring and impose severe consequences for corrupt activities (African Union Convention on Preventing and Combating Corruption, 2003:10).

Corruption undermines democracy and cripples government's attempts to fight poverty and unemployment. It hampers development in the country and has a negative effect on social values and good governance. The challenge of unethical conduct is an important issue in combating corruptive activities.

Corruption is a frequent occurrence in government tenders for goods and services and the Minister of Finance implemented a Register of Tender Defaulters in an attempt to address the issue. The National Treasury keeps the register and adds names of companies and persons who are convicted by a court of law of crimes where tenders or public contracts are involved. SCM officials use the register during the evaluation of tenders and quotations to exclude companies or persons from the tender process if their names appear on the register.

The reporting of corrupt activities is the duty of all government officials and government has established various platforms, e.g. the police, public protector or auditor-general, to allow for reporting. Public officials must act in the best interest of the people, be honest and practice ethical values when dealing with government funds and resources.

3.5.8 The Public Protector Act (No. 23 of 1994)

The office of the Public Protector is set up according to Section 181 of the Constitution. The purpose of the office of the Public Protector is to investigate matters or cases reported to them and act as protector of the public's interest, funds and resources against maladministration by government organisations and individuals. This office is an independent state institution and its objection is to defend the democracy of South Africa. The Public Protector's office is subject only to the law and the Constitution of the country. Busisiwe Mkhwebane is South Africa's Public Protector since 2016.

The mission and vision of the Public Protector is: "to strengthen constitutional democracy in pursuit of its constitutional mandate by investigating, rectifying and redressing any improper or prejudicial conduct in state affairs and resolving related disputes through mediation, conciliation, negotiation and other measures to ensure fair, responsive and accountable public-sector decision-making". The Public Protector has to report on actions taken by her office (Republic of South Africa, 1994).

The strategic objectives of the office of the Public Protector is to be trusted by the people and have an office that is open and accessible. The Public Protector must foster a culture of vast performance and service delivery, which is efficient and effective, promotes immediate remedial actions, and accountable and good governance (Republic of South Africa, 1994).

3.5.9 Promotion of Access to Information Act (No. 2 of 2000)

The Promotion of Access to Information Act (PAIA) (Republic of South Africa, 2000) ensures that the public are allowed the opportunity to apply for access to information to look over public documents held by the government or a private person. The purpose of the Act is to encourage accountability and transparency in public and private organisations and to allow the protection of any person's rights. It is government's obligation to be open, fair and transparent and to make valuable information public and available to communities.

3.5.10 Public Administration Management Act (No. 11 of 2014)

The Public Administration Management Act No. 11 of 2014 (Republic of South Africa, 2014), includes basic values and principles in Chapter 2, and provides behavioural prescriptions for public officials on professional ethics; the effective use of resources; being fair and equitable; responding to community needs; and being accountable in the workplace. Chapter 6 of the Act prescribes ethics, integrity and discipline and provides instructions on dealing with the discovery of fraud, corruption and misconduct in the workplace. Chapter 8 of the Act prescribes the norms and standards, which includes capacity building and training of public officials, integrity, ethics and discipline in the workplace and the disclosure of financial interests. This Act is important as it may hold the key to a successfully anti-corruption drive in the South African government. According to President Cyril Ramaphosa, this Act enables government to deal with fraud and corruption in a more effective way. Provisions are made for harsh penalties, even imprisonment of officials found guilty of unethical conduct, fraud or corruption.

According to President Cyril Ramaphosa, the operationalisation of this Act is a priority in order to ensure measures are in place to prevent and address lawlessness in government institutions. One of the challenging unethical practices amongst government officials is doing business with the state. The President clearly states that government employees may not conduct business with the state. This Act addresses this challenge and allows government to act harshly against such behaviour. The main

objective of this Act is to spell out the values and principles set for administration in the public sector. The President also mentions that allowance is made in this Act for the establishment of a "public administration ethics, integrity and disciplinary technical assistance unit". The main objective of this unit will be to ensure management of consequences for breaches in processes of government (Corruption News, 2019). The intention of this Act is clearly to make public officials aware of what good behaviour entails and to prevent fraud and corruption and ensure that consequences are in place for offenders.

3.5.11 The Competition Act (No. 89 of 1998)

The Competition Act (Republic of South Africa, 1998b), prohibits agreements that allow anti-competition or the abuse of a dominant position of a company. Such agreements include, for example, the undertaking between parties or companies agreeing to: (1) fix tender prices or conditions; (2) limit or control production and markets; (3) share sources or markets; or (4) apply tender conditions that are different in order to place a company in an advantageous position. There is a potential in supply chain management for collusive tendering, and this behaviour eliminates competition amongst tenderers. According to the Competition Authority (The Detection and Prevention of Collusive Trading, 2009), there are three types of collusive tendering, which are: (1) cover bidding, when a bidder tenders a price with the intention to lose the bid; (2) bid suppression, when tenderers agree to either abstain from tendering or to withdraw their bids; and (3) bid rotation, when tenderers submit the lowest bid on a rotating basis, which is pre-determined.

Section 4(1) (b) (iii) of the South African Competition Act (No. 89 of 1998c) prohibits companies to form any agreement and/or to collude before submitting a tender (Republic of South Africa, 1998). Supply chain regulation 38(1) prescribes that supply chain policies must provide measures to combat bid-rigging/collusive bidding and steering. Local government organisations in South Africa include a MBD9 form, which is a Certificate of Independent Bid Determination in the tender documents as a

prevention mechanism for bid rigging. This form is a declaration by the bidder that the contents of their tender are the company's own independent work, without communication or agreement with other competitors regarding tender prices, methods or bidding with the intention to not win a tender. The supply chain management unit verifies completion of the form during the tender evaluation process.

3.6 Benefits of an Ethical Organisational Culture

According to Farrington and Lysons (2012:50), culture is the manner in which actions are performed in an organisation. Organisational culture is the values, habits and beliefs shared by a group of individuals that interact within the formal structure in order to produce behavioural norms. Culture is an important aspect of organisations. If an ethical behavioural culture does not exist in an organisation, or cannot be cultivated, the organisational legislation, regulations and policies will not be adhered to by the officials. The benefits of minimising behavioural challenges through a healthy, ethical organisational culture are therefore important to achieve legislative requirements.

The researcher referred to the unethical conduct of certain council members and top managers in George Municipality in Chapter 2, and is of the opinion that the example of unethical conduct by some leaders might lead to the deterioration of the current good and productive culture of municipal officials, especially those on lower levels.

3.7 Summary

This chapter includes an overview of the most important legislation that impacts on the functioning of SCM in organisations. Private enterprises can do anything not prohibited by the law, but in the public setting nothing can be done outside of the framework of the law. Legislation significantly impacts procurement processes in government organisations. The basic values and principles governing public administration is set out in Chapter 10 of the Constitution.

In the good governance context, the challenge is to ensure that the legislative framework is adequate to ensure the most beneficial deployment of resources in a society and in terms of equity and effectiveness, without impeding on ability to achieve the highest levels of economical and efficient functioning through adequate management discretion. It was determined that the political structures, which play an overview function in government organisations, with their competing political agendas, could curb the public sector from achieving goals and objectives and create challenges of unethical conduct through the intimidation of officials in the SCM environment. The scale and scope of SCM in the public sector is vast and only a collective effort from all spheres of government, the public and public organisations will ensure that integrity and ethical values are reached and adhered to.

The various cases of unethical conduct, highlighted in Chapter 2, as well as the examples of case law quoted in this chapter regarding negligent actions by certain municipalities (e.g. unattended potholes in roads and failure to control safety measures on municipal dumpsites) portray a clear picture of the failure of some government organisations to execute their own by-laws and abide with existing legislation.

Law experts in local government warned the President in 2009 that too much legislation over local government institutions was suffocating this sphere. They highlight the fact that local government had to comply with various laws, regulations and policies, which are in some cases duplicative, conflicting or not fit for their purpose, especially in smaller municipalities (Review of Regulatory, Compliance and Reporting Burdens imposed on Local Government by Legislation, 2019). The researcher is of the opinion that this might be a contributing factor to unethical conduct in SCM units of municipalities. SCM officials are not legal experts and do not necessarily have knowledge of all legislation, which could have an influence on their decisions.

CHAPTER 4: A CASE STUDY OF GEORGE MUNICIPALITY

4.1 Introduction

This chapter sets out an overview of George Municipality's demographic profile and administration, which includes supply chain management. Local government institutions in South Africa and the legislative mandate, vision and mission, the macro organisational structure and services rendered are discussed in detail, followed by a general discussion of the budgetary implications of services and the general financial state of the municipality, with attention to the functioning of the SCM unit.

The Governance Performance Index published in April 2019 (Good Governance Africa, 2019) indicates that twelve of the top municipalities in South Africa are situated in the Western Cape province. This selection is based on the economic stability and productivity of people in the towns/cities of the municipalities. The performance of South Africa's local municipalities is an indicator of the country's heartbeat, as local municipalities are closest to the people (Local Municipalities in the Spotlight, 2019:1-2).

4.2 A Brief Overview of George Municipality's Demographic Profile and Administration

George Municipality is located in the Western Cape province in South Africa and the municipal area covers 5 191 km². George is situated 450 km east of Cape Town and 330 km south of Port Elizabeth. The home language of 67.2% of the city's population is Afrikaans, 21.6% speak Xhosa, 8.1% speak English and 3.1% speak other languages. The municipality consists of 27 wards, with a municipal council and employs 1 268 permanent employees in eight departments (Wikipedia, 2018).

The municipal area includes the city of George, and surrounding towns such as Uniondale, Haarlem, Herold, Waboomskraal, Herolds Bay, Victoria Bay, Wilderness, Hoekwil and Kleinkrantz. George is situated approximately 15 km from the coastline, with a moderate climate, indigenous fynbos and forests and sufficient water resources.

George Municipality faces developmental challenges, such as poverty, unemployment and service delivery and housing backlogs. In order to address these challenges, the municipality needs information regarding socio-economic trends and patterns of the population in the area. Some of the key demographic variables that assist the municipality in planning processes are estimates of the population size, age cohorts and dependency ratios. According to the Draft Integrated Development Plan, the municipality had a population of 213 189 people in 2018, and is estimated to grow to 236 655 people by 2024. This is the biggest population for a municipal area in the Garden Route District, with an average growth of 1.8% per annum (George Municipality, 2017).

The composition of the municipal area's population age groups is indicated in the table below (George Municipality, 2017):

Table 4.1: Age cohorts

Year	Children (0 to 14 years)	Working group (15-64 years)	Elderly (65 years +)	Ratio of dependency
2011	50 951	130 349	12 377	48.6
2019	53 978	141 952	21 124	52.9
2024	56 265	154 166	26 224	53.5

Source: George Municipality (2017).

The ratio of dependency indicates which percentage of the population are dependents, and includes children and elderly people. The higher the ratio of dependency, the higher the pressure on the working group to be productive and the more pressure on social systems, such as old age homes and municipal crèches, which are maintained by the municipality. The table above indicates that the dependency ratio increased from 2011 to 2019, and the projections indicate a further increase in 2024. The number of people

93

in the working group will also increase over the next five years, from 2019 to 2024, by approximately 12 214 people (George Municipality, 2017).

The Draft Integrated Development Plan for the period 2017 to 2022, dated 2019/2020, indicates that poverty levels of households in the George municipal area increased since 2011. Key contributors identified for the increase are economic pressures, such as low commodity prices, lower investment levels, higher consumer prices, higher credit levels of households and policy uncertainty. According to these statistics, the most vulnerable people in the area are African females, children below the age of 17 years, people with no education and people living in rural areas (George Municipality, 2017). The outcomes of the ratios emphasise the importance of an ethical culture and environment, and the eradication of unethical conduct in the George Municipality, as discussed in detail in Chapter 2, in order to maximise and increase service delivery in communities.

The administration of the municipality consists of the council, which performs legislative and executive functions and is actively involved in working directly with communities and implementing social programmes. The top management structure consists of the municipal manager and directors. The 1 268 permanent employees contribute to the achievement of the objectives of the municipality; however, an additional 1 338 positions (52.1%) were vacant at the end of the 2017/2018 financial year, which is a contributing factor to the occurrence of behavioural challenges, service delivery constraints and interruptions in the work processes of the municipality (George Municipality, 2017).

The economic sector of George consisted of the following commodities in 2016: insurance services, financial services, real estate and other business services, which make up 29.7% of the economy; accommodation, catering and wholesale at 18.5%; manufacturing at 14.7%; communication, storage facilities and transport at 11.9%; government institutions at 8.9%; social services at 6.3%; construction at 6.3%; and forestry, fishing and agriculture at 3.7% of the local economy. The urban economy of the city is well-balanced (George Local Municipality - Overview, 2016).

A study done by the University of Stellenbosch in 2011 on towns in the Western Cape province indicates that George has a high growth potential due to various reasons, such as the attractive coastline, ideal climate and spectacular scenery (South African Cities Network, 2011). However, this potential will only be realised if the George Municipality performs to its best ability and delivers adequate services to taxpayers.

4.2.1 Supply Chain Management Unit, George Municipality

The SCM regulations were promulgated on 1 July 2005 and the National Treasury instructed municipalities to establish SCM units. George municipality compiled and approved its first supply chain management policy in 2007, as instructed in Chapter 11 of the MFMA, and the SCM unit was established on 1 April 2007. Six officials (including the SCM manager) were appointed in 2007 and trained in SCM processes and procedures. The municipality established the required committees, such as the bid adjudication, bid evaluation and bid specification committees. The bid adjudication committee consists of senior managers/directors and the other two committees of SCM staff and employees from the user departments (Financial Management and MFMA Implementation, 2006).

Supply Chain units in municipalities vary in size and level of complexity, and in 2019 the SCM unit in George Municipality consisted of twelve permanent employees; two contract workers and one intern, who work under tremendous strain to spend the portion in the annual budget allocated for goods, services, infrastructure projects, as well as the procurement of assets (for example vehicles) through tender and quotation processes. The total annual budget of the municipality amounts to R429 110 665 for the capital budget; and R1 956 195 368 for the operational budget for the 2018/2019 financial year, which includes fixed costs such as salaries.

According to 2011/2012 statistics on the SCM unit in George Municipality, Bid Specification Committee meetings were held 56 times for numerous tenders. Bid Evaluation Committee meetings met 62 times to recommend the award of tenders to the Bid Adjudication Committee; which amounted to R120 million being spent in the

2011/2012 financial year through procurement. This amount excludes tenders for petrol, insurance and security, and tenders advertised in accordance to the Immovable Property Policy. Three of the tenders were above the R10 million value and were awarded by the Municipal Manager; 30 disputes were received against rewards of tenders, and all were unsuccessful. Contracts awarded through formal written priced quotations amounted to R4.4 million. These statistics give the indication that the SCM unit was acting in a responsible manner and was well managed during the 2011/2012 financial year. The statistics indicate that contract management in the SCM unit was not satisfactory, due to a lack of management capacity (South African Cities Network, 2011). It should be noted that in 2011/2012, the SCM unit only had six employees, which includes the manager. In 2019, George Municipality is still without a contract manager, which is a critical position that was added to the organogram in 2017. If George Municipality's contracts are properly managed by an appointed official, it will result in better management and planning of new tender processes and less deviations, which are in some instances a result of poor tender planning by the user departments.

A SCM official, in his capacity as a senior controller, was caught in May 2014 with thirty copies of sensitive tender information in his personal bag, while the particular tender was still in the developmental phase. This official was entrusted with confidential information as Chairman of the Bid Specification and Evaluation Committees for tenders and was responsible for the administration of tender processes in SCM. The information was only available to the members of the Bid Specification Committee and were confidential. All members of the Bid Specification Committee signed a form for the Declaration of Interest and Confidentiality, in which they agreed not to share information discussed or distributed during the specification committee meeting. This individual made copies of the information, in order to sell it to potential bidders in his community. He was immediately suspended and dismissed after a hearing, as the leaking of confidential information is a corrupt activity. The behaviour of this SCM official was unethical and had the effect of causing distrust in the public of the remaining officials in the supply chain office.

Since the establishment of the SCM unit in 2007, only formal written priced quotations (above the value of R30 000.00, VAT included) and tenders (above the value of R200 000.00, VAT included) were processed through the central SCM unit. Informal quotations under R30 000.00 (VAT included) have been decentralised and individually requested by each of the eight directorates. Council decided on 31 October 2013 that the under R30 000.00 function must be included with the central SCM unit; and on 1 March 2016 this function was moved to the SCM unit at the main building in York Street. This function was phased in over a period of four months for the eight directorates, starting with the Directorate of Financial Services. One of the many reasons for the establishment of the under R30 000.00 function was to ensure quotations are requested on a rotating basis from suppliers on the Central Supplier Database, in order to allow all suppliers a fair and equal opportunity to quote for goods and services. Not all directorates were satisfied with the new function being moved to SCM, as it prevents directorates from requesting quotations from the same suppliers/contractors directly and, allegedly, repeatedly. The researcher acknowledges that this is not necessarily an indication of unethical behaviour –some directorates were used to procuring from only certain suppliers/contractors who performed well, while other suppliers/contractors were excluded from the opportunity to quote. The SCM unit has expanded since 2007, which is a positive sign in ensuring fair, equitable and cost-effective processes in the municipality. The under R30 000.00 function remains a continuous ethical challenge for SCM officials, due to pressure from certain individuals in user departments and management to make use of their preferred suppliers, but SCM officials insist that all tenderers be treated equally and given a change to quote, even if purchases are only for small amounts. Suppliers and contractors still have to complete the Declaration of Interest form and the SCM unit ensures that tax matters are in order before doing business with suppliers/contractors.

George Municipality received a qualified audit report for the 2017/2018 financial year, which was partly due to supply chain, where certain tenders were identified as irregular due to non-compliance with legislation. The AG found that provision in the municipality's Preferential Procurement Policy, which was implemented in 2016, contradicted legislation, such as the MFMA, the Preferential Procurement Policy

Framework Act and its regulations. When this policy was implemented, council decided that all requests for tenders must become be part of the Section 80 Committee, whereby councillors consider and approve special conditions for tenders, before the SCM unit can start with tender processes. The AG found the involvement of councillors through the Section 80 Committee in contravention with Section 117 of the MFMA and Section 4(3) of the SCM Regulations. 70% of all tenders advertised and awarded during the period resulted in being irregular expenditure (George Municipality, 2019). Sections 117 and 118(a) of the MFMA contain the following provisions regarding tender procedures: "S117. No councillor of any municipality may be a member of a municipal bid committee or any other committee evaluating or approving tenders, quotations, contracts or other bids, nor attend any such meeting as an observer; S118. No person may interfere with the supply chain management system of a municipality or municipal entity" (Republic of South Africa, 2003).

Various plans to improve service delivery, support systems and policies (for example the SCM policy) are in place to support employees in delivering on the municipal strategic objectives. However, key challenges, such as the introduction of the Preferential Procurement Policy by council (which was the main contributing factor for the qualified audit report for the 2017/2018 financial year, as reported in Chapter 2), were highlighted in the Draft Integrated Development Plan, 2019/2020 (George Municipality, 2017). The researcher is of the opinion that the introduction and implementation of this Policy in 2016 by council caused significant challenges for employees in the SCM unit. The result of its implementation since the end of 2018 was that SCM officials had to cancel tenders, repeat tender processes and re-advertise various tenders; tenders already awarded were reported as irregular expenditure due to non-compliance with the MFMA and SCM regulations; and various construction tenders (which can only be re-advertised after six months of the first advert, according to the Construction Industry Development Board instructions) are still not dealt with. The result is that the SCM unit was blamed by other departments for the underspending of funds and delays in construction projects. This left the personnel of the SCM unit with negative attitudes, a bad reputation and dispirited.

After the release of the Auditor-General's qualified audit report on George Municipality, top management went so far as to request a legal opinion on the findings of the AG's report, specifically regarding the findings on the Preferential Procurement Policy. M. O'Sullivan's legal opinion, received on 21 February 2019, stated that he agreed with the findings of the AG's report and that the George Municipality's PPPFA policy did make provisions that are in contravention with the PPPFA, the MFMA and the PPPFA Regulations; and that council members were in fact involved (through section 80 committees) in guiding tender strategies and that councillors included conditions in tenders. These actions resulted in 70% of the George Municipality's tenders being declared irregular expenditure by the AG for the 2017/2018 financial year (George Municipality, 2019). This challenging behaviour from top management regarding their decisions and actions is alarming and an indication that they do not realise or want to accept that they acted wrongfully.

A tender for the user department: Civil Engineering Services for Minor Civil Works, for the period of three (3) years, which amounted to millions of Rands, was awarded to various bidders in 2014. During 2016, the internal auditor's office discovered that one of the members who served on both the Bid Specification and Bid Evaluation Committees for this tender was not truthful in his Declaration of Interest and Confidentiality. The Chairperson made sure all members completed and signed the required forms, but this member did not declare that his fiancé was related to one of the recommended, and thereafter successful, bidders. When asked on the form if he was aware of any immediate family member or friend who might have an interest in the particular tender, he wrote: 'none'. His action was unethical for the reason that he did not declare his relationship or immediately withdraw from serving as a member on the tender committees, especially from the Bid Evaluation Committee which made the recommendations for award to the Bid Adjudication Committee. The individual was dismissed after a guilty finding at a hearing (SCM: Bid Forms for Municipalities, 2019). This official's behaviour was unethical and as soon as the municipality became aware of his unethical conduct, immediate steps were taken to deal with the situation.

4.3 Local Government Institutions in South Africa

South Africa has local municipalities throughout the entire country. Each municipality has an elected council, which has executive and legislative authority in the municipality. Local government institutions have the right to govern the affairs of their communities, according to legislation (Republic of South Africa, 1996).

Municipal councils pass by-laws and approve policies in accordance with national and provincial legislation. They also develop service delivery plans and pass the municipal budget. Local government structures consist of three categories, namely categories A, B and C. Category A municipalities are metropolitan municipalities, and have the characteristics of an intense concentration of people, development and multiple business districts. This category has exclusive executive and legislative authority in its municipal area. Category B are local municipalities that share their executive and legislative authority with a Category C, district municipality. Category C municipalities have executive and legislative authority in a district area that includes more than one local municipality (Van der Walt, et al., 2014:8). George Municipality is a Category B municipality and shares authority with the Garden Route District Municipality, which has headquarters situated in George. National legislation makes provision for the division of functions and powers between Category B and C municipalities in the Municipal Structures Act and the Municipal Demarcation Act.

The municipal council makes decisions and approves development plans, and employees implement these decisions and plans. Council elects a mayor and a mayoral committee, who assists the mayor in overseeing the work of directors and the municipal manager. The municipal manager manages all personnel, employs new staff and implements council programmes within their delegated authority (ETU, 2018).

According to Brand (2018) most of the country's 257 municipalities are in a catastrophic financial situation. The AG report for the 2018/2019 financial year, indicated that only 13% of all municipalities are in full compliance with legislative requirements and provided quality financial statements and performance reports to the AG. The AG further reports that 31% of all municipalities cannot survive financially.

South Africa's Auditor-General, Kimi Makwetu, said that the situation was caused by factors such as political interference, lack of management and financial skills, and lack of accountability amongst politicians and managers. These poor performing municipalities are failing national and provincial government because of non-delivery of services, such as water and electricity to communities; and are failing to maintain existing infrastructure in the country. The researcher recognises that this could be enough reason for disgruntled citizens to show their frustration and unhappiness through public protests. Accountability is a fundamental principle of any constitutional democracy and citizens must hold municipalities accountable if their tax money is mismanaged and services not delivered.

Although George Municipality received a qualified audit report for the 2018/2019 financial year, the researcher observes that the municipality is still delivering acceptable services to communities and the city is perceived to be in a fair condition, meaning that the city is clean, roads are in good condition, as well as that there are other services with which customers appear to be satisfied. Most protests that take place are for reasons such as lack of adequate housing, need for electricity in informal settlements, as well as protests against the implementation of the Go George transport network system, especially from people in the area of Thembalethu where taxis are active and want to stay operational.

4.4 Legislative Mandate of the George Municipality

Local government is defined by the Constitution as an independent sphere of government. The White Paper on Local Government was introduced in 1998 and established a basis for the new developmental local government system, further to S153 of the Constitution. Municipalities in South Africa are the closest sphere of government to citizens and interact with the people on a daily basis. This is a means for national and provincial government to reach citizens on the ground level and eradicate the imbalances of the past through the rebuilding of communities and environments (Van der Walt, et al., 2014:52).

Municipalities have the mandate to develop policies, by-laws, strategies, programmes and plans in order to exercise their legislative and executive authority. Their aim is service delivery and development amongst communities. A five-year integrated development plan, aligned to the term of office of council, is compiled and implemented, as well as a three-year medium-term revenue expenditure framework (Van der Walt, et al., 2014:65).

The Constitution, Section 152(1) prescribes five objectives that each municipality should aim to achieve. These objectives include sustainable services to communities; the promotion of social and economic development; active community participation in municipal activities and affairs; securing a healthy and safe environment for citizens; and to function in an accountable and democratic manner. These objectives are therefore used as the basis of the key performance areas in the IDP (Van der Walt, et al., 2014:55). In Chapter 2, the researcher highlighted alleged questionable behaviour displayed by top managers, including the CFO, as well as a member of council at George Municipality, who allegedly acted unethically and no consequence management followed of which the researcher is aware. Patricia De Lille claims that the alleged unethical conduct was reported to provincial government more than once, but that no action was taken by any party (Pienaar, 2019a:1-2).

Municipalities have developmental duties and Section 153 of the Constitution highlights that the basic needs of communities should be a priority for municipalities when they manage and structure their administration. During the compilation of the budget, priority should be given to basic needs and the promotion of social and economic development in communities. Municipalities must also participate in development programmes offered by provincial and national government, such as the Expanded Public Works Programme (EPWP) and programmes for the prevention of HIV/AIDS, whilst remaining sustainable (Republic of South Africa, 1996a).

Local citizens, organisations, ratepayers and non-governmental organisations must be allowed the opportunity to participate in the municipality's affairs when decisions are taken and should actively participate by providing input into the budget and planned

municipal programmes. Citizens must be able to exercise their democratic rights in South Africa (Van der Walt, et al., 2014:53-54).

The tender processes are open to any tenderer to participate, but tenderers must also act ethically when taking part. During 2018, two construction contracts, which were awarded in 2017 to a large, well-established company in George, were cancelled due to unethical behaviour from the tenderer's side. In both contracts the tenderer failed to declare that the company's directors had an interest in several other companies. Each tender document contains a MBD4, Declaration of Interest form, which bidders must complete. Point 3.14 in the MBD4 form asks the question: "Do you or any of the directors, trustees, managers, principle shareholders, or stakeholders of this company have any interest in any other related companies or business whether or not they are bidding for this contract?" The contractor failed to declare information and George Municipality's Legal Department recommended that the Municipal Manager cancel both the contracts with immediate effect (SCM: Bid Forms for Municipalities, 2019). George Municipality acted against the unethical conduct and sent a clear message to other potential tenderers to be truthful when completing tender documentation and dealing with the municipality.

Certain powers and functions are assigned to municipalities, according to Section 156 of the Constitution, read with schedules 4b and 5b. National and provincial legislation may also assign certain functions to a municipality, which they are obliged to fulfil. These functions will only be assigned if a municipality has capacity to administer them, and if it is to the advantage of the function to be administered locally. All by-laws made by a municipality must be in accordance with national and provincial legislation, as well as be valid, subject to the supreme legislation of the Constitution (Republic of South Africa, 1996b).

4.5 Vision and Mission of George Municipality

An organisational vision and mission are important in order to guide personnel to work towards the same targets and goals. They enhance efficiency and productivity in

organisations and motivate personnel. Visions and missions should be inspiring, clear and achievable for personnel and motivate citizens to participate in municipal affairs and programmes.

The George Municipality's vision statement is: "A City for a Sustainable Future"; and the mission statement is: "To deliver affordable quality service; develop and grow George; keep George clean, safe and green; ensure good governance and human capital in George and to participate in George". The mission statement consists of the five main goals of the municipality and aims to enhance the characteristics of a developmental state. Various challenges and objectives are identified during the IDP process, which are directly linked to the municipal areas and administrative functions. These objectives include local economic development; the delivery of basic services; public participation and good, accountable governance; and transformation and institutional development in the municipal area. The municipality also set its values to promote equal opportunities for all citizens; compassion towards people and municipal workings, in a sustainable manner; with integrity; and innovation and the promotion of entrepreneurial programmes (George Municipality, 2017).

The mission statement is the municipality's reason for existing, its purpose and what it does for communities. The role of the SCM unit is to assist the municipality in achieving its reasons for existing through the administration of tender and quotation processes in order to deliver goods, services and infrastructure to communities. The Constitution, Section 195(1) prescribes that those in public administration must be driven to work according to high standards, with professional ethical behaviour, and must be accountable for their actions and deliver goods and services through fair and equal processes (George Municipality, 2017). Numerous legislation that guides the SCM units exists, as demonstrated in Chapter 3, and leaders, management and political figures in municipalities should ease the pressure on SCM personnel and ensure that they act ethically.

4.6 The Organisational Structure of George Municipality

Internal changes in the municipal environment and structure took place when it incorporated areas in 2014, and the former Uniondale Municipality, which included areas such as Haarlem, Herold and Waboomskraal was merged with George Municipality. Most of the employees remained in their positions and offices and only a few were moved to the main building in George. The organisational structure of George Municipality is a machine bureaucracy configuration and the municipality's daily tasks, regulations and rules are centralised and very formal (Pienaar, 2018).

According to Meyer (2019), the macro structure of George Municipality consists of the Office of the Municipal Manager, with a branch for governance management, containing a vacant post for the Deputy Municipal Manager; as well as eight directorates under management of the Office of the Municipal Manager, each containing a director's post.

Below is a graphical illustration of the macro structure in the municipality:

Figure 4.1: Organisational Structure of Top Management
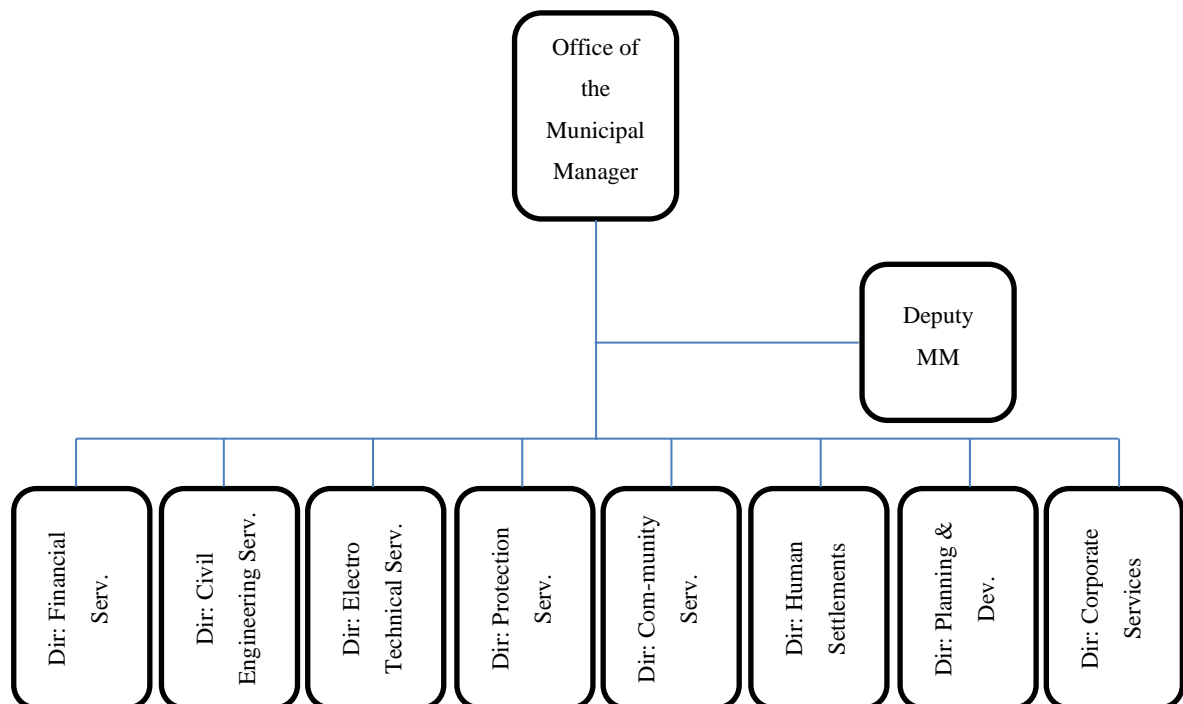
Source: Meyer (2019).

The Municipal Manager/Accounting Officer is appointed as the head of administration in the municipality, in accordance with Section 82 of the Municipal Structures Act. He/she is responsible and accountable for the administrative activities in accordance with applicable legislation, and reports to the executive mayor and council. The administrative duties include the implementation of the IDP; management of the provision of municipal services; the appointment, disciplining and development of personnel; giving advice to political staff members; and the implementation of council's decisions (Van der Walt, et al., 2014:64,81). Mr. Trevor Botha is the Municipal Manager of George Municipality.

The purpose of the Deputy Municipal Manager in the branch for governance management is to improve municipal management processes through the evaluation of current processes and to provide input for improvement. The branch is responsible for the management of the divisions of risk management, legal services, internal audit, political office-bearers, support services and complaints, as well as communication and IGR. The post is new in the organisational structure and currently vacant (Meyer, 2019). The eight directorates functioning under the Office of the Municipal Manager are described in the following paragraphs.

The directorate of Financial Services with the director/Chief Financial Officer (CFO), Mr. Keith Jordaan. The purpose of this directorate is to ensure and provide financial services to the municipality in order to ensure compliance and reporting according to legislation and financial viability, to ensure value for money. This directorate is responsible for the management of the divisions of Financial Management, Information Technology, Revenue Management and Expenditure and SCM (Meyer, 2019). The SCM unit falls under the Directorate: Financial Service. Personnel working in financial services are dispersed over the geographical area of the municipality and work in municipal offices in George, Haarlem and Uniondale (Pienaar, 2018).

The directorate of Corporate Services has as its head, the director, Mr. Siphiwe James. The purpose of this directorate is to provide corporate services to the municipality in

order to support efficient administrative and organisational processes. This directorate is responsible for the management of the divisions of Administrative Support, EPWP Projects and Human Resources in the municipality (Meyer, 2019).

The directorate of Human Settlements is headed by the director, Mr. Charles Lubbe. The purpose of this directorate is to manage and provide human settlements to communities in the municipal area. This directorate is responsible for the divisions of Human Settlements, Building and Maintenance of municipal infrastructure, and providing Support Services (Meyer, 2019).

The directorate of Planning and Development has an acting director, Ms. Delia Power. This director post is still vacant. The purpose of the directorate is the management and provision of planning and development in the municipality. The directorate is responsible for the divisions of Integrated Development Plan & Performance Management Systems, Local Economic Development, Tourism, Rural Development, Spatial Planning, Environmental Management, Building Control and Development Management (Meyer, 2019).

The directorate of Civil Engineering Services' director is Mr. Reggie Wesso. The purpose of this directorate is to ensure the provisioning and maintenance of civil engineering services to communities. Engineering services should be delivered in an affordable and sustainable manner. The directorate is responsible for the divisions of Water and Waste Water Services, Roads and Storm Water Services and Technical Support Services (Meyer, 2019).

The directorate of Electro Technical Services has an acting director, Mr. Paul Gerber. This director post is still vacant. The purpose of the directorate is the management of provision and maintenance of electro-technical services, which are affordable and sustainable, to the community. The directorate is responsible for the divisions of Distribution, Engineering Services, Planning and Design, Technical Support Services, Mechanical Engineering and Support Services (Meyer, 2019).

The directorate of Community Services has Mr. Steven Erasmus in the director's post. The purpose of the directorate is to render integrated community services in order to

enhance development of communities and the promotion of a clean town. The directorate is responsible for the divisions of Environmental Services, Development of the Community, Sport Development and Refuse Removal (Meyer, 2019).

The last directorate is Protection Services, with its director, Mr. Walter Hendricks. The purpose of this directorate is to manage traffic, law enforcement and licensing services in the municipal area, as well as fire and rescue services in order to protect property and lives. The divisions included under this directorate are Fire Services, Fleet Management in control of all municipal vehicles, Public Transport, Disaster Management, Traffic Services and the Land Invasion Unit (Meyer, 2019).

The organisational structure of George Municipality clarifies the work relationships and communication routes between directorates and the lines of authority, in order to reach the organisational service delivery targets and goals.

4.7 Services Rendered by the Municipality

The Constitution states that citizens have the right to access to adequate housing and municipal services, such as water, energy sources, refuse removal and sanitation in order to ensure a good standard of living. The powers and functions to provide these services are assigned to municipalities in Section 156 of the Constitution. Sections 155(6)(a) and (7), schedules 4 and 5, parts A and B also set out functional areas of municipalities, concurrent national and provincial legislative competence, as well as functional areas of exclusive provincial legislative competence. George Municipality had a total of 52 606 households in 2017, of which 83.9% had access to formal housing. The municipality delivers various services to these citizens (George Municipality, 2017). South African municipalities are responsible for the provision, management and regulation of municipal services, as identified in each municipality's IDP.

Chapter 2 of the Local Government: Municipal Structures Act (No. 117 of 1998) sets out the framework for the establishment of municipalities in South Africa. It prescribes that the member of the Executive Council (MEC), which consists of the Premier plus

five to ten other members, must establish municipalities in each municipal area of South Africa. The MEC must publish a notice, containing detailed information regarding the newly proposed municipality, such as the category, type, municipal boundaries, name of the municipality, and number of wards and councillors. Before publishing the information, the MEC must first give written notice of their intention to establish a new municipality to other municipalities in the same area that might be affected by the decision. Only then should the notice be advertised for public inputs and comments (Republic of South Africa, 1998).

Municipal councils must adopt a tariff policy, containing details on the levying of fees for services delivered, as well as by-laws which support the policies (Van der Walt, et al., 2014:67). The municipal services provided by George Municipality include, inter alia:

- Water for household use (the most important basic service according to the Constitution): during the period 2007 to 2017 the demand for water services grew by 3.6% per year, with the highest demand from indigent households; resulting in 98.7% of households having access to water.

- Sewage and sanitation services: this service increased by 3.1% per year in the period 2007 to 2017. The growth was mostly from paying consumers, which meant a growth in municipal revenue. Indigent support for sanitation services increased slightly; and 97.8% of the population have access to this service.

- Electricity delivery (the second most important basic service): the demand for electricity services grew by 3.5% per year for the period 2007 to 2017. Supply to indigent households grew by 4% per year for the same period; resulting in 94% of the population having access to electricity.

- Refuse removal: this service grew by 0.8% for the period 2007 to 2017. Supply to indigent households for refuse removal grew by 3.7% for the same period; and 93.3% of households' refuse is being removed.

- Community services: these services include cultural and sporting facilities, and environmental services, for example the maintenance of open spaces, parks and cemeteries in the municipal area.

- Engineering services: these include the building and maintenance of infrastructure, for example roads and a storm water pipes network.

- Public safety and traffic services: these services include traffic safety, crime prevention and community safety.

- Firefighting services: the fire station ensures that safe fire roads are planned and implemented and are always ready for fire emergencies.

- Land Invasion Unit: this Unit ensures that land invasions are controlled and prevented and that the affected communities are safe.

- Municipal public transport: the municipality rolled out the George Integrated Public Transport Network of busses (Go George) on 8 December 2014, which ensures a safer and more reliable means of travelling for people. This service is also affordable and ensures the integration of areas in the city (George Municipality, 2017).

4.7.1 Implications of services on the municipal budget

Municipalities are on some occasions given the responsibility to perform functions, without being given a budget by provincial government to perform them. A contract must be signed between provincial government and the municipality for the performance of such functions. Unfunded mandates in the George Municipality are, for example, social services, which includes the building and maintenance of child care facilities (crèches) and old age homes; and the maintenance of libraries and building of houses. The funds for social services come out of the pockets of local taxpayers. Libraries are partially funded through a grant by the Provincial Treasury, but the largest portion is also funded by local taxpayers. A concern is the Department of Housing, where only costs for building houses are funded by the Provincial Treasury, and the budget for the personnel and some of the services are funded by local taxpayers, which amounted to R30 000 000 for the 2018/2019 financial year (ETU, 2018).

When the annual budget is compiled, it indicates how money will be raised and spent in George. Rates and taxes are determined in the form of property rates; service fees for water, electricity, and so forth; and fines when people break the law (traffic fines, littering fines, etc.). Money is also borrowed through tenders in the form of long-term loans in order to procure municipal assets such as vehicles (ETU, 2018).

It is important to have accurate information regarding the rendering of services, in order to enable the municipality to project the future demands of services. Economic activities in the municipal area determine the ability of households to pay for municipal services and a slowdown in the economy means reduced revenues for the municipality (George Municipality, 2017).

The National Treasury issued a financial report regarding the state of George Municipality's financial affairs, which indicates that the municipality's financial performance regressed from an unqualified audit report with no findings in the years 2014 until 2017, to a qualified audit report with findings in 2018. The municipal cash balance for July 2016 until June 2017 was R505 440 776; with a cash coverage of 3.8 months to cover operating expenses. The operating and capital budgets for 2017 were underspent by 2.4% and 32.64% respectively (more than 15% is deemed bad), which can lead to the under-delivering of services to communities and the situation is a concern to the AG (Municipal Money, 2019).

Figure 4.2: Regression in Audit Outcomes
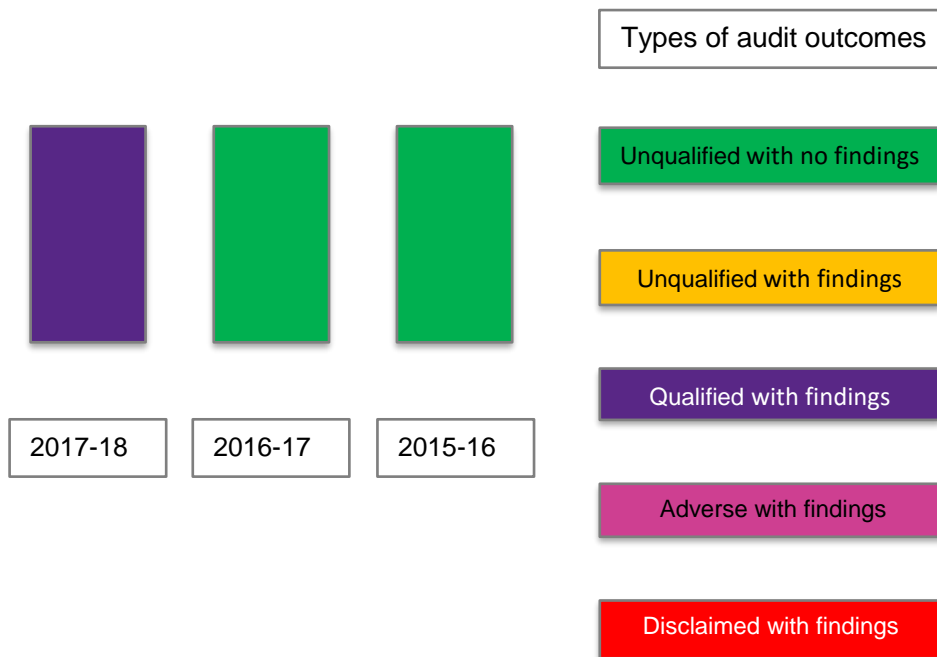
Source: Auditor-General South Africa (2018).

For the period July 2016 until June 2017, George Municipality received 72.37% of its money from local residents through the paying of taxes, investments and interest; and 27.63% from national government in the form of grants and its equitable share of taxes. The municipality is to a great extent self-sufficient, as required by the Constitution. Money spent during July 2016 until June 2017 on salaries and wages was 25.47%, which is within the norm and compares well to the industry (Municipal Money, 2019).

The Local Government: Municipal Structures Act (No. 117 of 1998) places the responsibility of integrated development planning on municipalities. The Act provides a structure for the compilation of the IDP, which must be aligned with the IDPs of other district municipalities in order to ensure a joint district strategy. This Act provides instructions on electoral systems and internal systems and structures, which include the establishment, functions and powers of ward committees and office-bearers of municipalities. The main function of ward committees is to act as a communication channel between communities and municipalities by identifying needs in communities and making municipalities aware thereof (George Municipality, 2017).

The Local Government: Municipal Systems Act (No. 32 of 2000) provides a framework for the establishment of performance management systems, planning and the effective use of municipal resources. Core principles and processes are set out in this Act and should be followed in order to ensure participation with communities through council meetings (George Municipality, 2017).

In Chapter 1, the researcher referred to regular strikes and social unrest by people from communities in the areas of Thembalethu, Syferfontein and Lawaaikamp in George and concluded that some communities are not satisfied with the current manner in which services in George are delivered by local government. The questions that arise are: why are services not optimally delivered to communities; and why do citizens feel they do not receive value for their money? Can behavioural challenges of municipal officials, which hamper service delivery in the municipality, be addressed, either by getting rid of the officials behaving badly, or by making them aware of the situation and motivating them to change their unethical behaviour? The publication of unethical conduct in George's local newspapers, as discussed in detail in Chapter 2, only contribute to the communities' already negative perceptions of the functionality of the municipality and the extent to which the municipality really cares about their needs.

The researcher further arrived at the conclusion that employees in the SCM unit of George Municipality are in some instances under pressure from top management and political figures to perform tasks in a certain way, for example the Preferential Procurement Policy, which was introduced in 2016. SCM officials at that time raised concerns regarding the contents of this policy, but were ignored by council and management, and were forced to implement the policy. The result thereof, as discussed in detail in Chapter 2, was a qualified audit report with findings for the George Municipality from the AG, which left 70% of the awarded tenders for this period declared as irregular expenditure. This was a negative situation for SCM officials, who are dependent on their work in an already work-scarce economic environment.

4.8 Summary and Deductions

With reference to the alleged cases of unethical conduct discussed in this chapter and detailed in Chapter 2 of the research paper, such as a top manager in the George Municipality having a corrupt relationship with a local contractor; a top manager requesting a legal opinion regarding the AG's qualified audit report for George Municipality; and the ongoing disciplinary process against the CFO, who allegedly abused his top management position in an investment scheme, the researcher is of the opinion that unethical conduct and the behavioural challenges in George Municipality are a recurring problem under top management figures. This situation needs to be addressed by the leadership of the organisation. A lack of moral leadership may lead to the start of an unethical cultural in the municipality, which can be destructive to the organisation. George Municipality's personnel, especially in the SCM unit, are already perceived to be negative, dispirited and demotivated.

The Auditor-General Report, communicated to the Municipal Manager on 30 November 2018 regarding George Municipality, delivered the message that performance in the municipality regressed due to various reasons, with one specific applicable to the SCM unit reading as follows: "the challenge and or risk faced by the municipality is political interference in procurement processes" (Gericke, 2019). The researcher is of the opinion that not all council members in the municipality understand the seriousness of the risks and consequences of their unethical behaviour if attempting to influence procurement processes. It might also be that some council members know their boundaries exactly regarding SCM processes, but blatantly ignore these in order to favour themselves, friends or family members. Unethical conduct hampers the productivity of the SCM unit and makes it difficult for SCM officials to stay positive and perform their duties.

The Auditor-General Report further claims in their 2018 report that there were lapses in leadership's oversight role over internal controls of processes in the municipality. The assessment indicates that only some assurance was provided regarding performance management controls; and that deficiencies exist in financial and SCM controls. The audit findings indicate that the SCM unit is decentralised, which should

enable the unit to ensure fair, equitable, cost-effective processes and to function effectively on their own; but management neglected to ensure that SCM processes were properly followed, for example through the implementation of the Preferential Procurement Policy in 2016 (Gericke, 2019).

George is experiencing a rapid growth in its population, especially with people migrating from the Eastern Cape, who are mostly unskilled and unemployed. The number of people in George listed for subsidised housing amounts to approximately 23 000. Unemployment levels are growing, which means higher indigent numbers for George Municipality (South African Cities Network, 2011). All of these issues put even more pressure on the cash flow of the municipality and ultimately the SCM unit facilitating dedicated and excellent services. Communities must have a shared vision and the municipality must establish strong, ethical leadership in order to develop a shared vision to ensure a healthy future for the city. This is still a challenge for the leadership of George Municipality.

In this chapter, existing behavioural challenges that occurred at the organisation were highlighted, as well as the way in which these challenges were managed. The case study forms the basis for the gathering of data in the municipality, which is presented in Chapter 5, with the recommendations and conclusions of the findings in Chapter 6.

CHAPTER 5: PRESENTATION OF RESEARCH FINDINGS

5.1 Introduction

In the preceding chapter, the researcher gave an overview of George Municipality and its operations. This chapter presents the results of the survey, which focuses on exploring behavioural challenges in supply chain management of George Municipality in order to function optimally.

According to Brynard and Hanekom (2006:36), research methodology is the way in which data is collected, and the processing thereof. This study consists of both quantitative and qualitative research methods to collect data through questionnaires and interviews (Mokgoro, 2006).

The purpose of data collection is to answer the questions asked in Chapter 1 and to determine: how often unethical behaviour occurs in the SCM unit and environment; what the existing behavioural issues are; how they are managed; and to determine if unethical behaviour has an influence on the functioning of the municipality. Data is also collected to determine if the portrayal of good behavioural values will have a positive influence on the municipal culture.

According to Babbie and Mouton (2018:52), ethical issues may differ for people. Some people may perceive an action as right, where others perceive the same action as wrong. The researcher has the right to conduct interviews with people and distribute questionnaires, but all participants should be treated in an ethical manner, meaning their privacy and wellbeing should not be compromised.

5.2 Statistical Analysis of the Research Data

Data was collected from internal stakeholders, which consists of municipal employees and employees from the Provincial Treasury, as well as external stakeholders, which consists of politicians, service providers/suppliers and contractors. All participants provided voluntary consent to partake in the study and answered all the questions, both in the questionnaires and during the interviews.

The data analysis sections were structured as follows:

4. Demographical data analysis from quantitative respondents through questionnaires (data from both internal and external stakeholders);

5. Data analysis of behavioural challenges in supply chain management of George Municipality, which consists of the following sections:

   o Data analysed from quantitative respondents (internal stakeholders) through questionnaires;

   o Data analysed from quantitative respondents (external stakeholders) through questionnaires; and

   o Data analysed from qualitative respondents (internal and external stakeholders: politicians and suppliers/contractors) through interviews.

5.2.1 Demographical data analysis

Statistics about the demographics of an organisation portray a snapshot in time of the organisation, and can give an indication of the number of years' experience of personnel in a certain field, such as supply chain management, and can even indicate how many new and possibly inexperienced officials are working in this field. The information can be used to determine, for example, the level of knowledge that currently exists in the SCM unit, or training required to develop the officials to a certain level of performance (French, 2014). In this study, a demographic analysis was done on the respondents in terms of their age, gender, level of education, position in the organisation and length of

employment, which is analysed in the tables to follow. The analysis focuses on internal personnel in the George Municipality.

5.2.1.1 Age group analysis

Table 5.1: Age group analysis

Age Group	Count	Percentage
Under 25 years	0	0.00%
25-34	10	26.32%
35-44	11	28.95%
45-54	11	28.95%
55 and over	6	15.79%
Grand Total	38	100.00%
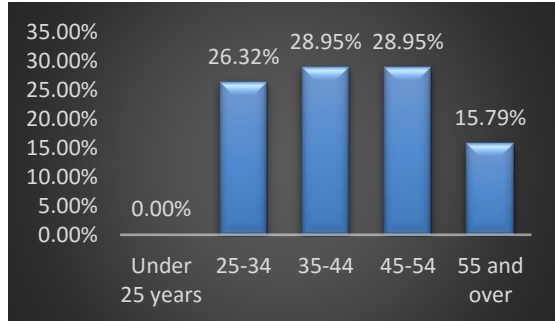
Table 5.1 indicates that no respondents are under the age of 25 years, with most participants being 35 to 54 years of age, which indicates an age group with extensive work experience. The age group of 25 to 34 years was the second highest, at 26.32 percent. Only a small percentage of 15.79 percent was 55 years and over and nearing retirement. The municipality must apply knowledge management to participants in the age group of 55 and above in order to capture and store their skills and knowledge. Age diversity in supply chain management can improve the unit's performance and a mix of ages improves productivity in the workplace. Next is a gender analysis.

5.2.1.2 Gender analysis

Table 5.2: Gender analysis

Gender	Count	Percentage
Male	21	55.26%
Female	17	44.74%
Grand Total	38	100.00%
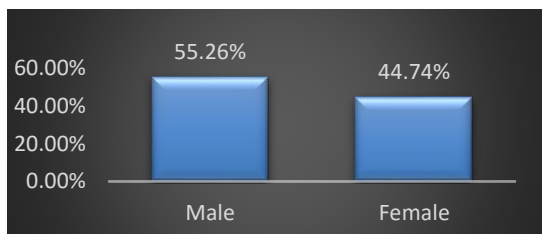
According to Table 5.2, the higher percentage of 55.26 percent of participants working in the SCM unit and environment is male, and females represent 44.74 percent. This environment is therefore dominated by males, although the sample is relatively small.

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In 1994, after the new democratic dispensation, equal employment aspects were included in the Constitution, in order to redress gender imbalance in the workplace. Recent studies show that there are still discrepancies between the employment of males and females, in favour of males (Social Sciences, 2017:49). The next analysis focuses on educational levels.

5.2.1.3 Educational level analysis

Table 5.3: Educational level analysis

Educational Level	Count	Percentage
Grade 11 or lower	1	2.62%
Grade 12	6	15.79%
Post matric certificate	5	13.16%
National diploma	10	26.32%
Bachelor's degree	11	28.95%
Postgraduate degree/diploma (e.g. Honours/Masters)	4	10.53%
Higher qualifications	1	2.63%
Grand Total	38	100.00%
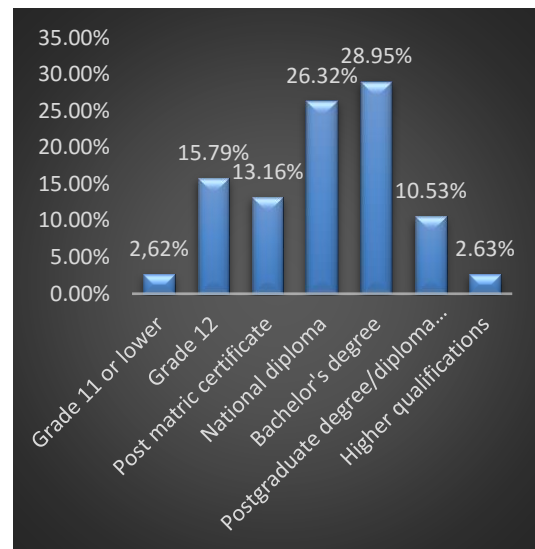
According to Ng and Feldman (2009), employees with higher education levels contribute more to the workplace and tend to be more creative. Highly educated employees are also less aggressive, less prone to substance abuse and do not take as much sick leave as people with no or lower educational levels. Table 5.3 indicates that the largest percentage of 28.95 percent of participants in the SCM unit or environment have at least a bachelor's degree and 26.32 percent of participants have a national diploma, which is good. This means that respondents are capable and have the capacity to deliver meaningful inputs to the survey. SCM is however becoming a specialised area and officials should be encouraged to obtain a SCM related qualification. The 18.41 percent of participants with only Grade 12 or lower should be introduced to

training programmes, such as the Municipal Minimum Competency Level training, which provides a good opportunity to obtain a certificate. The 13.16 percent of participants with a post matric certificate should be motivated to enrol and further their studies, for example by completing the Diploma in Public Accountability to enhance their knowledge in the public sector and SCM. The next analysis discusses the findings on positions in the organisation.

5.2.1.4 Position in the organisation analysis

Table 5.4: Position in the organisation analysis

Position in the Organisation	Count	Percentage
Non-managerial	16	42.11%
Lower level management	9	23.68%
Middle level management	11	28.95%
Upper level management	2	5.26%
Grand Total	38	100.00%
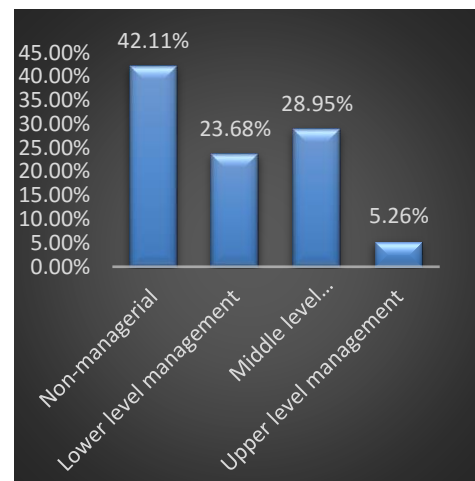
Table 5.4 indicates that the largest portion of 42.11 percent of participants are in non-managerial positions. The lower level managers/supervisors represent 23.68 percent, and middle and upper level account for 34.21 percent. Officials in management positions should be strongly committed to ethical behaviour, even if only supervisors. According to Duggan (2018), leaders who disregard rules can cause low morale and low productivity for staff members, and the overall success of the organisation will suffer over the long term. When managers engage in unethical transactions, they inspire officials to do the same. Length of service is illustrated below.

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5.2.1.5 Length of current employment analysis

Table 5.5: Length of current employment analysis

Length of Current Employment	Count	Percentage
1-4 Years	9	23.68%
5-9 Years	6	15.79%
10-19 Years	16	42.11%
20+ Years	7	18.42%
Grand Total	38	100.00%
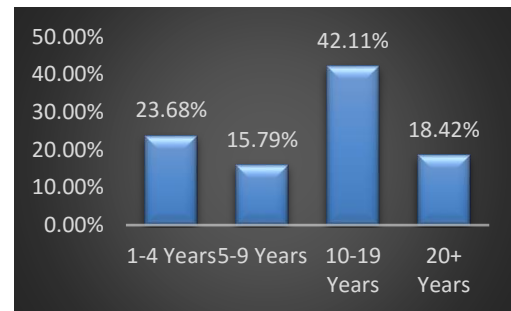
Most participants, at 42.11 percent according to Table 5.5, have been working at the George Municipality for 10 to 19 years, which is above average given the dynamics of local government. 18.42 percent of participants have been working at this organisation for 20 years or more. One of the reasons for this phenomenon may be that work opportunities with a high salary are scarce in the George area and some of the best paid employees in the area are currently working at the local or district municipalities, or at other government organisations. 23.68 percent of participants are quite new to the SCM environment, with only 1 to 4 years of employment and are not yet very experienced in this field; and 15.79 percent of participants have been employed between 5 and 9 years at the municipality. According to Chinomona and Dhurup (2014:5), employees are happy if they are satisfied with their working conditions, which are perceived to be good at George Municipality; where high salaries are paid, even to lower level employees. Employees who are satisfied with their working conditions, are more loyal and productive and tend to work for longer at the same organisation.

5.2.2 Analysis of behavioural challenges, the management thereof and instilling good behavioural and ethical values in internal stakeholders

The twenty-two questions below, completed by internal stakeholders, indicate the results and analysis of behavioural challenges perceived within the municipality.

Participants answered yes or no to the questions. Q1 stands for question number one, followed by the question.

Section B, Question 1: Are you currently employed at the George Municipality?

Table 5.6: Q1 - Are you currently employed at the George Municipality?

Value	Count	Percentage	Count	Percentage
No	0	0.00%	0	0.00%
Yes	35	100.00%	35	100.00%
Total	35	100.00%	35	100.00%
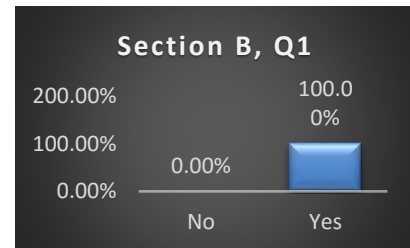
Table 5.6 indicates that one hundred percent of the internal participants who answered Section B, Question 1, as well as Section C, questions one to twenty-one in the questionnaire, are internal participants and currently employed at George Municipality. These questions were answered by employees who are in daily contact with senior managers, politicians, suppliers and contractors.

Section C

Question 1: Does the George Municipality have a Code of Ethics/Ethics Policy?

Table 5.7: Q1 - Does the George Municipality have a Code of Ethics/Ethics Policy?

Value	Count	Percentage	Count	Percentage
No	9	25.71%	9	25.71%
Yes	26	74.29%	35	100.00%
Total	35	100.00%	35	100.00%
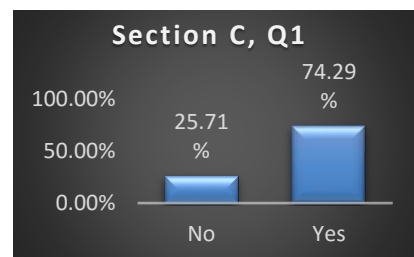
Table 5.7 indicates that 74.29 percent of participants are under the impression that George Municipality has a Code of Ethics or an ethics policy. This is not true, as the municipality does not currently have, and has never had, a Code of Ethics or ethics policy. Only 25.71 percent of participants answered this correctly.

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Therefore, according to the research analysis it is clear that most participants are under the impression that such a policy does exist and have never been informed by senior management or Human Resources where ethical behaviour and challenges are addressed, such by any other municipal policy or document. This situation is concerning and indicates that municipal employees are ill-informed regarding the importance of ethical matters and preferred ethical conduct in the municipality.

Question 2: Did your manager see to it that you sign for acceptance of a Code of Ethics/Ethics Policy?

Table 5.8: Q2 - Did your manager see to it that you sign for acceptance of a Code of Ethics/Ethics Policy?

Value	Count	Percentage	Count	Percentage
No	20	57.14%	20	57.14%
Yes	15	42.86%	35	100.00%
Total	35	100.00%	35	100.00%
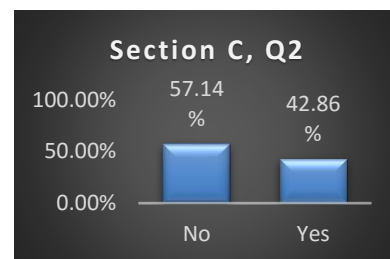
Table 5.8 shows that 57.14 percent of participants indicate they did not sign for acceptance of a Code of Ethics or ethics policy and 42.86 percent of participants indicate that they did sign for a Code of Ethics or ethics policy at George Municipality. In Chapter 2, Collins (2012) states that there are important criteria associated with enhanced ethical and social performance in an organisation, as illustrated in Figure 2.4 of the optimal ethics systems model. In order to implement this model and enhance ethical behaviour in an organisation, a code of ethics or framework for ethical decision-making should exist. Without this information, employees will have no manual to refer to should difficult ethical challenges arise.

All employees who participated in the study are currently working in the SCM unit and environment and, according to Rossouw and van Vuuren (2010:235) and detailed in Chapter 2, all officials working in this environment should sign for a Code of Conduct or a Code of Ethics. It therefore appears that the majority of employees working in the

SCM environment at George Municipality have not signed for a Code of Ethics, which is correct, because it does not exist. The remaining 42.85 percent of participants did however sign for a Code of Conduct, which does not contain the same detailed ethical contents as a Code of Ethics. The latter percentage of participants have confused these two Codes with each other.

Question 3: Are you aware of any ethics programme within the municipality?

Table 5.9: Q3 - Are you aware of any ethics programme within the municipality?

Value	Count	Percentage	Count	Percentage
No	29	82.86%	29	82.86%
Yes	6	17.14%	35	100.00%
Total	35	100.00%	35	100.00%
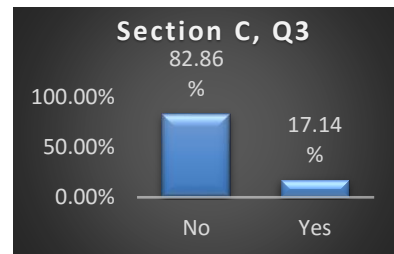
As indicated in Table 5.9, 82.86 percent of participants are not aware of an ethics programme in the municipality and 17.14 percent indicate that they are aware of such a programme. According to the Internal Audit office of George Municipality, no ethics programmes or training material/sessions on ethical challenges and issues are currently in place at the municipality.

As stated by Badenhorst-Weiss, et al. (2018:104-105) in Chapter 2, ethics training and programmes should exist in an organisation and employees should receive training on ethical behavioural challenges. It is therefore worrisome that George Municipality does not have any ethical programme or training in place that will motivate and enhance employee's knowledge, skills and decision making regarding expected ethical behaviour and challenges, especially in the SCM environment.

Question 4: There is a facility in the municipality where I can get advice on ethics (e.g. whether I can accept a gift from a supplier or not).

Table 5.10: Q4 - There is a facility in the municipality where I can get advice on ethics.

Value	Count	Percentage	Count	Percentage
No	12	34.29%	12	34.29%
Yes	23	65.71%	35	100.00%
Total	35	100.00%	35	100.00%
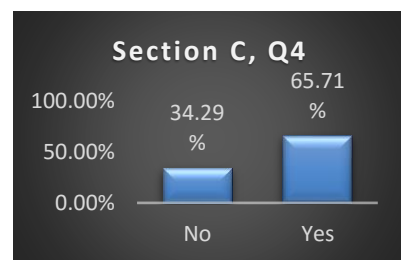
65.71 percent of participants indicate that there is a facility in the municipality where employees can seek advice on ethical challenges and 34.29 percent did not know of such a facility/office. A larger percentage of participants are satisfied that there is a platform to their disposal to report unethical conduct or query ethical challenges. George Municipality does not have an ethics office or ethics committee in place. The importance of establishing an ethics office and ethics committee is stated by Dobie and Plant (2014:1-2) in Chapter 2, as employees can report ethical issues to the ethics office, which reports these to the ethics committee in order to take action. It therefore appears that George Municipality needs a formal ethics office and ethics committee, whereby employees can seek advice. The internal audit unit confirms that their office is currently the only platform for obtaining information regarding ethical conduct.

Question 5: Does the municipality have a Whistleblo

Table 5.11: Q5 - Does the municipality have a Whistleblowing

Value	Count	Percentage	Count	Percentage

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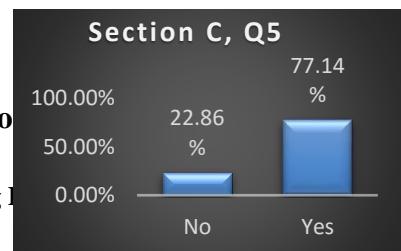
No	8	22.86%	8	22.86%
Yes	27	77.14%	35	100.00%
Total	35	100.00%	35	100.00%

Table 5.11 indicates that the majority of participants are aware of the municipality's Whistleblowing Policy, and 22.86 percent of participants are not aware. According to Ghillyer's (2010) statement in Chapter 2, to blow the whistle is a great risk for an employee, as most employees who take this action either get fired or demoted.

Government has made an effort to protect whistle-blowers through the implementation of the Protected Disclosures Act (No. 26 of 2000) and the Financial Sector Regulation Act (No. 9 of 2017). These acts include procedures to be followed during this action and offers protection to individuals. George Municipality's council adopted the Whistle Blow Policy (George Municipality, 2017) on 25 February 2015 to ensure that fraud and corruption are promptly reported in the organisation.

Question 6: There is a facility in the municipality where I can safely report (blow the whistle) on unethical behaviour.

Table 5.12: Q6 - There is a facility in the municipality where I can safely report unethical behaviour

Value	Count	Percentage	Count	Percentage
No	17	48.57%	17	48.57%
Yes	18	51.43%	35	100.00%
Total	35	100.00%	35	100.00%
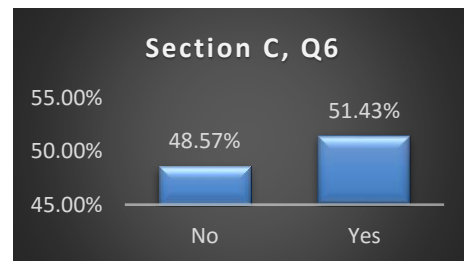
Table 5.12 shows that 51.43 percent of participants believe that the municipality has a facility where they can safely report unethical behaviour, and 48.57 percent are not aware of a facility in the municipality to safely report unethical incidents. This is worrisome, because it appears that 48.57 percent of the participants might not feel

comfortable to, and therefore will not, report unethical behaviour to any party, because they do not feel safe taking such action.

The only available unit at George Municipality to which unethical behaviour can be reported, is the Internal Audit unit, which consists of one staff member. The Internal Auditor does not have additional personnel in the unit and lacks capacity to assist in dealing with reported ethical matters. It appears that the majority of participants feel comfortable reporting unethical behaviour to the office of the Internal Auditor, but the researcher is of the opinion that the municipality is in need of an ethics office and ethics committee, whereby employees can safely report incidents of unethical behaviour and where professionally trained officials can deal with the queries and issues.

Question 7: Will you blow the whistle on your colleagues if they behave unethically?

Table 5.13: Q7 - Will you blow the whistle on your colleagues if they behave unethically?

Value	Count	Percentage	Count	Percentage
No	8	22.86%	8	22.86%
Yes	27	77.14%	35	100.00%
Total	35	100.00%	35	100.00%
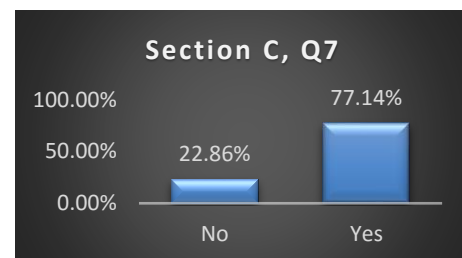
According to Table 5.13, most participants, at 77.14 percent, indicate that they will blow the whistle on unethical behaviour, and the minority of 22.86% will keep quiet. It is a positive action when employees are prepared to fight fraud and corruption, and it contributes towards a more productive and better performing organisation. In Chapter 2, Schoeman (2012:34) states that an organisation's ethical capital is created through the employees' ethical behaviour, and the analysis indicates that the majority of participants are prepared to blow the whistle on their unethical colleagues, which is a positive sign. It is a concern that nearly one in five staff members will rather keep quiet.

Question 8: Are you clear on what is expected of you in terms of ethical behaviour in the municipality?

Table 5.14: Q8 - Are you clear on what is expected of you in terms of ethical behaviour in the municipality?

Value	Count	Percentage	Count	Percentage
No	8	22.86%	8	22.86%
Yes	27	77.14%	35	100.00%
Total	35	100.00%	35	100.00%
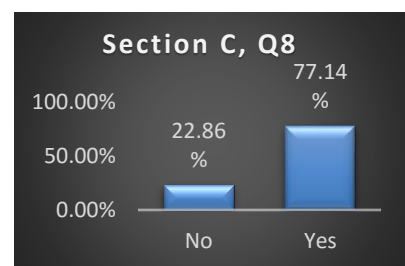
As illustrated in the results in Table 5.14, 77.14 percent of research participants indicate that they are clear on what ethical behaviour is expected of them. A small percentage of 22.86% indicates that they are not clear on what the municipality expects of them in terms of ethical behaviour.

This means that there is still a significant percentage of employees who need information, guidance and training regarding the municipality's view and expectations on ethical behaviour. The researcher is of the opinion that the municipality needs to create and implement ethical training programmes to clearly guide employees on expected ethical behaviour and to indicate the difference between right and wrong behaviour. The majority of participants who indicate that they are clear on what is ethically expected of them, might not always be right in their actions and will also benefit from ethics training.

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Question 9: Do you know what procedure to follow to avoid/handle conflicts of interest?

Table 5.15: Q9 - Do you know what procedure to follow to avoid/handle conflict of interest?

Value	Count	Percentage	Count	Percentage
No	9	25.71%	9	25.71%
Yes	26	74.29%	35	100.00%
Total	35	100.00%	35	100.00%
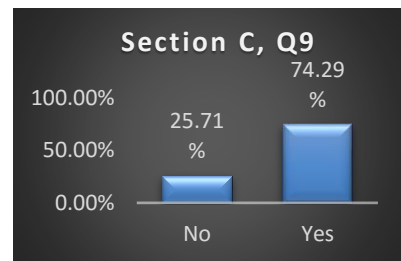
According to Table 5.15, 74.29 percent of participants indicate that they know the procedure in order to avoid or handle conflicts of interest in the workplace, and 25.71 percent indicate they do not have the knowledge and skills to handle such behaviour. All participants who took part in the research analysis work in the SCM unit and environment, and it is therefore important that one hundred percent of participants have the necessary knowledge and skills to avoid and handle conflicts of interest. In Chapter 2, Geller (2017:1-5) expresses that all employees are vulnerable to dishonest behaviour, and some people might not realise that their actions can be perceived as a conflict of interest. There is therefore a need for all employees involved in SCM processes to receive regular training and information on how to handle and avoid conflicts of interest in the workplace.

Question 10: I feel equipped to deal with ethical issues.

Table 5.16: Q10 - I feel equipped to deal with ethical issues

Value	Count	Percentage	Count	Percentage
No	12	34.29%	12	34.29%
Yes	23	65.71%	35	100.00%
Total	35	100.00%	35	100.00%
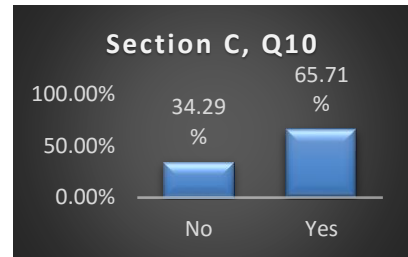
The results in Table 5.16 indicate that 65.71 percent of participants feel they are equipped to deal with ethical issues in the workplace, and a smaller percentage of 34.29 do not feel they possess the necessary knowledge and skills to deal with ethical issues. It therefore appears that a significant portion of the participants working in the SCM environment lack adequate training, guidance and/or information on how to deal with ethical challenges or ethical dilemmas. This could lead to the unnecessary origin of ethical issues, which could be prevented if all participants are well informed on how to handle such matters.

In Chapter 2, Badenhorst-Weiss, et al. (2018:104-105) state that codes of conduct and ethics should include detailed guidelines, including detailed examples on daily activities in the SCM unit, in order to equip employees with information on how to deal with ethical matters. The Code of Conduct of the municipality does not include such detailed information, which could serve as guidance to employees when confronted with ethical matters.

Question 11: If you could be held liable for an action, will you still perform it?

Table 5.17: Q11 - If you could be held liable for an action, will you still perform it?

Value	Count	Percentage	Count	Percentage
No	19	54.29%	19	54.29%
Yes	16	45.71%	35	100.00%
Total	35	100.00%	35	100.00%

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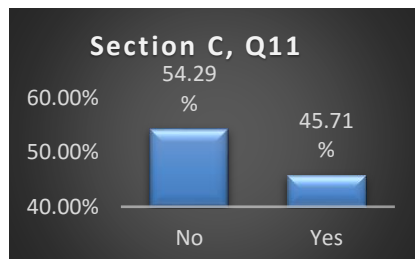
Table 5.17 indicates that 54.29 percent of participants will not perform an action if they could be held liable for it; and 45.71 percent indicate that they will still perform an action, even if it holds either positive or negative consequences for them. The result of the analysis on this question could be worrisome if the participants would consider taking a negative action, which could hold consequences for the municipality and themselves, such as warnings, suspension or even dismissal.

Komakech (2016:26), as discussed in Chapter 2, wrote that behaving ethically depends on each individual person's view on what is right or wrong, desirable or justifiable. Decisions individuals take depend on the level of their moral values. It is especially important that employees in the SCM environment have high moral standards and always act in an ethical manner.

Question 12: Does your senior manager advocate ethical standards/behaviour?

Table 5.18: Q12 - Does your senior manager advocate ethical standards/behaviour?

Value	Count	Percentage	Count	Percentage
No	12	34.29%	12	34.29%
Yes	23	65.71%	35	100.00%
Total	35	100.00%	35	100.00%
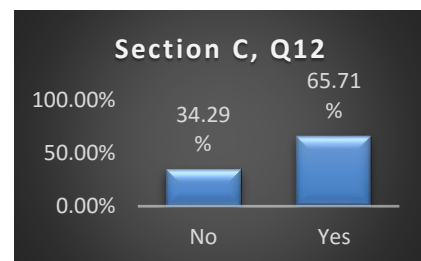
As illustrated in the results shown in Table 5.18, 65.71 percent of participants believe that their senior manager advocates ethical behaviour in the workplace and 34.29 percent answered no to the question.

In Chapter 2, the researcher highlights the contents of an article that appeared in the *George Herald* in 2018 regarding alleged corrupt relationships between officials in top management positions in the George Municipality and a contractor. The negative publicity impacts on employees' view of management and the public's perception of the municipality as a whole. The loss of reputation and trust in the municipality and its

management can lead to unnecessary costs for the organisation in the form of legal fees that increase when disciplinary hearings, disputes and lawsuits from tenderers and the public occur.

Question 13: Are you comfortable approaching your supervisor with ethical concerns/matters?

Table 5.19: Q13 - Are you comfortable approaching your supervisor with ethical concerns/matters?

Value	Count	Percentage	Count	Percentage
No	10	28.57%	10	28.57%
Yes	25	71.43%	35	100.00%
Total	35	100.00%	35	100.00%
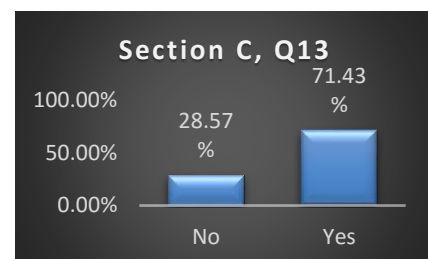
According to Table 5.19, 71.43 percent of the study participants indicate that they will approach their supervisor with ease regarding ethical concerns; and 28.57 percent do not feel comfortable approaching their supervisor regarding reporting or discussing the occurrence of ethical matters. It appears that 28.57 percent of participants will not take action when they experience or observe unethical conduct in the workplace and this is concerning, especially in the SCM unit and environment. All employees must have the boldness and trust in their supervisors and the system to report or query the occurrence of unethical matters.

Collins (2012:62-63) states in Chapter 2 that managers should lead by example and be accountable for their actions, for employees to trust them and follow their moral

behaviour. Supervisors should ensure that employees receive adequate information and training regarding ethical requirements in the workplace and know what is expected of them when doing their work and dealing with the public. A proper system and support, such as an ethics officer and ethics committee, should be in place to assist supervisors and employees in dealing with ethical matters.

Question 14: Do you trust the helpline/hotline?

Table 5.20: Q14 - Do you trust the helpline/hotline?

Value	Count	Percentage	Count	Percentage
No	23	65.71%	23	65.71%
Yes	12	34.29%	35	100.00%
Total	35	100.00%	35	100.00%
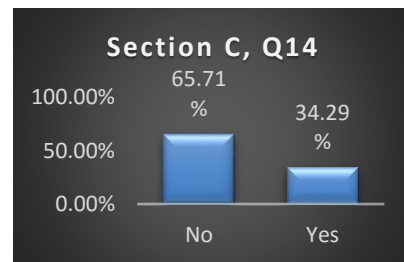
The results in Table 5.20 show that the majority of participants do not trust the helpline/hotline provided by government. 34.29 percent of participants indicate they do trust the helpline/hotline. Government provides the helpline/hotline as a platform for reporting unethical conduct and corruption occurring in government organisations, but most employees fear for their safety and victimisation because, even if government states that an employee's identity will not be revealed, the information is allegedly not kept one hundred percent anonymous.

The consequences of whistleblowing are discussed in detail in Chapter 2 and, according to research done by Ghillyer (2010:172), it appears that it is not worth the risk for employees to report unethical behaviour, as statistics indicate that 90 percent of employees who take such action either get fired or dismissed. The risk is especially high in a political municipal environment, such as George Municipality.

Question 15: Do you believe that the municipality's leadership is committed to ethical conduct?

Table 5.21: Q15 - Do you believe that the municipality's leadership conduct?

Value	Count	Percentage	Count	Percentage
No	29	82.86%	29	82.86%
Yes	6	17.14%	35	100.00%
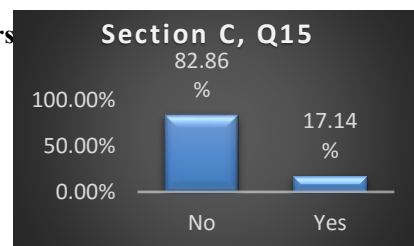
Total	35	100.00%	35	100.00%

Results depicted by Table 5.21 indicate that the majority of participants at 82.86 percent do not believe that the George Municipality's leadership is committed to ethical conduct; and a small portion of 17.14 percent believes that the leadership is committed to acting in an ethical manner. The high percentage of the majority participants is concerning, because it appears that 82.86 percent of participants, who are all working in the SCM unit and environment, do not have trust in the leadership and do not believe that their leaders are prepared to take accountability for their actions.

With reference to the numerous incidents and alleged unethical conduct by individuals in top management positions in the municipality, discussed in detail in Chapter 4, the statistics indicate that the personnel lost trust in the leaders of the organisation. This can negatively influence the personnel's moral attitude and discourage them to be productive and behave in an ethical manner. Research indicates that where leaders lead, employees will follow their example and behaviour.

Question 16: Do you believe that the municipality's leaders set a good example of honest and responsible behaviour?

Table 5.22: Q16 - Do you believe that the municipality's leaders set a good example of honest and responsible behaviour?

Value	Count	Percentage	Count	Percentage
No	31	88.57%	31	88.57%
Yes	4	11.43%	35	100.00%
Total	35	100.00%	35	100.00%
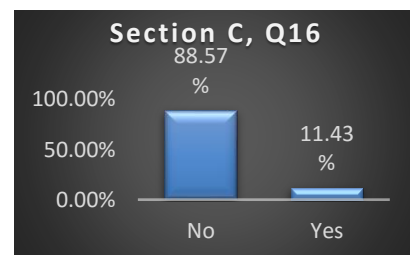
As per the results in Table 5.22, 88.57 percent of participants believe that the George Municipality's leaders do not set a good example of honest and responsible behaviour, whereas 11.43 percent believes that they do.

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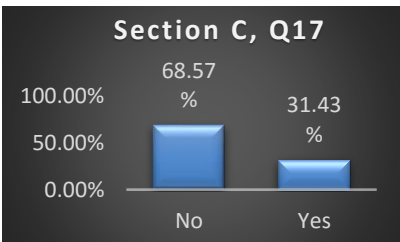
The result of this data analysis is alarming, as it appears that most participants do not trust their leaders to be honest and prepared to take responsibility and accountability for their actions. Fuzile (2015:1) states in Chapter 2 that the AG highlighted the lack of accountability of government officials in leadership positions and councillors, and that they do not always act in the best interest of organisations.

If the majority of employees working at this organisation do not believe in the honesty and ethical behaviour of leadership, it will reflect in their work performance and ethical behaviour, and service delivery of the organisation will decline. Due to the lack of trust, employees will be discouraged to report unethical behaviour and incidents, because they already believe that leaders are not honest and committed to responsible behaviour and will not act against other officials whose behaviour is questionable.

Question 17: Do you believe that officials are held accountable when misconduct occurs?

Table 5.23: Q17 - Do you believe that officials are held accountable when misconduct occurs?

Value	Count	Percentage	Count	Percentage
No	24	68.57%	24	68.57%
Yes	11	31.43%	35	100.00%
Total	35	100.00%	35	100.00%
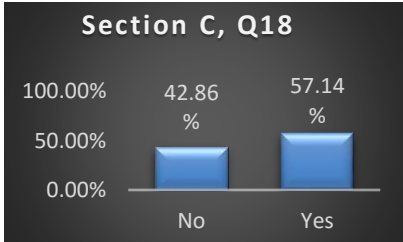
As illustrated in the results shown in Table 5.23, 68.57 percent of participants believe that officials are not held accountable for misconduct, and 31.43 percent believe that officials are held liable for misconduct in the workplace. The analysis indicates that the majority of participants are of the opinion that the current system for handling unethical behavioural challenges and corruption in the municipality is not adequate, or that no action is taken against officials who are guilty of misconduct. Behavioural challenges in the SCM environment do exist and, in some instances, they can lead to unethical conduct. The fact that officials do not have trust in the system leaves a platform for the development of more challenging behaviour, and officials are more likely to make

irresponsible decisions and behave unethically. It therefore appears that adequate systems for dealing with matters such as misconduct need to be established in the municipality, such as an ethics officer and ethics committee, who employees can trust and rely on to act against individuals who make themselves guilty of misconduct.

Question 18: Do you as an employee sometimes feel pressure from leaders to compromise on ethical standards?

Table 5.24: Q18 - Do you as an employee sometimes feel pressure from leaders to compromise on ethical standards?

Value	Count	Percentage	Count	Percentage
No	15	42.86%	15	42.86%
Yes	20	57.14%	35	100.00%
Total	35	100.00%	35	100.00%

The data in Table 5.24 indicates that 57.14 percent of participants experience pressure from leaders to compromise their ethical standards and a smaller portion of 42.86 percent feel that they do not experience pressure. The data analysis on this question is worrisome, for the reason that all study participants are currently working in the SCM unit and environment. It appears that the majority who feels pressure from managers and political individuals to comprise on their ethical standards in work procedures and processes are under tremendous pressure and stress when performing their daily activities. There are numerous legal instruments, as discussed in Chapter 3, which mandate SCM in South Africa in order to promote open, fair, competitive and cost-effective processes in the SCM environment. Individuals can face serious consequences if these prescripts are not followed.

Question 19: Do you believe that a Code of Ethics motivates good behaviour?

Table 5.25: Q19 - Do you believe that a Code of Ethics motivate good behaviour?

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Value	Count	Percentage	Count	Percentage
No	6	17.14%	6	17.14%
Yes	29	82.86%	35	100.00%
Total	35	100.00%	35	100.00%
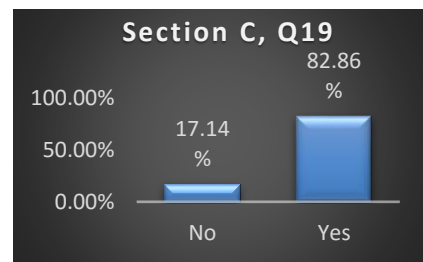
The results in Table 5.25 indicate that 82.86 percent of participants believe that a Code of Ethics motivates good behaviour; and 17.14 percent believe that a Code of Ethics will not motivate officials to behave in an ethical manner. A large percentage of participants therefore believe that the existence of a Code of Ethics will have a positive influence on employees.

As discussed in Chapter 2, the King III Practice Notes state that the functions of codes of ethics are to encourage employees to be good and behave ethically; and it is also prohibitive by stating that no tolerance for unethical conduct will be allowed. The code gives an indication of the consequences of unethical behaviour. George Municipality does not have a Code of Ethics and it appears that it is a shortcoming in the organisation, as this means that officials do not have a detailed guideline to follow or consult when in doubt of whether an action is good or bad.

Question 20: Do you persist in doing what is fair and ethical even when it is not easy?

Table 5.26: Q20 - Do you persist in doing what is fair and ethical even when it is not easy?

Value	Count	Percentage	Count	Percentage
No	2	5.71%	2	5.71%
Yes	33	94.29%	35	100.00%
Total	35	100.00%	35	100.00%
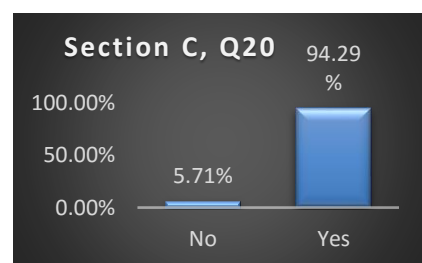
Table 5.26 shows that most participants at 94.29 percent are persistent in doing what is fair and ethical in the workplace. 5.71 percent indicate that they will not persist in doing

what is fair and ethical, and simply follow instructions. This data analysis shows that there are officials who will act unfairly and unethically in their work procedures in the SCM unit and environment. It therefore appears that there is a small portion of employees to whom it is not important to act in a fair and ethical manner. There may be various reasons for their actions, such as fear of losing their job if they do not follow orders; or they simply do not care in which manner they act. This existence of such behaviour holds a challenge for the municipality and needs to be addressed.

Question 21: Does the municipality reward officials for good, ethical behaviour?

Table 5.27: Q21 - Does the municipality reward officials for good, ethical behaviour?

Value	Count	Percentage	Count	Percentage
No	35	100.00%	35	100.00%
Yes	0	0.00%	35	100.00%
Total	35	100.00%	35	100.00%
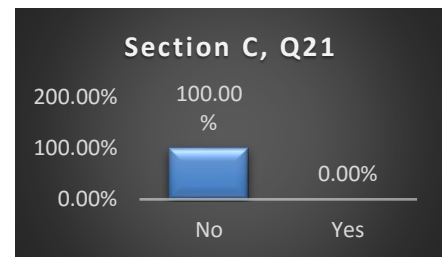
Table 5.27 indicates that 100 percent of participants are of the opinion that George Municipality does not reward officials when they demonstrate good governance and behave in an ethical manner. Rewards, even in the form of giving recognition for good behaviour, is important in the workplace. Employees will feel satisfied and their productivity will rise if they receive recognition for their efforts. The employees will be more motivated and encouraged to continue resisting temptations to behave unethically and maintain good work ethics.

It appears that there are no incentives or motivation for individuals when they portray good governance and behave professionally and accountably through compliance to rules and regulations at George Municipality.

5.2.3 Analysis of behavioural challenges, the management thereof and instilling good behavioural and ethical values from external stakeholders

The twelve questions below, completed by external stakeholders, indicate the results and analysis of behavioural challenges within the municipality. Participants answered yes or no to these questions.

Section D,

Question 1: Is your company currently doing business with the George Municipality or has your company submitted a tender/quotation at the municipality during the past five (5) years?

Table 5.28: Q1 - Is your company currently doing business with the George Municipality or has your company submitted a tender/quotation at the municipality during the past five (5) years?

Value	Count	Percentage	Count	Percentage
No	0	0.00%	0	0.00%
Yes	3	100.00%	3	100.00%
Total	3	100.00%	3	100.00%
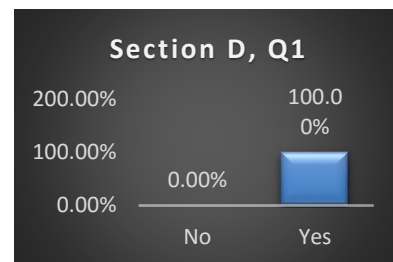
As per Table 5.28, one hundred percent of participants indicate that their company has been doing or is currently doing business with the George Municipality. External stakeholders play an important role in the success or failure of an organisation, because they are willing to participate in quotation and tender processes in order to provide goods, services and maintenance, and building work on infrastructure to the municipality. Without the participation of external stakeholders, service delivery will not be one hundred percent possible, for the reason that the municipality does not have the capacity to do all the maintenance work themselves. All external stakeholders who participated in the study therefore have experience in dealing with municipal employees and the SCM processes and are in a good position to provide valuable input on perceived behavioural or other challenges, and to provide an indication of their perception of the organisation and its business ethics.

Section E,

Question 1: I am satisfied that George municipal officials in the SCM unit and environment treat us well as suppliers/contractors.

Table 5.29: Q1 - I am satisfied that George municipal officials in the supply chain management unit and environment treat us well as suppliers/contractors

Value	Count	Percentage	Count	Percentage
No	1	33.33%	1	33.33%
Yes	2	66.67%	3	100.00%
Total	3	100.00%	3	100.00%
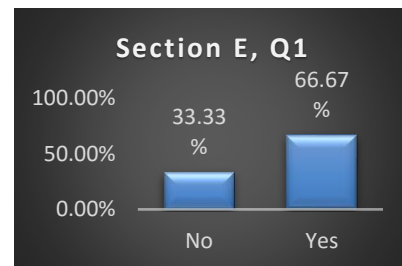
As illustrated in the results shown in Table 5.29, 66.67 percent of participants feel satisfied that George municipal officials treat them well. 33.33 percent feel that they were not treated well while dealing with the municipality, although the sample size is quite small.

The majority of external participants are therefore satisfied with the treatment they receive from municipal personnel as being professional, ethical, fair, equitable and open to suppliers and contractors. The negative experience of the minority of participants could be due to various reasons, such as a lack of communication, or possibly engaging with a municipal employee who is be part of the small group of 5.71 percent of employees (according to the data analysis in a previous question) to whom acting ethically and professionally is not important.

It therefore appears that municipal officials working in the SCM unit and environment need training regarding interacting and dealing with external stakeholders in order to optimise the relationship with suppliers and contractors and ensure maximum delivery of quality goods and services in order to maximise service delivery in the organisation.

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Question 2: My perception is that George municipal employees fraternise with suppliers/contractors outside of business hours.

Table 5.30: Q2 - My perception is that George municipal employees fraternise with suppliers/contractors outside of business hours

Value	Count	Percentage	Count	Percentage
No	2	66.67%	2	66.67%
Yes	1	33.33%	3	100.00%
Total	3	100.00%	3	100.00%
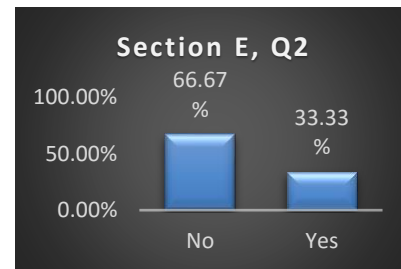
According to Table 5.30, 66.67 percent of research participants have the perception that municipal officials do not fraternise with suppliers or contractors after work hours, and 33.33 percent of participants are under the impression that municipal officials consort with suppliers and contractors after work hours.

Sairamnath (2014:3) states in Chapter 2 that when employees enjoy benefits offered by suppliers/contractors it is unethical and challenging behaviour, which falls outside of the code of good ethics, especially for SCM officials. If employees accept anything from a supplier/contractor, such as invitations to barbeques or tickets to sport matches, the employee will always feel the temptation to favour the particular supplier or contractor in the future, even if only when deciding which contractor to select for an invitation for quotations. The data analysis shows that most suppliers and contractors know that municipal employees are not prepared to fraternise with them outside of working hours.

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Question 3: Supply chain officials sometimes make use of suppliers and/or contractors for the acquisition of personal goods/works, outside of business hours.

Table 5.31: Q3 - Supply chain officials sometimes make use of suppliers and/or contractors for the acquisition of personal goods/works, outside of business hours

Value	Count	Percentage	Count	Percentage
No	3	100.00%	3	100.00%
Yes	0	0.00%	3	100.00%
Total	3	100.00%	3	100.00%
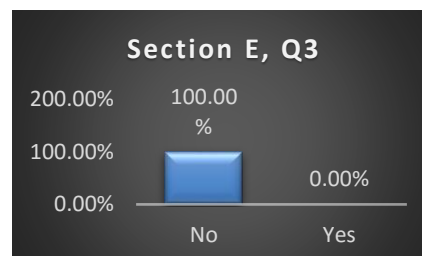
The results in Table 5.31 show that 100 percent of participants indicate that they are not aware that SCM officials make use of suppliers or contractors for the acquisition of goods or works after work hours. In Chapter 2, Collins (2012:31) states that employees are primarily honest but will fraternise and make use of suppliers or contractors to acquire personal goods or works, and social benefits, if it is to their benefit. The reason is that people always care for themselves first, and then for others such as an employer.

It therefore appears that the officials working in the SCM unit and environment withhold themselves from the temptation to make use of suppliers and contractors they deal with at work outside of business hours.

Question 4: My perception is that municipal officials are accepting bribes/kickbacks from suppliers/contractors for the awarding of quotations/tenders.

Table 5.32: Q4 - My perception is that municipal officials are accepting bribes/kickbacks from suppliers/contractors for the awarding of quotation/tenders

Value	Count	Percentage	Count	Percentage
No	2	66.67%	2	66.67%
Yes	1	33.33%	3	100.00%

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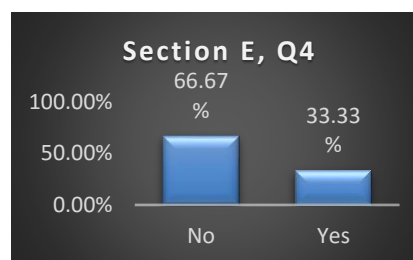
Total	3	100.00%	3	100.00%

Results depicted in Table 5.32 illustrate that the majority of participants at 66.67 percent are of the perception that municipal officials are not accepting bribes or kickbacks from suppliers/contractors in exchange for winning quotations or tenders. A smaller group of 33.33 percent is of the opinion that municipal officials do accept bribes or kickbacks from suppliers and contractors in order to benefit from quotation and tender processes. According to the Queensland Audit Office in Australia (2015), as discussed in Chapter 2, one of the most common types of fraud found in SCM is the receiving of kickbacks, bribes and gifts.

The SCM processes for awarding quotations/tenders are much regulated in South Africa, but loopholes in the system may exist if adequate monitoring and reporting processes are not in place. It appears that officials in the SCM unit and environment need to be reminded of what behaviour is expected of them, the importance of ethical behaviour and of the consequences of receiving kickbacks, bribes and gifts.

Question 5: My perception is that George Municipality uses certain suppliers/contractors, despite poor products and slow delivery.

Table 5.33: Q5 - My perception is that George Municipality uses certain suppliers/contractors, despite poor products and slow delivery

Value	Count	Percentage	Count	Percentage
No	1	33.33%	1	33.33%
Yes	2	66.67%	3	100.00%
Total	3	100.00%	3	100.00%
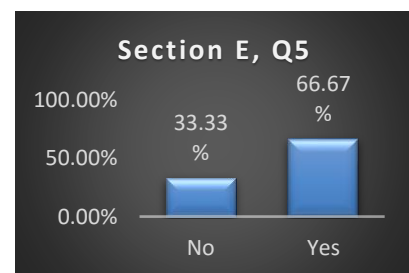
As per the results in Table 5.33, 33.33 percent of participants believe that the municipality is not using certain suppliers and contractors who deliver poor products and in a slow manner. The majority of participants, at 66.67 percent, have the

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perception that George Municipality is using suppliers and contractor's despite of the poor products and the slow manner in which they deliver.

As discussed in Chapter 3, Section 217(2) of the Constitution allows for "categories of preference in the allocation of contracts". When government organisations evaluate quotations and tenders they must, according to the PPPFA, give a fixed percentage preference to tenderers that meet certain criteria, such as being a broad-based black enterprise. The municipality is therefore bound by strict legal rules when procuring goods, services and other contracts from the public. The consequence of this rule is that suppliers and contractors are awarded contracts without being the best choice with regards to quality, quantity and delivery mechanisms. It therefore appears that there is a perception that the municipality does give preference to certain contractors, even if their products are not the best quality and the delivery is slow.

Question 6: Supply chain officials treat the suppliers/contractors' information in confidence (e.g. do not share supplier/contractor information with third parties).

Table 5.34: Q6 - Supply chain officials treat the suppliers/contractors' information in confidence

Value	Count	Percentage	Count	Percentage
No	2	66.67%	2	66.67%
Yes	1	33.33%	3	100.00%
Total	3	100.00%	3	100.00%
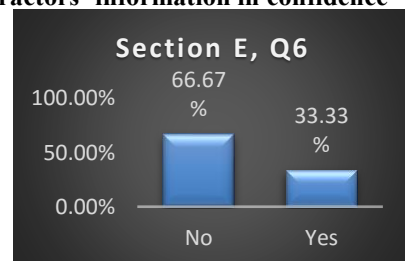
Table 5.34 shows that 66.67 percent of respondents believe that SCM officials do not treat their information in confidence, and the minority of participants at 33.33 percent believe that their information is treated confidentially.

SCM officials and other individuals sign a Declaration of Interest and Confidentiality during each bid committee meeting, through which members declare that all tender information will be treated and kept confidential. Committee members may not discuss details or share any tenderer's information (tender prices or personal information) with

other parties, whether it is with other tenderers, colleagues, management or political individuals. Members on these committees usually consists of SCM officials, officials from the user department, and consultants.

It therefore appears that the municipality needs to inform members of all SCM committees, as well as officials working in the SCM environment who do not serve on committees, of the importance of treating tenderers information confidential and not to discuss or share the contents thereof with other parties.

Question 7: Do you believe that the supply chain processes in the municipality are fair and equitable?

Table 5.35: Q7 - Do you believe that the supply chain processes in the municipality are fair and equitable?

Value	Count	Percentage	Count	Percentage
No	2	66.67%	2	66.67%
Yes	1	33.33%	3	100.00%
Total	3	100.00%	3	100.00%
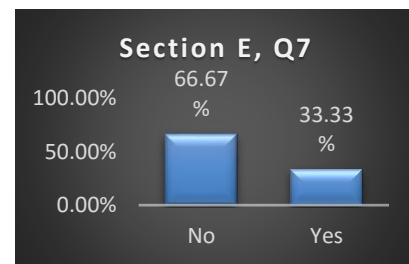
The results in Table 5.35 indicate that 66.67 percent of participants state that the SCM processes in George Municipality are not fair and equitable and 33.33 percent indicate that they believe that SCM processes are fair and equitable.

With reference to Question 5, Table 5.33, the researcher refers to the PPPFA, wherein preference is given to suppliers and contractors who fall within certain categories. The result is that preference is given to black designated groups when awarding preference, which results in these suppliers/contractors winning more tenders without always being the best choice with regards to value for money or quality of goods or services.

SCM officials must ensure that they follow the correct processes, for example during the process of opening formal quotations and tenders. Officials must follow instructions, as prescribed in the SCM policy, and ensure that the public experiences

equal and fair treatment in all processes. All potential tenderers who require additional information must be treated the same and given the same information. The data analysis indicates that officials in the SCM unit and environment are in need of training regarding equal and fair treatment of potential tenderers.

Question 8: Do you believe the leaders in George Municipality advocate ethical standards/behaviour?

Table 5.36: Q8 - Do you believe the leaders in George Municipality advocate ethical standards/behaviour?

Value	Count	Percentage	Count	Percentage
No	3	100.00%	3	100.00%
Yes	0	0.00%	3	100.00%
Total	3	100.00%	3	100.00%
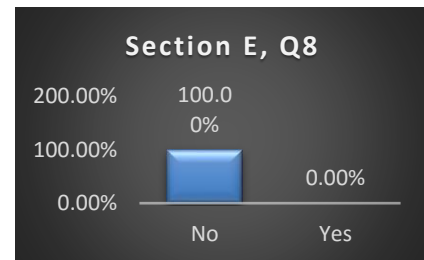
As per Table 5.36, 100 percent of external participants believe that the leaders of George Municipality do not advocate ethical standards and behaviour. Komakech (2016:28) states in Chapter 2 that if an organisation wants to achieve ethical procurement practices, the leaders should act in an ethical manner. Negative publicity, as discussed in detail in Chapter 2, highlights various allegations against leaders in the municipality and the negative publicity scars the image of the municipality to such an extent that the perception of external stakeholders is negative, and they lose trust in the leadership of the municipality. According to Collins (2012:13), referenced in Chapter 2, the costs to an organisation with unethical leaders is high. The loss of reputation and public trust are examples of the price these organisations pay. An organisation's reputation is its most important asset. It appears that the leaders of George Municipality have an enormous challenge ahead of them in repairing the municipal reputation.

Question 9: The municipality holds its employees accountable for decisions related to unethical behaviour/actions.

Table 5.37: Q9 - The municipality holds its employees accountable for decisions related to unethical behaviour/actions

Value	Count	Percentage	Count	Percentage
No	2	66.67%	2	66.67%
Yes	1	33.33%	3	100.00%

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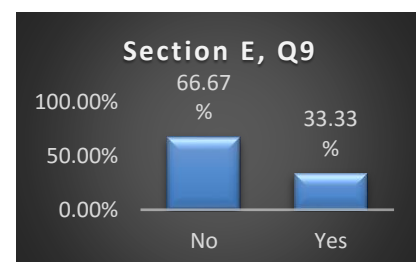
Total	3	100.00%	3	100.00%

Results depicted in Table 5.37 illustrate that 66.67 percent of participants believe that George Municipality does not hold employees accountable for unethical behaviour or actions. The other 33.33 percent of participants are confident that the municipality acts against employees who make decisions that lead to unethical behaviour. Most external participants believe that municipal employees are not held accountable for wrong decisions and this indicates that suppliers/contractors do not trust the municipality.

Collins (2012:107,111) quoted in Chapter 2, believes that individuals should be able to make decisions that are ethical and apply reasoning when in doubt in order to make good and ethical decisions. The municipality must ensure that they treat all employees the same, without discrimination of job levels and including political individuals, and hold all individuals accountable for wrong decisions and behaviour.

Question 10: Do you believe that a Code of Ethics will motivate good behaviour in the municipality?

Table 5.38: Q10 - Do you believe that a Code of Ethics will motivate good behaviour in the municipality?

Value	Count	Percentage	Count	Percentage
No	0	0.00%	0	0.00%
Yes	3	100.00%	3	100.00%
Total	3	100.00%	3	100.00%
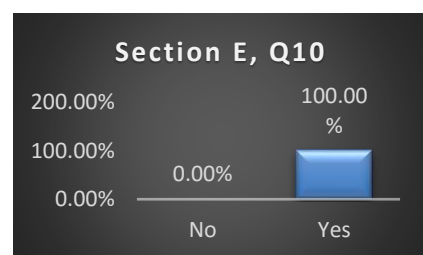
Table 5.38 shows that 100 percent of external participants is of the opinion that a Code of Ethics will motivate good behaviour in employees of the George Municipality. According to Schoeman (2012), as discussed in Chapter 2, good ethics will improve the performance of employees and carries an intangible asset for organisations. Good ethical behaviour towards internal, as well as external, stakeholders counts as part of

organisational capital, which improves the relationship and trust between the municipality and external stakeholders (suppliers and contractors).

George Municipality should compile and implement a Code of Ethics containing detailed information on expected ethical behaviour and conduct, as well as examples of behavioural challenges, as it holds the benefit of instilling good behavioural values in employees and will assist in the eradication of unethical behaviour, especially in the SCM unit and environment. The Code of Ethics can include a section applicable to external stakeholders, and the desired behaviour the municipality expects from them.

Question 11: Do you believe that officials are held accountable for unethical actions?

Table 5.39: Q11 - Do you believe that officials are held accountable for unethical actions?

Value	Count	Percentage	Count	Percentage
No	2	66.67%	2	66.67%
Yes	1	33.33%	3	100.00%
Total	3	100.00%	3	100.00%
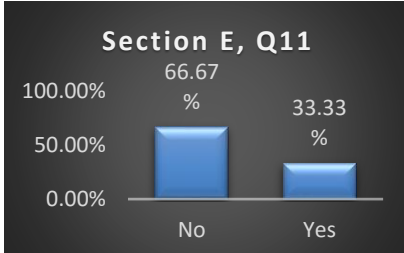
Table 5.39 shows that 66.67 percent of participants believe that officials are not held accountable for unethical actions, and 33.33 percent believe that they are held accountable by the municipality. In Chapter 2, Rossouw and van Vuuren (2010:274) state the importance of prosecuting wrongdoers in government organisations. They emphasise that this is the only way to transform fraudulent and corrupt behaviour of officials. They state that there is a lack of accountability under government officials and political figures, and organisations should act aggressively against individuals who behave unethically. The municipality should therefore ensure that they treat all employees equally and act strictly against wrongdoers.

5.2.4 Analysis of behavioural challenges, the management thereof and instilling good behavioural and ethical values in internal, as well as external stakeholders

The data analysis for each question will be shown for internal stakeholders first, and then external stakeholders (politicians, suppliers and contractors). The questionnaire for the interviews comprised of seventeen questions, which are discussed individually. The internal stakeholders consist of municipal officials in management positions, as well as individuals working at the Provincial Treasury. The external stakeholders consist of politicians in councillor positions, service providers and contractors.

Chapter 11 of the MFMA sets out the conditions to be met during procurement processes. Section 117 states that politicians (councillors) are not allowed to serve on tender and quotation committees dealing with tender processes and they also may not attend any meetings as observers. Ambe and Badenhorst-Weiss (2012:11008) state (in Chapter 2) that the roles of council, the mayor and other officials are clearly set out in the MFMA, and that the role of politicians is to provide an oversight role in the municipality. This will ensure accountability and that challenges in the SCM unit are dealt with in order to meet community demands through service delivery. The role of service providers and contractors in SCM is to assist the municipality in service delivery through the supply and delivery of goods, services and works, for the reason that services have a direct effect on the quality of lives of the people.

Question 1: Are you currently employed at/associated with George Municipality?

Internal Stakeholders:

All internal stakeholders who participated in the qualitative research are in senior management positions. Four participants indicate that they are currently employed at George Municipality; and two participants indicate that they are employed at the Provincial Treasury in Cape Town.

External Stakeholders:

Two participants indicate that they are currently employed at George Municipality; one is associated with the municipality and two are not in the employ of the municipality.

Question 2: Do you understand what ethical behaviour is? Give a brief description thereof.

Internal Stakeholders:

The interviewees define ethical behaviour as follows: It is not to cheat, lie or abuse your position, or to pursue self-enrichment or personal ambition at the cost of other employees, the system or the municipality; to act according to the rules, regulations and legislation; respecting key moral principles in the execution of functions; to get the best value for money for the organisation and to act in an honest, just and fair manner. It appears that all interviewers have a good understanding of ethical behaviour.

External Stakeholders:

The interviewees defined ethical behaviour as having integrity and an ethical mind set, and to choose the straight and narrow path. Individuals must set an example for others and not get caught up in corrupt activities and adhere to the ethical code of standards. All work procedures must be performed in an honest manner. According to the data, external stakeholders clearly understand what ethical behaviour entails.

Question 3: Do you know what the consequences are if you behave unethically in the workplace? If yes, name one or two consequences.

Internal Stakeholders:

All interviewees answered yes to the question. Four respondents state that there should be punitive/disciplinary consequences for unethical behaviour in the workplace, and two respondents add that this does not happen at George Municipality. Two respondents state that you can lose your work and risk being criminally charged by the employer;

and action will be instituted against you in terms of the Code of Conduct. This can happen even in the absence of a formal Code of Ethics in the organisation.

This result indicates that all respondents have a thorough understanding of the consequences. In addition, 33.33 percent of respondents indicate that the consequences are not implemented at George Municipality.

External Stakeholders:

Two respondents state that they could lose their positions, be prosecuted and go to jail. One mentions that prosecution and being jailed should happen in the organisation in order to set an example, and discourage others from behaving in an unethical manner. Two businesses that fall in the category of R10 to R40 million in the business sector, state that possible consequences of unethical behaviour are disciplinary hearings, dismissal and prosecution. The contractor in the R0 to R5 million category, concurred. The external stakeholders therefore have a clear understanding of what consequences unethical behaviour holds for them.

Question 4: If you could be held accountable for an unethical action in the workplace, will you still perform it? If yes, why? Give an example.

Internal Stakeholders:

All internal participants answered no to question four and indicate that they would not perform any action if it is unethical and they could be held accountable for it. The only reason provided is that the risk is too high. The participants will therefore maintain their work ethics and not act wrongfully.

External Stakeholders:

All external participants answered no to the question and will not perform an action if it is unethical and they could be held accountable. One interviewer state that she would rather resign if she is indirectly or directly responsible for unethical conduct because she must set a good example for colleagues and for other employees on lower levels in

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the organisation. This data indicates that the participants display good ethical values and will act accordingly.

Question 5: Do you know what the difference between compliance and ethics is? If yes, briefly explain.

Internal Stakeholders:

All internal participants answered yes. One participant state that one can comply with procedures and systems and still be unethical, and unethical behaviour should be a measurement of compliance. Five participants state that compliance is to comply with policies and legislation, and ethics is the way in which a person behaves, how one handles daily duties and how moral a person is. A person's credibility must be good. It appears that the participants know the difference between compliance and how to act in an ethical manner in the workplace.

External Stakeholders:

All participants answered yes and explained their understanding of the difference between compliance and ethics. One participant explains that compliance is complying with prescripts; and ethics is the manner in which a person implements it. Five participants state that compliance is when a person is complying with organisational rules and regulations, and ethics is being honest and true to one's self. According to the data analysis, external interviewers understand the difference between compliance and ethics to a great extent.

Question 6: Are you aware of the components that an ethics programme consists of? If yes, name one or two.

Internal Stakeholders:

Two respondents answered no, and four answered yes. One respondent explains that integrity and doing the right thing is a component of an ethics programme and that employees should be able to live with their conscience. One respondent indicates that such a formal programme is currently not enshrined at the municipality without an approved Code of Ethics and that human values must be included as a component of this programme. Two respondents answered no and indicate that they are not sure what the components consist of. Two respondents indicate HR and Labour Relations as components of an ethics programme. It therefore appears that the majority of participants are not sure what components an ethics programme entails and the municipality does not have such a programme in place.

External Stakeholders:

One external participant answered yes to the question and all the others indicated no and comment that they do not know the components of an ethics programme. One participant comment that the George Municipality is supposed to have an ethics programme in place, inform the managers of its importance and the contents thereof, and transfer the knowledge to the employees. 80 percent of participants therefore do not have knowledge of what an ethics programme entails, and this percentage includes the two councillors who were part of the qualitative research.

Question 7: Are you familiar with the procedure to avoid/handle conflict of interest? Explain briefly.

Internal Stakeholders:

The participants all indicated yes and stated that they know the procedure to avoid and handle conflict of interest and provided the following explanations. One respondent states that, according to the Code of Conduct for municipal staff and Schedule two of the Systems Act, general conduct, declaration of interest and the disclosure of information is stipulated in detail and if an employee is in breach thereof, the individual can be disciplined, but that conflict of interest per se is not mentioned. A second

respondent indicates that conflict of interest must be regularly declared by the relevant role players and action must be taken if a breach in the declaration is detected. A third participant states that SCM officials must declare in a register if they have an interest in a quotation or tender. The fourth participant highlights the importance of avoiding conflict of interest and informing role-players thereof through awareness campaigns in the organisation. Two participants did not provide an explanation to their answers.

It therefore appears that more information and examples on conflict of interest should be provided to municipal officials, especially individuals working in the SCM unit and environment. This will ensure that they know how to avoid or handle such situations.

External Stakeholders:

Three participants answered yes, one answered no, and the remaining participant was in doubt and answered both yes and no. The participants explain their answers as follows. One participant state that there are clear guidelines for councillors that should be followed in order to not interfere in the municipality's administration but maintain an oversight role to ensure service delivery. Conflict of interest should be avoided and all instructions should be given through the Accounting Officer.

One participant, who is a councillor, states that he/she was confronted with such situations, but looked the other way and ignored the conflict of interest for the sake of keeping the peace in the office. Another participant explains that the best way of avoiding or handling of conflict of interest is to not get involved in activities that might hamper service delivery; and two participants did not provide an explanation.

Only forty percent of participants answered the question positively. This is an indication that the municipality needs to introduce measures and guidelines in dealing with conflict of interest situations and remind individuals of the consequences, should they not act in the correct manner during such situations.

Question 8: Ethics/integrity is a dimension of my own performance appraisal. If no, do you think it will be good for the organisation to add this to your performance appraisal?

Internal Stakeholders:

33.33 percent of internal participants indicate that ethics and integrity is a dimension of their performance appraisal and 66.67 percent state that it does not form part of their performance scoring. The participants' comments are as follows.

One respondent asks how this dimension will be measured and states that conduct is difficult to define, because what is defined as unethical is not understood by different individuals. People's understanding of ethics depends on their backgrounds and culture and prejudice plays an important part in how it will be measured in a performance appraisal system.

Two respondents mention that ethics and integrity should be included in performance appraisals, because it will be to the benefit of the organisation and encourage ethical behaviour. One respondent answered no but did not provide an explanation.

It appears that the inclusion of ethics and integrity as a dimension of performance appraisal will be welcomed by two of the participants and two participants are unsure what it will entail and how this dimension will be measured. Participants also feel that it will be good for the organisation to include this in performance appraisals, especially for individuals in senior and top management positions, as well as officials working in the SCM unit and environment.

External Stakeholders:

Ethics and integrity form part of 20 percent of the external participant's performance appraisals, and 80 percent indicate that it does not form part of their performance appraisals. One participant comment that it is important that this dimension be added to the performance appraisals of all managers, and four participants indicate that it will be good for the organisation to include the dimension in the performance appraisal of managers in George Municipality.

Most participants believe it would be to the advantage of the municipality to include this dimension to the performance appraisals of employees. This is for the reason that it will make managers and personnel aware of the importance of ethical behaviour in the workplace.

Question 9: Are you aware of behavioural and ethical awareness campaigns within the municipality? If yes, name one or two.

Internal Stakeholders:

Four of the participants stated that they are not aware of behavioural and ethical awareness campaigns in the municipality and two participants answered yes to the question. The researcher wishes to highlight that the participants who answered no are working at the George Municipality and the two participants who answered yes are working at the Provincial Treasury in Cape Town.

Participants expanded on their answers. One participant detail that the Municipal Manager randomly sends out memorandums regarding the management of leave and sexual harassment, and it is the only way the municipality makes personnel aware of ethical issues, and the consequences thereof. One respondent suggests that it will be to the advantage of the municipality to appoint an ethics officer and establish an ethics committee to deal with and manage ethical issues and awareness campaigns. Four respondents answered the question but did not provide additional information.

It therefore appears that the participants from the Provincial Treasury are under the impression that George Municipality holds behavioural and ethical awareness campaigns, but the municipal personnel are not aware of such initiatives. No participant could pinpoint any such programme.

External Stakeholders:

All external participants answered no to the question and indicate that they are not aware of any such campaigns in the George Municipality. The service providers and contractors are therefore not aware of any platform whereby the municipality makes internal or external stakeholders aware of behavioural and ethical matters.

Question 10: Which behavioural challenges do you think are associated with supply chain management in the municipality? Name one or two.

Internal Stakeholders:

One respondent state that the municipal departments at George Municipality are prejudiced when doing business with some companies by giving preference, likes, dislikes, personal gain, experience, and are then reluctant to appoint new service providers and try to influence or bypass the SCM system to get their way. A second respondent says that there is a general perception that George Municipality's SCM is busy with 'dealings' and certain contractors are benefitted. The same respondent adds that the Chief Financial Officer made a direct accusation of corruption against the SCM unit, but did not take action against any individual. A third respondent states that there must be compliance with the requirements that SCM be measured against the principles as outlined in the MFMA, whereby the awarding of bids must be equitable, fair, transparent, economic and competitive. Another respondent states that unethical behaviour is a major challenge for SCM/ For example, the SCM officials leak confidential tender information and SCM officials influence tender specifications after Bid Specification Committee meetings, and benefit certain contractors when functionality points are scored. Two respondents mention that SCM officials can abuse their power when quotations and tenders are evaluated and awarded.

The conclusion is that 50 percent of respondents directly accuse the George Municipality's SCM office of acting unethically and they have a negative perception of

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SCM in general. It therefore appears that the municipal SCM office experiences serious behavioural challenges.

External Stakeholders:

Three participants mention the following behavioural challenges, which are associated with supply chain in the George Municipality: intimidation, political interference, conflict of interest, favouritism and receiving rewards and gifts from service providers and contractors. The remaining participants state that political interference is the biggest challenge in George Municipality, and that the SCM unit benefits companies by giving preference points and awarding most contracts to BEE companies, and that the municipality does not care about other local companies that provide work to thousands of people living in the communities of George. The external participants believe that numerous behavioural challenges exist in the SCM unit and environment of George Municipality and recognise the challenge of political interference as the biggest problem and hurdle.

Question 11: How does the municipality deal with these behavioural challenges?

Internal Stakeholders:

One respondent state that the municipality does not deal with behavioural challenges properly, and that the organisation should stick to procedures and policies, then behavioural interferences will not have an impact on the appointment of staff members. A second respondent comments that the leaders and management only talk about the challenges, but nothing is happening. Conclusions are made, but the issues and allegations are not investigated, and no action is taken. The third respondent does not state in which way the municipality deals with behavioural challenges, but suggests that the following work procedures be implemented to enhance behaviour in SCM:

- A standing appointment of members of all bid committees;
- Managing the declaration of interest by the relevant role-players; and

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- Rotational policy to be followed in SCM operations whereby personnel are rotated in order to not deal with service providers over an extended period.

One respondent says that the municipality is taking disciplinary action against personnel who behave in an unethical manner and one official in SCM was dismissed a few years ago. Written warnings can also be given. Two participants do not have knowledge on how the municipality deals with behavioural challenges.

It therefore appears that only one participant is positive that the municipality adequately deals with individuals who act unethically. Two participants believe that the municipality does not deal with the challenges, and two do not know what the current situation is in the municipality regarding these challenges are. Suggestions were made by one participant on how to improve the perceived challenges in SCM.

External Stakeholders:

Two participants state that George Municipality does not deal with behavioural challenges at all. Another participant indicates that the municipality does not deal with such challenges well. Two participants have no knowledge in which manner the municipality deals with behavioural challenges. The conclusion is therefore that most participants believe that the municipality is not competent in dealing with challenges regarding unethical behaviour occurring in the organisation, especially in the SCM unit and environment.

Question 12: Are there any repercussions or disciplinary measures in place for people who behave unethically? If yes, what are they? If no, why do you think it is not in place?

Internal Stakeholders:

Four respondents believe that there are repercussions and disciplinary measures in place for people who behave unethically but were unsure of the details. One respondent state that there is a fine line between a code of conduct, disciplinary actions and a code of

ethics. He/she mentions that a Code of Ethics must be established at the municipality, with ethics officers in all directorates. Another respondent indicates that disciplinary procedures are in place, as per the Disciplinary Collective Agreement for employees and the Disciplinary Regulations for Senior Managers, and Financial Misconduct Disciplinary Regulations for financial misconduct, but that the problem at George Municipality is that these measures are not applied diligently and offenders are not treated the same. If an individual has political support, he/she is treated differently.

It appears that the George Municipality should hold training and information workshops in all directorates. These should inform and remind managers and other officials of the repercussions and disciplinary measures in place.

External Stakeholders:

One respondent state that disciplinary measures are in place, but they are not implemented and some unethical behaviour is kept quiet, especially if politicians are involved. Two respondents explain that people are normally given three written warnings, thereafter further steps are taken. The unions are stretching processes too long and they sometimes defend individuals who have acted wrongfully. One participant does not have any knowledge of the processes. Two participants believe that consequences are not acted on against all officials, especially when officials have political connections in the municipality.

It appears that 50 percent of external participants do not have confidence that the measures in place are executed by the municipality and that the presence and interference of political individuals in cases of unethical behaviour are worsening the situation. The perception from external participants on how the municipality is dealing with such cases is negative.

Question 13: Does the municipality provide information on ethical behaviour in the workplace for new recruits and management personnel who are involved in supply chain processes? Comments.

Internal Stakeholders:

All internal participants answered no to the question and their comments are as follows. Five participants suggest that information regarding ethical behaviour should be included in the Induction Programme of Human Resources, as this currently only includes information on the Code of Conduct. A second participant suggests that a separate session on ethical behaviour be compiled and implemented for SCM officials, all officials working in the SCM environment, as well as managers.

The conclusion is therefore that 100 percent of participants feel that George Municipality is lacking an ethics policy, information and contact session on the subject, and is in need of a Code of Ethics, as well as ethics officers who can train and inform officials regarding ethical behaviour in the workplace.

External Stakeholders:

Three external participants answered no and did not comment further. Two indicate that they are unsure, and one participant comments that SALGA holds workshops for councillors, but no workshops or information sessions currently exist for other officials in the municipality. It therefore appears that the external participants are not aware of any such information or programmes that exist to guide officials and managers in ethical behaviour in the workplace and the municipality fails to act in this regard.

Question 14: What do you see as the biggest challenge to supply chain management in the municipality? Comments.

Internal Stakeholders:

The opinions of the respondents are diverse in nature, and listed below:

- Political interference in the SCM processes is the biggest challenge for SCM officials and the municipality, as well as behavioural interference during the appointment of officials – these points were raised by three participants.

- The large workload and due dates for SCM officials are a challenge and can lead to unnecessary mistakes in the tender processes. The value of the SCM personnel is also not appreciated and management ignores input from SCM personnel.

- Actions in SCM must constantly be in line with the compliance prerequisites and clear determination of actions regarding breaches of the ethics required to be applied in SCM matters.

- There is no motivation for SCM personnel and a shortage of personnel. For example, the number of officials (four) working with quotation and tender processes above R30 000.00 has remained the same for the last twelve years, while the workload has increased drastically.

- The user departments do not always cooperate during the tender processes and planning from the directorates' side are poorly done. This results in multiple tender requests landing on SCM officials' desks at once.

The conclusion is therefore that interference from political individuals is the biggest challenge, as most participants raised this issue. In addition, more personnel are needed in the SCM office and managers are not respecting SCM officials, their opinions and the work they do, which could contribute to their lack of motivation.

External Stakeholders:

Four external participants state that political interference is the biggest challenge to SCM at George Municipality, as SCM officials do not have the power to oppose managers and political individuals for fear of losing their jobs or being victimised. One participant feels the threat to the independence of the SCM office is the biggest challenge, as well as a shortage in staff and the pressure under which SCM officials currently work.

According to 80 percent of participants, political interference is the biggest challenge for the SCM office at George Municipality and 20 percent state that the SCM office is struggling to operate independently and without interference from senior managers and political individuals.

Question 15: Do you think that a new initiative, to provide information to suppliers/contractors regarding good, ethical behaviour will increase their behavioural values and contribute towards the eradication of unethical behaviour in the procurement processes? Comments.

Internal Stakeholders:

Five participants feel that a new municipal initiative to supply and involve suppliers and contractors with information packages and workshops regarding expected ethical behaviour will increase their ethical behaviour and contribute towards the eradication of unethical conduct. The participants' comments are as follows:

- Ethical behaviour is learned and it should also be part of education systems on all levels.
- If contractors and service providers are informed of processes such the consequences of unethical behaviour, for example being blacklisted, there will be some improvement in their behaviour.
- The municipality should look at programmes that already exist in the private sector (such as in Pick 'n Pay), which inform incoming and existing suppliers what is expected from them in terms of company standards and vice versa.

One respondent answered no and comments that good ethical values and behaviour need to start in the SCM unit; a Code of Ethics needs to be installed, indicating actions to appraise the execution of ethical behaviour as well as the consequences of not behaving in accordance with the ethics code. There will always be unethical service providers and contractors and the ethical behaviour of SCM personnel will safeguard the organisation in this way. 80 percent of respondents are therefore in favour of the initiative and believe it will benefit of the organisation, as well as the service providers and contractors by ensuring fair, equitable, transparent and open SCM processes.

External Stakeholders:

All the participants said yes, and state that following the initiative will provide a clear message of the municipality's view on ethical matters and the way in which the municipality wants to do business, in order to ensure better service delivery. All (100 percent of external participants will therefore welcome such an initiative.

Question 16: What are the steps taken if allegations of fraud, unfair or irregular practices or favouritism are made against an official? Comments.

Internal Stakeholders:

Four (4) participants state that the municipality should respond in accordance with the Disciplinary Collective Agreement, and relevant Disciplinary Regulations and be firm when action is required. One participant comment that council approved a formal policy regarding the treatment of irregular, unauthorised and fruitless and wasteful expenditure, which includes steps to be taken against fraudulent behaviour. The participants could not describe the steps in detail, but know where to request the information when needed.

External Stakeholders:

Two participants feel that steps are in place, but the application thereof is poorly executed or intentionally not executed in many instances by the municipality. One participant indicates that he/she is unsure of the processes but will ask the municipality's directorate of Human Resources for guidance when required; and also report incidents to the Human Resources office at the municipality. Two participants indicate that they have no idea what the steps entail and are unsure how to act, should such an incident occur.

It appears that 40 percent of participants are aware of the steps to be taken, but have no confidence in the municipality to take action if required. 20 percent indicate that they will approach the Human Resources office for assistance; and the remaining 40 percent of participants have no knowledge of such steps and do not know how to handle such cases or events.

Question 17: Is there anything the respondent would like to add? Comments.

<u>Internal Stakeholders</u>:

All respondents added additional comments, which are listed below.

- The relevance of this survey and the outcome should be made a management tool to ensure ethical behaviour is addressed in the municipality.
- Officials in SCM are currently being emotionally abused by certain political individuals and senior managers, and attention should be paid to the situation.
- Ethical behaviour, not only in SCM, cannot merely be instituted or forced down on employees.
- The municipality should approve a formal Code of Ethics, whereby behaviour can be measured and appraised to assist employees and managers in dealing with behavioural challenges – this was mentioned by two participants.
- SCM officials should start looking at SCM differently: as an enabler to open doors and start working in a collaborative manner with other units, and not in silos.

<u>External Stakeholders</u>:

Two respondents added additional comments, which are listed below.

- Ethical fundamentals should be in place in the municipality to enable the organisation to function optimally.
- The tender processes take too long, which means directorates are not spending all their money. SCM needs more personnel.

Three respondents did not provide additional comments.

5.3 Summary

During the data analysis in this chapter, the research objectives were to determine the existing behavioural challenges in SCM, and if these perceived challenges can lead to unethical behaviour. The research also aimed to establish the manner in which management in the municipality deals with challenges; and the benefits of instilling good behavioural values for the SCM unit and environment.

The analysis of the demographical data portrays that most respondents have an educational level of national diploma and higher; the largest percentage falls within the age group 35 years and older; and the SCM unit and environment is currently dominated by males. The largest portion of participants are on lower and non-managerial levels and has been employed at George Municipality for over ten years.

The key findings from the quantitative research on the internal stakeholders are discussed in the following paragraphs. A percentage of 74.28 of respondents are under the impression that George Municipality currently has a Code of Ethics or ethics policy, which is not the case. This is an indication that the largest percentage of respondents do not know where ethical behavioural expectations are addressed, and what is expected of them regarding the topic. 57.14 percent of respondents, who are all working in the SCM unit and environment, indicate that they were never requested to sign for acceptance of a code and over 80 percent are not aware of any ethics programmes within the organisation.

It is noted that 65.71 percent of respondents indicate that there is an existing platform in the organisation where they can seek advice on ethical challenges, and the remaining respondents have no idea where to ask for advice or report unethical behaviour. The majority of respondents are aware of the municipality's Whistleblowing Policy and indicate that there is a platform where they can safely report unethical behaviour. However, 22.86 percent of respondents feel they will not blow the whistle on colleagues should they behave in an unethical manner, and will rather keep quiet.

There is a common feeling in the quantitative research that the majority of respondents are clear on what is expected of them in terms of ethical behaviour and know the

procedure to follow in order to avoid or handle conflict of interest in the workplace. However, there is a significant portion who do not have this knowledge and are in need of information, guidance and training on ethical challenges and the occurrence of conflict of interests, in order to be equipped to deal with such issues.

The minority of 45.71 percent of respondents indicate in the data that they are willing to perform an action, even if they could be held liable for it. The data is concerning for the reason that all these individuals are working in SCM and the environment, and there is a possibility that such an action might be negative, rather than positive.

Most respondents feel that their managers advocate ethical behaviour and standards and are comfortable in approaching them with ethical concerns or issues. There is however a significant, but lower, percentage of participants who do not agree that their managers act in an ethical manner and will not approach them regarding ethical matters, which is a concern, especially in the SCM unit and environment. This phenomenon could lead to the occurrence of unethical conduct in the organisation. The majority of respondents do not trust the helpline/hotline provided by government, and will rather keep quiet, than report the occurrence of unethical behaviour.

82.86 percent of respondents believe that George Municipality's leadership is not committed to ethical conduct, and 88.57 percent indicate that they do not believe that the leaders are setting a good, honest and responsible example to employees in the organisation. The feeling is therefore common amongst respondents that the leaders do not care to behave in an accountable and moral manner. Most respondents feel that officials in the organisation are not held accountable for misconduct and that they sometimes experience pressure from leaders to act unethically when carrying out SCM related duties.

The largest number of respondents are positive that a Code of Ethics will motivate and improve good behaviour in the municipality, as per the King III Practice Notes and responded that they will persist in doing what is fair and ethical when carrying out their duties. A very small percentage indicated that they will act unethically when instructed to do so, and this data is concerning, especially for the reason that all the respondents

are currently working in the SCM unit and environment. All internal stakeholders stated that the municipality does not reward individuals for good and ethical behaviour.

The key findings of the quantitative research from external stakeholders are discussed in the following paragraphs. All respondents indicate that they are currently doing business with or have submitted tenders/quotations at the municipality and the majority feel that they are being treated well and fairly by municipal officials.

The majority of participants believe that municipal officials do not fraternise with suppliers/contractors after working hours, while a small percentage indicate they believe it does happen. All participants state that municipal officials do not make use of their services for personal goods or works outside of work hours.

Two-thirds of external respondents feel that municipal officials are not accepting bribes and kickbacks from suppliers and contractors in order to benefit from tender processes, but the remainder feel that it does happen. However, 66.67 percent of participants are of the opinion that the municipality makes use of certain suppliers and contractors, despite their poor-quality products and delivery outputs. The majority of respondents also feel that SCM officials do not treat their tender information confidentially and share information with other parties, and that SCM processes are not fair and equitable.

All respondents are of the opinion that leaders in George Municipality do not advocate good, ethical behaviour and standards; and 66.67 percent feel employees are not held responsible for unethical decisions and behaviour. The common feeling from external respondents is therefore one of mistrust in the organisation. All external respondents believe that a Code of Ethics will enhance ethical behaviour in the organisation.

The qualitative research results collected from internal and external stakeholders are summarised in the following paragraphs. 66.67 percent of internal stakeholders who participated in the qualitative research are employed at George Municipality and the remainder at the Provincial Treasury in Cape Town. 40 percent of external respondents are employed at George Municipality as councillors, and 60 percent are service providers and contractors.

All internal and external respondents have a good understanding of what ethical behaviour entails. The internal and external respondents know what the consequences of unethical behaviour are, but a minority of internal respondents feel that the consequences are not applied at the George Municipality.

The common feeling in the qualitative research is that all respondents will not perform an action if they could be held liable for it, regardless of whether the action is ethical or not. Regarding the question of whether respondents know the difference between compliance and ethics or not, all feel they have a good understanding of the difference and provided explanations. The majority of internal and external respondents are however not sure what the components of an ethics programme are and lack information in this regard.

Internal respondents are familiar with procedures to handle and avoid conflict of interest; however, the majority of external respondents answered the question negatively and one participant indicates that he/she would rather look the other way than deal with a situation, in order to avoid conflict in the office. The feeling is that all municipal officials, including managers and political individuals need guidelines regarding dealing with conflict of interest in the workplace.

Only 33.33 percent of internal and 20 percent of external respondents indicate that ethics and integrity are dimensions of their performance appraisal. However, the majority feel that the inclusion thereof will have a positive effect on ethical behaviour in organisations.

All but two internal respondents believe the municipality holds awareness campaigns. These two respondents are working at the Provincial Treasury in Cape Town and are under the impression that the municipality holds such campaigns, but in reality this is not the case, as there are no existing campaigns to inform employees, service providers and contractors of expected behaviour and ethical issues.

The internal respondents feel negatively regarding behavioural challenges associated with SCM and the majority feels that SCM is prejudiced and gives preference to certain companies; that SCM officials are busy with dodgy deals with suppliers; confidential

information is leaked by officials; and the general perception of SCM is negative. External stakeholders feel that there are numerous challenges in the SCM office, which include political interference, intimidation and the receiving of gifts and rewards from service providers and contractors; and their view of SCM is also negative.

The feeling amongst the majority of internal respondents is negative and they are not convinced that the municipality deals with behavioural challenges properly. The external respondents feel that the municipality does not make an effort to deal with unethical issues. Repercussions and measures in dealing with unethical behaviour are in place and the internal respondents know about these but could not provide details and more information and training is needed. Fifty percent of external respondents do not feel that these measures are executed, and believe the reason for this is political interference in municipal processes.

All the internal and external respondents indicate that no information on ethical behaviour is provided to new recruits and management in the municipality because information, such as a Code of Ethics, does not exist on behavioural challenges and the municipality is failing to take action in this regard.

Various challenges are indicated by the internal and external respondents, and the majority feel that political interference is the biggest challenge to SCM at George Municipality. Other challenges are the large workload of SCM officials, a shortage of personnel and disrespect from managers and political individuals, poor planning from directorates and the threat of independence of the SCM office. The common feeling is that SCM is dealing with numerous challenges and there is a lack of support and motivation for the officials. The majority of internal and all external respondents share the view that an initiative to provide information and workshops on ethical behaviour to service providers and contractors would increase their ethical values and assist in the eradication of unethical conduct in the SCM processes.

When asked to name the steps to be taken against an individual who behaves unethically, the internal respondents did not feel confident and could not provide detailed information, but the majority have adequate knowledge of where to find the

information. Only sixty percent of external respondents was able to indicate where they would find the information, but could not name the steps.

Additional information was added to the qualitative research by internal respondents, who state that the relevance of this survey and the outcome thereof should be used by management as a tool to enhance the management of ethics in the municipality. Other comments include that attention should be given to the emotional well-being of SCM officials regarding the occurrence of victimisation and interference in processes; that a Code of Ethics and ethics officers should be established and implemented; and that SCM should work in collaboration with other directorates, and not against them. External respondents feel that tender processes take too much time, the budget is not adequately spent, and additional personnel are needed in the SCM office.

5.4 Conclusion

The analyses of behavioural challenges in the supply chain management environment of George Municipality provides important information through the capturing of data using questionnaires and by conducting interviews with internal stakeholders (municipal officials, senior managers and officials from the Provincial Treasury) and external stakeholders (service providers/contractors and politicians), who are in daily contact with the operational functions of SCM in George Municipality. The analyses of the data indicate that numerous behavioural challenges exist in the SCM unit and environment, which lead to unethical conduct in the organisation. There is a lack of information to internal as well as external stakeholders, such as a Code of Ethics, workshops and ethics campaigns regarding expected ethical behaviour and ethical matters in the organisation. Disciplinary measures and legislation are in place to address unethical and behavioural challenges, but there is a lack of support from leaders and management in dealing with these challenges, as well as acting against individuals who are not behaving in an ethical manner.

The responses clearly indicate that stakeholders believe that instilling good behavioural values in the organisation will contribute to the eradication of unethical behaviour in

SCM and enhance service delivery. In this regard, the findings support and prove the objectives mentioned in Chapter 1 of the research. Chapter 6 will present the conclusions and recommendations of the findings in Chapter 5.

CHAPTER 6: CONCLUSIONS OF THE FINDINGS AND RECOMMENDATIONS

6.1 Introduction

In Chapter 4, George Municipality was described as a case study and perceived behavioural challenges in the organisation were highlighted. Chapter 5 presented the research findings after an analysis of the data and answered the research questions to determine if the study objectives are met.

The research objectives are revisited in this chapter and recommendations are presented in response to the findings of the data analysis. The reason for the research paper is to explore the behavioural challenges occurring in the SCM unit and environment of George Municipality, which are leading to unethical conduct; the manner in which management deals with the challenges; and if the instilling of good values in the municipality will hold any positive contributions and benefits for the organisation.

Most study participants are within the age group of thirty-five to fifty-four years, are male and have a national diploma or higher qualification. Most participants are in non-managerial positions and have been employed at the organisation for over ten years.

6.2 Summary of the Study Objectives and Research Findings

Objective 1: To establish the behavioural challenges experienced in the SCM unit that lead to unethical behaviour by officials working in the SCM unit and environment

The behavioural challenges identified by the internal and external participants in Chapter 5 are described in the following paragraphs.

The participants indicate that they are unsure how to deal with unethical matters in the workplace, because no relevant guideline document or framework exists in the municipality. The organisation does not provide ethical programmes or training on behavioural challenges to employees or any other parties. This could be a contributing factor to the occurrence of unethical behaviour in the SCM unit and environment. Individuals do not always act in an unethical manner on purpose, they might not realise that their actions are wrong, and without education on the topic their behaviour will not change or improve. Information and sessions regarding expected ethical behaviour should be given to new employees and contract workers involved in SCM processes.

The municipality does not have an ethics policy or ethics officers, to which individuals could turn to for advice or information on the moral behaviour expected of them. This raises the possibility for employees to make wrong decisions when confronted with temptations and challenges.

Almost half of the participants did not feel comfortable to report the occurrence of unethical behaviour internally and would rather keep quiet or turn a blind eye. A small percentage indicate that they will not blow the whistle on colleagues and managers, and they do not trust the governmental hotline/helpline. 25.71 percent indicate that they are unsure what the procedures are to follow in order to handle or avoid conflict of interest. This is worrisome, because all the participants work in the SCM unit or environment and need to thoroughly understand how to deal with the occurrence of conflict of interest. A substantial percentage indicate that they would perform an action even if they could be held liable for this. Such an action can either hold positive or negative consequences for the individual.

Most participants indicate that they do not trust the leadership in the municipality. If employees do not trust their leaders, they will not be motivated to be productive and act morally themselves. This is an indication that certain leaders in the organisation do not set a good, ethical example for employees and other parties.

Participants feel that officials from the SCM unit and others doing SCM related work do not treat suppliers or contractors in a professional, open, fair and equal manner; and

that officials sometimes fraternise with suppliers/contractors after working hours and receive gifts and/or rewards from them. The analysis also indicates that SCM officials do not keep tender/quotation information of bidders confidential. Some participants feel that preference is given to certain companies when tenders are awarded.

Consequences and disciplinary measures are in place for unethical conduct, but there is a lack of implementation. Measures are not applied diligently and all offenders are not treated equally. Individuals with political connections are treated differently from others. This indicates that managers do not act fairly towards all employees.

Most participants identify political interference as the biggest challenge in the SCM unit and environment. Interference also occurs in the appointment and promotion of officials. This interference is a threat to the independent functioning of the SCM unit.

The personnel in the SCM unit and environment are demotivated, with a large workload, strict due dates and a great responsibility on them. The situation could contribute to unnecessary errors in tender documentation and SCM processes.

Objective 2: To determine in which manner the management of George Municipality deals with the occurrence of unethical conduct in SCM and the environment

The data analysis determines that management deals with behavioural challenges in the following manner. Most participants indicated that they were not requested by their managers to sign for acceptance of a Code of Ethics or Policy. A small percentage feel that senior managers do not advocate ethical standards and they are not comfortable in approaching them regarding ethical matters or concerns. Most mistrust the managers and leaders and all external participants indicate that the leaders of George Municipality do not advocate ethical behaviour. This may be a consequence of the ongoing negative publicity of the municipality in the media, as highlighted in Chapter 2.

A general feeling exists that the managers do not hold officials accountable for misconduct in the workplace and a concerning percentage of participants indicate that

management sometimes pressures them into compromising their good, ethical standards while performing work activities. By doing this, the SCM processes are not strictly followed and tenderers are not treated fairly and equally. This is also an indication that SCM officials are sometimes pressured and emotionally abused by certain managers to perform duties against their moral values.

Objective 3: To establish whether instilling good values and behaviour in the municipality and dealing with unethical conduct will hold benefits for the functioning of the SCM unit and its officials

The Whistleblowing Policy provides a platform for employees to report the occurrence of unethical behaviour to the Internal Audit office in the organisation, and the majority of participants indicate this platform as the only option available for reporting unethical conduct in the workplace. All participants believe that a Code/Policy of Ethics will promote good ethical behaviour, as it needs to stress the non-tolerance and consequences of unethical conduct in the workplace and will provide guidelines for good, ethical behaviour.

Suppliers and contractors should receive information packages and information sessions/workshops on what the municipality expects from them in their work relationship in order to improve ethical behaviour. The consequences, such as being blacklisted, should unethical conduct occur should be communicated. The municipality must set an example of ethical behaviour and educate all stakeholders.

6.3 Study Recommendations

Recommendation 1: Establish an ethics committee, and appoint ethics officers.

Current challenge:

- No ethics committee and ethics officers currently exist, which means there is no formal facility whereby individuals can obtain advice and/or examples on expected correct and wrong behaviour.

Data results:

- The results indicate that the only available facility for seeking advice on behavioural challenges is the office of the Internal Auditor, which is understaffed and not equipped to deal with such challenges.

Recommendation:

The municipality needs to establish an ethics committee, which should include officials from the Internal Auditor's office, the Chief Risk Officer, an official from the SCM office, and others. One Ethics Officer needs to be employed in each of the eight directorates in the municipality in order to assist the employees, managers, councillors and external stakeholders in dealing with ethical dilemmas and championing ethics.

Recommendation 2: Write and implement an Ethics Policy.

Current challenge:

- The organisation does not have an ethics policy, which means employees and external stakeholders have no guideline for expected ethical conduct, or framework on how to deal with behavioural issues and challenges in the municipality.

Data results:

- Participants were unsure if an ethics policy exists, and most participants answered the question regarding the existence of such a policy incorrectly, indicating that they did not sign for acceptance thereof.

Recommendation:

- Council needs to draft and implement an ethics policy at the George Municipality. The policy should be introduced to all municipal employees, managers, and external stakeholders, such as councillors, suppliers, service providers and contractors. All parties working and doing business with the organisation should have a thorough understanding of the manner in which the municipality wants to conduct business, and what is expected in terms of behaviour from all parties.

Recommendation 3: Introduce an ethics training programme on ethical behavioural challenges within the organisation.

Current challenge:

- No ethics programme and training exist in the organisation.

Data results:

- Most participants are not aware of the existence of such a programme, or what it entails. The data analysis clearly established that employees are lacking skills and knowledge in dealing with behavioural challenges, which can lead to the occurrence of unethical conduct. A small group of participants indicate that they are unsure of what is expected in the organisation regarding ethical conduct, and they are unsure of which procedures to follow in order to avoid or handle conflict of interest in the workplace.
- Participants sometimes receive gifts and bribes/kickbacks from suppliers/contractors in exchange for work and do not treat all tenderers; information confidentially.

Recommendation:

George Municipality needs to establish and implement ethics programmes and training sessions for employees, as well as information on the subject to external stakeholders,

on a continuous basis. All stakeholders need guidance and must have a clear understanding of the organisation's ethical framework and boundaries when conducting SCM functions or business with the municipality. SCM officials need to be informed of how to avoid and deal with conflict of interest, for this is a very important part of supply chain processes. Employees also need training on good and effective communication skills with external stakeholders and how to avoid a conflict of interest.

Recommendation 4: Managers need to actively participate in ethics management and portray and encourage good moral and ethical standards.

Current challenge:

- The employees do not trust the leaders and managers enough to approach them with the occurrence of unethical conduct in the workplace because they believe that the manager's themselves are not one hundred percent committed to ethical behaviour.

Data results:

- 34.29 percent of participants indicate that their senior managers do not advocate ethical standards and behaviour in the organisation and a portion state that they do not feel comfortable approaching managers regarding ethical concerns and matters.
- The majority of participants (above 80%) believe the leadership of George Municipality is not committed to ethical conduct and sets a bad example to employees regarding honest and responsible behaviour.
- The majority believe that the officials are not held accountable for unethical conduct. Some managers do not know the different components of an ethics programme.

Recommendation:

Training on moral and ethical behaviour should be introduced to the leaders and managers first to motivate them to act accordingly and lead others by setting a good moral example. Managers should ensure that their subordinates receive training on ethical behaviour and receive adequate guidelines and information on the topic.

Recommendation 5: The municipality needs to consider rewarding officials for good ethical behaviour.

Current challenge:

- No reward system for good behaviour exists in the organisation.

Data results:

- One hundred percent of participants indicate that acting in an ethical manner is not rewarded in the municipality.

Recommendation:

The municipality needs to consider rewarding officials, not financially but through other initiatives, for good and ethical decisions and actions in the workplace, such as through an afternoon off, a gift voucher or the best parking spot for a month.

Recommendation 6: Ethics/integrity should be added as a dimension of performance appraisals.

Current challenge:

- Ethics forms part of a small portion of participants' performance appraisals, but not for individuals working at George Municipality.

Data results:

- Ethical behaviour is included in performance measures for 33.33 percent of internal and 20% of external participants. It is, however, not included in the appraisals of employees of George Municipality.

Recommendation:

Ethics should be a dimension of all municipal officials', especially the leaders' and managers' performance appraisals. The inclusion of ethics/integrity in performance

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appraisals will force managers to recognise that it has an influence on their careers and the careers of others in the organisation.

Recommendation 7: Annual awareness campaigns on ethical behaviour and challenges should be held.

Current challenge

- No ethical awareness campaigns exist or are held at George Municipality for internal and external stakeholders.

Data results

- Only two participants at the Provincial Treasury are under the impression that such campaigns exist and are being presented at the municipality, but the data analysis indicates the opposite: that no such programmes exist.

Recommendation

The municipality needs to write and implement ethics management campaigns to make internal and external stakeholders aware of the importance of ethical conduct in the workplace; on how to deal with suppliers and contractors; and how to handle difficult challenges and temptations, especially in a vulnerable and important unit and environment such as SCM.

Recommendation 8: A standing committee of members should be appointed for the bid specification and bid evaluation committees

Current Challenge:

- Bid specification and evaluation committees are appointed for each tender or quotation, which includes individuals from the user department, consultants and a SCM official. An official from the Legal department is not part of

these committees, which is a shortcoming, because inputs from the legal department are required for many decisions taken during these meetings.

Data results:

- Participants indicate that members on bid committees are not standing members, and new members are selected for each bid committee. This holds a risk that some members might be prejudiced towards certain tenderers during the recommendations, because they work with the contractors on a daily basis and may prefer working with certain contractors.

Recommendation:

A standing committee should be appointed for the Bid Specification Committee and the Bid Evaluation Committee. This should include an official from the Legal department of George Municipality to ensure that all legal requirements are met and decisions are taken according to the legal prescripts. This will ensure a fair and open tender process.

6.4 Conclusion of the Study

According to the study analysis, there are many behavioural challenges in the SCM unit and environment at the George Municipality. In chapters two and four, the researcher discussed details regarding the disciplinary process against the CFO of the municipality in terms of an investment made in 2017, and the individual's guilty verdict on three charges against him, which was accepted by council on Monday, 8 July 2019. The dismissal of the person responsible for SCM in the municipality as a result of, amongst other things, not following SCM processes and by acting in breach of the SCM policy, is a poor reflection on the ethical manner and diligence in which the SCM unit is managed.

Results from the data analysis and literature review indicate that the public and municipal employees already have a bad perception of the leadership of the municipality. The dismissal of the CFO, who is the director of Financial Services, and

overall responsible for the SCM unit, is confirmation of behavioural challenges, which hamper the optimal functioning of the SCM unit in the organisation.

The media coverage by the George Herald of the Hawks visiting and seizing documentation and electronic equipment once again from the office of the Municipal Manager on 9 July 2019 in relation to alleged fraud and corruption, as discussed in Chapter 2, only worsens the already negative perception the country has of George Municipality (Pienaar & Gunning, 2019:2). It leaves the employees with a corrupt stigma, which exacerbates their low ethics and moral values within the organisation.

The involvement of a councillor was also mentioned in the case against the CFO and, based on the study analysis, the municipality's council needs to be reminded of their rights and duties in terms of Section 4(b) of the Local Government: Municipal Systems Act, No. 32 of 2000, not to improperly interfere in the administration of the municipality. The study reveals that there is political interference in the administrative processes by certain individuals, which needs to be addressed.

Based on the analysis, most participants indicate they are prepared to do what is right and ethical in the organisation, but they need the support and commitment of managers and leaders to assist in the fight against the corrupt elements of the organisation. Employees have a clear understanding of the consequences of unethical behaviour and know the difference between compliance to rules and regulations and ethical matters. Management needs to step up and actively get involved in the promotion of ethical initiatives, to encourage and motivate employees to act in an ethical manner and treat all parties equally and with respect. The study leaves scope for the future exploration of the consequences of not dealing with the behavioural challenges in supply chain management units in government organisations.

In conclusion, as Corruption Watch (2018) states: "Now, 25 years into our democracy, we must address the damage wrought by sustained corruption, and continue the work, together with civil society, government and businesses, to undo the erosion of systems and structures put in place to safeguard the delivery of goods and services to all people living in this country".

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APPENDICES

A: LIST OF ABBREVIATIONS

AG	Auditor-General
ANC	African National Congress
BIU	Behavioural Insights Unit
CCPS	Centre for Cooperation with the Private Sector
CFO	Chief Financial Officer
CPI	Corruption Perceptions Index
CSR	Corporate Social Responsibility
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act No. 56 of 2003
MSA	Municipal Systems Act No. 32 of 2000
NACS	National Anti-Corruption Strategy
OECD	Organisation for Economic Cooperation and Development
PFMA	Public Finance Management Act of 1999
PPPFA	Preferential Procurement Policy Framework Act
PSC	Public Service Commission
SCM	Supply Chain Management
The Constitution	The Constitution of the Republic of South Africa, 1996
WWW	World-Wide Web or Internet

B: INTERVIEW QUESTIONS

INTERVIEW QUESTIONS

This section is only applicable for interviews with identified **RESPONDENTS**.

The researcher will ask respondents the following questions during open-ended interviews:

1.	Are you currently employed at/associated with the George Municipality?	NO	YES
2.	Do you understand what ethical behaviour is?	NO	YES
Give a brief description thereof:			
3.	Do you know what the consequences are if you behave unethically in the workplace?	NO	YES
If yes, name one or two consequences:			
4.	If you could be held accountable for an unethical action in the workplace, will you still perform it?	NO	YES
If yes, why? Give an example?			
5.	Do you know what the difference between compliance and ethics is?	NO	YES
If yes, briefly explain:			
6.	Are you aware of the components that an ethics programme consists of?	NO	YES
If yes, name one or two:			
7.	Are you familiar with the procedure to avoid/handle conflict of interest?	NO	YES
Explain briefly:			
8.	Ethics/integrity is a dimension of my own performance appraisal.	NO	YES

	If no, do you think it will be good for the organisation to add this to your performance appraisal?		
9.	Are you aware of behavioural and ethical awareness campaigns within the municipality?	NO	YES
	If yes, name one or two:		
10.	Which behavioural challenges do you think are associated with supply chain management in the municipality?	NO	YES
	Name one or two:		
11.	How does the municipality deal with these behavioural challenges?	-	-
12.	Are there any repercussions or disciplinary measures in place for people who behave unethically?	NO	YES
	If yes, what are they? If no, why do you think it is not in place?		
13.	Does the municipality provide information on ethical behaviour in the workplace for new recruits and management personnel who are involved in supply chain processes?	NO	YES
	Comments:		
14.	What do you see as the BIGGEST challenge to supply chain management in the municipality?	-	-
	Comments:		

15.	Do you think that a new initiative, to provide information to suppliers/contractors regarding good, ethical behaviour will increase their behavioural values and contribute towards the eradication of unethical behaviour in the procurement processes?	NO	YES
Comments:			
16.	What are the steps taken if allegations of fraud, unfair or irregular practices or favouritism are made against an official?	-	-
Comments:			
17.	Anything the respondent would like to add?	NO	YES
Comments:			

Thank you for participating in the interview!

C: SURVEY QUESTIONNAIRE

UNIVERSITEIT·STELLENBOSCH·UNIVERSITY
jou kennisvennoot • your knowledge partner

STELLENBOSCH UNIVERSITY

CONSENT TO PARTICIPATE IN RESEARCH

Dear Colleague / Councillor / Service Provider

My name is Adri Pienaar and I am working in the Supply Chain Management unit of George Municipality and I would like to invite you to participate in a research project entitled Exploring Behavioural Challenges in Supply Chain Management of George Municipality in order to function optimally.

Please take some time to read the information presented here, which will explain the details of this project and contact me if you require further explanation or clarification of any aspect of the study. Also, your participation is **entirely voluntary,** and you are free to decline to participate. If you say no, this will not affect you negatively in any way whatsoever. You are also free to withdraw from the study at any point, even if you do agree to take part.

The aim of this study is to provide useful insight into the challenges and factors impacting behaviour in the Supply Chain Management unit and environment. The questionnaire and interview sessions will be confidential, only the researcher will be able to identify you from the data collected and your identity will not be revealed to any other party. Data collected will be deposited in a lockable box provided by the researcher. All data collected is for academic purposes only and will be treated with the strictest confidentiality. The data will be stored securely, and the storage will adhere to the research ethics requirements, determined and be kept in a lockable save on the residential premises of the researcher, and only the researcher will have access to the information. You have a choice to participate in this study or not. If you choose to participate, you may withdraw at any time. You may also refuse to answer any question you do not want to, and still remain in the study. The data will not be shared or used in future research projects.

If you have any questions or concerns about the research, please feel free to contact me at 072 455 1434 or my supervisor, Dr. Len Mortimer at 082 418 8909.

RIGHTS OF RESEARCH PARTICIPANTS: You may withdraw your consent at any time and discontinue participation without penalty. You are not waiving any legal claims, rights or remedies because of your participation in this research study. If you have questions regarding your rights as a research participant, contact Ms. Maléne Fouché [mfouche@sun.ac.za; 021 808 4622] at the Division for Research Development.

You have right to receive a copy of the Information and Consent form.

If you are willing to participate in this study please sign the attached Declaration of Consent and place it in the box provided by the researcher for this purpose.

DECLARATION BY PARTICIPANT

By signing below, I ……………………………………..………………. agree to take part in a research study entitled Exploring Behavioral Challenges in Supply Chain Management of George Municipality in order to function optimally, and conducted by Adri Pienaar.

I declare that:

- I have read the attached information leaflet and it is written in a language with which I am fluent and comfortable.

- I have had a chance to ask questions and all my questions have been adequately answered.

- I understand that taking part in this study is **voluntary** and I have not been pressurised to take part.

- I may choose to leave the study at any time and will not be penalised or prejudiced in any way.

- I may be asked to leave the study before it has finished, if the researcher feels it is in my best interests, or if I do not follow the study plan, as agreed to.

- All issues related to privacy and the confidentiality and use of the information I provide have been explained to my satisfaction.

Signed on ………………………..

………………………………………………………………

Signature of participant

SIGNATURE OF INVESTIGATOR

I declare that I explained the information given in this document to _____ [*name of the participant*] [*He*/she] was encouraged and given ample time to ask me any questions. This conversation was conducted in [*Afrikaans/English*] and [*no translator was used*].

_____   _____

Signature of Investigator   Date

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QUESTIONNAIRE

SECTION A

DEMOGRAPHICS

Please answer the following questions by means of a cross (X) in the appropriate blocks.

1. Age:

Years	Under 25	25-34	35-44	45-54	55 and over
Response	1	2	3	4	5

2. Gender:

Female	1
Male	2

3. Educational Level:

Grade 11 or lower	1
Grade 12	2
Post matric certificate	3
National Diploma	4
Bachelor's degree	5
Postgraduate degree/diploma (e.g. Honours/Masters)	6

Higher qualifications	7

4. What is your position in the organisation?

Non-managerial	1
Lower level management	2
Middle level management	3
Upper level management	4

5. Length of current employment:

1-4 Years	1
5-9 Years	2
10 -19 Years	3
20 + Years	4

SECTION B

PRELIMINARY CRITERIA

Sections B and C are only for completion by **INTERNAL STAKEHOLDERS**.

Please answer the following question by means of a cross (X) in the appropriate block.

1.	Are you currently employed at the George Municipality?	NO	YES

Please only proceed to SECTION C if you have answered YES to the question above.

SECTION C

BEHAVIOURAL CHALLENGES; MANAGEMENT THEREOF AND BENEFITS OF INSTILLING GOOD BEHAVIOURAL AND ETHICAL VALUES

Please answer the following questions honestly in terms of your perception of the work environment – **your responses will remain strictly anonymous**.

Please answer the following questions by means of a cross (X) in the appropriate blocks.

	Behavioural Challenges		
1.	Does the George Municipality have a Code of Ethics / Ethics Policy?	NO	YES
2.	Did your manager see to it that you sign for acceptance of a Code of Ethics / Ethics Policy?	NO	YES
3.	Are you aware of any ethics programme within the municipality?	NO	YES
4.	There is a facility in the municipality where I can get advice on ethics (e.g. whether I can accept a gift from a supplier or not).	NO	YES
5.	Does the municipality have a Whistleblowing Policy?	NO	YES
6.	There is a facility in the municipality where I can safely report (blow the whistle on) unethical behaviour.	NO	YES
7.	Will you blow the whistle on your colleagues if they behave unethically?	NO	YES

8.	Are you clear on what is expected of you in terms of ethical behaviour in the municipality?	NO	YES
9.	Do you know what procedure to follow to avoid/handle conflict of interest?	NO	YES
10.	I feel equipped to deal with ethical issues.	NO	YES
11.	If you could be held liable for an action, will you still perform it?	NO	YES
Management of Behavioural Challenges			
12.	Does your senior manager advocate ethical standards/behaviour?	NO	YES
13.	Are you comfortable approaching your supervisor with ethical concerns/matters?	NO	YES
14.	Do you trust the helpline/hotline?	NO	YES
15.	Do you believe that the municipality's leadership is committed to ethical conduct?	NO	YES
16.	Do you believe that the municipality's leaders set a good example of honest and responsible behaviour?	NO	YES
17.	Do you believe that officials are held accountable when misconduct occurs?	NO	YES
18.	Do you as an employee sometimes feel pressure from leaders to compromise ethical standards?	NO	YES
Benefits of Instilling Good Behavioural and Ethical Values			
19.	Do you believe that Codes of Ethics motivate good behaviour?	NO	YES

20.	Do you persist in doing what is fair and ethical even when it is not easy?	NO	YES
21.	Does the municipality reward officials for good, ethical behaviour?	NO	YES

SECTION D

PRELIMINARY CRITERIA

Sections D and E are only for completion by **EXTERNAL STAKEHOLDERS (Suppliers/Contractors)**.

Please answer the following questions by means of a cross (X) in the appropriate block.

1.	Is your company currently doing business with the George Municipality or has your company submitted a tender/quotation at the municipality during the past five (5) years?	NO	YES

Please only proceed to SECTION E if you have answered YES to the question above.

SECTION E

BEHAVIOURAL CHALLENGES; MANAGEMENT THEREOF AND BENEFITS OF INSTILLING GOOD BEHAVIOURAL AND ETHICAL VALUES

Please answer the following questions by means of a cross (X) in the appropriate blocks.

Behavioural Challenges

1.	I am satisfied that George municipal officials in the supply chain management unit and environment treat us well as suppliers/contractors.	NO	YES
2.	My perception is that George municipal employees fraternise with suppliers/contractors outside of business hours.	NO	YES
3.	Supply chain officials sometimes make use of suppliers and/or contractors for the acquisition of personal goods/works, outside of business hours.	NO	YES
4.	My perception is that Municipal officials are accepting bribes/kickbacks from suppliers/contractors for the awarding of quotations/tenders.	NO	YES
5.	My perception is that George Municipality use certain suppliers/contractors, despite poor products and slow delivery.	NO	YES
6.	Supply chain officials treat the suppliers/contractor's information in confidence (e.g. does not share the supplier/contractor information with third parties).	NO	YES
Manner in which Managed			
7.	Do you believe that the supply chain processes in the municipality is fair and equitable?	NO	YES
8.	Do you believe the leaders in George Municipality advocates ethical standards/behaviour?	NO	YES
9.	The municipality holds its employees accountable for decisions related to unethical behaviour/actions.	NO	YES

Benefits of Instilling Good Behavioural and Ethical Values			
10.	Do you believe that a Code of Ethics will motivate good behaviour in the municipality?	NO	YES
11.	Do you believe that officials are held accountable for unethical actions?	NO	YES

D: RESEARCH PERMISSION

Bellville Park Campus / Bellville Park Kampus:

Carl Cronje Drive / Rylaan, Bellville, 7530, RSA

PO Box / Posbus 610, Bellville, 7535, RSA

Tel: +27 (0)21 918 4132, Fax: +27 (0)21 918 4123,

www.spl.sun.ac.za

1 April 2019

To Whom It May Concern

SCHOOL OF PUBLIC LEADERSHIP (SPL)

This letter is to certify that Ms Adri Pienaar [18995446] research has been approved internally by the School of Public Leadership Ethics Committee and that she is now awaiting the official letter from the Research Ethics Committee (REC). The SPL therefore confirm that Adri Pienaar can continue with her data gathering and findings.
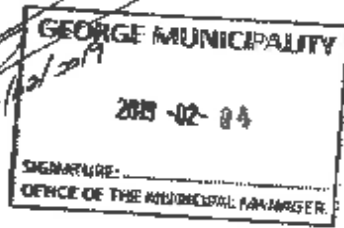
[Stellenbosch University, School of Public Leadership]

Mr Werner Burger
Date: 1 April 2019

E: PERMISSION LETTER: MUNICIPAL MANAGER

GEORGE MUNICIPALITY

2019 -02- 04

SIGNATURE: _____

OFFICE OF THE MUNICIPAL MANAGER

56A Fichat Street

George South

George

6529

4 February 2019

The Municipal Manager

George Municipality

71 York Street

George

6529

Dear Sir

REQUEST FOR PERMISSION TO CONDUCT RESEARCH

The above matter bears reference.

I am a postgraduate student at the University of Stellenbosch, currently doing a Master's Degree in Public Administration under the School of Business. As part of my degree programme, I am expected to conduct and complete a thesis. My study is entitled **Exploring behavioural challenges in Supply Chain Management of George Municipality in order to function optimally.** I am writing to request to be allowed to conduct research with the SCM officials and other officials who are involved in SCM processes in the municipality. Their participation will be voluntary.

There will be no implications of any kind to the municipality in this regard.

Yours faithfully

ADRI PIENAAR

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