



# **PUBLIC PROCUREMENT AND INTERNAL CONTROL IN RIVERS STATE**

**Onita Chinyere, O., & Ogunbiyi Samuel, S. (Ph.D.)**

Department of Finance and Banking  
Faculty of Management Sciences  
University of Port Harcourt, Nigeria.

<b>Article history:</b>	<b>Abstract:</b>
<b>Received:</b> October 6 <sup>th</sup> 2021 <b>Accepted:</b> November 7 <sup>th</sup> 2021 <b>Published:</b> December 10 <sup>th</sup> 2021	The study examined the relationship between public procurement and internal control in Rivers State using the survey method. The study population were the staff of the Ministry of Finance in Rivers State. Seventy-five (75) respondents were used to analyze the relationship between the dependent and the independent variables examined in the study. Questionnaires were administered to the staff of Ministry of Finance. The study proxied public procurement using contract administration, procurement planning, contract closeout and solicitation planning while efficiency is the measure of internal control. Findings revealed that contract closeout and solicitation planning does not significantly influence internal control in Rivers State while contract administration and procurement planning significantly influenced efficiency. As a result, the study recommended that the selection process of the audit personnel, staffs at the procurement planning level and that of contract administration should be carefully and strictly done since performance in most cases depicts staff strength and quality. Also, public audits should be improved upon especially in areas of monitoring to ensure adherence to standards since it makes for effective proper internal control, hence efficient service delivery.

**Keywords:** Procurement Planning. Solicitation Planning. Contract Administration. Contract Closeout. Efficiency

## **INTRODUCTION**

The economy of every nation consists of both private and public sectors. The public sector usually comprises of organizations that are owned and operated by the government and exists to provide services for its citizens. Similar to the voluntary sector, organizations in the public sector do not seek to generate profits.

As important as funds generation/provision is in the public sector, of greater necessity is the management of the utilized funds by ensuring commitment to proper accountability, transparency and ethical values. Internal control skills for the business manager and procurement professionals alike are now a fundamental requirement if inefficiency, corruption, fraud, waste, and abuse are to be avoided. This means that without proper/efficient internal control measures/system, the generated funds and other services will be prone to abuse, hence non realization of the corporate objectives. Internal Controls of every organization remains one of the strategic tools for improving corporate governance and financial management administration in both private and public sector, especially in the face of limited resources.

The complexity of the modern-day business operation demands the use of adequate programmes, tools and policies to ensure that proper procedures are followed to achieve the objectives of the organization. Jones (2008) posited that internal controls was a core element in ensuring accountability and the principle of Agency theory. The public sector runs on the provision of goods, services and works by the private sector for its efficient operation.

In an attempt to address the above, this study investigated the nexus between public procurement and internal control in Rivers State using the mixed research design, hence setting the following study objectives:

- i. Examine the nexus between procurement planning and efficiency in Rivers State
- ii. Investigate the relationship between solicitation planning and efficiency in Rivers State
- iii. Analyze the link between contract administration and efficiency in Rivers State
- iv. Access the nexus between contract closeout and efficiency in Rivers State



## **LITERATURE REVIEW**

### **Theoretical Underpinning**

The study reviews theory relative to internal control systems and procurement procedures.

### **Theory of Procurement Contracts:**

It is evident that the procurement problem has generated good attention in the recent past. Bajari and Tadelis (2001) asserted that the primary focus of literature concerning procurement problem has been on the public sector procurement. It is argued that public sector procurement is of huge importance to the economy of any given country. According to Laffont and Tirole (1993), modern economic theories of procurement employ mechanism designed to structure the procurement problem as one of ex ante asymmetric information coupled with moral hazard in which case the seller is argued to possess information regarding production costs that the buyer does not have. The buyer is said to screen the seller by offering a list of contracts from which the seller selects a particular contract, a situation that ends up revealing the buyer's private information. In this case, the seller has an upper hand in terms of requisite information. It is however, noted that the descriptive engineering and construction management does not demand for a list of contracts. Rather, the vast majority of contracts in this sector are variants of simple fixed price and cost-plus contracts. In the former (fixed price) contracts, the buyer offers the seller a pre-specified price for completing the project. On the other hand, cost-plus contracts do not specify a price, instead, they reimburse the contractor for costs plus a stipulated fee. In their examination of pertinent literature, Bajari and Tadelis (2001) established that there is little evidence to indicate that either the contractor or the buyer has private information at the onset of a procurement project. The scholars argued that both the contractor and the buyer share uncertainty about many vital design changes that occur after the contract is signed and production begins. These include design failures, unanticipated site and environmental conditions, and changes in regulatory requirements.

## **CONCEPTUAL REVIEW**

### **Public Procurement**

Procurement is the acquisition of goods, works and services at the best total cost of ownership, in the right quality and quantity and at the right time. It also involves the acquisition of goods and services at the right place and from the right source(s). Public procurement is the acquisition of goods, works and services by Government Ministries, Departments and

Agencies. Governments in an effort to provide development and fulfil campaign promises, are involved in large scale procurement of goods, works and services.

Public procurement accounts for substantial part of most countries' Gross Domestic Product (GDP). The establishment of good public procurement system is increasingly being viewed as measure of accountability and transparency. The responsibility of government to ensure transparency is also increasingly becoming a serious campaign issue. Public procurement helps ensure the judicious use of public resources. It is expected of an efficient Public Procurement System to ensure that at all times government acquisition of goods, and services are done with particular attention to economy, efficiency, fairness; reliability, transparency, accountability and ethical standards.

### **Difference Between Public and Private Procurement**

The main difference between public procurement and private sector procurement is that public procurement is subject to more stringent legislative regulations and controls. The main reasons for the stringent regulations and controls are to ensure that the taxpayers' money is spent effectively and economically, that contracts are awarded to suppliers on a fair, transparent and value-for-money basis, and that any fraudulent acts by the buyers and/or suppliers are prevented. For example, the U.S. federal government procurement is governed by the Federal Acquisition Regulation (FAR) (FAR, 2013), while the government procurement process in the United Kingdom (UK) is governed by the European Union Procurement Directives and the UK Procurement Regulations (UK Cabinet Office, 2013). In Nigeria, the Bureau of Public Procurement established by The Public Procurement Act of 2007 is the regulatory authority in charge of public procurement. Often, public procurement officers are also governed by a set of stricter rules and regulations as a high standard of discipline and conduct is expected of these public officers. Generally, private sector procurement officers are not subject to any legislative requirements to conduct a competitive procurement process. Private sector procurement is governed by its organization's procurement guidelines, which are formulated to meet the organization's objectives. However, if the organization's procurement guidelines mandate the use of a competitive procurement process, the principles of fairness, transparency and value-for-money will apply as in the public sector (National Education Consulting Inc (NECI), 2013).



### **Internal Control**

Internal controls are processes put into place by management to help an organization operate efficiently and effectively to achieve its objectives. Managers often think of internal controls as the purview and responsibility of accountants and auditors. The internal control system should be designed to detect and prevent fraud, errors and omissions, and material misstatements, but it can only provide reasonable assurance that the financial statements are free from material misstatements. The best designed internal control system will not prevent management override or collusion. The internal controls system is only as good as the management support behind the system which includes training employees and actively monitoring the controls. Management should be investigated, explained, and corrected as appropriate. The fact is that management at all levels of an organization is responsible for ensuring that internal controls are set up, followed, and reviewed regularly.

The purposes of internal controls are to:

1. Protect assets;
2. Ensure that records are accurate;
3. Promote operational efficiency;
4. Achieve organizational mission and goals; and
5. Ensure compliance with policies, rules, regulations, and laws.

### **Empirical Review**

As concluded by Kamau and Rotich (2015), integration of ICT in CDF project procurement procedures is very important and that poor procurement planning and management of the procurement procedures is a major setback in procurement of CDF projects which reinforced the findings of Mamiro's (2010) study. It was further observed that, CDF Act 2007 plays a fundamental role in auditing of procurement activities of various CDF projects in Kenya; and also, PPDA lay basis upon which there is creation of separation of powers between institutions that manage public procurement activities of various CDF projects in Kenya. On the other hand, it was unclear whether or not CDFC members and legislators fleece massive amounts of money from the CDF kitties through skewed procurement processes; and if or not procurement is increasingly vulnerable to internal control challenges.

The study by Otieno and Nyangechi (2013) assessed the effectiveness of internal control procedures on management efficiency of free primary education funds in Kisii Central District. The first question the study sought to answer was: to what extent are internal

control procedures used in Public Primary Schools in Kisii Central District? To answer this question, the respondents were required to rate the extent of use, the frequency, satisfaction and effectiveness of the various aspects of internal controls such as maintenance of books of accounts, extraction of trial balance, computerized procedures, procurement procedures and staff accounting skills. For maintenance of books of accounts, the study established that adequate books of accounts are maintained in public primary schools with an aggregate mean of 3.8 representing moderate extent level and that fairly often these books of accounts are updated. From this finding was concluded that maintenance of books of accounts as an aspect of internal control procedure is done to a moderate extent in public primary schools. It can also be concluded that information contained in books of accounts can be relied upon for decision making as it is updated fairly often. The study by Ngugi and Mugo (2011) found that procurement process in Kenyan Government Ministries for Health Care supplies was affected by factors such as accountability and operating procedures to a very great extent, while ethics to a moderate extent affected procurement.

### **METHODOLOGY**

The study employed the survey research design where questionnaires were crafted and distributed to staff of the Ministry of Finance and selected members of the public on the relationship between public procurement and internal control in Rivers State. The targeted population was 250 where the study sample size was 147. A total number of 75 were retrieved and this was what was used for statistical analysis. Procurement planning, solicitation, contract administration and contract closeout were measures of public procurement while efficiency was the dependent variable. The data generated from our respondents were regressed with the help of SPSS and the result is presented below.

### **PRESENTATION OF RESULT AND DISCUSSION**

This section deals with the presentation, analyses and interpretation of data obtained from field survey. This study examined the nexus between public procurement and internal control in Rivers State. Thorough and detailed analyses of responses gathered will be used to throw light on respondents' demographics. This section also discusses the research questions that had earlier been postulated in this work. Three research questions and four hypotheses were formulated to exhaustively explore all the independent variables in the study using Spearman Rank Correlation Statistical tool.



**PRESENTATION OF DATA**

The source of data to this study was through questionnaires administered to the 98 staff of the ministry of finance in Rivers State. The distribution was done electronically and physically. The tables below have the details of the demographic questionnaires administered in the study.

**Table 1**  
**Responses According to Gender**

S/No	Gender	No of Respondents	%
1	Male	50	66.66
2	Female	25	33.33
	<b>Total</b>	<b>75</b>	<b>100</b>

**Source:** Field Data (2021)

Out of the 75 respondents 50 by 66.66 were male while 25 by 33.33 were female.

**Analysis of Research Questions**

**Table 2**

**Research Question One:** Is there any relationship between procurement planning and efficiency in Rivers State?

S/No	Response	No of Respondents	% Distribution
1	Strongly Agree	40	56.54
2	Agree	20	28.27
3	Strongly Disagree	4	4.76
4	Disagree	11	11.45
	<b>Total</b>	<b>75</b>	<b>100</b>

**Source:** Field Data (2021)

For the purpose of research question one, the research question was designed. The table above indicates that 40 respondents which is equivalent to 56.54% strongly agreed that procurement planning which is a measure of public procurement can influence efficiency being a dimension of internal control. 20 respondents which is 28.27% agreed, 11 respondents which is 11.45% disagreed while 4 agreed which is 4.76%.

**Table 3**

**Research Question Two:** Does solicitation planning influence efficiency in Rivers State?

S/No	Response	No of Respondents	% Distribution
1	Strongly Agree	5	6.67
2	Agree	4	5.33
3	Strongly Disagree	37	49.33
4	Disagree	29	38.67
	<b>Total</b>	<b>75</b>	<b>100</b>

**Source:** Field Data (2021)

For the purpose of research question two, the research question was designed. The table above indicates that 37 respondents which is equivalent 49.33% distribution strongly disagreed that solicitation planning which is a measure of public procurement does not influence efficiency being a measure internal control. Twenty-nine (29) respondents which is 38.67% disagreed, 5 which is 6.67% strongly agreed while 4 agreed which is 5.33%.

**Table 4** **Research Question Three:**

Does contract administration affect efficiency in Rivers State?

S/No	Response	No of Respondents	% Distribution
1	Strongly Disagree	33	44.0
2	Agree	9	10.43
3	Strongly disagree	8	12.0
4	Disagree	25	33.57
	<b>Total</b>	<b>75</b>	<b>100</b>

**Source:** Field Data (2021)

For the purpose of research question three, the research question was designed. The table above indicates that 33 respondents which is equivalent to 44.0% distribution strongly disagreed that contract administration which is a measure of public procurement does not determine efficiency being a dimension of internal control. Twenty-five (25) respondents which is 33.57% disagreed, 9 which is 10.43% agreed while 8 strongly disagreed which is 12.0%.



**Table 5**

**Research Question Four:** Does contract closeout determine efficiency in Rivers State?

S/N o	Response s	No of Respondent s	% Distributio n
1	Strongly Disagree	35	43.32
2	Agree	7	9.87
3	Strongly disagree	8	12.0
4	Disagree	25	34.79
	<b>Total</b>	<b>75</b>	<b>100</b>

**Source:** Field Data (2021)

For the purpose of research question four, the research question was designed. The Table 5 above indicates that 35 respondents which is equivalent to 43.32% distribution strongly disagreed that contract closeout does not determine efficiency in Rivers state. 25 respondents which is 34.79% disagreed, 7 which is 9.87% agreed while 8 strongly disagreed which is 12.0%.

**4.3 Test of Hypotheses**

**H<sub>01</sub>:** There is no significant relationship between procurement planning and efficiency in Rivers State.

**Table 6 Correlations**

			PRP	Efficiency
Spearman's rho	PRP	Correlation Coefficient	1.000	-.679**
		Sig. (2-tailed)	-	.000
		N	75	75
Efficiency	PRP	Correlation Coefficient	-.679**	1.000
		Sig. (2-tailed)	.000	-
		N	75	75

**Source:** SPSS 17.0

The p-value of 0.000 is less than 0.05, this means that the null hypothesis is rejected and the alternate retained. Hence, we conclude that significant relationship does exist between procurement planning and efficiency in Rivers state.

**H<sub>02</sub>:** Significant relationship does not exist between solicitation planning and efficiency in Rivers State.

**Table 7 Correlations**

			SOP	Efficiency
Spearman's rho	SOP	Correlation Coefficient	1.000	-.532**
		Sig. (2-tailed)	-	.068
		N	75	75
Efficiency	SOP	Correlation Coefficient	-.532 *	1.000
		Sig. (2-tailed)	.068	-
		N	75	75

**Source:** SPSS 17.0



The p-value of 0.068 is greater than 0.05, this means that the null hypothesis is retained and the alternative rejected. Hence, we conclude that significant relationship does not exist between solicitation planning and efficiency in Rivers State.

**H<sub>03</sub>:** There is no significant relationship between contract administration and efficiency in Rivers State.

**Correlations**

			CNA	Efficiency
Spearman's rho	CNA	Correlation Coefficient	1.000	.902**
		Sig. (2-tailed)	-	.000
		N	75	75
	Efficiency	Correlation Coefficient	.902**	1.000
		Sig. (2-tailed)	.000	-.
		N	75	75

**Source:** SPSS 17.0

The p-value of 0.000 is less than 0.05, this means that the null hypothesis is rejected and the alternate accepted that there is a significant relationship between contract administration and efficiency in Rivers State.

**H<sub>04</sub>:** There is no significant relationship between contract closeout and efficiency in Rivers State

**Table 8 Correlations**

			CTA	Efficiency
Spearman's rho	CTA	Correlation Coefficient	1.000	.902**
		Sig. (2-tailed)	-	.060
		N	75	75
	Efficiency	Correlation Coefficient	.902**	1.000
		Sig. (2-tailed)	.060	-.
		N	75	75

**Source:** SPSS 17.0

The p-value of 0.060 is greater than 0.05, this means that the null hypothesis is retained and the alternate rejected, hence concluding that there is no significant relationship between contract closeout and efficiency in Rivers State.

**DISCUSSIONS OF FINDINGS**

Many public procurement activities are posited to be riddled with neglect, lack of coordination and direction, lack of open competition and transparency, corruption, and incompetent procurement staff. It is further alleged that inflexible and bureaucratic procurement systems are largely to blame for unacceptable contract delays, increased costs, potential for manipulation of contract awards and lack of fair competition. In light of the foregoing, the study sought to investigate the nexus between public procurement and internal

control in Rivers State. From the result presented in table 3, 4, 5 and 6 above, we found that of the four proxies of public procurement identified in this study (procurement planning, solicitation planning, contract administration and contract closeout) only procurement planning and contract administration seems to be significant with efficiency in Rivers State. The result shows that solicitation planning and contract closeout which are measures of public procurement does not significantly contribute to efficiency in Rivers State. Result from this study is in line with the empirical



findings of Kamau and Rotich (2015) whose study showed that contractors and top government officials in the parastatal are not transparent and accountable to collected government funds which is the reason for non-delivery of capital projects and low-quality project delivery in Kenya. Further, it was found that procurement planning and contract administration significantly influence efficiency in Rivers State.

## **SUMMARY, CONCLUSION AND RECOMMENDATION**

### **Summary**

The study examined the relationship between public procurement and internal control in Rivers State using the survey method. The study population is the staff of the Ministry of Finance, Rivers State. Seventy-five (75) respondents were used to analyze the relationship between the dependent and the independent variables examined in the study. Questionnaires were administered to staff of the Ministry of Finance in Rivers State who are assumed to have full knowledge of the subject matter. Findings revealed that significant relationship does not exist between contract closeout, solicitation planning and efficiency in Rivers State while contract administration and procurement planning significantly related to efficiency in state.

### **Conclusion**

The study was motivated to investigate the relationship between public procurement and internal control in Rivers State. The study concluded that two of the measures of public procurement (contract administration and procurement planning) significantly influenced efficiency while contract closeout and solicitation planning does not significantly influence internal control in Rivers State.

### **Recommendations**

The study makes the following recommendations based on the findings

- Since procurement planning significantly influenced efficiency according to the study, the selection process of the staff at that level should be done strictly to ensure that qualified personnels are selected since this stage lays the foundation for the other procurement process as the organizational needs are identified and determined here.
- We also recommend that public audits should be improved on being of crucial importance in the accountability and transparency chain as it

will help in ensuring effective project delivery and proper internal control.

- Lastly, given the fact that contract administration also significantly influenced efficiency, the administration process should also be carefully managed and closely monitored to ensure adherence to standard to avoid wastage of both time and resources, hence ensuring quality and timely service delivery. Staff selection procedures and standards should also be handled carefully because the output depends on the quality of management behind each act.

### **REFERENCES**

1. Arab, N.I. (2007). Fiscal responsibility act, 2007 act No. 31
2. Caperchione, E. (2006). The new public finance: A perspective for finance practitioner. Zandan publisher.
3. CBN Annual Report and Statement of Accounts, 1997-2007.
4. Chignell, P. (2017). Implementing public financial management reform. *Journal of managerial economics*. 5(8), 78-89.
5. Dorbayani, M. (2020). Reforms and public financial management. *Journal of management and economic*. 3(2), 12-21
6. Garcia-Sanchez, I., & Cuadrado-Ballesteros, B. (2016) New public financial management. *global encyclopedia of public administration, public policy and governance*.
7. Lawson, A. (2015) Public financial management: Phenomena for accountability. *Journal prospective research*. 3(9), 31-42
8. Morgner, M., & Chêne M. (2014). Corruption risks in public financial management: An overview. *Anti-Corruption Desk*.
9. Okonjo-Iweala, N.& Osafo-Kwaako, P. (2007). *Nigeria's Economic Reforms: Progress and Challenges*. Working Paper No. 6, Washington, D.C.: The Brookings Institute.
10. Okoroafor, E. (2016). Public sector reforms in Nigeria: Implications for the public sector accounting and budgeting systems. *International Journal of Developing and Emerging Economies Vol.4, No.1, pp.34-49, February 2016*
11. Otaru,A.(2016). Impact of public service reforms: The IPPIS example



**World Bulletin of Management and Law (WBML)**  
**Available Online at:** <https://www.scholarexpress.net>  
Volume-5, December-2021  
**ISSN: 2749-3601**

12. Rozhko, O. (2016) The formation of new public finance management system within the framework of modern theory of public finance. Innovative solutions in modern science. № 9(9), 2016
13. Soludo, C.C. (2004). Consolidating the Nigerian banking industry to meet the development challenges of the 21st century,
14. The Reformer (2015). Public Service Reforms in Nigeria (1999-2014) - A Comprehensive Review
15. Tuma, E. (2020). Land reform; Agricultural economics. Britannica.
16. Wollacott, M. (2021). What Are Public Sector Reforms?