

## **Influence of Principals' Performance Contracting on Compliance with Procurement Procedures in Public Secondary Schools in Machakos County, Kenya**

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### **Abstract**

*Poor financial management leads to inefficiency, fraud, manipulations and misuse of financial resources in educational institutions in many countries around the world. The aim of the study was to investigate the influence of principals Performance Contracting on influence of principals' performance contracting on compliance with procurement procedures in public secondary schools in Kathiani Sub County Machakos County, Kenya. The study was based on Principal Agency Theory by Jerzemowska (2006). Descriptive survey design was used for the study. Target population comprised of principals, bursars and members of the tendering committee in all the 32 public secondary schools in the subcounty. All the 32 schools in the sub-county took part in the study by census. Purposive sampling was used to select principals, bursars and chairpersons of tender committee while simple random sampling was used to select committee members. Questionnaires and document analysis guide were used to collect pertinent quantitative and qualitative data. Pilot study was conducted to validate the instruments. Reliability was assessed using test-retest technique. The scores from both tests were correlated to get the coefficient of reliability using Pearson's product moment formulae. Data was analyzed descriptively with the help of Statistical Package for Social Sciences. Through data analysis, the study established that in some schools, there was no bottom- up- approach to procurement as recommended by the public procurement and disposal act for public institutions. Further the study established that, many schools had their financial transactions recorded on weekly or monthly basis which is contravention to accounting regulations and guidelines which stipulates that all financial transactions must be recorded in the cash book on a daily basis or as they happen. From the study findings, the study concluded that performance contracting has had little influence on procurement practices in schools. The study recommended among others that, school principals should be adequately trained on procurement procedures practices through capacity building programs.*

**Key words: Performance Contracting, Principal, Procurement Plan, Procurement Procedures, Financial Management**

### **1.1 Background to the Study**

Performance Contracting (PC) is a branch of Performance Management System that specifies the intentions, obligations and responsibilities of the two contracting parties through mutual agreements based on results and negotiated targets. It creates shared understanding by agreeing on what needs to be done and how achievement will be measured (Armstrong, 2006). Performance contracting has been identified in organizations as an important strategy that has the potential of improving productivity in organizations (Mackie, 2008). Letsoalo, (2007) argue that measuring performance enhances performance both to the individual and the organization and encourages a culture of continuous improvement. Performance contracting defines expectations and aligns individual performance goals with those of an organization (Nzuve & Njeru, 2013)

Globally, a paradigm shift in performance management has forced most governments to reform their public service and adopt performance contracting. France in the late 1960s was the first country to introduce Performance Contracting as a performance improvement tool in the public service. By 1990's, about 30 developed countries across the world including United Kingdom (UK), Finland, Denmark, and the United State of America (USA) had adopted Performance Contracting in the management of public service (Mutahaba, 2011). In Africa, Performance Contracts have been used in selected enterprises in Benin, Burundi, Cameroon, Cape Verde, Congo, Cote d'Ivoire, Gabon, the Gambia, Ghana, Guinea, Madagascar, Mali, Mauritania, Morocco, Niger, Senegal, Togo, Tunisia and Zaire (Kobia& Mohammed, 2006).

In 2003, the Government of Kenya formulated the Economic Recovery Strategy for Wealth and Employment Creation (ERWEC) covering the period 2003-2007. This policy document recognized Performance Contracting as a strategy in improving performance in the public service (Gatere, Keraro&Gakure, 2013). The aim was to increase productivity and improve service delivery underpinned by results based management orientation. In Kenyan education sector, Performance Contracting was first introduced in 2012 but it was until 2015 when it was implemented in public primary and secondary schools. The contract specifies the performance indicators for the principals under five distinct targets which are; financial stewardship and discipline, Service delivery indicators, Maintenance of Teaching Standards in the Implementation of Curriculum, procurement and asset management(Kogei, Magugui ,Yano, Chepkemei & Chebet (2013).

### **1.2 Statement of the Problem**

Poor financial management leads to inefficiency, fraud, manipulations and misuse of financial resources in educational institutions in many countries around the world. Transparency International Kenya, (2016) observes that Kenyan education system is burdened with financial management risks that compromise the quality of education. Wango and Gatere (2012), report that financial management in secondary schools in Kenya has been deteriorating largely due to lack of proper adherence to the existing financial management practices. In Machakos County, audit assessment report for financial year ended in December 2018 indicated that 35 schools in the county had financial misappropriation. In Kathiani Sub County for instance, 8 principals of

public secondary schools in the sub county were directly or indirectly involved in misappropriations of school funds (Miriti & Wangui, 2018). Although there is glaring evidence of financial mismanagement, there is dearth of evidence of any study having been undertaken in Kathiani Sub County to explain their effectiveness on financial procurement practices in public secondary schools.

## **2.1 Literature Review**

A procurement procedure/plan is an integral part of annual budget processes that shows the items that will be procured by the procurement entity (KEMI, 2016). The plan consolidates details of the goods, works or services required. After preparation, the head of institution reviews ;and if satisfied, approves the plan and invites quotations from at least three suppliers appearing in the register of pre-qualified/known suppliers, or invite bids through open or restricted tenders in line with public procurement act and regulations (2015). The bids are then evaluated and the tender is awarded to the lowest bidder; as the unsuccessful bidders are simultaneously debriefed. The head of the procuring unit prepares the contract for supply of goods, works or services, and arranges for the signing between the selected supplier and the school after an elapse of fourteen days from the date of award notification. Once goods and services have been supplied as per terms and conditions of the contract, inspection and verification is done; after which, payment of suppliers and contractors is done, and record are properly kept (GoK, 2013).

## **2.2 Theoretical Framework**

The study is based on Principal Agency Theory by Jerzemowska (2006).The theory postulates that the day to day running of organizations is carried out by managers as agents who have been engaged by principals who are the owners of the organizations. In the case of financial management in public secondary schools, the government, parents and other financiers are the key stakeholders and the principal is the agent. The theory offers unique insight into information systems, outcome uncertainty, incentives, and risk and is an empirically valid perspective, particularly when coupled with complementary perspectives in financial management.

## **3.1 Research Design**

The study adopted descriptive survey design which is concerned with gathering of facts and figures that exist or existed in a population at a particular point in time and involves describing, recording, tabulating, graphing and reporting conditions rather than manipulation of variables (Orodho, 2005). Descriptive survey design focuses on the vital facts of people and their beliefs, opinions, attitudes, behaviors and seeks to generate data to answer research questions regarding participant's beliefs, focusing on contemporary issues.

## **3.2 Sampling Procedures and Sample Size**

All the 32 schools in the sub-county took part in the study by census method. Purposive sampling technique was used to pick the sample for principals, bursars and chairpersons of tender committee. Mugenda and Mugenda (2003) propose that 20-50% of the total population constitutes an adequate

acceptable sample among survey researchers. 30% of tender committee members were selected through simple random sampling.

**Table 3.1: Sample Frame for the Study**

	Target population	Sample size
Principals	32	32
Bursars	32	32
Chairpersons of tender committee	32	32
Tender Committee Members	224	64
<b>TOTAL</b>	<b>320</b>	<b>160</b>

### 3.3 Data Analysis

Qualitative data analysis was transcribed into text format, categorized into themes, and quantized to enable merging of both data strands. Documentary analysis was used to triangulate both quantitative and qualitative data. Data was analyzed using Statistical Package for Social Sciences (SPSS) to generate descriptive statistics (means, standard deviation and frequencies).

### 4.0 Research Findings

In an attempt to find answer to principals' Performance Contracting on compliance with procurement procedures in public secondary schools, the findings were categorized as follows;

#### 4.5.1: Presence of Tender Committees in Schools

The respondents were asked to indicate whether or not tender committees existed in their respective schools. Table 4.10 below presents the findings

**Table 4.10: Existence of Tender Committees in Schools**

Response	Principals		Bursars	
	Frequency	Percent	Frequency	Percent
Yes	29	91.4	28	87.5
No	3	8.6	4	12.5
<b>Total</b>	<b>32</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>

From Table 4.10, 91.4% of principals and 87.5% of bursars have shown that tender committees indeed exist in their schools. Only 8.6% and 12.5% of the principals and bursars respectively have responded to the contrary.

#### 4.5.2: Compliance with Financial Procurement Procedures in Schools

The principals and bursars were further asked to indicate how often some financial procurement procedures were being practiced in their schools. The respondents were therefore presented with Likert-type statements on a scale of: Always (**A**), Often (**O**), Rarely (**R**), and Never (**N**). The findings are as summarized by Table 4.11, 4.12 and 4.13 respectively

**Table 4.11: Compliance with Financial Procurement Procedures (Principals)**

Statement	Response							
	A		O		R		N	
	F	%	F	%	F	%	F	%
Quotations from three pre-qualified suppliers	0	0.0	5	15.6	16	50.0	11	34.4
Communication is given to all bidders	2	6.3	8	25.0	22	68.8	0	0.0
Contracts are signed by both the school and the supplier	5	15.6	11	34.4	16	50.0	0	0.0
Signing of contracts is done after a lapse of fourteen days	5	15.6	5	15.6	22	68.8	0	0.0
Bursar and principal jointly make payments to suppliers	10	31.3	22	68.8	0	0.0	0	0.0
All procurement records are well kept	3	9.4	13	40.6	16	50.0	0	0.0
A procurement plan exists in my school	0	0.0	10	31.3	19	59.4	3	9.4

From Table 4.11, 50% of principals rarely invited quotations from at least three suppliers appearing in the register of pre-qualified suppliers. In the same connection, 68.8% of principals indicated that unsuccessful bidders are not adequately debriefed. According to 40.6% of principals, the contract for the supply of goods, works or services is rarely prepared and signed jointly by the selected supplier and the school. 68.8% of the principals were further in agreement that signing of written contracts are rarely done after an elapse of fourteen days from the date of award notification. However, 68.8% of principals said that payments to suppliers and contractors were jointly done by the bursar and principal. On the storage of procurement documents, 40.6% of principals said that all records were well kept while 50% of them was rarely done. About the existence of a procurement plan in schools, 59.4% of the principals indicated that it rarely existed and 9.4% of principals admitted that a procurement plan was non-existent in their schools

**Table 4.12: Level of Compliance with Financial Procurement Procedures**

Response	Response							
	A		O		R		N	
	F	%	F	%	F	%	F	%
Quotations from three pre-qualified suppliers	2	6.3	10	31.3	17	53.1	3	9.4
Communication is given to all bidders	9	28.1	11	34.4	12	37.5	0	0.0
Contracts are signed by both the	9	28.1	11	31.3	13	40.6	0	0.0

school and the supplier									
Signing of contracts is done after a lapse of fourteen days	0	0.0	9	28.1	12	37.5	11	34.4	
Bursar and principal jointly make payments to suppliers	4	12.5	27	84.4	1	3.1	0	0.0	
All procurement records are well kept	13	40.6	13	40.6	6	18.8	0	0.0	
A procurement plan exists in my school	0	0.0	7	21.9	14	43.8	11	34.4	

From Table 4.12, 53.1% of bursars indicated that invitations of quotations from at least three suppliers appearing in the register of pre-qualified suppliers were rarely done. Debriefing of unsuccessful bidders was also rarely done as indicated by 37.5% of the bursars. 40.6% of the bursars further reported that contract for the supply of goods, works or services was rarely prepared and signed jointly by the selected supplier and the school after an elapse of fourteen days from the date of award notification. On the other side, 84.4% of bursars indicated that payments to suppliers and contractors were jointly done by the bursar and principal. 40.6% of the bursars thought that procurement records were well kept while a similar percentage hold an alternative view while 43.8% of the bursars finally admitted that a procurement plan was non-existent in their schools. This a contravention of public procurement act and regulations of (2015) which requires that bids should be invited from at least three suppliers appearing in the register of pre-qualified/known suppliers.

The members of the tender committee were also presented with statements on financial procurement and were requested to indicate their level of agreement or disagreement with them on the scale of: Strongly Agree (SA) - coded 1; Agree (A) - coded 2, Disagree (D) – coded 3, and Strongly Disagree (SD) – coded 4. The responses were descriptively analyzed and presented in Table 4.13.

**Table 4.13: Adherence to Financial Procurement Procedures in Schools (N=32)**

Procurement Procedure	SA		A		D		SD	
	F	%	F	%	F	%	F	%
Members of TC have appointment letters	4	12.5	12	37.5	14	43.8	2	6.3
Procurement is done by tender committee	6	18.8	11	31.3	11	31.3	6	18.8
The principal decides on what to be procured	8	25.0	20	62.5	4	12.5	0	0.0
Minutes of the tender committee are always ready	4	12.5	4	12.5	16	50.0	8	25.0
There is a well-developed procurement plan	6	18.8	8	25.0	12	37.5	6	18.8

Bottom-up approach to procurement is practiced	6	18.7	10	31.1	16	50.0	0	0.0
Sometimes the principal decides on tender awards	20	62.5	12	37.5		0.0		0.0
Procurement is based on budget estimates	0	0.0	11	31.2	22	68.8	0	0.0
There exists and Inspection and Acceptance Committee	6	18.8	4	12.5	22	68.8	0	0.0

Table 4.13 shows that majority of the respondents disagreed with the statements that all members of tender committee have appointment letters (43.8%), minutes of the tender committee are always ready and accessible (50%), there is a well-developed procurement plan (37.5%) bottom-up approach to procurement is practiced (50.0%), Procurement is based on budget estimates (68.8%) and that there is a committee which evaluates all goods and services delivered (68.8%). The respondents were however in agreement that sometimes the principal decided on what to be procured (62.5%) and who to be awarded the tender (62.5%). The findings mirror those from a study by Mito and Simatwa (2012) on financial management in secondary schools in Gucha posited that procurement procedures were not adequately adhered to since the principal interfered with the duties of the tender committee.

#### 4.5.3: Challenges Facing Financial Procurement in Schools

In an attempt to establish some of the challenges facing financial procurement in schools, the respondents were asked to state their level of agreement/disagreement with some statements as may apply to their school. This was on a scale of Strongly Agree (SA), Agree (A), Disagree (D), and Strongly Disagree (SD). Tables 4.14 and 4.15 summarize the findings

**Table 4.14: Challenges Facing Financial Procurement in Schools (Bursar)**

Challenge	Response							
	SA		A		D		SD	
	F	%	F	%	F	%	F	%
Collusion of principals with suppliers	19	59.4	13	40.6	0	0.0	0	0.0
Lack of well constituted tender committee	24	75	8	25	0	0.0	0	0.0
Lack of a procurement plan	19	59.4	13	40.6	0	0.0	0	0.0
Poorly constituted tender committee	11	34.4	15	46.9	4	12.5	2	6.3
Lack of bottom-up approach to tendering	7	21.9	21	65.5	3	9.4	1	3.1



Table 4.14 shows that one of the major challenges facing financial budgeting in schools is collusion of principals with suppliers. This is according to 59.4% of bursars who responded in affirmation. Another challenge identified by 75% of bursars is lack of well constituted tender committees in schools. Lack of bottom-up approach to tendering (65.5%) and lack of procurement plans (59.4%) are other challenges identified by the bursars. The findings support Wichenje *et al.*, (2012) also reported collusion of principals with suppliers and auditors as some of the reasons for misappropriations of school funds as

**Table 4.15: Challenges Facing Financial Procurement (Tender Committee)**

Challenge	Response							
	SA		A		D		SD	
	F	%	F	%	F	%	F	%
Collusion of principals with suppliers	14	43.8	8	25.0	10	31.3	0	0.0
Lack of well constituted tender committee	6	18.8	18	62.5	6	18.8	0	0.0
Lack of a procurement plan	14	43.8	16	50.0	2	6.3	0	0.0
Poorly constituted tender committee	16	50.0	14	43.8	2	6.3	0	0.0
Lack of bottom-up approach to tendering	8	25.0	16	50.0	8	25.0	0	0.0

Table 4.15 shows that some of the major challenges facing financial budgeting in schools includes: collusion of principals with suppliers (43.8%), lack of well constituted tender committees (62.5%), and lack bottom-up approach to tendering (50%) and procurement plans (50%).

## 5.0 Conclusions

The study established that in some schools, there was no bottom- up- approach to procurement as recommended by the public procurement and disposal act for public institutions. This implies that most cases principals determine what to be purchased and who to supply. This explains why majority of principals rarely invite quotations from at least three suppliers appearing in the register of pre-qualified suppliers nor debrief unsuccessful bidders. It also justifies the reason why contract for the supply of goods, works or services was hardly prepared and signed jointly by the selected supplier and the school upon a lapse of fourteen days from the date of award notification. The study further established that some schools lacked procurement plans while in others procurement documents were poorly kept. In most schools, members of tender committees had no appointment letters. Evaluation committee which evaluates all goods and services delivered were also missing. The study findings act as a confirmation that despite the introduction of principals' performance contracts, financial managers in schools are still stuck in their old ways of financial management in total or partial disregard of the guidelines in the contract.



## 6.0 Recommendations

School principals should be adequately trained on financial management practices so as to empower them on financial management and seal the loopholes for financial misappropriations in schools. This can be done through capacity building programs such as clinics and seminars. The government should also employ more and qualified auditors to oversee regular auditing in schools. This will keep the principals in check and will also act as a push factor for them to abide by the terms and conditions of the performance contract. Furthermore, principals should avoid selective implementations of finance regulations under PC but should adhere to it in totality so as to bring sanity in the management of education funds to which they have been entrusted. Financial managers in schools should also embrace the integration of ICT in financial management practices so as to improve their efficiency and effectiveness in financial management.

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