ETHICS AND FRAUD IN PROCUREMENT AMONG PRIVATE AND PUBLIC ORGANIZATIONS IN KENYA

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NOVEMBER, 2019
DECLARATION

I declare that this research project is my original work and has not been presented in any other university for consideration. This research project has been complemented by referenced sources duly acknowledged. No part of this research should be reproduced without my consent or that of the University of Nairobi.

Signature………………………… Date…………………………

NGOVI KIMANZI
D61/6997/2017

Supervisor Declaration

This research project has been submitted for examination with my approval as the University of Nairobi Supervisor.

Signature………………………… Date…………………………

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DEDICATION

This research project is dedicated to my father, who taught me that the best kind of knowledge to have is that which is learned for its own sake. It is also dedicated to my mother, who taught me that even the largest task can be accomplished if it is done one step at a time.
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# ABBREVIATIONS AND ACRONYMS

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<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>US</td>
<td>United States</td>
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<tr>
<td>USA</td>
<td>United States of America</td>
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<tr>
<td>G.o.K</td>
<td>Government of Kenya</td>
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<tr>
<td>PPRA</td>
<td>Public procurement regulatory authority</td>
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<tr>
<td>UNDP</td>
<td>United Nations development programme</td>
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<tr>
<td>KISM</td>
<td>Kenya institute of supplies management</td>
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<tr>
<td>ODPP</td>
<td>Office of the Director of Public Prosecutions</td>
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<tr>
<td>N</td>
<td>Frequency</td>
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ABSTRACT

This research project is a comparison between the unregulated and regulated procurement environment in order to establish the prevalence of ethics and fraud in procurement among private and public organizations in Kenya. It is the aim of this work to establish prevalence levels of fraud and unethical behavior among the sectors, establish the common forms fraudulent practices and unethical conduct in the procurement cycle, identify and recommend strategies to reduce unethical and fraudulent practices in procurement in both private and public organizations. The first chapter lays the background of the study by establishing the research problem and the specific objectives of the study. The second chapter comprises of detailed literature reviews and the theories that form the basis of this study.

The third chapter outlines methodology where the study adopted a descriptive, comparative research design to carry out the study where the populations were all the targeted (85) respondents from (23) Parastatals (public organizations) and (62) private companies in Kenya. Random sampling methods was used to choose study sample and the sample size was determined using Yamane (1967) simplified formula. Data was collected through interviewing the respondents. Analysis of data was done through content analysis technique and presented using frequency tables and radar charts. The study findings established that the prevalence levels of fraudulent practices and unethical behavior in all stages of procurement high in the public than in private sector. The study concluded the difference in practice among the sector was not significant despite the difference in procurement environments.

The study recommended the following strategies; segregation of duties in all organization to ensure different roles are played by different individuals, conducting regular audits, installing purchasing control software, and implementing anonymous theft reporting systems. On ethics the strategies included; establish and enforce code of conduct, show appreciations to employees on regular basis to encourage loyalty and hiring for value. Limitations of the study included difficulty to access relevant literature and rigid policies by respondents before being allowed to participate in the study among others. Suggestion for further studies to include; The most appropriate methods of detecting fraud in the procurement process among organizations and establishing the reasons why fraud and unethical behavior is highly prevalent in the public sector.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Procurement is the art of acquiring goods, works and services within appropriate time, in the appropriate quantity and quality, and the least total cost of ownership. The procurement process is expected to follow the laid-out procedures or regulations irrespective of the organization. However, most of the times this is not the case since the process is occasionally marred with a lot of fraud and unethical practices (Brammer & Walker, 2011). Globally, fraud presents a great challenges problem that needs to be addressed. The practice has affected the financial performance of organizations and threatens the closure and sustainability of some organizations. Fraud incidents can happen at any stage of the procurement cycle, but Jason (2016) stated that fraud is most likely to happen at the selection stage compared to other stages. Reason for fraud and unethical practices are varied and include competition for contracts, misuse of buyer power, supplier influence and failure to adhere to code of conduct in many organizations (Odhiamo & Kamua, 2013). Moral decay in the society has also been blamed for fraud unethical procurement practice (Nyambariga, 2016).

Procurement fraud can be defined as gaining undue advantage, not committed to an expectation or contributing to a loss to resources in the process of procurement process by procurement personnel, contractors or persons carrying out the procurement (Prahinski & Benton, 2014). Procurement fraud involves hiking of prices of goods and services over the market or contractual prices, collusion to fix pricing or rig bids, processing of payment for work which were never competed or products that were not delivered and establishing a dummy supplier account in the organization’s systems all meant to gain unduly from the organization through fraudulent contract among others (Karjalainen, 2014). Causes of fraud include greed, gaps in the internal controls, poor
checks and balances, lack of employee fraud education, lack of clear report authority and undefined consequences and punishment for fraud committed. Also benefits that come with proceeds from fraudulent acts in procurement are included (Unwala, 2012). The scope of procurement fraud is not limited to certain categories or organizations but it is a widespread issue where procurement fraud involves both public and private companies (Edler & Georghiou, 2016). Direct effects of fraud include erosion of profitability in organizations with devastating effects on firm solvency and sustainability, stalled projects or substandard works that do not meet the agreed standards and financial loss suffered by organization’s customers and investors through payments for goods or services without proper verification (Wanyama, 2013).

On the other hand, ethics is considered as moral philosophy, it refers to what is good for individuals and society. Unethical procurement practices are when the buying staff carry their business practices in utmost unethical manner (Edler & Georghiou, 2016). They fail in adhering to ethical practices which then contribute to immoral and unethical practices that include bribery, favoritism, illegal sourcing among others. Causes of unethical behavior include insider trading, conflict of interest, promise of kickback and gifts, desire to get rich quick and the collusion, especially with suppliers to bid a particular amount among others (Hoyk and Hersey, 2014). One is considered as ethical when they conduct themselves as per the set-out guidelines for appropriate conduct or practice, more or so the standards of a profession (Neupane & Yong, 2012). Unethical behavior may contribute to fraud and other improper behavior; and reduce the confidence in the administration of any organization (Ogol & Moronge, 2017).

Fraud and unethical practices are some of the factors that have contributed to increase the overall cost for procurement across the world. While in many cases unethical behavior has been associated with procurement fraud in public organization, the same is
being experienced in the private sector where the personnel are involved in fraudulent procurement practices and supplier collusion (Lindskog, Brege & Brehmer, 2014).

Badenhorst (2014) points out that the contributing factor to unethical behavior may not particularly that one does not have moral standards, but due to accountability measures that are put in place and may vary from one organization to another in both organizations. It is perceived that there will be more corruption in public procurement compared to private organization despite the extensive regulations in public procurement (Mahmood, 2015). In another study by Richie and Lewis (2013), stated that a corrupt person will often be unethical not withstanding where they are located, whether public or private organizations. However, Majaliwa (2013) feels that with the strictness that is observed in public sector procurement processes, often less corruption will exist, more than in private sector. Given that fraud is more likely to happen depending on individual’s character, it is therefore important to establish the extent to which it will happen in both regulated and unregulated procurement conditions.

Internal control, management support and organization policies on procurement are some of the other reasons that may influence fraud and unethical practices in both public and private sectors procurement. Schotanus and Telgen (2012) acknowledges that research has shown that it increased cases of fraud and unethical practices in procurement in private sector could be as a result of managers activities, the ethical environment in the enterprise coupled with lack of company policy over the issue which all contribute to the factors towards unethical behavior.

Efforts to better public procurement, has seen the government continuously improve on the legal framework all geared towards deterring fraud and promoting ethical practices in public procurement. Causes of fraudulent practices run deep and therefore solutions to
unethical procurement practice and fraud needs to address the root causes of corruption in either public or private sector that include week social ethics that promote greed, culture of stealing, gratification of public theft and the lack of transparency that all contribute to fraudulent practices (Agbesi, 2015).

Eyaa and Oluka (2014) also advised that deal with the causes of fraud in public procurement, there is need for improved ways of detecting fraud in any organization’s procurement process whether public or private. There is also need to address challenges where persons in high positions use their positions to influence procurement process to favor their cronies or companies that they are associated with. In public procurement which is more regulated, there is need to deter fraud in the procurement process and the identification of other solutions other than legislation that the government should do to increase transparency and eradicate unethical practices in public procurement (Mkalimoto, 2015).

Noticeably, the private procurement is not regulated through any legislation, and procurement in private sector is based on profit maximization that focuses largely on returns for company owners or shareholders. Therefore, Mahmood (2015) pointed out that in private organizations procurement activities depend on the profit projections and the internal controls that the organizations put in place. Private organizations must therefore put in place correct measures and policies that can ensure that fraud and unethical procurement practices are reduced.

1.2. Regulated and Unregulated Procurement in Kenya

Just like majority of the countries in the world, public procurement is controlled by some form of legislation that regulate the way public procurement is conducted, whether at the local, regional, national or international level, or a combination of these. Public
procurement is bound to uphold certain values and Principles as stipulated in the Public Procurement and Asset Disposal Act, 2015 (Omai, 2018). To increase checks and balance in procurement practice in Kenya, the commencement of the Supplies Practitioners Management Act 2007 that raised KISM to a level of a National Body, and by legislation faced with the role of overseeing registration, regulation, training, promotion of standards and addressing the disciplinary matters in regard to procurement and supply chain management professionals in both public and private sector (APSEA, 2012).

The regulations in the Public Procurement Act provide the guidelines and procedures to be followed when procuring goods and service by public staff. Comparably the private organizations which are largely unregulated depend on the internal controls and the set-out policies (Mahmood, 2015). The private sector is still enjoying some degree of freedom, from legislation in comparison to public procurement. Although the procurement process in the private organizations is not based on legislative regulations, the internal controls and policy guidelines provide the desired checks and balance in the whole procurement process (Kechibi, 2012).

Kechibi (2012) noticed that, there have been cases where the members of the tendering committee in both private and public companies favor companies that are owned by either their friends or family members. Therefore, a conflict of interest can occur that shows differences in favored results to one and others that always shows in a competition for meaningful resources or benefits. Wambua (2015) points out that the high levels of conflict of interest is normally experience at zero-sum outcomes when an individual benefit are directly proportional to another’s losses.

In most cases as observed by Nyambariga (2016), there are fraudulent procurement acts in both private and public organization where in most instants there is a supplier involved.
According to (Mkalimoto, 2015), suppliers in both private and public organizations promote procurement fraud by conspiring with the procurement officers to defraud the organizations through different methods including kickbacks, gifts of other benefits in exchange for their assistance.

1.3 Research Problem

Fraudulent and unethical procurement practices continue to be experienced many public and private organizations respectively. The existence of legislative regulations in public procurement and lack of legal framework to regulate private procurement is an interesting case that can form basis for a comparative study to establish extent of the ethics and fraud in procurement processes among the two sectors. As much as there are differences in both private and public procurement, Karjalainen (2014) advised that all procurement transactions needs to conduct with impeccable standards to maintain the highest degree of trust.

Reports available indicate that there is an increase in cases of fraud and unethical procurement practices in public procurement with recent cases being that of Kimwaror Dam, NYS, and Kisumu New Lake basin Mall among others. However, very little has been reported on the same in the private sector. Thus, the question on extent of procurement fraud and unethical practices among private and public sectors arise. Agreeably, fraud and unethical behavior affects both organizations, where both sector organizations loose ability to achieve their operational, programmatic objectives and their general mandate. Additionally, organizations lose their credibility as a trusted, efficient and effective partner or organizations (UNDP, 2016).

A number of studies have been done to show common forms of fraud that happen in procurement, most researchers are not in agreement of specific stages that fraud is most
likely to happen in the procurement cycle. Gravier and Powley (2013) while evaluating the public versus private sector procurement ethics and strategy in the USA State Department, established that the occurrences of fraud are often experienced when picking the right supply and execution stages that includes the control and monitoring related issues of internal control.

Another study by Fourie (2015) assessed ethical and legislative framework in procurement in the South African, the study observed that due to complicated nature of public procurement, integrity, ethical standards, best value for money and the type of fraudulent practice negatively affects the ability of governments in attaining their developmental goals. The study only covered the public procurement and did not compare with the private sector procurement. Study by Ndudzo (2014) on the Probity in Procurement in the Private Sector in Zimbabwe indicated that procurement personnel are always help accountable for fraudulent practices and not adhering to the policies and procedures of the procurement system. Although the study findings relate to procurement in Kenya, the study was conducted in a different setting and therefore cannot used as the basis for generalization in Kenya.

Fraud and unethical practices continue to be a challenge for procurement in both public and private companies. Wambua (2015) evaluated challenges faced in the implementation of the Public Procurement Legislation in government departments at the Office of the Director of Public Prosecutions (ODPP). The study established that very little has been achieved in eradicating corruption in public procurement as fraudulent actions continue to be experienced. Omai (2018) while evaluating ways to eliminate graft in procurement in public sector in Kenya advised that it was necessary that procurement
is conducted in an ethical manner, without favors and integrity, with transparency and professionalism.

Another study by Nyambariga (2016) on corruption in the Public Procurement Process in Kenya, established that suppliers for both private and public companies fuel procurement fraud by paying kickbacks to the procurement officers in the selection and tendering committees to win favors in terms of tenders that involve millions of shillings. The three local studies only reflected on public procurement, but failed to highlight fraud and unethical practices in private organizations.

Most of the previous studies on public and private procurement, notably, much of the studies have only covered public procurement involving the public employees. However, there are no remarkable studies done to compare ethics and fraud in both public and private procurement in Kenya. It is therefore imperative to study ethics and fraud in both regulated and unregulated conditions.

A selection of organizations in both private and public organization present good comparative study that forms the basis for generalizations, the study findings will contribute in the identification of the ethics and fraudulent practices in both procurement environments. The study will therefore seek to establish what are the most common forms of unethical behavior and fraudulent practices in the procurement cycle in both regulated and unregulated procurement environment; what is the extent of unethical conduct and fraud in both regulated and unregulated procurement; and what strategies that should be recommended to reduce unethical and fraudulent practices in procurement in regulated and unregulated environments.
1.4 Objectives of the Study

To establish the extent of ethics and fraud in procurement among private and public organizations in Kenya. The study will seek to determine the following specific objectives;

i. To compare the extent of unethical conduct and fraud in both regulated and unregulated procurement; and

ii. To establish the most common forms of unethical behavior and fraudulent practices in the procurement cycle in both regulated and unregulated procurement environment;

iii. To identify and recommend strategies to reduce unethical and fraudulent practices in procurement in both private and public organizations.
1.5 Value of the study

Both public and private organization continues to lose funds due to non-existence of effective internal controls and poor procurement systems that are open to fraud. The previous studies on fraud have been on public procurement alone, there are no remarkable studies to compare ethics and fraud in both public and private procurement in Kenya. The study will be of value to the following stakeholders:

General Public: - This study will contribute to the knowledge and understanding of the extent ethical conduct and fraud in procurement in Kenya’s regulated and unregulated sectors. Therefore, the findings provided a good sectorial representation that forms the basis for generalizations.

Researchers: - The results will be beneficial in both theory and practice. In practice, it will enhance policy making and stakeholders in both sectors.

By establishing the extent of ethics and fraud among private and public organizations, the findings of the study will be major components in the designing and implementation of an effective procurement system in both public and private organizations in Kenya.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter contains the theoretical literature review, the empirical review and the summary of the empirical literature. It also indicates the study gaps from previous studies and highlights the contribution that this study will contribute to the pool of knowledge.

2.2. Theoretical Review

Theories are developed to explain, predict, and understand phenomena and, in most instances, to contradict and support the present reasonable understanding in the scope of important binding assumptions. The theoretical framework contains an architecture which is able uphold or support a theory of a research study (Creswell, 2009). The aim of highlighting theoretical perspective is to identify theories that support the research and basically highlight the meaningfulness of research, given that the findings of the results of research will present new knowledge and significance those theories.

2.2.1 Theory of Differential Association

Theory of Differential Association that is among the oldest theories was developed by Edwin Sutherland in the 1930’s. The Theory of Differential Association Sutherland (1949) posits that crime is learned as other areas of knowledge. According to Edwin criminal conduct happen with other persons as they communicate and therefore criminality is not likely to happen minus the assistance of other persons. Sutherland (1949) looked at criminal behavior as happening when one is able to access more to definitions favorable to going against the law than to definitions unfavorable to not adhering to the law; therefore, criminal behavior is as a result of conflicting values.
He theorized that the process of learning covered two areas: methods to do the criminal and the attitudes, drives, rationalizations and motives of the criminal mentality. The results established that organizations that are composed of untrustworthy staff will soon infect a portion of trustworthy employees and generally that trustworthy staff will eventually have an influence on some of those who are untrustworthy (Sutherland, 1949; Wells, 2005). This theory helps to highlight how dishonest procurement officers can infect a portion of honest ones in an organization through learning process, how definitions favorable to committing fraud than the opposite can contribute to fraud and the motivation behind commission of a fraud. Also, it helps identify how communication process can influence behavior.

2.2.2 Fraud Triangle theory

American criminologist Donald Cressey came up with a theory that was referred to as a Fraud Triangle which explains the factors which contribute fraud and other unethical behavior. When firms understand the Fraud Triangle, they are able better confront criminal characters that negatively influence the company’s operations. The three factors comprise of pressure, opportunity and rationalization. Pressure makes up the fraud triangle that is pressure a situation where many people need some type of a push to carry out criminal act (Mkalimoto, 2015). This pressure sometimes does not logical to outsiders, though it has to exist. Pressures can include financial challenges, gambling debts, alcohol or drug addiction, extremely high medical bills. Employees wanting to satisfy their extreme wants can also contribute to pressure, though normally it requires a relationship with injustice that as the staff feel that the firm have not paid the staff what they actually feel they are worth.
The second is an opportunity to commit the felony that in this instance is normally an impermanent situation that comes in cases that opportunities to commit the felony that does not have a possible opportunity to be caught. The third can be considered as rationalization that the mindset one that is almost to commit a fraudulent action. For this instance, case one manages to justify that they are about to do. On the other the hand, people think that the managers are just going take goods that are stolen, or that the managers require the funds compared to larger organizations which they are stealing from (Mandiyambira, 2012).

The theory helps to highlight the reason for fraud and can help to identify different stages in the procurement cycles that can present an opportunity for fraud, also acknowledge how pressure can influence procurement officer’s behavior and the deliberate motivation to commit fraud through rationalization. Nyambariga (2016) identifies the purchase order stage, delivery, and inspection as the most common stages for fraud to happen. Therefore, firms that strongly don not in place measures to cab fraud can often provide chances to employees that attain three components of the fraud triangle.

### 2.2.3 Theory of Ethics

The study will also consider the theory of ethics; the theory first developed by Socrates and was advanced by Scanlom that stated that the consequences of individuals’ actions are the ultimate grounds for any decision concerning the righteousness of such actions. Therefore, from a consequentialist view, a moral or immoral action is one that can generate a good result, or consequence. Lafollette (2016) pointed out that the attraction of this ethical perspective could not be real in the fact which it presents itself as way to overlook the influence of behavior and establish what is better for the many. The theory
is based on the principle that decisions included in unethical actions can be performed with focus on the consideration of the consequences (Deloitte, 2012).

Agreeably, ethics is an important factor for all procurement practitioners irrespective of sector whether regulated or unregulated. Ethics is necessary at all phases in procurement process; from vetting of suppliers and awarding of tender, delivery, expedition stage of the purchase order and inspection. The theory highlights the need for severe consequences when it comes to punishing unethical conducts that may happen at any stage in the procurement process. The more the consequences are severe the more unethical practices may be deterred by both the authorities of the public organizations and the management of private organizations

2.3. Ethics

Ethical procurement discourages breach companies trust by discouraging the staff in procurement from trying achieving personal gains through actions that are not associated with the effective operations of the staff’s responsibilities. Private and public companies always put in place processes geared to encourage process that do not favor any one and promotes fair competitions for their organizations, while reducing the exposure to fraud and collusion, (Morgan, 2006). Accordingly, Nyambariga (2016) identifies the purchase order stage, delivery, and inspection as the most common stages where ethics is necessary.

Whether procurement staffs are going to be unethical or not is guided by many factors of control mechanisms at every stage of the procurement process which include an effective control and audit system, a system that allows information sharing to make it possible for auditing, and effective ethics and anti-corruption approaches (PPOA, 2007). Namusonge (2007) envisaged that a public audit is referred as applicable when the process achieves
the articulated objective in bringing together effective governance and effective accountability in the management of public resources. It is further posited that proper regulatory system needs to be there so that transparency can be enhanced and non-discriminatory in the application of public resources.

Ngugi and Mugo (2011) pointed out that in terms of ethical practices in procurement, accountability of government buying staff is probably the basic way of ensuring integrity in procurement. This further stressed by the position that accountability of procurement staff not only important but is meant to deter concerned staff from unethical activities. Therefore, in order for unethical behavior to be controlled at all stages of procurement, they need for staff to be held accountable right away from the need identification all the way to payment.

2.4. Fraud

Whether in a public or private setting, procurement fraud is often almost the same, whereby a favor or certain benefits are presented in exchange for something. Ordinarily in procurement fraud scenario, the supplier or contractor is awarded contract above market prices; the procurement personnel are given the cash, material goods or other benefits in exchange for giving the contract. In the inspection stage, a vendor could provide many types of services to a company such as raw materials, manufacturing of goods, transportation, logistics, independent sales and distribution of products, warehousing, consulting or other services that are substandard and are still passed as procurement staff collude with the vendor (Nyaguthii & Oyugi, 2013).

Most procurement frauds have many of the same mode of operations, and are normally revealed by anonymous complaints presented by sellers and procurement staff that are not happy. Normally procurement fraud will include, top leaders or procurement staff
that possess personal relations to the seller; bids are interfered with by using untrustworthy sellers; sellers costs or fees are very raised and may range from 40 to 100 percent over the stipulated prices market prices; top organization leadership or buying staff are inactive partners of suppliers; and money of bribes or kickbacks considered on average to be 15 to 25 percent of each awarded contract (Joshi, 2011).

Additionally, Narasimhan (2012) observed that most kickbacks consist of a 15 to 20 percent cash payment of the awarded contract, but kickbacks present themselves in many other forms. It may also include extending other personal favors to the buyer in order to be selected. Although most stages of procurement process are vulnerable to fraud, Koufteros and Umphress (2013) stresses on the importance of identifying the commonly manipulated stages.

2.4 Empirical studies

Firms that have adapted supplier focused procurement in emerging economies is increasing and thus, the possible chances for procurement related fraud and corruption comparably in public organization are expected to increase in number. Mahmood (2015) pointed out that fraud involves the wishes to lie by giving wrong representation of a matter of fact, whether by word or by conduct, or by hiding of information, that needs to have been made open so that to cause an entity depend or take action upon that misleading or wrong information and optimally bringing damages to the entity depending on that wrong information. With procurement fraud or fraudulent procurement, the misrepresentation of truth often occurs at every stage within the procurement cycle or process (Kalubanga and Kakwezi, 2013).
2.4.1 Fraud and ethical practices in public sector (regulated)

Procurement in public sectors is highly regulated and is governed by laws and regulations. While there are many causes of fraud in public procurement, supplier factors continue to be high on the list. Neupane and Yong (2012) noticed that in both private and public organizations, suppliers are working with internal staff to manipulate procurement processes at various stages. Hawkins, Gravier and Powley (2013) while evaluating the public versus private sector procurement ethics and strategy in the USA State Department interviewed 20 procurement and finance executive from public and private. The study observed that fraudulent practices mostly happen at the time of supplier selection and at the stage of contract administration and comprise of the control activities, monitoring and control settings of internal control.

Rendon and Rendon (2016) also advised that while public organizations are enabling the evaluation of procurement process as a way of enhancing agency governance, the fight against unethical and fraudulent practices in procurement must also be extended to the private organizations and advised that effective buying procedures and internal controls needs to adopted for fighting procurement fraud.

A survey of the perception of the two main stakeholders in procurement system; the contractors and the procurement officers on issues such as accountability, transparency, corruption, integrity and cronyism concerning to the public procurement system in Malaysia established that leading concern made by the vendors was more of the outside influence and cronyism, that influences who the contract is given to (Hui, Othman, and Omar, 2015). As procurement fraud continue to experience in both public and private companies, Ndudzo (2014) the procurement personnel are often blamed for malpractice and not adhering to the policies and procedures of the procurement system.
Noticeably, the function of procurement of goods and services in major private and public organization in Africa just like in the other parts of the world is susceptible to corruption given high values of contracts. Fourie (2015) evaluated procurement in the South African public service, shows the ethical and legislative framework public procurement in South Africa. Through structured questionnaire collected data from 9 public organizations. The study observed that organization operate in a difficult environment where government organization integrity, ethical standards, appropriate value for resources and the style of corruption may negatively affect the ability of nations to attain their developmental goals. At the heart of malpractices in both private and public procurement, there lies the influence of corrupt suppliers and outside interference. Win (2018) noted that ethics is more cabbing of corruption, fraud and misconduct is what as societies expect both public employees and the private sector to promote high level of accountability.

On the other hand, Ghana like many other African countries continue to experience challenges in its procurement process with the process being marred with malpractices that hinder the effective procurement process. Delali (2014) evaluated the ethical considerations in procurement management and its effects on public procurement, Greater Accra Region in Accra Metropolis observed that there are problems with public procurement with many pointing out to the negative activities that are practiced in the Public Procurement systems and involve the members of the private sector. Such activities have put the country’s Public Sector in a mixed position in the view of the Ghanaian individual.

In Uganda, Kalubanga Kakwezi and Kaviise (2013) on the effects of fraudulent procurement practices on public procurement performance, through a desk review observed that as number of firms in emerging economies using supplier-based
procurement processes grows, chances for fraud and corruption in both public procurement and private environment will grow in same way. As procurement continue to be open to more risk, procurement fraud or unethical practices that include the misrepresentation and manipulation happen at every stage within the procurement cycle or process. Many exist on issue of fraud and corruption in totality but researches linking fraudulent and corrupt practices to private companies are scanty (Ntayi et al, 2012).

Locally, Omai (2018) on how to eliminate graft in procurement in Kenya, pointed out that public procurement organization in Kenya needs to embrace code of ethics that expects the staff to adhere to certain anti-fraud guidelines. While there are still many cases of fraud in public procurement, ethical buying does not support the breach of the public’s trust by ensuring that public officers from trying in achieving personal gain through actions that are not according to the way the staff are expected to perform their responsibilities.

Corruption continues to be a tall order for private sector development in Kenya. African Development Bank (2015) report on the State of Kenya’s Private Sector Recommendations for Government, Development Partners and the Private Sector pointed out that corrupt behavior from both private and public representatives especially in public procurement, licensing and land administration escalates the cost of doing business, promotes undue competition, favors big firms at the advantage of smaller business, and delays private sector investment.
2.4.2 Fraud and ethical practices in private sector (unregulated)

Globally, private organization just like the government organizations continue to experience growing pressure to minimize costs by addressing loopholes in the buying process and improving financial operational performance. Additional legal requirements, globalization, growth in the number of deals and complexity for most organizations have contributed to heightened knowledge of the significance and gains of the proper procurement and contracting procedures even for private companies (Arlbon and Freytag, 2012).

As private companies also struggle with the procurement process, Hawkins, Gravier and Powley (2013) noticed that effective procurement is more focused on enhancing structural improvements within procurement function, making it a source of value, innovation and competitive advantage. Mandiyambira (2012) on managing supplier relationships to improve public procurement performance stated that controlling fraud in private companies in the USA, the study established that organization are striving to attain a moderated business performance through better spending and category management, operational efficiency benefits and enhanced compliance.

In a volatile economic environment, Bemelmans and Voordijk (2015) carried a study in the steps to financial improvement and cost reduction in Malaysia. The study pointed out that companies continue to cut costs through effective procurement that ensures that loss of money is reduced through the procurement process. Procurement is one of the crucial departments in most organizations. The role of the procurement function in both public and private firms has grown over the past decade to become highly significant to the business. Kalubanga and Kakwezi (2013) conducted a study through a descriptive study compare procurement process in both private and public organization.
The study established that public and private sector’s procurement process differed in several respects with public procurement being more regulated compared to the private sector procurement. The study also advised that there is need for more controls in the public sector to ensure that the more checks and balances are put in place.

Mkalimoto (2015) evaluate the factors affecting efficiency of Tanzania’s Procurement System. The findings of the study indicated that although private and public organizations have some procurement resemblances, the disparities are always visible. Also is the study by Majaliwa (2013) on the factors affecting the effectiveness of public private partnership (PPP) in land allocation project in Mvomero. The study pointed out that procurement practices that are free and fair in larger private companies, timely payment to suppliers, service providers and contractors and fair competition among the bidders, will encourage and see more small private firms taking part in the procurement opportunities offered by larger private and public entities.

In Kenya, while there is a lot of legislation governing the public procurement, private sector rely on the guidelines by Kenya institute supplies management. Many organizations in the private sector have only relied on internal control and organization policy guiding procurement practices. Nyambariga (2016) in a descriptive study noticed that one of the most common procurement practices in both regulated and unregulated environment is the supplier’s collusion where most procurement personnel influence the staff in procurement department’s decision in the selection process with promises of kickbacks.
### 2.5 Summary of Empirical Literature

The table below provides a summary of empirical review for the study;

**Table 2.1 summary of empirical literature**

<table>
<thead>
<tr>
<th>Author</th>
<th>Study</th>
<th>Objective</th>
<th>Methodology</th>
<th>Findings</th>
<th>Limitations</th>
<th>Study Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gravier and Powley (2013)</td>
<td>Public versus private sector procurement ethics and strategy in the USA State Department</td>
<td>The study sought to compare procurement ethics and strategy in the USA State Department and private organizations</td>
<td>Interview study</td>
<td>Fraudulent practices mostly happen at the time of supplier selection and at the stage of contract administration and comprise of the control activities, monitoring and control environment aspects of internal control.</td>
<td>The study only covered organization in the United State</td>
<td>The study only covered organization in the United State and therefore cannot be generalized in Kenya</td>
</tr>
<tr>
<td>Fourie (2015)</td>
<td>A reflection of the ethical and legislative framework public procurement in South Africa</td>
<td>The study sought to reflect the ethical and legislative framework public procurement in South Africa</td>
<td>Structured questionnaire</td>
<td>Organizations are in a difficult environment that public procurement integrity, ethical standards; best value for money and form of corruption negatively influences the ability of nations to attain their developmental plans.</td>
<td>The study only covered public organizations</td>
<td>The study did not compare procurement public and private companies</td>
</tr>
<tr>
<td>Delali (2014)</td>
<td>Ethical considerations in procurement management and its effects on public procurement, Greater Accra Region in Accra, Metropolis</td>
<td>The study sought to establish the effects of ethical consideration in public procurement</td>
<td>Structure Interviews</td>
<td>There have been difficulties seen in the public procurement with many pointing out to the negative activities that are practiced in the Public Procurement systems and involve the members of the private sector</td>
<td>The study public organization s in Ghana</td>
<td>The study only focused on ethical consideration and not fraud.</td>
</tr>
<tr>
<td>Kalubanga Kakwezi and Kaviise (2013)</td>
<td>Effects of fraudulent procurement practices on public procurement performance</td>
<td>Establish the effects of fraudulent procurement practices on public procurement performance</td>
<td>Desk review</td>
<td>With an increasing number of organizations in emerging economies using supplier-based procurement processes, chances for fraud and corruption in both public procurement</td>
<td>The study did not use primary data</td>
<td>The study location cannot be generalized to Kenya situation</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Title</td>
<td>Methodology</td>
<td>Findings</td>
<td>Scope of the study</td>
<td>Notes</td>
<td></td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>-------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------------------</td>
<td>----------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Omai (2018)</td>
<td>How to eliminate graft in procurement in Kenya</td>
<td>Desk Review</td>
<td>Ethical buying does not support the breach of the public's trust by ensuring that public procurement staffs from attempting to realize personal gain through actions that are not according to the way the staff are expected to perform their responsibilities.</td>
<td>The study did not use primary data</td>
<td>The scope of the study did not cover both procurements in both regulated and unregulated organizations</td>
<td></td>
</tr>
<tr>
<td>Unregulated (private)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mandiya mbira (2012)</td>
<td>Managing supplier relationships to improve public procurement performance stated that controlling fraud in private companies in the USA</td>
<td>Descriptive method</td>
<td>Organization are striving to attain a balanced business performance through better spending and category management, operational efficiency benefits and improved compliance</td>
<td>The study did not cover Kenya organizations on that are faced with different fraud and ethical challenges in procurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bemelmans and Voordijk (2015)</td>
<td>The steps to financial improvement and cost reduction in Malaysia</td>
<td>Desk Review</td>
<td>Companies continue to cut costs through effective procurement that ensures that loss of money is reduced through the procurement process</td>
<td>The study was done in the USA and cannot be generalized in Kenya</td>
<td>The scope of the study did not cover both procurements in both regulated and unregulated organizations</td>
<td></td>
</tr>
<tr>
<td>Kalubanga and Kakwezi (2013)</td>
<td>A comparison procurement process in both private and public organization; Ghana</td>
<td>Descriptive study</td>
<td>Public and private sector's procurement process differed in several respects with public procurement being more regulated compared to the private sector procurement.</td>
<td>The study location is different and therefore cannot form the basis for generalization</td>
<td>The study did not cover Kenyan organizations</td>
<td></td>
</tr>
<tr>
<td>Mkalkerito (2015)</td>
<td>Factors affecting efficiency of</td>
<td>Descriptive study</td>
<td>Although private and public organizations have some procurement</td>
<td>The study location is different and therefore</td>
<td>The study covered the factors affecting</td>
<td></td>
</tr>
<tr>
<td>Author</td>
<td>Title</td>
<td>Methodology</td>
<td>Description</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Majaliwa (2013)</td>
<td>Tanzania’s Procurement System. The descriptive study in Iringa Region</td>
<td>Tanzania’s Procurement System.</td>
<td>Similarities, the differences often stand out. Cannot form the basis for generalization of Tanzania’s Procurement System.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nyambariga (2016)</td>
<td>Factors affecting the effectiveness of public private partnership (PPP) in land allocation project in Mvomero District</td>
<td>Establish factors affecting the effectiveness of public private partnership (PPP)</td>
<td>Interview. Fair procurement process in larger private companies, on time payment to suppliers, service providers and contractors and fair competition among the bidders, will encourage and see more small private firms taking part in the procurement opportunities offered by larger private and public entities. The scope of the study was limited to factors affecting the effectiveness of public private partnership and did not compare procurement practices in both public and private organizations and therefore the findings are not representative.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Corruptioin in the Public Procurement Process in Kenya: Case Study of the Ministry of Devolution and Planning.</td>
<td>Establish Public Procurement Process in Kenya: Case Study of the Ministry of Devolution and Planning.</td>
<td>Descriptive study. One of the most common procurement practices in both public and private companies is the supplier’s collusion where most procurement personnel influence the staff in procurement department’s decision in the selection process with promises of kickbacks. The study only covered one public institution and may not represent procurement activities in other public organization. The study did not compare procurement practices in both public and private organizations and therefore the findings are not representative.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodologies that were employed in the study. It describes the research design, the population, sampling frame, sampling technique, data collection instruments and methods, reliability and validity. Data collection technique, analyses methods and presentation.

3.2 Research Design

The study adopted a descriptive, comparative research design to establish a qualitative comparison of the prevalence of the unethical and fraudulent practices in procurement, among private and public organizations in Kenya. According to (Kothari, 2004), descriptive study research design helps the researcher to have factual and minimized biased judgments and opinions. It is restricted to fact- finding and may result in the formulation of important principles of knowledge and situations to significant problems (cooper &Schindler, 2006).

3.3 Target Population

According to Denscombe (1998), study population is defined as the total collections for elements about which we want to make some inferences. The study population was drawn from 85 organizations among private and public sector within Nairobi. The population included members of procurement staff from since the researcher perceived the respondents as the most knowledgeable on the procurement operations and well placed to explain the intensity of unethical and fraudulent practices in procurement because they deal with procurement issues on a day to day basis. The target population were all the targeted 85 respondents from (23) Parastatals (public organizations) and (62) private companies in Kenya.
3.4 Sampling  
A population sampling approach was used to collect data from the respondent. The study used stratified random sampling method to determine the sample size in different strataums in the private and public organizations. The sample in the study was the procurement staff members. i.e. Head of procurement, Assistant Head of Procurement, and Procurement Officers who were identified as the respondents. The study information was sought from every member of the defined population and study sample was determined using Yamane (1967) simplified formula which is supported by Coopers (2006) for sample proportion;

\[ n = \frac{N}{1+N(.05)^2} \]

N= (All the companies listed in the Nairobi Stock Exchange and parastatals based in Nairobi.) Therefore; 85/1+85(0.0025) =70.1

Population Sample = 70 Companies

Table 3.1 shows the population that was targeted by the researcher and the sample size determined for study.

<table>
<thead>
<tr>
<th>Category of the Respondents</th>
<th>Private Organization</th>
<th>Public Organizations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study Population</td>
<td>62</td>
<td>23</td>
<td>85</td>
</tr>
<tr>
<td>Population Representation %</td>
<td>72.9%</td>
<td>27.1%</td>
<td>100%</td>
</tr>
<tr>
<td>Sample size</td>
<td>62/1+85(0.0025)</td>
<td>23/1+85(0.0025)</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>= 51</td>
<td>= 19</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author (2019)
3.5 Data Collection

The researcher initiated preliminary contact with the respondents via telephone calls with the identified organization contacts to introduce the research topic, determine if participation in the study was a possibility. The researcher-maintained anonymity of the participants throughout the study. In a follow-up phone conversation 48 of the respondents from the private organizations and 16 from the public indicated interest in participating in the study and dates for the interview agreed upon. Thereafter, the researcher visited each respondent on the agreed dates with a questionnaire for the interview attached with a letter from the University of Nairobi authorizing the research to collect data for the study and a letter introducing the researcher to the respondents. Collection of data was be done by the researcher with some help from research assistants.

The study collected data through an interview guide questionnaire that included a one on one in-depth interview that targeted respondents from each of the organizations sampled for the study. The instrument was divided into three sections; Section one dealt with work patterns information of the respondents, Section two and three addressed the extent, content and intensity of unethical conduct and fraud in the respective organization sectors. The main data collected in by study was primary and qualitative.
3.5.1 Pilot Study

According to (Mugenda, 2003), pilot test is necessary for the validity of a study. The researcher carried out a Pilot study on the subset of sample population to establish the validity and reliability of the interview questionnaire. The pilot test conducted constituted of respondents from the sampled strata and it included 1: Public Organizations and 3: Private Organizations. The results of the pilot test undertaken indicated majority of the respondent’s views from both sectors of the organizations validated the instrument for data collection. However, a few suggested some amendments to some of the questions. Therefore, the researcher corrected the questions and proceeded to collect data for the study using amended interview guide questionnaire.

3.5.2 Validity

The validation of the study was done through analysis of the collected data to evaluate the accuracy of the research tools used. Langley (2014) cites several statistical tests and measures that can be used to measure the validity of research tools which generally involves pilot testing. Kerlinger (2006) argues that validity of research tools is shown when that tool achieves its intended designed purpose. This study instruments were availed to research evaluation panel and supervisor to confirm validity of questions set for data collection.
3.5.3 Reliability

The reliability of data collection tool was determined through the pilot study. It is important to note the challenges that are likely to be faced by the respondents in pilot study and the kind of information they wish to provide. Where the information was relevant and no questions are left because it is ambiguous then the instruments and the research design was considered to be reliable. Responses from the pilot study were evaluated and expert review sought to ensure that the tools would yield the same results again and again.

3.6 Data analysis, interpretation and presentation

The primary qualitative data was collected from willing respondents through interviews was coded, sorted, edited and cleaned. The researcher used content analysis method to analyze the collected data from the respondent. This is a technique that helps to make replicable and valid inferences by interpreting and coding textual material and whereby systematically evaluating texts that include documents, oral communication, and graphics. This method allowed the researcher to converted qualitative data into quantitative data.

The method also made it possible for the study to include huge amounts of textual information and systematically to establish their properties, for example frequencies of most used keywords by locating the more important structures of its communication content. Thematic contextual analysis was also used to draw conclusion on the extent of procurement fraud and unethical behavior in both unregulated and regulated settings under investigation. Data was presented in frequency tables and radar charts.
CHAPTER FOUR: DATA ANALYSIS, DISCUSSIONS AND FINDINGS

4.1: Introduction

This chapter presents results of data analysis, discussions and corresponding findings from the respondent’s views obtained through interviews by the researcher on the sampled population of the study. The chapter is broken down into three sections, it sets off by presenting the response rate and the general information of the study. The preceding section presents discussions and clear interpretation of how the respondent’s views on various aspects of fraud and ethics as outlined in the interview guide were coded, content established on the issues considered in order to show the extent of prevalence of each vice within the two different procurement environment settings. The final section is a synthesis of the foregoing sections and presents summary of data analysis and findings of the study.

4.2. Presentation of Findings

The study compared the extent of ethics and fraud among private and public organizations in Kenya with an intention of establishing the procurement environment (the regulated and unregulated) with the highest prevalence level of fraud and unethical conduct. The study also sought to establish the most common forms of unethical behavior and fraudulent practices in the procurement cycle and finally identify the strategies that can be employed by organizations in both settings to reduce fraudulent practices and enhance ethics in procurement in both private and public organizations. From the findings, the study provides recommendations based in each phase of procurement on how to minimize fraud and enhance ethical behavior in the organizations.
4.2.1 Response Rate

The study targeted the respondents sampled for the study within Nairobi City County which included parastatals and the listed private companies in the Nairobi stock exchange. All sampled respondents excluding those who participated in the pilot study from the two sectors within Nairobi were requested to participate in the study and the results were as illustrated on table 4.1 below;

<table>
<thead>
<tr>
<th>Sector</th>
<th>Private Organizations</th>
<th>Public Organizations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sampled</td>
<td>51</td>
<td>19</td>
<td>70</td>
</tr>
<tr>
<td>Responded</td>
<td>48</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>Non-responsive</td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Response Rate</td>
<td>94.1%</td>
<td>84.2%</td>
<td>91.4%</td>
</tr>
</tbody>
</table>

Source: primary data (2019)

From table 4.1 the expected response from the private sector was (40) respondents. However, (48) representing 94.1% of the total respondents participated in the study while (3) representing 5.9% declined to participate in the study. On the other hand, respondents from the public sector response was (16) representing 84.2% of the total sampled while (3) representing 15.8% declined to participate in the study. Although fraud is a sensitive the participation in this study was very encouraging, this was attributed to the researcher’s ability to follow up with respondents. Each sector achieved a response rate of at above 60% indicating a good response rate according to (Dunn 2001).
4.2.2 General Information

The study sought to establish the work patterns and experience of the respondents who participated in the study and the findings were presented in the table 4.2 below;

<table>
<thead>
<tr>
<th>Code</th>
<th>General Information</th>
<th>Public (%)</th>
<th>Private (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Organizations participated</td>
<td>20.0</td>
<td>80.0</td>
</tr>
<tr>
<td>2</td>
<td>Duration that the respondents had worked for the organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Below 2 years</td>
<td>12.5</td>
<td>10.41</td>
</tr>
<tr>
<td></td>
<td>2 to 5 Years</td>
<td>25.0</td>
<td>27.1</td>
</tr>
<tr>
<td></td>
<td>6 to 10 Years</td>
<td>43.75</td>
<td>41.7</td>
</tr>
<tr>
<td></td>
<td>Over 10 Years</td>
<td>18.75</td>
<td>20.79</td>
</tr>
<tr>
<td>3</td>
<td>Designation of the respondents</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Head of procurement</td>
<td>12.5</td>
<td>12.5</td>
</tr>
<tr>
<td></td>
<td>Assistant Head of Procurement</td>
<td>25.0</td>
<td>22.9</td>
</tr>
<tr>
<td></td>
<td>Procurement Officers</td>
<td>62.5</td>
<td>64.6</td>
</tr>
</tbody>
</table>

Source: Primary Data (2019)

From table 4.2 the results on the duration the respondents had worked for the organization, the table indicates that among the respondents from the public organizations, 12.5 % of them had worked for less than 2 years, 25.0% of the respondents also had worked for between 2 to 5 years, and 43.75% had worked for between 6 to 10 years. Further, on the public organization, the results indicate that 18.75% had worked for over 10 years.

On the same the table also show that among the respondents from the private organizations, 10.41% had worked for the organizations for less than 2 years, 27.1% between 2 to 5 years, 41.7% for between 6 to 10 years and 20.79% had worked for the organization for over 10 years. The findings of the study indicated that majority of the respondents had work for both private and public organizations for between 2 to 10 years.
The study further established that majority of the respondents who participated in the study were procurement Officers where 62.5% of respondents were from both public Organization and 64.6% from private organizations followed by assistant head of procurement officer’s category where 25.0% of those respondents were from public organization and 22.9% from private organizations. However, the findings in this section did not include the names of organizations due to confidentiality as was requested by the respondents.

4.2.3 Procurement Fraud

The study sought compare the prevalence levels among the private and public organizations based in Nairobi, Kenya. The findings of analysis of respondent’s views on statements of perceived fraudulent cases in the organizations, the interpretations and the implications were presented in the discussion according to phases of procurement in both procurement environments. i.e (regulated and unregulated).

4.2.3.1 Pre-solicitation Phase

The respondents were asked to give their opinions and suggestions on the perceived fraudulent cases in this phase of procurement in their organizations, the findings were as presented in tables 4.3 and the levels illustrated using chart as below;

<table>
<thead>
<tr>
<th>Code</th>
<th>Statement of Perceived Fraud</th>
<th>Regulated (%)</th>
<th>Unregulated (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Prevalence of cases experienced by organization of invented requirements.</td>
<td>62.5</td>
<td>25.0</td>
</tr>
<tr>
<td>2</td>
<td>Frequency of tailored specifications to favor specific suppliers.</td>
<td>43.75</td>
<td>18.75</td>
</tr>
<tr>
<td>3</td>
<td>Prevalence of cases of skewed communication or clarifications on specifications to bidders.</td>
<td>56.25</td>
<td>75.0</td>
</tr>
<tr>
<td>4</td>
<td>Cases of unnecessary bid splitting to benefit some suppliers.</td>
<td>68.75</td>
<td>22.9</td>
</tr>
<tr>
<td>5</td>
<td>Cases of staff receiving gifts to influence procurement outcome.</td>
<td>75.0</td>
<td>64.6</td>
</tr>
</tbody>
</table>
Table 4.3 indicates that the regulated organizations experience more cases of invented requirements indicating 62.5% prevalence as compared to 25.0% in the private organizations (unregulated). The results also indicate that majority of the respondents from public organization 43.75% felt that specifications were tailored to favor a specific supplier as compared to 18.75% in private organizations. Further, the table shows private organizations with highest prevalence level (75.0%) of skewed communication and public organizations having 56.25% prevalence level.

The above table also indicate that prevalence of bids splits in the public organizations at 68.75% compared to 22.9% in the private organizations. A comparably close prevalence rate of 75.0% in the public sector and 64.6% in the private organizations show that officers in both sectors accept gifts that influence bid outcome. Also, from the analysis, results show that 56.25% of the officers from public organizations are treated with expensive tours and lunches by suppliers. However, this is most prevalent in the private organizations with 70.8% rate. When the researcher illustrated the analysis results through the chart, the findings were as indicated in the figure 4.1 in the preceding page;

<table>
<thead>
<tr>
<th>6</th>
<th>Prevalence of case officers being treated with expensive tours and lunches by suppliers</th>
<th>56.25</th>
<th>70.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>N=6</td>
<td>Mean</td>
<td>60.4</td>
<td>46.2</td>
</tr>
</tbody>
</table>

Source: Primary data (2019)
From figure 4.1 above, we can see that private organizations experience the most cases of skewed communication or clarifications on specifications and entertainment in order to favor specific suppliers than the public organizations. However, the public organizations have the highest prevalence of fraud cases in this procurement phase.

Overall, the study at this phase indicated that the public organizations had the highest prevalence in fraudulent practices scoring an average mean of (60.4) against the private organizations who had (46.2). Nevertheless, the study found that private organizations experience the most cases of skewed communication or clarifications on specifications and entertainment in order to favor specific suppliers than the public organizations at the pre-solicitation phase of procurement. These findings implied that there was a significant difference of prevalence of fraud cases between the two procurement environments. The findings supported those of mkalimotó (2015) who stated that although private and public have some procurement similarities, the difference often stand out.
4.2.3.2 Solicitation Phase

The respondents were asked to give their opinions and suggestions on the perceived fraudulent cases in the solicitation phase of procurement in their organizations, the findings were as presented in tables 4.4 and the levels illustrated in figure 4.2 below;

**Table 4.4 Solicitation Phase**

<table>
<thead>
<tr>
<th>Code</th>
<th>Statement of Perceived Fraud</th>
<th>Regulated (%)</th>
<th>Unregulated (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Prevalence of bid information leak cases to the suppliers.</td>
<td>81.25</td>
<td>85.4</td>
</tr>
<tr>
<td>2</td>
<td>Cases of cost of goods and services are inflated</td>
<td>62.5</td>
<td>25.0</td>
</tr>
<tr>
<td>3</td>
<td>Cases of user departments allowing inventory to dwindle so that emergency orders are made.</td>
<td>75.0</td>
<td>54.2</td>
</tr>
<tr>
<td>4</td>
<td>Cases of collusion between procurement officers and suppliers.</td>
<td>68.75</td>
<td>43.75</td>
</tr>
<tr>
<td>5</td>
<td>Prevalence rate of Suppliers manipulating prices of goods and services.</td>
<td>75.0</td>
<td>64.6</td>
</tr>
<tr>
<td>N=5</td>
<td>Mean</td>
<td>72.5</td>
<td>54.59</td>
</tr>
</tbody>
</table>

**Source: Primary data (2019)**

From table 4.4 above, the results of the analysis indicate that cases of bid information being leaked to the suppliers are most prevalent in unregulated sector (85.4%) compared to the regulated (81.25%). However, there is difference is not significant. The table also indicate 62.5% of the respondents in public organization felt that cases of cost inflation being more prevalent compared to 25.0% of the respondents in the private organizations.

Further, the table shows that respondents in the public organization felt that there are more cases emergency orders with 75.0% rate of occurrence than the respondents in the private organizations (54.2%). Also, from the table we can see that 68.75% of the respondents in the public organizations felt that officers collude with suppliers as compared to 43.75 % of the respondents in in private organizations. Finally, the table
indicates that 75.0% of the respondents from the public organizations felt that suppliers manipulate prices in their favor more than (64.6%) from the private organizations. Figure 4.2 below presents a more detailed illustration of fraud prevalence in Solicitation Phase.

**Figure 4.2 fraud prevalence level**

![Solicitation Phase](image)

*Source: Author (2019)*

**Key:**
- 0 = least Prevalence rate;
- 80 = Most Prevalence rate

From the figure 4.2 above, we can see that private organizations experience the most cases of bid information leak to suppliers than the public organizations. However, the public organizations have the highest prevalence of fraud cases in this procurement phase.

The findings of the study at this phase indicated that the public organizations had the highest prevalence rate in fraudulent practices scoring an average mean of (72.5) against the private organizations which scored (54.5). The findings also illustrated a high significant difference of prevalence rate of fraud cases between the two procurement environment settings of 17.9 mean score compared to the previous phase. However, it was noticeable that the private organizations experienced the most cases of bid
information leak to suppliers than the public at the solicitation phase of procurement. This implies that there is need to tighten the governance controls in the public organizations in order to seal the loopholes.

4.2.3.3 Bid evaluation and award phase

The respondents were asked to give their opinions and suggestions on the perceived fraudulent cases in the evaluation and award phase of procurement in their organizations, the findings were presented in tables 4.5 and the levels illustrated in figure 4.3 below;

<table>
<thead>
<tr>
<th>Code</th>
<th>Statement of Perceived Fraud</th>
<th>Regulated (%)</th>
<th>Unregulated (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Prevalence of cases of bid manipulation</td>
<td>56.25</td>
<td>14.6</td>
</tr>
<tr>
<td>2</td>
<td>Cases of misuse specialist knowledge to mislead the evaluation team in accepting bids from specific bidders</td>
<td>68.75</td>
<td>27.1</td>
</tr>
<tr>
<td>3</td>
<td>Cases of amending evaluation criteria to favor a particular supplier.</td>
<td>25.0</td>
<td>39.6</td>
</tr>
<tr>
<td>4</td>
<td>Prevalence favors to certain suppliers by procurement officers.</td>
<td>68.75</td>
<td>35.4</td>
</tr>
<tr>
<td>5</td>
<td>Cases of bribery to influence tender awards.</td>
<td>62.5</td>
<td>43.75</td>
</tr>
<tr>
<td>N=5</td>
<td>Mean</td>
<td>56.25</td>
<td>32.09</td>
</tr>
</tbody>
</table>

Source: Primary data (2019)

From table 4.5 above, the results of the analysis indicate that cases of bid manipulation in public organization were more (56.25%) compared to (14.6%) in the private organizations. The study shown in table also indicated that staff misuse their specialist knowledge to mislead other members of the evaluation team in accepting bids from specific bidders in public organization most (68.75%) compared to (27.1%) in private organization.

Also, the table indicates that 39.6% of respondents in the private organization felt that evaluation criteria is amended most after receiving the bids compared to 25.0% in the
public organization. We can from the table that 68.75% respondents from the public organizations felt that officers favor certain suppliers mostly compared to 31.25% from private organizations. The prevalence of bribery cases was indicated with the public organizations having 62.5% rate higher compared to 43.75% in private organizations. The tables finally show a significantly higher difference of 24.16 mean in prevalence of fraud cases between the public organizations 56.25 and the private organizations 32.09 at this phase of the procurement cycle.

**Figure 4.3 fraud prevalence level**

![Bid evaluation and award phase](chart)

*Source: Author (2019)*

**Key:**
0 = least Prevalence rate;
80 = Most Prevalence rate

From the figure 4.2 above, we can see that prevalence of all perceived fraudulent cases in this phase of procurement is most experienced in the public organizations than in the private organizations.

The findings of the study indicate that there were more cases of bid manipulation in public organization where the procurement process is regulated compared to private organizations where unregulated procurement is practiced. The study also indicated that during the bid evaluation and award phase, the staffs in public organization misuse their
specialist knowledge to mislead other members of the evaluation team in accepting bids from specific bidders more than in private organization.

There more cases of the criteria being amended after receipt of offers to favor a particular supplier in the private organization than in public organizations. There are more favoritism cases for specific bidders in public organizations compared to private organizations. On the other hand, bidders are most likely to be asked for bribes in order for tenders to be awarded in public organizations compared to private organizations. The above responses indicate a mean of 56.25 for public organizations and a mean of 32.09 indicating the high prevalence of fraud in public organizations compared to private organizations at this phase of the procurement cycle.

The findings of the study concur with Gravier and Powley (2013) findings that established that fraudulent practices mostly happen at the time of supplier selection and at the stage of contract administration and comprise of the control activities. The finding implies the existence of pressure from both the management and suppliers in this stage in public sector as argued by Donald Cressey in his theory of fraud triangle.

### 4.2.3.4 Post-Award and Administration Phase

The respondents were asked to give their opinions and suggestions on the perceived fraudulent cases in the post-award and administration phase of procurement in their organizations, the findings were presented in tables 4.6 and the levels illustrated in figure 4.3 below;

#### Table 4.6 Post-Award and Administration Phase

<table>
<thead>
<tr>
<th>Code</th>
<th>Statement of Perceived Fraud</th>
<th>Regulated (%)</th>
<th>Unregulated (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cases of goods or services that are of sub quality being accepted.</td>
<td>81.25</td>
<td>85.4</td>
</tr>
<tr>
<td></td>
<td>Prevalence of cases of orders change to fit deliveries made by certain suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>-----------------------------------------------------------------------------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>43.75</td>
<td>89.59</td>
</tr>
<tr>
<td>3</td>
<td>Cases of cost mischarge on certain goods and services delivered</td>
<td>62.5</td>
<td>14.6</td>
</tr>
<tr>
<td>4</td>
<td>Prevalence of cases variations misuse.</td>
<td>25.0</td>
<td>8.3</td>
</tr>
<tr>
<td>5</td>
<td>Bribery cases in order to facilitate payments for suppliers.</td>
<td>75.0</td>
<td>87.5</td>
</tr>
<tr>
<td>6</td>
<td>Cases of allowing for late delivery</td>
<td>62.5</td>
<td>81.25</td>
</tr>
<tr>
<td>N=7</td>
<td>Mean</td>
<td>58.33</td>
<td>61.1</td>
</tr>
</tbody>
</table>

**Source:** Primary data (2019)

From table 4.6 above, the results of the analysis indicate that cases of goods or services that are of sub quality being accepted in private organizations are more 85.4% compared to 81.25% of respondents in public organizations. Also, in private organizations, the table shows a much higher prevalence in the cases of orders change to fit deliveries made by certain suppliers by 89.59% compared to 43.75% in public organizations. The table indicates that cases of variations misuse are more in the regulated sector 25.0% compared to 8.3% of the respondents from the unregulated sector.

From the analysis table, it is also indicated that 75.0% respondents from the public organization felt that asking for bribes to facilitate payments is common as compared to 87.5% from private organizations. Also, the table indicates that 62.5% of the respondents from the public organization allow for late delivery compared to 81.25% of the private organization. The figure below to illustrate the prevalence levels among the procurement environments.
Figure 4.4 fraud prevalence level

The findings indicated that in post-award and administration phase, goods or services that do not conform to the specifications provided are accepted by public organizations more as compared to private organizations. In private organizations their orders are changed to fit deliveries made by certain suppliers than in private organization. There are more cases of variations misuse, particularly when suppliers are awarded the contract on an attractively low offer price in public as compared to the private sector. There respondents suggested that the organizations should adopt a more computerized of the tendering process to cab fraudulent practices in the post-award and administration phase and that there should be more oversight in the whole procurement process.

The response means of 59.82% for regulated procurement and 53.27 for private organization indicated that there are high levels of fraud in both public and private organizations at the post award stage. These findings are supported by Gravier and Powley (2013) who stated that fraudulent practices mostly happen at the time of supplier
selection and at the stage of contract administration and comprise of the control activities, monitoring and control environment aspects of internal control.

4.2.4 Ethics in Procurement

This section of the study presents analysis of respondent’s view to establish the prevalence of various aspects of perceived unethical practices in procurement environment settings (regulated and unregulated). The findings for this section are presented in a table and also prevalence levels illustrated through a radar chart.

**Table 4.7 Ethics in Procurement**

<table>
<thead>
<tr>
<th>Code</th>
<th>Statement of Perceived unethical Conduct</th>
<th>Regulated (%)</th>
<th>Unregulated (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Procurement staff’s deviating from the correct procedures in the duty</td>
<td>68.75</td>
<td>27.1</td>
</tr>
<tr>
<td>2</td>
<td>Procurement staff holding unnecessary meetings with suppliers.</td>
<td>56.25</td>
<td>14.6</td>
</tr>
<tr>
<td>3</td>
<td>Procurement staff insisting to dealing with certain suppliers other than the others.</td>
<td>18.75</td>
<td>43.75</td>
</tr>
<tr>
<td>4</td>
<td>The procurement staff being reluctant to use in competitive tendering process</td>
<td>62.5</td>
<td>35.4</td>
</tr>
<tr>
<td>5</td>
<td>Senior management being reluctant to delegate</td>
<td>87.5</td>
<td>39.6</td>
</tr>
<tr>
<td>6</td>
<td>Procurement staff sharing confidential information with unauthorized persons to favor certain suppliers.</td>
<td>75.0</td>
<td>14.6</td>
</tr>
<tr>
<td>7</td>
<td>Exercising excessive secrecy in the whole procurement process.</td>
<td>50.0</td>
<td>10.41</td>
</tr>
<tr>
<td>8</td>
<td>procurement staff being resistant to auditing</td>
<td>25.0</td>
<td>35.4</td>
</tr>
<tr>
<td>9</td>
<td>cases of separation of duties where only one person signs a contract or issues and approves payments</td>
<td>75.0</td>
<td>64.6</td>
</tr>
<tr>
<td>10</td>
<td>procurement staff failure adheres to the set-out procurement regulations and policy</td>
<td>37.5</td>
<td>72.9</td>
</tr>
<tr>
<td></td>
<td>Procurement staff fail to maintain the required procurement records.</td>
<td>68.75</td>
<td>18.75</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------------------------------------------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>12</td>
<td>The management dictating on how outcome of particular bids.</td>
<td>56.25</td>
<td>16.7</td>
</tr>
<tr>
<td>13</td>
<td>The staff fail to ensure that the organization fulfills the agreed contractual obligation.</td>
<td>25.0</td>
<td>39.6</td>
</tr>
<tr>
<td>14</td>
<td>Where procurement staff always perform their duties from their work station.</td>
<td>62.5</td>
<td>70.8</td>
</tr>
<tr>
<td>15</td>
<td>Taking of bribe to influence bids</td>
<td>87.5</td>
<td>52.1</td>
</tr>
<tr>
<td>16</td>
<td>Accepting gifts from the suppliers that may influence bids decisions</td>
<td>43.75</td>
<td>78.2</td>
</tr>
<tr>
<td>17</td>
<td>Colluding with specific suppliers to inflate prices.</td>
<td>75.0</td>
<td>89.59</td>
</tr>
</tbody>
</table>

| N=17 | Mean | 57.37 | 42.59 |

**Source: primary data (2019)**

The results as indicated in table 4.7 show that there were 68.75% of the respondents from public organizations that felt that procurement staff deviate from the correct procedures in the duty as compared to 27.1% respondents from private organizations. The results also indicate that 56.25% of the respondents in the public sector felt that the procurement staff in public procurement unnecessary meets with suppliers as compared to 14.6% from the private organizations. Further in table, 81.25% indicated that procurement staff insists on only those with dealing with certain suppliers other than the other as compared to 43.75% of the respondents from the private organizations.

The analysis indicates that 62.5% of the respondents felt that the procurement staff is reluctant to use in competitive tendering process in public organizations as compared to 35.4% in private organizations. The study indicated that there is 87.5% of the respondents from public organizations who felt that senior management are reluctant to delegate in public organizations as compared to 39.6% respondents from private organizations. Also
noticeable from the table is that 75.0% of the respondents from public organization indicated that the procurement staffs share confidential information with unauthorized persons to favor certain suppliers as compared to only 14.6% of the respondents from the private organizations.

The study established that procurement in both sectors is surrounded by excessive secrecy in the whole process. On whether the procurement staff are resistant to auditing, it was established that 25.0% of the respondents from public organizations felt admitted assistance of such behavior as compared to 35.4% of the respondents in the private organizations. The findings of the study also indicated that only 37.5% of the respondents felt that procurement staff in the public organization adheres to the set-out procurement regulations and policy compared to 72.9% from the private organizations.

On whether procurement staff do no maintain the required procurement records, the findings of the study indicated that this occur more in the public organization by 68.75% compared to 31.25% in the private organizations. 56.25% of the respondents from the public organization felt that the management dictates on how outcome of particular bids compared to only 18.75% respondents from the private organizations.

From the above, we can see that 56.25% of the respondents felt that the management dictates on how certain procurement outcome in the public organization compared to 16.7% respondents in the private organization. Also illustrated in the study is that 25.0% of respondents felt that in the public organization the staffs ensure that the organization fulfills the agreed contractual obligation compared to 39.6% of respondents in the private organization. The analysis results indicate that 62.5% of the respondents from the public organizations felt that procurement staffs mostly perform their duties from their work station as compared to 70.8% of the respondents from the public organization.
The figure below presents an illustration of data in table 4.7 to show the prevalence of unethical behavior in the procurement in both public and private companies.

**Figure 4.5 unethical conduct prevalence level**

The findings of the study indicated that there was high collusion among the procurement staff and the suppliers to inflate prices in private organizations compared to public organizations. The study findings also illustrated that there were very low cases of the poor record management cases i.e missing files and procurement staff share confidential information with unauthorized persons to favor certain suppliers in private organizations compared to public organizations.

On the other hand, it was established that there were many cases of procurement staff insisting on only them dealing with certain suppliers other than the other suppliers in publics organizations compared to private organizations. The study also established that
procurement staff in private organizations are more resistant to auditing than in public organizations. The findings of the study further indicated that procurement staff from private organization always perform their duties from their work station compared to the public organization staff. The findings of the study indicated a mean of 57.37 for regulated and a mean 42.59 for unregulated procurement. This indicated that there was high prevalence of unethical practices in public organizations than in the private organization.

4.2.5 Common forms Fraud procurement cycle

The study sought to establish the most common forms of fraud and unethical practices in procurement; the table show some of the common forms of fraud in the procurement process that the study established.

Table 4.8 Common forms of Fraud In procurement cycle

<table>
<thead>
<tr>
<th>Procurement phases</th>
<th>Most common forms of procurement Fraud</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fraud</strong></td>
<td></td>
</tr>
<tr>
<td>1 Pre-solicitation Phase</td>
<td>Taking gifts to influence procurement outcome, and accepting treatment with expensive tours and lunches.</td>
</tr>
<tr>
<td>2 Solicitation Phase</td>
<td>Colluding with suppliers and Suppliers manipulate prices in their favor.</td>
</tr>
<tr>
<td>3 Bid evaluation and award phase</td>
<td>Favoring certain suppliers and asking for bribes in order for tenders to be awarded contracts.</td>
</tr>
<tr>
<td>4 Post-Award and Administration Phase</td>
<td>Allowing goods that are substandard, asking for bribes to facilitate payments and allowing late deliveries.</td>
</tr>
</tbody>
</table>

Ethics
| Ethical procurement | Taking of bribe to influence bid outcome; Accepting gifts from the suppliers to influence decisions; and Colluding with specific suppliers to inflate prices. |

Source: Author (2019)

From table 4.8 above, the findings indicate that the most common form of fraudulent practices in pre-solicitation phase are officers take gifts to influence procurement outcome and officers accepting treatment with expensive tours and lunches.

At solicitation phase common forms of fraud established are that procurement officers collude with suppliers to manipulate prices in their favor. Further, at bid evaluation and award phase the most common form of fraudulent practice established in this stage were officers extending favors towards certain suppliers and bribery in order for tenders to be awarded in public organizations.

Finally, in the common forms of unethical practices that were established to be more prevalent were cases of taking of bribe to influence bid outcome; Accepting gifts from the suppliers to influence decisions; and Colluding with specific suppliers to inflate prices.
CHAPTER FIVE:
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1: Introduction
This chapter presents a synthesis of the entire study. The literature review identified the knowledge gap, the research methodology, and the subsequent analysis provided basis for the research findings. The discussions of the findings were done in accordance with the objectives of the study. A summary and concluding remark on the discourse, recommendations, limitations, and suggestions for further research are laid out in this chapter.

5.2 Summary
The study sought to establish the extent of ethics and fraud in procurement among private and public organizations in Kenya. The first objective was to compare the extent of unethical conduct and fraud in both regulated and unregulated procurement. The comparison was done per procurement phases as was guided in the questionnaire. The findings of the study at the pre-solicitation phase indicated that the public organizations where the procurement is regulated had the highest prevalence in fraudulent practices scoring an average mean of (60.4) against the private organizations which scored (46.2). These findings illustrated that there was a significant difference of prevalence of fraud cases between the two procurement environment settings of 14.2 mean score. Nevertheless, the study found that private organizations experience the most cases of skewed communication or clarifications on specifications and entertainment in order to favor specific suppliers than the public organizations at the pre-solicitation phase of procurement.
At the solicitation, the findings of the study at this phase indicated that the public organizations had the highest prevalence rate in fraudulent practices scoring an average mean of (72.5) against the private organizations which scored (54.5). The findings also illustrated a high significant difference of prevalence rate of fraud cases between the two procurement environment settings of 17.9 mean score compared to the previous phase. However, it was noticeable that the private organizations experienced the most cases of bid information leak to suppliers than the public at the solicitation phase of procurement.

The findings at bid evaluation and award phase indicated that the public organizations had the highest prevalence rate in fraudulent practices scoring an average mean of (56.25) against the private organizations which scored (32.09). The findings imply the existence of pressure by management and suppliers to award certain suppliers in this phase supporting the theory of fraud triangle by Donald Cressey. Further, the findings of this procurement phase concur with Gravier and Powley (2013) findings that established that fraudulent practices mostly happen at the time of supplier selection at the stage of procurement.

At post award and administration phase, the findings indicated that the prevalence rate of fraudulent practices in both sectors as average where it was established there was slight variance of mean score of (59.82%) for public against the private organizations which scored (53.27). The findings of this procurement phase concur with Gravier and Powley (2013) findings established that fraudulent practices mostly happen at the time of supplier selection and at the stage of contract administration and comprise of the control activities, monitoring and control environment aspects of internal control.

On the prevalence of unethical behavior among the private and the public organizations, the findings of the study indicated that there was high collusion among the procurement
staff and the suppliers to inflate prices in private organizations compared to public organizations. The study findings also illustrated that there were very low cases of the poor record management cases i.e missing files and procurement staff share confidential information with unauthorized persons to favor certain suppliers in private organizations compared to public organizations. On the other hand, it was established that there were many cases of procurement staff insisting on only them dealing with certain suppliers other than the other suppliers in publics organizations compared to private organizations. The study also established that procurement staff in private organizations is more resistant to auditing than in public organizations.

The findings of the study further indicated that procurement staff from private organization always performs their duties from their work station compared to the public organization staff. The findings of the study indicated a mean of 57.37 for regulated and a mean 42.59 for unregulated procurement. This indicated that there was high prevalence of unethical practices in public organizations than in the private organization. Overall, the findings support Mkalimoto (2015) findings that although private and public organizations have some procurement similarities, the differences often stand out.

The second objective of the study was to establish the most common forms of unethical behavior and fraudulent practices in the procurement cycle in both regulated and unregulated procurement environment. The findings established that the common fraudulent practices at the pre-solicitation phase are that officers taking gifts that influence procurement outcomes and treatments with expensive tours and lunches by suppliers or contractors. At solicitation phase, the common forms of fraud established were that procurement officers colluding with suppliers to influence tender award and suppliers manipulating tender prices in their favor. On the other hand, at bid evaluation and award phase, the study found that most common forms fraudulent acts were that
officers extending favors to certain suppliers in terms of contract awards and solicitation of bribes by procurement officers in order for tenders to be awarded and allowing gifts from the suppliers to influence bids decisions.

5.3 Conclusion

There is need to address fraud prevalence in the public sector organizations now, in order to cab the high losses associated with unethical and fraudulent activities the study established and improve their performance. Overall, solicitation stage of procurement makes up highest prevalence rate of fraudulent in both procurement environments. It seems from the literature review that the most vulnerable stage in the procurement cycle are being overlooked and the focus is on organizations as an entity.

Although the public organizations hold the highest average in terms of prevalence, there is no significant difference found after comparison between the procurement environments on the prevalence levels of fraud and unethical behavior. In conclusion, it seems logical that the opportunity and pressure to push for business, an enabling climate for the few dishonest employees to infect the honest ones through communications and other behavioral character given that the staff experiencing financial challenges would most likely be tempted to be fraudulent.
5.4 Recommendations

The study recommendations were based on the third objective of the study which was to identify and recommend strategies to reduce fraud in the public and private organizations in Kenya. The findings of the study informed the researcher in identifying the appropriate strategies that may help to reduce the prevalence levels of both fraud and unethical behavior among the organizations in Kenya.

5.4.1 Fraud in Procurement

Irrespective of the size of organization, procurement fraud can start off on a very small scale, but the practice if left unchecked the individuals may grow to become a culture and may continue to do so on a much larger scale. The study recommends that in order for organizations to promote procurement fraud prevention they should ensure that in every business transaction more than one individual should play a role. Organizations should create a positive work culture that will enable senior manager serve as role models of honesty and integrity.

The researcher also recommends as good best practice to conduct audits on regular schedules, and also ‘surprise’ audits so that those who may be engaged in procurement fraud will be caught off guard. The process may involve the examination contracts, financial documents and internal work processes in order to check if there are reconciliation issues that may warrant raising a red flag to indicate there may be procurement fraud occurring.

For both private and public organizations to reduce fraud in procurement the study recommends investing in software that can keep track of all expenses so that the process is visible. The study recommends that organization need to hire good staff in order to stop fraud before it happens give that there some responsibilities are inherently
incompatible and present favorable conditions for fraud. These responsibilities entail the authorization, recording, and custody of assets and thus, it is imperative that organizations place the right persons in those positions. The study finally recommends that organizations implement anonymous theft authorization criteria that makes it easy for staff and suppliers to anonymously report suspected fraudulent activities and ensure employees understand what constitutes fraud and that all reports are treated confidentially and without reprisal.

5.4.2 Ethical Practices in Procurement

There is need for the unethical practices to be minimized in procurement practice; the organization should put more measures to ensure behavioral conduct is rightly installed in the organization. A written code of conduct that provides the staff and managers with an understanding of the type of conduct in the organization expects is an ideal measure for any organization. The management may start by informing new employees of the rules at the orientation. Make sure all new staff are aware of the consequences of policy violations to that ethics are enhanced in the entire organization.

Managers should also learn to acknowledge the staff performance often to encourage loyalty given that loyal staffs are less likely unethical. It is imperative for public organizations to train employees on ethics especially on job trainings where the trainer can visit the work site to discuss ethical behavior and explain why it is important in organizations. Finally, the study recommends that the organizations both private and public to look at candidates' values to ensure they mesh with the company's culture when hiring to prevent unethical behavior. This will ensure a new employee to believe in working diligently to earn a salary and are ready to comply with company policies.
5.5 Limitations of the study

The researcher encountered difficulty in getting relevant literature, in the research area as there is little information on the comparison of fraud and unethical behavior in both regulated and unregulated procurement and therefore researcher visited many libraries and websites as possible in order to get as much relevant information as possible.

The other challenges were the public and private organizations rigid policies that required respondents to seek permission before participating in the study and the researcher had to convince the organization administration that the research is purely for academic purpose and would not to be used elsewhere or by anyone else except for the purposes specified by the researcher.

The study was carried in Nairobi County only and therefore the findings may not be reflective of the situation in other organizations in other counties given that there may be different prevailing circumstance in organizations located in other counties. Therefore, the study findings may not provide a good basis for generalization as different county governments may be facing different challenges in procurement process as far as procurement fraud is concerned.

5.6 Suggestions for Further Studies

There is need for more studies on the most appropriate method of detecting fraud in the procurement process in both public and private organizations. There is also need to establish the reasons why fraud and unethical behavior is very prevalent in the public organization although the procurement in public organization is regulated.
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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION TO RESPONDENTS

NGOVI KIMANZI
UNIVERSITY OF NAIROBI
P.O. BOX 30197-00100
NAIROBI-KENYA

OCTOBER, 2019

Dear Respondent,

RE: NGOVI KIMANZI - _REG. NO. D61/6997/2017_

I am a graduate student undertaking master of business administration at University of Nairobi, School of business. I’m conducting a study on **THE EXTENT OF ETHICS AND FRAUD IN PROCUREMENT AMONG PRIVATE AND PUBLIC ORGANIZATIONS IN KENYA** as a partial fulfillment of the requirement of the Award of the above degree.

You have been selected to be part of the study. Therefore, I’m writing to kindly request for permission to conduct a study in your organization. The information provided will be treated with utmost confidentiality and will only be used for the purpose explained by the researcher. Your assistance and cooperation will be highly welcome.

Yours faithfully,

NGOVI KIMANZI
The Researcher
APPENDIX II:

INTERVIEW GUIDE FOR THE PROCUREMENT STAFF

Purpose: To establish ethics and fraud in procurement among of private and public organizations in Kenya

Note: The information obtained in this interview will be treated with utmost confidentiality and will be used for academic purposes only.

Part I: GENERAL INFORMATION

What is name of your organization? ..............................................................

Is your organization private or public? ......................................................

How long have you worked for organization? ...........................................

What is your designation? ...........................................................................

Part II: FRAUD

PRE-SOLICITATION

Does your organization experience case where need requirements are invented? .......

If yes, kindly explain how it happens.............................................................

......................................................................................................................

In your opinion, can you say that sometimes specifications are tailored to favor a specific supplier? .................................................................

Can you say that sometimes there are cases where communication or clarifications on specifications is done to specific bidder other all? ..............................

......................................................................................................................

Have you experienced cases where the bids are unnecessarily split to benefit particular suppliers? ...............................................................

......................................................................................................................

In your own opinion, which of fraudulent practices would you say are mostly experienced in this stage of procurement process in your organization? ............................

......................................................................................................................

Please suggest how the above practices can be reduced at this stage ................

......................................................................................................................
SOLICITATION
Can you say that sometimes very important bid information is leaked to the suppliers? ...

Please explain how .................................................................

Are there times when costs of goods and services are inflated? ..............................

Kindly, Explain.................................................................

.................................................................

Have you experienced a case where the user departments allow inventory to dwindle so that emergency orders are made? ......................................................

In your own opinion, which of fraudulent practices would you say are mostly experienced in this stage of procurement process in your organization? ................................

.................................................................

Please suggest how the above practices can be reduced at this stage ......................

.................................................................

EVALUATION AND AWARD
In your own opinion, are there cases of bid manipulation? ................................

.................................................................

Are there case where technical staff misuse their specialist knowledge to mislead other members of the evaluation team in accepting bids from specific bidders? ..............

Kindly say, if you have experienced cases where the evaluation criteria is amended after receipt of offers to favor a particular supplier......................................................

.................................................................

In your own opinion, which of fraudulent practices would you say are mostly experienced in this stage of procurement process in your organization? ........................

.................................................................

.................................................................

Please suggest how the above practices can be reduced at this stage ......................

.................................................................
POST AWARD AND ADMINISTRATION

Have you experienced cases where goods or services that do not conform to the specifications provided being accepted? ..............................................................

If yes, what do you think are the reasons..........................................................
.........................................................................................................................

In your opinion, are there times when the orders are changed to fit deliveries made by certain suppliers? .................................................................

Can you say that there are cases of cost mischarging on certain goods and services already delivered? .................................................................

In your opinion, are there cases where variation is misused, particularly when contracts are awarded on an attractively low offer price? .........................
.........................................................................................................................

In your own opinion, which of fraudulent practices would you say are mostly experienced in this stage of procurement process in your organization? ................
.........................................................................................................................
.........................................................................................................................
.........................................................................................................................

Please suggest how the above practices can be reduced at this stage..........................
.........................................................................................................................
.........................................................................................................................
Part II: ETHICS

In your opinion, do you think that sometimes the procurement staff deviate from the correct procedures in the duty? .................................................................
........................................................................................................

Can you say that the procurement staff sometimes have unnecessary meetings with suppliers?
........................................................................................................

Do you think that there are cases where procurement staff insist on only them dealing with certain particular suppliers other than the other staff? .................................

Have you experienced cases where procurement staff are reluctant to use in competitive tendering process? .................................................................

Can you say that procurement managers are reluctant to delegate? .........................

Do you think that procurement staff share confidential information with unauthorized persons to favor certain suppliers? ......................................................

In your opinion, do you think that the whole procurement process is surrounded with excessive secrecy? .................................................................

Have you experienced cases missing procurement files? .................................
........................................................................................................

In your opinion, do you think that the procurement staff are resistant to auditing?
........................................................................................................

Have you experienced cases where only one person signs a contract or issues orders and also approves payments? ......................................................

Can you state that the procurement staff adheres to the professional procurement code of conduct? .................................................................

In your opinion, are there cases where procurement staff do not maintain the required procurement records? .................................................................
Are there cases where the senior managers dictate on specific procurement outcome of particular bids? ……………………………………………………………………………………………

If yes, elaborate……………………………………………………………………………………………………
…………………………………………………………………………………………………………………………

Do you think that the staff ensure that the organization fulfill the agreed contractual obligations? ……………………………………………………………………………………………………………………………

If yes, please say why you think so……………………………………………………………………………………………………
…………………………………………………………………………………………………………………………

Do you think that procurement staff always perform their duties from their work stations? ……………………………………………………………………………………………………………………………

In your own opinion, which unethical behavior would you say are mostly experienced in procurement process in your organization? ……………………………………………………………………………………………………………………………

Please suggest how procurement ethics can be enhanced …………………………………………………………………………………………………………………………………………………………………………………
………………………………………………………………………………………………………………………………………………
………………………………………………………………………………………………………………………………………………
………………………………………………………………………………………………………………………………………………

THANKYOU FOR YOUR PARTICIPATION
# APPENDIX III: TIME SCHEDULE

Gant Chart Work Plan for the Study from September, 2019 to October, 2019

<table>
<thead>
<tr>
<th>Activities</th>
<th>SEPT, 2019</th>
<th>OCTOBER, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theoretical Study and Literature Review</td>
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<td></td>
</tr>
<tr>
<td>Proposal Development and Submission</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposal Presentation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Field work and Data Collection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Processing and Analysis, Report Writing, defense and Submission</td>
<td></td>
<td></td>
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</table>
## APPENDIX IV: THE RESEARCH BUDGET

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>ITEMS</th>
<th>UNIT COST IN KSH</th>
<th>SUB TOTAL (KSH)</th>
</tr>
</thead>
<tbody>
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<td>Library search</td>
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<td>10,000.00</td>
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<tr>
<td></td>
<td>Travelling expenses</td>
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<tr>
<td></td>
<td>Internet search</td>
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<td></td>
<td>Meals &amp; subsistence</td>
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<td></td>
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<td></td>
<td>Binding</td>
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<td>Travelling expenses</td>
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<td><strong>Sub Total</strong></td>
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**Source: author**
## APPENDIX V: COMPANIES LISTED IN NSE

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<tr>
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<th>Company Name</th>
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<td>1.</td>
<td>ARM Cement</td>
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<td>Carbacid Investments</td>
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<td>5.</td>
<td>Bamburi Cement</td>
<td>6.</td>
<td>CIC Insurance Group</td>
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<tr>
<td>11.</td>
<td>BK Group</td>
<td>12.</td>
<td>Deacons (East Africa)</td>
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<tr>
<td>15.</td>
<td>Car &amp; General (K)</td>
<td>16.</td>
<td>East African Breweries</td>
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<tr>
<td>17.</td>
<td>East African Cables</td>
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<td>Express Kenya</td>
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<td>21.</td>
<td>Equity Group Holdings</td>
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<td>HF Group</td>
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<td>Eveready East Africa</td>
<td>24.</td>
<td>Home Afrika</td>
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<td>25.</td>
<td>I&amp;M Holdings</td>
<td>26.</td>
<td>Eagers</td>
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<td>KCB Group</td>
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<td>KenGen Company</td>
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<td>Liberty Kenya Holdings</td>
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<td>Limuru Tea</td>
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<td>Longhorn Publishers</td>
<td>40.</td>
<td>Mumias Sugar Co</td>
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<td>Nairobi Business Ventures</td>
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<td>Nairobi Securities Exchange</td>
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<td>NIC Group</td>
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<td>Standard Chartered Bank Kenya</td>
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<td>Standard Group</td>
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<td>Total Kenya</td>
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<td>TPS Eastern Africa</td>
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<td>TransCentury</td>
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<td>Uchumi Supermarkets</td>
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<td>Umeme</td>
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<td>Unga Group</td>
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<td>61.</td>
<td>Williamson Tea Kenya</td>
<td>62.</td>
<td>WPP Scangroup</td>
<td></td>
</tr>
</tbody>
</table>

*Source: NSE (2018)*
APPENDIX VI:

COMPLETE LIST OF ALL PARASTATALS IN KENYA

1. Geothermal Development Company
2. Kenya leather development council board
5. New Kenya co-operative creameries
6. National cereals and produce board
7. Kenya meat commission
8. Anti-female genital mutilation board
9. National bureau of statistics
10. Consolidated bank board of directors National hospital insurance fund board
11. National drought management authority
12. Kenya medical training college board
13. Kerio valley development authority
14. Water resource management authority
15. Lake Basin development authority
16. National water conservation and Pipeline Corporation
17. Tana and Athi rivers development authority
18. Kenya marine authority
19. LAPSSET corridor development authority
21. Postal Corporation of Kenya
22. Kenya information and communication board of directors.
23. National sports fund board of trustees

Source: https://www.tuko.co.ke/262294-full-list-parastatals-in-kenya.html