

Prevention of Procurement Fraud Practice

We will mitigate the risk of procurement fraud by making staff aware of how such fraud can happen, and its tell-tale signs, establishing procedures for preventing fraud in the first place, as well as a monitoring regime for detecting any fraud that does occur.

Procurement is a particularly high risk area in terms of fraud. It is important that Warwick District Council staff are aware of procurement fraud risks and able to recognize and report potentially fraudulent activity.

Procurement fraud can take a number of forms including:

1. Collusion between procurer and supplier
2. Collusion between suppliers
3. Procurer acting alone, for example, creating a fictitious supplier with payments to their own bank account, or spending money for private gain
4. External fraudster acting alone, for example, purporting to be a genuine supplier in order to arrange payments to their own bank account

The division of duties built into the procedures for setting up suppliers and placing and approving orders via Warwick District Council's SAP purchasing system, as well as using Purchasing Cards, mitigate the risk of the latter two forms of fraud – payment fraud - where the procurer and external fraudster act alone. When setting up suppliers on the SAP purchasing system.

Warwick District Council's Procurement Regulations stipulate how all staff to undertake procurement exercises - from identification of need, through to contract award (including any post-tender negotiation) - in a way that is compliant with public procurement law, auditable, and mitigates the risk of the collusive forms of procurement fraud occurring.

Warwick District Council's standard Pre-Qualification Questionnaire template requires applicants to disclose whether their organisation or its directors or any other person(s) having powers of representation, decision or control of the organisation have been convicted by final judgment of fraud or corruption. It is explained that failure to disclose this information or serious misrepresentation in relation to the information disclosed will result in the organisation's exclusion from the procurement exercise or the termination of any subsequent contract awarded.

The Warwick District Council is to include reputational due diligence, whereby consideration is given to bribery and corruption risk, as part of its formal tendering procedures and Supplier Relationship Management (SRM) approach.

The table below lists some of the more common forms of collusive procurement fraud as well as the steps taken by the Warwick District Council to mitigate the risk of them occurring.

Collusion between procurer and supplier can happen when...	We will mitigate the risk of collusion between procurer and supplier by...
A member of staff with influence over the evaluation of tenders and ultimate contract award decision has an undeclared interest in one of the competing organisations	Ensuring that any conflicts of interest are established before the procurement exercise starts by requiring tender evaluation panellists to complete and sign the Declaration of Interests form for £50k+ contracts.
A Manager or senior officer of an organisation competing for a Warwick District Council contract has a personal or financial connection with a member of Warwick District Council's staff who has influence over the procurement exercise	Asking the following question within all of our tender document templates: <i>To the best of your knowledge, does any director or senior officer of your organisation have any personal or financial connection with a senior member of Warwick District Council's staff or any member of Warwick District Council staff involved in this procurement exercise? If yes, please provide details of the individuals concerned and the nature of their relationship.</i>
A need / requirement is invented	Requiring that procurement exercises have a supporting Business Case /procurement Initiation Document , and are challenged by the Procurement team
A specification is drafted so as to favour a particular supplier	Drafting specifications based on consultation with internal stakeholders and the supply market (not just one potential supplier), encouraging innovation by stating outcomes wherever possible, and stating 'or equivalent' wherever appropriate
A tender is actively invited from only a preferred supplier, with other capable potential suppliers ignored	Requiring that exceptions to Procurement Rules, including not undertaking a competitive process, are approved by the Procurement Team
The same organisations are invited to tender each time, with the knowledge that the same supplier will likely win each time	Ensuring the advertising of contract opportunities to all, wherever appropriate or legally required
Enhanced information is provided to only a preferred	Ensuring that all potential bidders are given the same information about the

supplier during the tendering exercise	procurement exercise Requiring that all contracts with a total value of £25 k+ are tendered via an electronic system, with any bid clarifications made through the system so as to ensure an audit trail
Tender information from other competing organisations is provided to a preferred supplier to inform its tender	Requiring that all contracts with a total value of £50k+ are tendered via an electronic system, which does not allow tenders to be opened ahead of the deadline
Evaluation criteria are not established ahead of inviting applications/tenders, allowing manipulation of the evaluation	Ensuring that evaluation criteria are clearly stated in tender documents, including prompting this information in our templates
Non-standard contracts/tender documents are used that include overly complex/vague pricing schedule that can be exploited	Maintaining a set of up-to-date tender document templates, and standard conditions of contract, and requiring that the use of any materially different templates/contract conditions are approved by the Procurement Team and Legal Services
Valuations are made at face value without checks and / or verification of supporting documentation	Checking and signing off interim valuation certificates
Authorisation of payments is made without assurance that checks have taken place	Requiring full supporting documentation, for example how the valuation was compiled, calculated, that deductions (such as for defective work) are included and mitigating actions taken on delays
There are inflated claims for payment	Checking full supporting documentation (above) prior to payment certification
Due damages are not deducted	Documenting and approving any decisions not to deduct damages

Collusion between suppliers can happen when...	We will mitigate the risk of collusion between suppliers by...
Suppliers are part of a cartel and divide up contracts between themselves by sharing bid information	Selecting suppliers on the basis of quality as well as price, wherever appropriate
Suppliers exert pressure on non-cartel members not to submit bids	Monitoring procurement activity and maintaining awareness of supply markets to identify suspicious behaviour, such as: <ul style="list-style-type: none"> • patterns of successful bidders • high margins between bids • same price, discounts, service, credit terms being offered by bidders • unexpected refusals to bid ...and sharing this intelligence with other universities and public sector organisations

Monitoring

A significant level of control and monitoring of Warwick District Council's procurement activity results from the Procurement Team being required to manage all £50k+ non-construction procurement exercises, and all £4.3m+ construction procurement exercises. Further control, and an audit trail, is provided by Warwick District Council's electronic tendering system (In-tend), which is to be used for all £50k+ procurement exercises.

The Warwick District Council will monitor compliance with its Procurement Regulations, including checking for any signs of procurement fraud, by:

- Undertaking frequent random 'dip tests', whereby the process followed for awarding sampled contracts is reviewed by the Procurement Team
- Regularly reviewing the Management & Staff Register of Interests against the Contracts Register (including named Contract Managers) held by the Procurement Team
- Ensuring that the Procurement Team has a comprehensive understanding of the procurement activity undertaken within the categories for which they are responsible, through regular contact with internal stakeholders and spend analysis