



Government
Counter Fraud
Profession

Operated by the Public Sector Fraud Authority



Bid-Rigging Risk in all Procurement Practice Note

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Introduction

The Government Counter Fraud Profession (GCFP) operates from the Public Sector Fraud Authority. The GCFP role is to build capability across the Public Sector in Fraud. This note raises awareness of The Competition Markets Authority and provides information on fraudulent practices perpetrated through anti-competitive behaviours and where to go for further information.

The Competition and Markets Authority (CMA) is the United Kingdom’s (UK) primary competition and consumer protection authority, a non-ministerial government department with offices across the UK.

The CMA's work covers a number of areas:

- Responsibility for carrying out investigations into mergers, markets, regulated industries and
- Enforcing competition and consumer law.

One of the main things the CMA is tasked with is the **enforcement of the law concerning anti-competitive business practices such as secret cartels involving price fixing, market sharing and bid-rigging.**

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The Competition and Markets Authority (CMA) encourages government and other regulators to use competition effectively



Business cartels explained

Business cartels involve ordinary businesses colluding and conspiring to 'rig' outcomes in their favour.

They are, in essence, anti-competitive agreements between businesses, who should be competing with each other, but instead they are getting together to rig a market in their favour, defrauding customers, who then often pay higher prices for poorer quality goods and services. This type of anti-competitive activity also harms honest businesses working hard to innovate and succeed in challenging economic times.

Cartels are a form of fraud and bid-rigging in particular, which is the focus of this Practice note, can sometimes be combined with other forms of criminal activity. In relation to the other forms of criminal activity which can be linked to cartel activity, such as bribery and corruption, the CMA works closely with other enforcement agencies, in particular the Serious Fraud Office.

The CMA regards bid-rigging as a key risk in public sector procurement. The UK spends about £300 billion on public procurement every year and, if you consider the sums being spent through public procurement, and that bid-rigging has been estimated based on OECD research to inflate prices by at least 20%, then the potential harm from any bid-rigging becomes evident.

And it is a harm that is felt throughout society, by taxpayers and by all of us who use public infrastructure and services and who are denied the benefits of competition. Therefore, it is important that we are on high alert to the risk.



Investigation

The CMA have powers of Investigation to:

- Execute warrants and search company offices unannounced and seize documents, including electronic material.
- Search the home addresses, also under warrant, of those suspected of involvement in cartel agreements.
- Interview people, including using compulsory interview powers where the CMA can compel individuals to attend interviews and answer questions.
- Compel companies and individuals to provide relevant information and documents.

The consequences for businesses of getting caught in a cartel are serious

- Fines – up to 10% of worldwide turnover.
- In criminal cases – prison, up to 5 years.
- Director disqualification.
- 3rd party damages claims.
- Potential debarment from procurement frameworks and wider public procurement beyond frameworks.
- Reputational harm.

Common bid-rigging practices

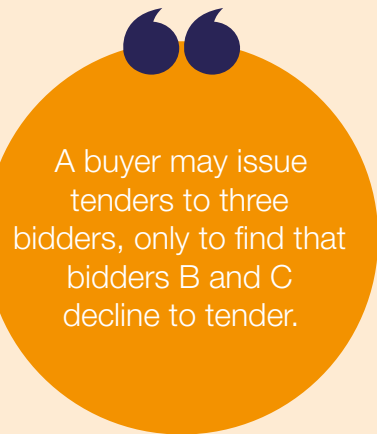
Bid-rigging comes in a variety of forms, all designed to manipulate the tender process to the contractor’s benefit.

It is important to recognise these practices so that you can stay alert to them and spot where they might be occurring. Some of the most common bid-rigging activities, which may occur together, include:



Bid rotation

Firms agree to take it in turns to submit the lowest bid or the most attractive bid on a project, thus ensuring they all have a fair share of the market.



A buyer may issue tenders to three bidders, only to find that bidders B and C decline to tender.



Cover pricing

Companies that don’t want to win the work communicate with their competitors to submit inflated cover bids to ensure that they don’t win and that another, often pre-arranged bid, from another company looks much better value. This then gives an artificial impression of what is a competitive price.

Bid suppression

Companies agree not to submit a bid at all, which means other firms face less competition to win the contract.

Reporting of Fraud

If you've witnessed or have suspicions of an illegal business cartel you should report it to the CMA.



 020 3788 6888

 cartelshotline@cma.gov.uk

For more information visit:
[Cheating or competing](#)

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Never be tempted to confront the supplier yourself, this could risk tipping them off to a possible future investigation



CMA Case Studies



1

Office of Fair Trading (OFT) closed Competition Act 1998 case

[Read case study](#)



Construction firms fined nearly £60 million for breaking competition law by bid rigging

[Read case study](#)

2

Useful Information

Public Sector Fraud Authority <https://www.gov.uk/government/organisations/public-sector-fraud-authority/about>

<https://assets.publishing.service.gov.uk/media/63207cd68fa8f51825582b2f/3042-PSFA-Mandate-V4-final.pdf>

Government Counter Fraud Profession <https://www.gov.uk/government/groups/counter-fraud-standards-and-profession>

Fraud Prevention Standard <https://www.gov.uk/government/publications/government-counter-fraud-profession-standards-and-guidance/fraud-prevention-standard-for-counter-fraud-professionals-html>

Fraud Risk Assessment <https://assets.publishing.service.gov.uk/media/625fd0e0d3bf7f600782fdcb/Fraud-Risk-Assessment-Standards-2022-03-25.pdf>

Counter Fraud Investigator <https://www.gov.uk/government/publications/professional-standards-and-guidance-investigation>

Counter Fraud Corruption and Bribery <https://www.gov.uk/government/publications/a-standard-for-the-counter-bribery-and-corruption-professional/a-standard-for-the-counter-bribery-and-corruption-professional-html>

International Public Sector Fraud Forum Guidance <https://www.gov.uk/government/publications/international-public-sector-fraud-forum-guidance>