

East Midlands Strategic Commercial Unit



TITLE OF DOCUMENT	PREVENTION OF FRAUD AND CORRUPTION IN THE PROCUREMENT PROCESS
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VERSION CONTROL

Version No	Published Date	Review Date	Document Owner	Document Author	Reason for issue
1.0	16 th May 2013	16 th May 2014	Graeme Unwin (Procurement Policy Manager)	Graeme Unwin (Procurement Policy Manager)	New process
1.1	18 th Nov 2013				New Form created
1.2	23 rd Jan 2014				Minor amendment
1.3	23 rd June 2014				Signposting how to report fraud

PROCUREMENT FRAUD

Procurement is a particularly high risk area in terms of fraud. It is important that EMCSU officers, Force officers and staff involved in the procurement process are aware of procurement fraud risks and able to recognise and report potentially fraudulent activity.

There are two basic types of procurement fraud:

- i) Collusion between procurer and supplier
- ii) Collusion between suppliers

Listed below are the specific fraud risks that fall under these two general headings (based on information provided by CIPFA), including controls for mitigating the risks. Whilst the Force(s) Contract Procedure Rules and Standing Orders embed these controls, Force officers and staff should be conscious of the risks and the reasons for the controls.

COLLUSION BETWEEN PROCURER AND SUPPLIER

The principle Risks that could exist in relation to fraud during the relationship between the procurer and the supplier are as follows -:

- A need / requirement is invented
- Matching a specification to favour a particular supplier
- Supplier introduced to selection / evaluation process by single officer
- Tender invitations only made to preferred supplier
- Provision of information is only provided to preferred supplier
- Tender documents disappear or are altered
- Inadequate records showing, for example, when tenders were received
- Undeclared interests of members of the evaluation panel or bidders
- Tender assessment criteria not established, allowing manipulation of the evaluation
- Use of non-standard contracts, including an overly complex / vague schedule of charges.
- Payment risks, e.g. payment for goods that were not received or were of lower quality, over ordering, duplicate invoices, suspicious invoices (no valid VAT no., mobile phone no. only, little / vague information, round sum amounts, sequential invoice nos. over extended period).

Controls:

- Specifications drafted wherever possible, as a result of the Force Procurement Business Partner consulting with users and the supply market (not just one provider), encouraging innovation by stating outcomes wherever possible, and stating 'or equivalent' wherever appropriate
- Documented policies and procedures. For example, how and in what circumstances shortlists are compiled (see Clause 7.6 and 7.14 of the Contract Procedure Rules)
- Authorisation and documentation of exceptions from policy and procedure (see Clause 8.4 of the Contract Procedure Rules and specifically Clause 7.5 – Exemptions to normal procedures/single tender action)
- Standing / Approved List membership being subject to authorisation, and adherence to submission, financial and technical criteria (see Clause 7.8 of the Contract Procedure Rules)
- Standing / Approved List / Framework Agreement usage monitored to track for example contract awards
- Equality of opportunity for all suppliers to submit tenders (see Clause 7.6 of the Contract Procedure Rules)
- Management trail – documented evidence of how suppliers were selected (see Clause 7.18 of the Contract Procedure Rules)
- Clear instructions in independently despatched tender invitation documents

- Any clarifications following the issuing of the Request for Quotation or Invitation to Tender are provided to all potential bidders
- Declaration of interests of evaluation panel members – completion of Tender Panellist Declaration form (Form Ref EMSCU 002) as per Appendix A (see Clause 2.3.2.1 of the Contract Procedure Rules)
- Declarations of interests of tenderers. The following question (or similar) should be asked in the Pre-Qualification Questionnaire or Invitation to Tender:
 - *To the best of your knowledge, does any director or senior officer of your organisation have any personal or financial connection with any member or senior officer of Nottinghamshire Police / Derbyshire Constabulary / Northamptonshire Police?*
- Procedures for tender receipt, e.g. fully auditable for every stage of the tender process using the Proactis e-tendering system, including recording, date/time stamping, opening, custody (see Clause 7.11 of the Contract Procedure Rules)
- Evaluation methodology and criteria formally established prior to issuing Request for Quotation or Invitation to Tender (see Clause 7.14 of the Contract Procedure Rules)
- Policy for post tender negotiation (see Clause 7.15 of the Contract Procedure Rules)
- Contract conditions approved by Legal Services
- Documentation of the recording, authorisation, acceptance (see Clause 7.11), notification to tenderers (see Clause 7.16) and retention of tender documents (see Clause 7.18)
- Ordering, receipt and invoicing in compliance with approved electronic system, whether National Police Procurement Hub (NPPH), Force(s) Financial System, Procurement Card

Valuation of works and services

Risks:

- Valuations are made at face value without checks and / or verification to supporting documentation
- Authorisation of payments is made without assurance that checks have taken place
- Inflated claims for payment
- Due damages and credits not being deducted

Controls:

- Checking and sign off of interim valuation certificate
- Full supporting documentation provides completeness, for example how the valuation was compiled, calculated, that deductions (such as for defective work) are included and mitigating actions taken on delays
- Adherence to Force(s) Financial Regulations and the necessary checks of the above prior to payment certification
- Documentation and approval of decisions to deduct damages/apply credits

Collusion between suppliers

Risks:

- Suppliers are part of a cartel and divide up contracts between them by sharing tender information
- Pressure on non-cartel members to not submit tenders

Controls:

- Suppliers appointed on the basis of quality as well as price – most economically advantageous tender
- Monitoring of tender activities and market awareness by Procurement Services – to identify suspicious behaviour, e.g.:
 - patterns of successful tenderers
 - high margins between tenders
 - same price, discounts, service, credit terms offered by tenderers
 - unexpected refusal to tender
- Maintain the confidentiality of tenderers

How do you report suspected collusion between procurer and supplier or between suppliers?

*Inform Ronnie Adams, Commercial Director, EMSCU
(Ronnie.adams@emscu.pnn.police.uk) Mobile: (07702 141531)*

Or

Employees should use their internal Force reporting system for incidents of suspected corruption. This is usually signposted on the Force Intranet or employees can contact their Professional Standards Department for further information.

EMSCU FORM 002

**TENDER EVALUATION PANELLIST
DECLARATION REGARDING ANY CONFLICT OF INTEREST
AND CONFIDENTIALITY UNDERTAKING**

I, (Title) (Name) (Surname)
(Job title) (Organisation/Department)
(Email address) (Contact phone number)

Conflict of Interest

Conflict of Interest refers to situations in which personal interests (which may include financial interests) may compromise, or have the appearance of, or potential for, compromising professional judgement and integrity and, in doing so, the best interests of Nottinghamshire Police and Northamptonshire Police.

Examples of conflicts of interest include: *(This is not an exhaustive list)*

- Having a financial interest (e.g. holding shares or options) in a potential tenderer or any entity involved in any tendering consortium
- Having a financial or any other personal interest in the outcome of the evaluation of any tender evaluation process
- Being employed by (as staff member or volunteer) or providing services to any potential tenderer
- Being a member of a potential tenderer's management/executive board
- Receiving any kind of monetary payment or non-monetary gift or incentive (including hospitality) from any tenderer or its representatives
- Canvassing, or negotiating with, any person with a view to entering into any of the arrangements outlined above
- Having a close member of your family (which term includes unmarried partners) or personal friends who falls into any of the categories outlined above

Having any other close relationship (current or historical) with any potential tenderer

It is the individual's responsibility to ensure that any and all potential conflicts are disclosed to the EMSCU (the Chair of the Tender Evaluation Panel) in writing prior to them becoming involved in any procurement process. Individuals will be excluded from the procurement process where the identified conflict is in the EMSCU's opinion material and cannot be mitigated. The decision as to whether the identified conflict is material, and whether any mitigating arrangements are required, is to be made by the line manager of the Chair of the Tender Evaluation Panel (with support from the respective Commercial Officer).

Option 1:

"I do not have any conflicts of interest that prevent my full and unprejudiced participation in any procurement process.

I also declare that I will inform the EMSCU immediately, should my circumstances change in any way that effects this declaration."

Signature

Date

Option 2:

"I **do have** a conflict of interest that may prevent my full and unprejudiced participation in a procurement process. The nature of this conflict of interest is described below:

I also declare that I will inform the EMSCU as soon as is practicable, should my circumstances change in any way that effects this declaration."

Signature

Date

Confidentiality Undertakings

"Procurement process" encompasses any formal and informal meetings, associated discussions, meeting preparation and follow up or any other related activity.

"Information" means all information, facts, data and other matters of which I acquire knowledge, either directly or indirectly, as a result of my activities as an evaluator of any supplier Pre-Qualification Questionnaire or Tender submissions or tender interviews/presentations etc.

"Documents" means all draft, preparatory information, documents and any other material in either paper or electronic form, together with any information contained therein, to which I have access, either directly or indirectly, as a result of my participation in any procurement process. Furthermore, any records or notes made by me relating to information or documents shall be treated as Confidential Documents.

I understand that I may be invited to participate either directly or indirectly in the procurement process and agree:

1. To treat all information and documents under conditions of strict confidentiality
2. Not to disclose, make copies of, or discuss any received information with any person who is not a member of the Tender Evaluation Panel (without the prior written approval of the Chair of the Tender Evaluation Panel)
3. Not to use (or authorise any other person to use) information and documents other than for the purpose of my work in connection with the procurement process
4. To return documents to the Chair of the Tender Evaluation Panel as soon as the evaluation process is complete

Unless otherwise agreed with the Chair of the Tender Evaluation Panel, and subject to relevant legislation, this undertaking applies until the end of the contract, including any contract extensions.

This undertaking shall not apply to any document or information that becomes public knowledge otherwise than as a result of a breach of any of the above undertakings.

Signature

Date

**PLEASE FORWARD THE COMPLETED AND SIGNED FORM
TO THE CHAIR OF THE EVALUATION PANEL**

DRAFT