



PROCUREMENT FRAUD



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How Big is the Problem?

- 2016/17 Government departments spent £277bn on procurement – 30% of spend
- NHS non-pay spend approximately £27bn a year – £6bn spent on goods
- NHS Procurement and Commissioning fraud - £252m in 2015/16



Tone from the Top

- Strong Anti-Fraud culture
- Clear Corporate Governance
- Internal controls and audit trails
- Scrutiny boards



Contract Splitting / Manipulating Tender Process

- £250,000 contract value split
- £20,000 refurbishment of kitchens/bathrooms
- £45,000 processed via Non-PO
- Requisitioned and approved by two staff



How could this have been avoided?



Conflict of Interest

- £70,000 contract value
- Contractor related to staff member – not declared
- Breaches of confidentiality
- Work sub-contracted – VFM



How could this have been avoided?



Inappropriate Use of Waivers

- £1.5m contract value
- No DOI was completed
- Contractor set up second company
- Personal friend of staff member

How could this have been avoided?



Contract Fraud

- Collusion between staff and contractor
 - 2 false photocopier contracts - £200,000 value
 - Invoices approved by manager
 - Two attempted contracts for used photocopiers
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- **How could this have been avoided?**





Difficulties with Detection....

- Trusted, long-standing employees
- Relatives of staff
- Relying on honesty and integrity of staff
- Due diligence on new companies
- Monitoring sub-contractors



Detecting Procurement Fraud

- Ad hoc checks
- Data analysis of supplier spend
- Gifts and Hospitality register
- Lifestyle changes
- Post-contract inflation
- Sample unsuccessful quotes
- Examine supplier records



Preventing Procurement Fraud

- Raising awareness of procurement fraud
- Regular training for key departments
- Clear and robust policies
- Examination of suppliers records
- Contact unsuccessful suppliers
- Risk-based approach
- Whistleblowing policy



Thank You

Any Questions?