



Procurement Roundtable

TIAA have recently held a series of procurement fraud risk roundtable events, featuring procurement specialists from a broad range of sectors, inclusive of healthcare, education, social housing, charities and arms-length bodies. Procurement experts from TIAA were also in attendance to facilitate discussions.

Procurement is recognised as an area which is typically one of an organisations largest areas of material level expenditure, often after payroll costs. The now previous Health Minister only recently announced that £336 million is lost to procurement fraud across the NHS.

Procurement fraud happens across all the key phases of the supply chain:

- Pre award / specification identification / drafting phase
- Procurement / purchasing / buying phase (inclusive of PQQ / tendering)
- Post award – Contract management / monitoring measures

This area of fraud risk has been under the spotlight, given that the risks are very prevalent, with some large issues identified arising during the early stages of the pandemic, involving government expenditure around emergency supplies to combat the pandemic and also several grants / funding streams associated with keeping businesses and the economy afloat.

Given the changes arising from the pandemic, plus the current cost of living crisis, forecasts state that financial pressure will continue at a pace and to unprecedented levels within businesses and our personal lives. Interest rates, food, services and energy prices are continuing to rise at a rate unheard of within our generation. The perfect storm is forming, which sadly, will result in increased levels and instances of fraud, due to these pressures. It is a concern that individuals will be taking ill-advised decisions in order to make ends meet and also to exploit any opportunity where a weak control environment exists.

Most organisations had an urgent need to implement revised procedures to facilitate procuring of goods and services, due to the specialist nature of the goods required and having to operate with fewer staff within procurement due to redeployment to front line services.

For more information about how our Anti-Crime Team can help you, please contact:

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In practice, typical actions taken included:

- revision or design and rapid implementation of emergency procurement procedures
- revisions to Standing Financial Instructions and Delegated Authorities
- allocation of procurement / credit or purchasing cards to a wider range of staff, with increased spending levels
- relaxation or extension of authority levels
- removal of dual signatory or retrospective approvals processes

The sessions focussed on discussing attendee's experiences in the following areas:

- 1) Changes in the procurement fraud risks that organisations have seen since the pandemic (**risk assessment**)
- 2) Revised measures adopted, or considered to improve the controls environment to mitigate these changes in risk (**improvement and best practice**)
- 3) Views on the direction of fraud in the supply chain (**horizon scanning and planning ahead**)
- 4) Key measures to be adopted to achieve a reduction in risk (**best practice**)

CURRENT ISSUES

Attendees shared experiences of incidents and their views on current risks, with the following being the top issues raised:

- Pressure to spend: to utilise outstanding budgets, whereby focus slips from obtaining vfm and oversight on use of funds is absent
- Challenges with resourcing and ability to manage risk and close relationships with suppliers
- Concerns over supply chain collusion, particularly with pricing models being agreed
- Purchasing power over supplier, whereby suppliers for specialist products are limited
- Provision of weak contracts, with favourable terms being imposed by suppliers
- Local purchasing below thresholds out of sight of procurement teams

Most attendees were relatively confident that, although it created operational risks, the transition to remote working did not pose any specific risks that could not be sufficiently controlled or mitigated. However, it is appreciated that the reliance upon trust is necessary, albeit trust not being, itself a control.

Outcomes from the group determined some top tips, arising from an assessment of the risks discussed, which were as follows:

1. Review your policies, authority levels, procedures and ensure that are relevant in the post pandemic operating environment.
2. Have dedicated contract managers and leads, with rotation points and role sharing in place
3. Engage with wider organisation about risks in procuring goods and become a centre of excellence to advise and facilitate
4. Review purchasing cards issued, their necessity and reconcile expenditure
5. Maintain access to risks and partner with other procurement specialist to share and identify best practice and joint purchasing opportunities
6. Consider key fraud risks that are prevalent and ensure reporting lines are in place to report concerns

Action required Not Urgent

If you require a Fraud Risk health check of your procurement function, training on fraud risks, or if you wish to discuss our FraudSmart product please do not hesitate to get in contact with David Foley, 07786 856 973, 0845 300 3333, david.foley@ttaa.co.uk

