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Guide to implementing procurement fraud controls

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Contents

Foreword *ii*

Introduction *1*

- 1 Scope *1*
- 2 Terms and definitions *2*
- 3 Planning *4*
- 4 Procurement fraud controls *5*
- 5 Monitor and review *15*

Annexes

Annex A (informative) Types of procurement fraud *17*

Annex B (informative) Guidance on procurement methods and control *19*

Annex C (informative) Asset register *22*

Bibliography *23*

Summary of pages

This document comprises a front cover, an inside front cover, pages i to ii, pages 1 to 24, an inside back cover and a back cover.

Foreword

Publishing information

This British Standard is published by BSI Standards Limited, under licence from The British Standards Institution, and came into effect on 31 March 2014. It was prepared by Technical Committee G/2, *Anti procurement fraud*. A list of organizations represented on this committee can be obtained on request to its secretary.

Use of this document

As a guide, this British Standard takes the form of guidance and recommendations. It should not be quoted as if it were a specification or a code of practice and claims of compliance cannot be made to it.

Presentational conventions

The guidance in this standard is presented in roman (i.e. upright) type. Any recommendations are expressed in sentences in which the principal auxiliary verb is "should".

Commentary, explanation and general informative material is presented in smaller italic type, and does not constitute a normative element.

Contractual and legal considerations

This publication does not purport to include all the necessary provisions of a contract. Users are responsible for its correct application.

Compliance with a British Standard cannot confer immunity from legal obligations.

Introduction

Procurement is defined by this British Standard as the “process of acquiring goods, works and/or services, covering both the acquisition from third parties and in-house providers, and spanning the whole life cycle from identification of needs through to the end of a services contract or the end of the useful life of an asset”.

This definition is important as it is where the process of identifying the risk of procurement fraud begins. The possibility of procurement fraud needs to be considered from the very beginning of the procurement activity. This includes the method by which the goods, works or services are going to be procured, such as written quotations, single/sole sourced or through a competitive tender.

It is best practice to design out the possibility of procurement fraud at the earliest opportunity and this British Standard provides guidance on mitigating a range of fraud risks.

1 Scope

1.1 This British Standard gives guidance on mitigating and actively managing the following procurement fraud risks:

- a) procurement fraud committed against the organization by its personnel or others acting on its behalf or for its benefit;
- b) procurement fraud committed against the organization by another organization or individuals with the assistance of its personnel or others acting on its behalf or for its benefit;
- c) procurement fraud committed against the organization by another organization or their personnel;
- d) procurement fraud committed against the organization by other organizations or their personnel acting on their behalf, e.g. fraud conspiracy, bid rigging, anti-competitive activity.

1.2 This British Standard is applicable only to procurement fraud, specifically fraud offences committed in the procurement life cycle. It is not applicable to other criminal offences, such as anti-trust/competition and money laundering offences, although an organization may choose to extend the scope of its procurement fraud controls to include these other offences.

NOTE: Many countries' laws do not define procurement fraud or define fraud in different ways. This standard does not provide its own definition of fraud, but identifies the following specific fraud types where it is committed: false representation, failing to disclose information when there is a legal duty and/or contractual obligation to do so and abuse of position.

1.3 This British Standard is applicable to all types and sizes of organizations (including small and medium enterprises) in all sectors (including the public and private sectors, and the charity and voluntary sectors).