**Merit Lind**

**Attorney at law (LL.M, Cambridge)**

**Head of Law Firm Deloitte Legal**

melind@deloittece.com

**Sander Hein**

**Law Firm Deloitte Legal Associate**

shein@deloittece.com

## Procurement frauds – who has the obligation to detect them?

In both public and private sector there may occur a situation, where during the selection process of the goods or services provider, seemingly the best business partner is picked, while in reality the process is not fair, but influenced by the malicious intent of the contractor's representative to earn the hidden benefits for himself at the contractor's expense. The adequate internal arrangements and instructions are definitely positive signs, as they help prevent the above-mentioned situations, but unfortunately they cannot completely exclude all the potential malicious human activity. Therefore, it is recommended to consider conducting a procurement forensic control in the company. The procurement forensic control is a procurement fraud investigation service conducted by field specialists, who have a long and international experience in the field of procurement fraud detection, as well as possess all the relevant technical solutions. Detecting the related party transactions or fictitious transactions can be difficult, due to the fact that they usually constitute carefully planned and conscious actions, which are aimed at creating an image of transparent business. It can be presumed that the owners of the company have never dealt with fraud before and therefore will most likely fail to notice anything suspicious. Neither is it likely that the infringements are going to be detected during standard audits, as their focus is different and normally does not

involve checking the background of every single and presumably small-size service provider. Complex fraud schemes usually come to daylight only after the substantial economic damage has already been inflicted and reputational damage as a result of public knowledge has occurred.

## What are the signs to pay attention to?

Using the same service provider for an unusually long period of time may imply that the service provider offers added value only to the persons responsible for decision-making, while from the point of view of the company and fair competition, the existing transaction may prove to be harmful. Ordering services or products from the recently established companies that have not been previously involved in economic activities may constitute a scheme established by a contractor's representative, in order to purchase services from a person close to him and therefore such kind of transaction is only positive for the schemer's personal benefit. Mutual transactions between the service provider and the contractor may be one of the indicators that a large scale service provider is purchasing a smaller scale service back from the initial contractor as a way of expressing gratitude for entering into contractual relations with him. Sale-purchase transactions that have been concluded under obscure circumstances, as well as purchasing of goods and services with superficial descriptions or in larger volumes than usual, may mean, that the contractor is purchasing a service, which he doesn't actually need or that the provided service does not add up to its cost.

## What is the solution?

It is better to identify all the possible mistakes as soon as possible. It is more cost efficient for the contractor to order a procurement fraud investigation service, which will help detect the procurement fraud on its early stages and thereby minimize possible financial, as well as further-reaching reputational damage. Law Firm Deloitte Legal has the necessary know-how, international experience and relevant technical solutions to timely identify the procurement fraud, whilst cooperating with companies. . Our services are not limited to just detecting the mistakes, but our experience in the field of public procurement also allows us to share practical guidelines with our clients so that they can avoid repeating the same mistakes in the future.