

CHAPTER THREE

COMBATING PROCUREMENT FRAUD IN THE PUBLIC SECTOR

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ABSTRACT

Procurement fraud remains a significant challenge in the public sector, undermining trust, wasting resources, and impeding national development. This study examines the various forms, causes, and consequences of procurement fraud within public institutions, highlighting how corruption, lack of transparency, weak regulatory frameworks, and inadequate oversight mechanisms facilitate fraudulent activities. The paper proposes a multifaceted approaches to combating procurement fraud, including the adoption of e-procurement systems, enhanced audit and monitoring processes, capacity-building for procurement officers, and the enforcement of stringent legal penalties. Emphasis is placed on the importance of institutional accountability, citizen engagement, and technological innovation as critical pillars in creating a robust, transparent procurement environment. By strengthening anti-fraud mechanisms, public sector entities can achieve greater efficiency, reduce financial losses, and restore public confidence in government processes. The study concluded that combating procurement fraud in the public sector requires robust transparency, accountability, and oversight mechanisms. One of the recommendations made was that procurement laws that clearly define offenses and penalties for procurement fraud should be updated and enforced.

KEYWORDS: Procurement Fraud and Public Sector

INTRODUCTION

Public procurement typically accounts for a substantial portion of national budgets, especially in developing countries where it can represent up to 30% of government expenditures. This procurement is carried out to promote transparency in the public service. Even with the appropriate method and steps in the procurement process, procurement fraud in the public sector represents a significant threat to the integrity, efficiency, and credibility of government institutions. It involves deliberate deception to influence procurement decisions and secure unfair advantage or illicit gain. Common forms of procurement fraud include bid rigging, kickbacks, false invoicing, collusion, and manipulation of tender processes. According to the Organization for Economic Co-operation and Development (OECD, 2016), procurement fraud not only leads to financial losses but also undermines public trust, distorts competition, and weakens institutional governance.

This large financial footprint makes procurement highly vulnerable to corrupt practices. Fraudsters often exploit complex regulatory frameworks, lack of transparency, weak oversight

mechanisms, and limited institutional capacity. As a result, essential public services—such as healthcare, infrastructure, and education—suffer from inefficiencies, delayed delivery, and substandard quality, (Transparency International, 2014).

Efforts to combat procurement fraud must therefore be multifaceted and proactive. Effective strategies include strengthening legal and institutional frameworks, enhancing transparency through digital procurement systems, promoting whistleblower protection, and implementing robust audit and monitoring mechanisms. Technological innovations such as e-procurement platforms and data analytics have shown promise in reducing opportunities for fraud by improving traceability and accountability (World Bank, 2020). For example, e-procurement systems in countries like South Korea and Chile have significantly reduced the incidence of procurement irregularities while increasing public confidence.

Capacity building and ethical training for procurement officials also play a crucial role in fraud prevention. By cultivating a culture of integrity, governments can reduce susceptibility to corruption and foster professionalism within procurement processes. Moreover, citizen engagement and civil society oversight can enhance public scrutiny and create additional layers of accountability. Public access to procurement data and open contracting standards are tools increasingly used to empower stakeholders and promote transparency (Open Contracting Partnership, 2019). Nonetheless, combating procurement fraud is a continuous and evolving challenge. Fraudsters often adapt to new controls, necessitating constant updates to legal, procedural, and technological safeguards. International cooperation is also essential, particularly for addressing cross-border fraud involving multinational contractors and illicit financial flows. In this context, frameworks such as the United Nations Convention against Corruption (UNCAC) provide valuable guidance for harmonizing anti-fraud initiatives and fostering global collaboration.

CONCEPT OF PROCUREMENT

Strong cybersecurity standards must be implemented to safeguard procurement platforms from identity theft, hacking, and data manipulation as procurement becomes more and more online. Regular system audits, two-factor authentication, and data encryption are all included in this. International anti-corruption networks and information-sharing agreements that enable the tracking and prosecution of transnational procurement fraud schemes are important tools for governments to combat cross-border fraud.

Almost all purchasing decisions include factors such as delivery and handling, marginal benefit, and fluctuations in the prices of goods. Organisations which have adopted a corporate social responsibility perspective are also likely to require their purchasing activity to take wider societal and ethical considerations into account. On the other hand, the introduction of external regulations concerning accounting practices can affect ongoing buyer-supplier relations in unforeseen manners, as such procurement is the process of buying goods, services, or works from external sources. It involves identifying needs, finding suppliers, agreeing on terms, and making purchases to support an organisation's operations. Gu, (2017).

Procurement is the end-to-end business process of obtaining goods or services that a company needs for day-to-day operations. It includes identifying requirements, selecting suppliers, negotiating contracts, creating purchase requisitions (PRs) and purchase orders (POs), receiving and verifying goods, and approving supplier payments, or it can be seen as the start-to-finish process involved in obtaining, or "sourcing", something that the buyer, such as a business or government agency, needs to do its work. That can involve either goods or services. Wilson (2024).

Procurement's overarching objective is to supply the key inputs for the business at the best price, ensuring a steady supply and minimising risk. The way this objective is achieved can vary depending on the type of business and how a company defines the procurement process. For manufacturers, it means making sure raw materials are ready to be placed into production; for professional services firms, procurement might focus on securing laptops and specialised software for all employees. Depending on the company, the procurement team may have a narrow focus or a broad remit. For most, procurement begins with recognising a business need and ends with reviewing a supplier's performance, with many steps in between. Mihály (2021)

Procurement is the systematic process through which organisations acquire goods, services, or works from external sources. It includes identifying needs, selecting suppliers, negotiating contracts, purchasing, and ensuring delivery and payment. It aims to achieve value for money, efficiency, and compliance with legal and ethical standards. Lewis (2019). According to the Chartered Institute of Procurement & Supply (CIPS), procurement is the business management function that ensures identification, sourcing, access, and management of the external resources that an organisation needs or may need to fulfil its strategic objectives.

CONCEPT OF PROCUREMENT FRAUD

Procurement fraud refers to the intentional deception or misrepresentation committed by individuals or organisations during the process of acquiring goods, services, or works for personal or financial gain. It commonly occurs in both public and private sectors, where procurement activities involve significant monetary transactions. According to Button et al. (2020), procurement fraud includes any illegal acts during the tendering, bidding, contracting, or delivery stages, such as bid rigging, invoice fraud, or collusion. These fraudulent activities undermine fairness, waste resources, and damage institutional integrity.

One of the most common forms of procurement fraud is collusion among bidders, also known as bid rigging, where competitors agree in advance on the outcome of a tender. This practice prevents fair competition and inflates contract prices, resulting in financial losses for the procuring entity. As noted by Nwabuzor (2020), this form of fraud is particularly prevalent in government contracting due to weak oversight and limited accountability structures. It not only leads to substandard work or services but also erodes public trust in procurement systems.

Procurement fraud can also occur internally through conflicts of interest and false invoicing. Employees may manipulate procurement procedures to favour certain suppliers in exchange for bribes or kickbacks. In some cases, payments may be made for goods not delivered or services not rendered. A 2023 study by Dardouri et al. emphasised that inadequate segregation of duties, poor record-keeping,

and lack of transparent reporting systems create environments ripe for fraudulent practices in procurement operations.

Furthermore, procurement fraud has become increasingly complex due to the integration of digital technologies and global supply chains. While digital procurement tools offer transparency and efficiency, they can also be exploited for cyber-enabled fraud if proper controls are not in place. As highlighted by Almklov (2021), procurement fraud today often blends traditional manipulation with digital vulnerabilities, making detection and prevention more challenging for oversight agencies.

CONCEPT OF PUBLIC SECTOR

Furthermore, procurement fraud has become increasingly complex due to the integration of digital technologies and global supply chains. While digital procurement tools offer transparency and efficiency, they can also be exploited for cyber-enabled fraud if proper controls are not in place. As highlighted by Almklov (2021), procurement fraud today often blends traditional manipulation with digital vulnerabilities, making detection and prevention more challenging for oversight agencies.

One of the defining characteristics of the public sector is its governance and funding mechanism. The sector is financed primarily through taxation, government revenues, and, in some cases, donor funding or loans from international agencies (Rosen & Gayer, 2021). Public sector organisations are subject to political oversight, legal frameworks, and administrative controls. Their accountability lies with the public and their representatives, which is why transparency and public scrutiny are crucial to their operations.

The public sector is also instrumental in promoting economic stability and reducing inequality. Through regulations, redistribution of wealth, and infrastructure development, governments aim to ensure social justice and economic balance (Musgrave & Musgrave, 2017). For instance, public education and healthcare systems provide equal access to services regardless of socioeconomic status, which helps bridge the gap between the rich and the poor.

Moreover, the public sector plays a critical role in national security and policymaking. Ministries, defence forces, law enforcement, and administrative bodies work together to uphold law and order, implement policies, and safeguard citizens' rights (Hughes, 2018). These institutions serve as the backbone of governance, providing the stability necessary for societal growth and private sector development.

TYPES OF PROCUREMENT FRAUD

➤ Bid Rigging

Bid rigging is a collusive scheme in which bidders conspire to manipulate the bidding process to ensure a predetermined outcome. This typically involves competitors agreeing in advance who will win the bid, while others submit artificially high or deliberately non-competitive offers to create the illusion of a fair competition. Types of bid rigging include cover bidding, bid suppression, and bid rotation. This fraud undermines the principle of open competition, leads to inflated prices, and deprives the buyer—often the government—of value for money.

➤ **Kickbacks and Bribery**

Kickbacks involve a vendor providing money, gifts, or other forms of compensation to a procurement official in exchange for being awarded a contract or receiving favourable treatment during the procurement process. Bribes may be paid to influence decisions such as specification tailoring, bid evaluation, or invoice approval. These practices distort the integrity of procurement decisions, leading to contracts being awarded based on personal gain rather than merit, capability, or cost-effectiveness.

➤ **Invoice Fraud**

Invoice fraud occurs when false, duplicate, or inflated invoices are submitted for payment. This may include billing for goods or services not delivered, overcharging for quantities, or altering contract terms to inflate the value. Employees may collude with vendors or act independently by creating fake supplier accounts to syphon funds. This type of fraud often relies on weak internal controls and insufficient invoice verification processes.

➤ **Product Substitution and Delivery Fraud**

In this scheme, the supplier delivers goods or services of a lower quality or different specification than what was contracted, while charging for the agreed-upon higher quality. For example, a supplier may substitute cheaper materials or used equipment instead of new, certified items. Procurement staff may be unaware of the substitution or may collude in exchange for kickbacks. This results in poor project outcomes, safety risks, and significant financial losses.

➤ **Collusion Between Employees and Vendors**

This involves internal staff conspiring with external vendors to manipulate various aspects of the procurement process. For instance, procurement officers may leak confidential bid information to a favoured supplier or adjust evaluation scores to influence the outcome. This type of fraud is especially difficult to detect because both parties benefit and cooperate to conceal the wrongdoing, often using falsified documents or fake audit trails.

➤ **False Claims and Certifications**

Suppliers may submit forged or fraudulent certifications, qualifications, or compliance documents to meet bidding requirements. Examples include fake ISO certifications, fabricated financial statements, or non-existent past performance records. Fraudulent documentation enables unqualified vendors to win contracts they cannot legitimately fulfil, which may lead to substandard results or contract breaches.

➤ **Phantom Vendors and Ghost Employees**

This type of fraud involves the creation of fake suppliers or employees in the procurement system. A fraudster, often an insider, sets up fictitious vendor accounts and processes payments for goods or services that were never delivered. In some cases, multiple ghost accounts are created to route payments

and avoid detection. These schemes are typically facilitated by weak vendor verification systems and lax accounting controls.

➤ **Split Purchases**

Split purchasing is a deliberate attempt to divide procurement into smaller parts to avoid oversight or competitive bidding thresholds. For example, a procurement officer may break a \$100,000 order into four \$25,000 contracts to bypass the requirement for open tender. This allows favouritism, reduces transparency, and undermines fair competition. Though sometimes done for convenience, it is fraudulent when used to deliberately circumvent policies.

➤ **Change Order Abuse**

This occurs when a contractor wins a contract based on an initially low bid and then submits numerous change orders during project execution to increase the overall cost. While some changes are legitimate due to unforeseen circumstances, excessive or unjustified change orders often reflect deliberate underbidding or collusion with procurement officers. It creates budget overruns and reflects poor planning or corrupt intent.

THE NEGATIVE EFFECT OF PROCUREMENT FRAUD

Procurement fraud can have serious negative effects on businesses, such as financial losses, reputational harm, operational disruptions, and legal problems; it can also lower employee morale, raise expenses, and cause supply chain disruptions; and when it is discovered, it can damage a company's reputation, affecting the trust of investors, customers, and business partners. Operational Disruptions: Fraud can disrupt normal business operations, diverting resources to legal investigations and audits. Kearney (2016).

According to Salam (2017), procurement fraud, or fraudulent procurement, is any fraud relating to a company purchasing goods or services or commissioning construction projects from third parties. Accordingly, fraud may occur when bid rigging occurs or when the tender procedure is not followed, which leads to fraud. Payment claims for products or services that were either not delivered or were subpar compared to what was indicated in the order can also result in this.

These practices include the use of bribes and kickbacks to conceal price manipulation, product substitutes, poor quality, violations of anticompetitive policies, counterfeit goods, and the sporadic use of shell corporations, which involve an employee and occasionally a close external partner. These types of frauds may concentrate on the purchase of components, finished items, services, and raw materials. Procurement fraud is perpetuated by internal buyers, external suppliers, or rogue employees who have the power to authorize purchases and, in certain cases, invoice payments. Fraud is a widespread problem in procurement all over the world; to a very big extent, the impact of procurement fraud and corruption on public procurement performance can be substantiated. Kaufmann, (2018).

The organisation's capacity to meet its operational goals is seriously threatened by procurement fraud. They may make it more difficult to carry out undertakings and programmes. Procurement-related corruption tends to be a serious problem in developing countries rather than in developed countries (Raymond, 2021). Procurement fraud is a serious crime that can affect people and organisations in a big way. Those who commit procurement fraud risk harsh punishments, such as large fines and jail time. These legal repercussions have an immediate effect on the person's personal life and permanently harm their professional reputation, making it challenging to regain confidence and land future job opportunities.

A civil lawsuit may result from procurement fraud, in which case the victim of the fraud may seek damages. Prolonged and expensive legal disputes could ensnare the impacted organisation, taking important resources away from its primary functions. Additionally, if found guilty, the organisation may suffer the loss of government contracts, resulting in significant financial setbacks and a blow to its credibility within the industry. Gu, (2017).

Procurement fraud has consequences that go beyond only financial and legal ones. The perpetrator of the fraud endangers not only their own career but also the organisation as a whole. The organisation's and the individual's reputations may be seriously damaged, leading to a decline in confidence among partners, clients, and stakeholders. A drop in market status, damaged relationships, and fewer business possibilities might result from harm to the organisation's reputation.

The financial and operational damages caused by procurement fraud can be substantial. Misallocating funds, inflated costs, and substandard or defective products or services acquired through fraud can undermine the organisation's financial stability and hinder its sustainable growth. The ripple effects of procurement fraud can affect not only the immediate bottom line but also hinder long-term success and stability. Lewis et al. (2019)

STRATEGIC METHODS OF COMBATING PROCUREMENT FRAUD

The process of combating procurement fraud is intricate and includes a number of tactical techniques intended to stop, identify, and lessen fraudulent activity in procurement operations. From the initial tendering to the contract execution and payment, procurement fraud can happen at any point in the procurement cycle. Procurement fraud is a serious problem since it can compromise the effectiveness and equity of both public and private sector procurement systems and result in monetary losses, reputational harm, and legal ramifications.

➤ Strengthening Internal Controls

The implementation of robust internal controls is a fundamental tactic in the fight against procurement fraud. These controls are intended to minimise errors, prevent fraud, and manage procurement activities through clear protocols. Segregation of duties, whereby distinct people are in charge of requisition, approval, purchase, and payment, is one of the important components. This reduces the possibility of illegal transactions or collaboration. To ensure a check-and-balance system, authorisation protocols should also specify exactly who has the authority to approve what amount of spending. It is difficult for

fraudulent operations to go unnoticed because of the traceability and accountability provided by thorough audit trails and automated documenting of every purchase action. Frequent evaluation of these controls guarantees that they adjust to changing risks and weaknesses in the system.

➤ **Enhancing Transparency and Accountability**

In order to reduce procurement fraud, transparency and accountability are essential. Open procurement procedures reduce the likelihood of backdoor deals and favouritism by making tender announcements, bid reviews, and contract awarding publicly available. Every stakeholder, including suppliers, regulators, and the general public, can examine the process if transparency is maintained. Procurement decisions should also be thoroughly recorded and supported by evidence. Requiring procurement officers to report on their decisions and activities is one example of an accountability mechanism that supports ethical behaviour. Officials and suppliers are held more responsible for their responsibilities and behaviour in the process by publishing procurement reports and instituting performance assessments.

➤ **Conducting Regular and Surprise Audits**

Procurement fraud detection and prevention depend heavily on audits. Compliance with procurement rules, guidelines, and best practices is ensured by routine audits conducted by internal or external teams. In order to find discrepancies or warning signs, these audits look at contract procedures, supplier selection, payment records, and inventories. More tactically, carrying out surprise or unannounced audits provides an element of uncertainty that discourages potential scammers. In high-risk industries, specialised forensic audits may also be used to examine particular contracts, confirm deliveries, and evaluate the legality of vendors. Prompt action on audit recommendations strengthens integrity and increases confidence in the procurement process.

➤ **Leveraging Technology and Digital Tools**

One effective weapon in the fight against procurement fraud is advanced technology. From demand to payment, the procurement cycle is automated by procurement management systems (PMS), reducing manual intervention and enhancing transparency. Real-time data generated by these systems can be examined to spot questionable patterns or transactions, like exorbitant prices, repeated awards to the same vendor, or modifications to contracts. Anomalies that would be difficult to find by hand can be found via data analytics. By guaranteeing that procurement records are unchangeable and traceable, emerging technologies such as blockchain provide additional protections and are perfect for verifying contracts and payments. E-procurement platforms also lessen human bias or manipulation in the vendor selection process and promote open competition.

➤ **Implementing Whistleblower Protection Mechanisms**

Systems for identifying and discouraging procurement fraud are essential. Fraudulent operations are frequently initially noticed by employees, suppliers, or other insiders. Establishing safe and private avenues for reporting suspicious activity, including internet platforms or anonymous hotlines,

encourages people to do so without worrying about retaliation. Strict anti-retaliation procedures that safeguard the identity and job status of whistleblowers must be put in place by organisations for these systems to be effective. It is possible to greatly enhance the early identification of fraud by promoting a speak-up culture and proving that whistleblowers are respected and protected.

➤ **Conducting Thorough Supplier Due Diligence**

One of the most important components of preventing fraud is supplier integrity. Businesses need to make sure that their suppliers are reliable, qualified, and not engaged in dishonest business activities. Background checks, financial record examinations, physical address verification, and evaluations of prior performance are all important components of due diligence procedures. High-value or strategic contracts may involve the use of third-party verification firms. Another way to stop known fraudsters from re-entering the procurement ecosystem under a different name or identity is to have a central database of blacklisted vendors and share information between departments or government organisations.

➤ **Regular Training and Capacity Building**

Human resources are central to the fight against procurement fraud. Regular training programmes for procurement officers, finance personnel, and management are necessary to ensure that all stakeholders understand the procurement laws, ethics, procedures, and red flags for fraud. These sessions should emphasise compliance, transparency, and accountability. Procurement staff must be trained to detect signs of fraud such as collusive bidding, kickbacks, bid rigging, and invoice manipulation. Awareness campaigns—using newsletters, workshops, and posters—can reinforce anti-fraud messaging and encourage employees to remain vigilant.

➤ **Promoting Ethical Culture and Leadership**

One of the best long-term strategies to lower procurement fraud is to establish a strong ethical culture. Leadership that continuously exemplifies ethical behaviour creates a culture that permeates the entire company. Senior management needs to show that they have zero tolerance for fraud, fund anti-fraud initiatives, and make sure that moral issues are taken into account when making procurement decisions. It is crucial to create and implement a code of ethics that specifies appropriate behaviour, conflict-of-interest guidelines, and sanctions for infractions. Employees are encouraged to act honourably and report wrongdoing under ethical leadership.

➤ **Strengthening Vendor Relationship Management**

Building enduring connections with reliable suppliers and keeping a close eye on their performance are key components of strategic vendor management. Contracts ought to contain provisions pertaining to delivery standards, audit rights, anti-corruption, and sanctions for noncompliance. Frequent vendor assessments, which are based on factors like cost, quality, timeliness, and terms compliance, can assist in identifying deviations that may indicate fraud. Another way to lessen the chance of collusion is to

rotate your vendors or do periodic rebidding. Building mutual trust and lowering the possibility of unethical behaviour are two more benefits of creating a clear framework for managing vendor complaints and disputes.

➤ **Enforcing Legal and Regulatory Frameworks**

A deterrent effect requires the use of legal tools. Governments and organisations must make sure that fraudulent conduct and their consequences are spelt out in detail in procurement regulations. The severity of the problem is shown by the effective execution of these regulations, which may include prosecution, penalties, suspension, or blacklisting. Fairness, free competition, and openness should all be required under procurement laws. To look into and prosecute fraud connected to procurement, regulatory organisations and anti-corruption organisations need to be given the authority and resources they need. Additionally, laws are regularly reviewed and amended to guarantee their continued applicability and efficacy in combating new fraud practices.

➤ **Establishing Fraud Detection Units or Taskforces**

Organisations' anti-fraud efforts can be greatly strengthened by establishing specialised units that are only focused on fraud detection. In addition to conducting interviews or evaluations, these groups are trained to examine procurement data and look into questionable activity. These taskforces can stop fraudulent schemes in high-risk industries like defence or construction and act swiftly to stop them. They frequently operate along with anti-corruption or law enforcement agencies, establishing a networked approach to enforcement and detection.

➤ **Monitoring and Evaluation of Anti-Fraud Strategies**

Lastly, ongoing monitoring and assessment (M&E) of strategies in place guarantees their efficacy. Key performance indicators (KPIs) should be created by organisations in order to evaluate their anti-fraud measures. Finding what works and what needs improvement is aided by independent evaluations, feedback systems, and regular reviews. Over time, improving internal resilience to fraud risks and streamlining procedures are two benefits of incorporating M&E into procurement strategy.

THE CHALLENGES OF COMBATING PROCUREMENT FRAUD

➤ **Complexity of Procurement Processes:**

Procurement procedures are inherently complicated, particularly in business or large-scale government settings. These procedures frequently consist of several stages, each with its own set of requirements, paperwork, and actors: needs assessment, bidding, evaluation, contracting, and execution. There are many potentials for manipulation because of this complexity. Fraudsters can purposefully create loopholes in contracts, utilise extensive documentation to hide unethical activity, or take advantage of gaps or discrepancies in procedures. Since these procedures are disjointed, it is challenging to conduct

thorough monitoring, which makes it possible for fraudulent activity to be implanted at several levels and evade early discovery.

➤ **Insufficient Oversight and Accountability:**

The lack of effective oversight procedures is one of the biggest obstacles in the battle against procurement fraud. Internal audit departments are frequently underfunded or operate inefficiently. Because of inadequate contract management, a lack of job segmentation, and ambiguous accountability frameworks, fraudulent activity may go undiscovered or unchecked. Even when controls are in place, they are frequently not applied consistently, which permits unethical acts like bid rigging, invoice padding, and non-competitive tendering to continue unchecked. Strong institutional will, clear mechanisms, and qualified staff are all necessary for effective supervision, yet these are frequently absent.

➤ **Collusion Between Insiders and Vendors:**

One of the main sources of fraud is collusive agreements between external contractors and procurement personnel. These insider-outsider collaborations are frequently planned in secret, with staff members leaking private bidding details, directing contracts to preferred suppliers, or modifying technical specifications to suit a preferred bidder. Employees might get employment promises, kickbacks, or bribes in exchange. Because both sides collaborate to create false documents and utilise what appear to be legal channels to support judgements, such schemes are challenging to identify. The integrity of the procurement process as a whole is jeopardised when such collaboration spreads throughout the system.

➤ **Lack of Whistleblower Protection and Reporting Mechanisms:**

Because they fear reprisals, lack legal protection, or have misgivings about reporting mechanisms, employees who witness fraudulent activity frequently hesitate to report it. Whistleblowers face harassment, termination from their jobs, or legal repercussions in numerous nations and organisations. People are further deterred from coming forward by the fact that some organisations do not offer anonymous avenues for reporting fraud. Thus, possible early indicators of fraud are ignored, and companies miss important chances to look into and address wrongdoing before it becomes a big issue.

> **Limited Use of Technology and Data Analytics:**

Even with modern technology, a lot of procurement systems still use antiquated software or manual procedures. Fraudulent actions like duplicate payments, unauthorised modifications, and price inflation are more likely to go undetected due to this lack of modernisation. Because of financial limitations or aversion to change, advanced analytics, artificial intelligence, and procurement management platforms are frequently underutilised, despite their ability to spot irregularities and patterns that point to fraud. In the absence of digital tools for transaction automation and auditing, organisations combat procurement fraud reactively rather than proactively.

➤ **Corruption and Political Influence:**

Corruption and political meddling are two of the biggest obstacles to transparency in public procurement. Contracts are frequently given out through political favouritism, nepotism, or campaign finance agreements rather than on the basis of merit. Political elites may completely circumvent the norms governing competitive bidding, protect dishonest officials, or meddle in procurement decisions. Inflationary project costs, subpar service performance, and a decline in public trust are all consequences of this pervasive corruption. Furthermore, politically connected people or businesses are frequently exempt from enquiries, which makes accountability all but impossible.

➤ **Inadequate Legal Frameworks and Enforcement:**

Inadequate or antiquated legislative frameworks make it more difficult to combat procurement fraud. Many jurisdictions lack adequate punishments or a clear definition of procurement fraud in their laws. Even in cases when laws are in place, enforcement organisations frequently lack autonomy or are swayed by corporate or political interests. Investigations could be postponed, charges withdrawn, or penalties rendered ineffective as a result. Fraudsters can also use offshore companies and global networks to launder money and evade punishment due to a lack of cross-border legal cooperation.

➤ **Capacity and Resource Constraints:**

Procurement fraud prevention organisations frequently face financial, human resource, and technological constraints. Internal audit departments, anti-corruption commissions, and procurement oversight agencies are examples of organisations that can lack the personnel, resources, or expertise necessary to identify and look into complex fraud schemes. Both domestic and foreign entities can more easily take advantage of procurement procedures in low-income nations due to these restrictions. In the absence of consistent investment and capacity growth, these institutions are nonetheless ill-prepared to handle complicated fraud cases.

➤ **Cultural and Organizational Norms:**

Corruption in procurement is accepted as a standard practice in many organisations and communities. Whistleblowing is discouraged, ethical standards are weakened, and complicity at all levels is encouraged in a culture that accepts or even promotes unethical behaviour. Workers may defend their involvement in fraud as essential to their survival or career progression, while management may overlook or even encourage it. Long-term education, leadership dedication, and the encouragement of moral behaviour through rewards, training, and punitive measures are all necessary to alter such ingrained cultural norms.

➤ **Cross-Border and Cyber Fraud Challenges:**

New risks to procurement integrity have been brought forth by globalisation and digitisation. Fraudsters can win bids by using falsified certifications, offshore corporations, or stolen identities. Funds may be diverted or sensitive data compromised by cyberattacks on procurement platforms. International

businesses that commit fraud may also take advantage of variations in legal systems to evade punishment. These issues necessitate better cyber security infrastructure, international collaboration, and cross-border harmonisation of procurement regulations and enforcement procedures.

MITIGATION STRATEGIES TO THE CHALLENGES OF COMBATING PROCUREMENT FRAUD

➤ Simplification and Standardization of Procurement Processes:

Governments and organisations should streamline, harmonise, and standardise procurement processes in order to combat the complexity of procurement systems. This entails using uniform evaluation standards across departments, standard bidding documents, and unambiguous templates. Process simplification eliminates uncertainty, lowers the possibility of manipulation, and facilitates system monitoring and auditing. Additionally, cutting back on bureaucratic red tape improves decision-making transparency and reduces exploitation potential.

➤ Strengthening Oversight and Internal Controls:

Procurement fraud detection and prevention depend on efficient internal control systems. Independent internal audit units should be established by organisations, with explicit ability to monitor contract performance, access procurement data, and look into anomalies. Conflicts of interest and illegal transactions can be avoided with the aid of controls such as automated approval procedures, authorisation checks, and segregation of roles. Potential fraudsters may also be discouraged by routine, surprise audits.

➤ Implementing Vendor Due Diligence and Blacklisting Mechanisms:

Procurement units should execute extensive due research on suppliers, including confirming business ownership, financial history, and prior contract performance, in order to reduce collusion and fraudulent vendor behaviour. Systems for tracking vendor performance and databases for blacklisting suppliers engaged in unethical or unlawful activities should be part of public procurement systems. Publicising this information encourages accountability and discourages businesses from trying to commit fraud.

➤ Establishing Robust Whistleblower Protection Frameworks:

One of the most important tactics is to support and protect whistleblowers. Enacting laws that guarantee secrecy, guard against reprisals, and offer whistleblowers financial and legal support is one way to do this. Organisations should also establish anonymous and secure reporting mechanisms (such as web portals and hotlines) to make it easier for people to report internal fraud. Fraud detection becomes more possible when workers feel comfortable reporting wrongdoing.

➤ Adoption of Digital Procurement Platforms and Data Analytics:

By using e-procurement platforms to modernise procurement operations, human discretion is decreased and transparency is increased. Digital systems can reduce manual intervention by automating contract

administration, evaluations, and bid submissions. Through the analysis of procurement trends, the identification of anomalies, and the flagging of unusual activities such as inflated prices or repeated awards to a single vendor, the integration of data analytics tools into these platforms enables real-time fraud detection. Another option to guarantee data integrity and traceability is to investigate blockchain technology.

➤ **Promoting Transparency and Open Contracting:**

A key component of preventing fraud is transparency. Through open contracting websites, the public, media, and civil society can examine transactions by viewing procurement plans, tender notices, award decisions, and contract papers. Open contracting acts as an extra layer of oversight and improves public trust. The publishing of structured data that may be watched for signs of fraud is made possible by initiatives such as the Open Contracting Data Standard (OCDS).

➤ **Strengthening Legal Frameworks and Enforcement Capacity:**

It is crucial to amend anti-corruption and procurement laws to precisely define procurement fraud and provide suitable sanctions. Fast-track investigation and prosecution of fraud cases should be supported by legal frameworks. The detection, investigation, and prosecution of criminals are enhanced when law enforcement agencies are strengthened through independence, financing, and training. In order to address the global aspects of procurement fraud, cross-border legal cooperation should also be promoted.

➤ **Building Institutional and Human Capacity:**

It is crucial to amend anti-corruption and procurement laws to precisely define procurement fraud and provide suitable sanctions. Fast-track investigation and prosecution of fraud cases should be supported by legal frameworks. The detection, investigation, and prosecution of criminals are enhanced when law enforcement agencies are strengthened through independence, financing, and training. In order to address the global aspects of procurement fraud, cross-border legal cooperation should also be promoted.

➤ **Fostering Ethical Organizational Culture:**

Organisations that foster an integrity-based culture are less likely to tolerate unethical behaviour. By implementing codes of ethics, rewarding openness, and recognising whistleblowers, leadership may show that they are committed to ethical behaviour. Integrity seminars and ethics training for employees and suppliers help foster common ideals. Creating ombudsman offices or ethics committees can also offer support systems for moral decision-making.

➤ **Enhancing Cyber security and International Cooperation:**

Strong cyber security standards must be implemented to safeguard procurement platforms from identity theft, hacking, and data manipulation as procurement becomes more and more online. Regular system

audits, two-factor authentication, and data encryption are all included in this. International anti-corruption networks and information-sharing agreements that enable the tracking and prosecution of transnational procurement fraud schemes are important tools for governments to combat cross-border fraud.

CONCLUSION

Combating procurement fraud in the public sector requires robust transparency, accountability, and oversight mechanisms. Effective legislation and strict enforcement are crucial to deter fraudulent practices. Technology, such as e-procurement systems and data analytics, enhances detection and prevention. Regular audits and independent monitoring help identify irregularities early. Whistleblower protection encourages reporting of unethical conduct. Training officials on ethics and fraud risks strengthens institutional integrity. A multi-stakeholder approach fosters collaboration, trust, and sustainable reform.

RECOMMENDATIONS

- **Update and enforce procurement laws that clearly define offenses and penalties for procurement fraud.**
- **Implement e-procurement systems to reduce manual interventions and ensure traceability of transactions.**
- **Provide regular training for procurement officers on ethical standards, fraud detection, and procurement best practices.**

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