



Brian Farrington Limited Procurement and Business Solutions People

April 2004 Newsletter

Fraud in Procurement

Our Managing Director has recently presented a one-day course on this subject to one of our clients with whom we have a long-term relationship. The audience consisted of procurement, finance and internal audit staff. We presented the findings from recent international studies and reports.

Procurement remains a vulnerable activity and we demonstrated this with examples of fraud perpetrated in procurement. Particular interest was shown in the "signs" that fraud may be taking place, and where there is the potential for it. One example was an IT Contract Manager in the USA who formed his own company, interpreted specifications and changed contracts to enable him to take over \$1m from his public sector employer.

The fraud was only detected when a contractor was asked to raise invoices out of scope and the perpetrator's bank tipped off the Secret Service about the high levels of cheques being presented.

Please contact us if you are interested in running this in-house course. You may also consider showing this newsletter to your Internal Audit Manager.

Freedom of Information Act 2000

This piece is directed at our public sector readers. Are you fully prepared to deal with the implication of the FIA 2000?

This is an Act to make provision for the disclosure of information held by public authorities or by persons providing services for them and to amend the Data

Protection Act 1998 and the Public Records Act 1958; and for connected purposes.

The act has a 1 January 2005 deadline and the Act is fully retrospective. Some bodies have an implementation plan in place and others haven't begun to consider the implications.

Section 43 deals with commercial interests and buyers should read this (and the Act). In doing so you may ask where you stand on statements such as "Commercial-in-Confidence" and "Confidentiality" clauses in contracts. If you have not already done so, we urge you to take legal advice.

Managing Expectations - Suit or Jeans?

Last month's newsletter included a report on our recent 'Skills-Gap' analysis assignment in the U.S.A.

During our customary, lessons learned debrief to the rest of the BFL team, an interesting point emerged reinforcing the importance of detailed planning; dress etiquette.

Our initial involvement with the client was at their impressive, multi-storey Head Quarters building in urban down-town America, during which we adopted the familiar, consultant "dress code" of business suit, shirt & tie and well polished shoes.

However, before leaving for the Power Plants, which are located in the rural heartland of the Mid West, we were strongly advised by the HQ staff to adopt a different clothing style for this next phase of the assignment.

This proved to be extremely good advice as upon arrival at the Plants, it was clear

that if we had turned up as consultants "in uniform", we would have stuck out like sore thumbs. Everyone else in the locality, including the Power Plant Senior Management, dressed very casually.

By adopting the local conventions, we were more readily accepted by the local population in general, and the Plant personnel in particular. What had the potential of being an obstacle to effective communication was avoided.

Our hospitable reception and the subsequent comments from the Client's local people confirmed how readily we had blended into the community, because we had taken the trouble to fit in.

Although, strictly speaking, not a negotiation, it was none the less a striking example of how important it is to plan all aspects of any meeting.

Our experience confirms that the physical content of planning meetings, for example, supplier/client visits and commercial negotiations should not be restricted to environment, layout, seating and facilities.

Reverse auctions and the construction industry

The Government Department, Office of Government Commerce (OGC) has recently awarded contracts to five framework providers to enable central government departments to use reverse auctions for the procurement of goods and services. Our understanding is that the OGC reverse auction facility may be made available to a range of public sector bodies and related organisations.



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A delegation from the Construction Industry Strategic Forum held a meeting with OGC on 1st March 2004 to discuss how central government departments will use reverse auctions. The chairman of the strategic forum, Peter Rogers, in an interview with 'Building' magazine earlier this year, considered that, while reverse auctions were appropriate for the procurement of commodities, they were not suitable for 'complex projects where there was a degree of variability and intellectual input'.

This view is consistent with a briefing note issued by the Construction Industry Council and the Specialist Engineering Contractors Group that recommended reverse auctions should only be used for the procurement of commodities. The level of usage of the OGC reverse auction facility will be particularly interesting to note, especially for construction projects and related services.

The need for Supplier Appraisal (Part 3)
This is our third and final newsletter item this year on the, what we believe, is a very important subject, namely supplier appraisal.

Last month we briefly considered the validity of a supplier being ISO9000 accredited, compared to having a clear knowledge that the supplier is actually doing what they are contractually obliged to be doing!

There is only one inescapable conclusion. The buyer, the contract manager

or whoever is responsible for the performance of the supplier's contractual obligations, must go and see the supplier and/or the supplier's operation and see for themselves what the supplier is actually doing.

This does not mean a nice friendly lunch with the Sales Manager or a spot of 'industrial tourism'. A planned and systematic approach to ensure the buyer/contract manager has a clear and practical understanding of exactly what is happening in the supplier's factory, or offices, to provide what has been contracted for.

No one is asking the buyer/contract manager to suddenly become, an engineer when visiting a supplier's factory, although having an engineering background would help. However, visit enough factories and you will increasingly get to know whether a factory is run well or not.

Being prepared to get out, travel and see suppliers is crucial. It also means the buyer's/contract manager's organisation has to encourage supplier visits and not take the viewpoint that this is just a "jolly". One of the ways to manage the buyer's/contract manager's internal relationships and add value to supplier visits is to provide a report detailing the key points addressed, including next actions.

Something interesting or indeed valuable can be learnt from visiting any supplier location, even if it is just 'I wouldn't do it that way!'

Excellence in Procurement Course

The latest Excellence in Procurement course has been received very positively, with only a limited number of places still available for the 21st April, at the Novotel, Birmingham Airport. We look forward to an informative and stimulating event covering best value, partnering, analysing supplier's cost models, outsourcing and in-sourcing and much more.

Perhaps most importantly the event will be used to challenge old habits! We hope to see you there. Interested? Further information, including agenda and costs is available from Pat Robinson on 01744 20698. probinson@brianfarrington.com Why not visit our website to see the pdf course brochure.

CIPS Construction North West Branch Event

Just a brief note to say thank you to the organisers and participants of the recent branch meeting of CIPS Construction North West. BFL Business Consultant Stephen Ashcroft provided a presentation on commercial negotiation which was very well received. The open and frank debate was much appreciated.

Contact:

If you would like to receive the newsletter by email please contact, e.hartley@brianfarrington.com This newsletter is posted on our website on the first Monday of every month. Why not have a look at the back copies for other tips and sources of information?

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