



## Brian Farrington Limited Procurement and Business Solutions People

*May 2004 Newsletter*

### Charity begins at home?

Fortunately fraud and corruption remains a considerable exception to the rule in the UK. It is particularly rare amongst those that hold professional qualifications.

However, in February 2004 two quantity surveyors and an architect were found guilty of defrauding a charity of £3.5m. The convictions followed an investigation by the Serious Fraud Office. The £3.5m comprised the charging of excessive fees and the recommendation and authorisation of payment for engineering works that had not actually been executed. Another would-be defendant, who died in 2000, was found to have received 'an illicit payment of £15,000 and [been] treated to foreign holidays'.

Robust contracts will always provide that the valuation of works and/or services is undertaken by a different person (or organisation) from the person (or organisation) charged with authorising such payment.

This case clearly shows that collusion between those responsible for the valuation and payment of works and/or services is very difficult to prevent. While such instances are few and far between, from experience we always recommend our clients to undertake audits of the fees charged by their professional consultants and due diligence checks on the performance of their consultants. Confidentiality precludes us from providing some of our findings; suffice to say that they would shock many.

### Professional Standards

The purchasing department is a vital PR activity for any organisation. It has to display high professional standards. So, how does this manifest itself? For the larger organisations it is good practice to publish an information booklet for current and prospective suppliers. This can explain the buyer's portfolios and approaches to business relationships.

Giving new suppliers the opportunity to present their business and products should be high on the agenda. We are surprised at the barriers erected in some organisations to prevent this happening. Recently we heard a buyer say "we don't need any new suppliers".

Serious discussions on the management of risk, with suppliers can pay dividends. In many purchasing departments there is no risk management process. Curiously, all buyers ask for insurance, including performance bonds and Parent Company Guarantee. Are we always clear about the reason and need?

Applying negotiation skills is a professional activity – when done correctly. We recently heard an extreme from a Purchasing Manager. "Negotiation – I avoid that like the plague!" This was said with emphasis. The motivation was difficult to pin down but inability and unease seemed prime motivators.

The right professional standards are synonymous with training and development. At some recent interviews we heard buyers say "we can only remember one course being offered in the previous five years".

A rhetorical question is "how professional am I?" It is a personal matter as well as a corporate matter. The best deals come from suppliers who respect the buying department. That is a fact!

### Excellence in Procurement

The Excellence in Procurement seminar has been received extremely positively. Feedback from the April 2004, Birmingham Airport event included: 'The style of presentation and interaction with the course attendees made for a very interesting and informative day' and 'as a new participant in procurement I found the seminar very helpful in understanding procurement from the buyer's perspective, and how this role can assist in the achievement of the organisation's objectives'.

Thank you to all the participants for your involvement and for your positive feedback. The event is to be repeated on 30 June 2004 in Manchester. Please contact Pat Robinson for details on 01744 20698 or [probinson@brianfarrington.com](mailto:probinson@brianfarrington.com)

### Contact:

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*The newsletter will also be posted on our website on the first working Monday of every month.*

Feedback, comments and contributions to the newsletter are very welcome. Please contact us.