



Corruption risk in procurement

Guidance material

This guidance material examines the enduring risk of corruption in government procurement and its affect on fairness and value in public spending. It identifies procurement corruption risks, including employee actions and specific procurement stages. It also recommends ways to reduce these risks, such as vetting potential employees, reviewing recruitment and procurement procedures, streamlining the procurement process, and using data analysis to detect suspicious activities.

What is the risk?

Public procurement – the government’s purchase of goods and services – is vulnerable to corruption in part due to the large sums of public funds involved. Corruption in procurement undermines the community trust that public funds will be used fairly and transparently for quality goods and services from businesses chosen based on merit.

There is a growing concern about the risk of corruption in procurement, among both public servants and business. Almost all stakeholders consulted in IBAC’s 2024 Public Sector Strategic Assessment – including leaders in the Victorian Public Service and local government – view procurement as a significant risk for their organisation. Businesses are also concerned about corruption, with the number of business suppliers to government in Victoria perceiving corruption as a problem jumping from 64 per cent in 2022 to 70 per cent in 2024, with 41 per cent viewing it as a major problem.



What risks are emerging?

In the context of public procurement, corruption risks are often associated with activities such as evaluating bids and awarding contracts. These risks occur due to a variety of factors, including urgency to meet deadlines, the complexity of procurement paperwork, and structural vulnerabilities such as complex governance and limited resources.

Situations which may lead to a risk of corruption:

- Fraud in public procurement is often committed by employees with no past dishonesty, making it hard to anticipate.
- When employees are under pressure to meet deadlines, especially at the end of the financial year, they may not follow processes to 'get it done'.
- Public servants are most likely to act corruptly in the procurement process when evaluating bids or selecting the contract winner.
- Organisations that procure on behalf of others, or manage big projects, are more exposed to corruption risks.
- When public services are outsourced to non-governmental organisations, there is typically reduced direct government oversight concerning the allocation and use of funds, creating greater risks for corrupt conduct
- Complicated paperwork and processes can make it hard to follow procurement rules.
- Smaller public sector organisations in regional areas can have greater risks with procurement. This can be due to close community links between individuals involved in procurement and others in the community, such as business owners, which can create risks of concealment or mismanagement of conflicts of interest.

How can the public sector combat these risks?

Preventing procurement corruption requires vigilant oversight and clear, enforceable rules. Implementing the measures outlined below can improve the integrity of procurement practices:

- Carry out detailed checks on an employee's work history and character during the recruitment stage, even though there may not always be obvious warning signs.
- Regularly assess the organisation's procurement processes to see where improvements can be made.
- Put clear guidelines in place and introduce tools to make the procurement process simpler and more efficient.
- Use data analysis techniques to spot signs of possible corruption, such as unusual patterns in how contracts are divided or personal connections between staff and suppliers.
- Encourage a transparent bidding environment by publicly disclosing procurement details and decisions, where appropriate.



Useful resources

IBAC

- Corruption in procurement: risks and warning signs
www.ibac.vic.gov.au/corruption-procurement-risks-and-warning-signs
- Public sector procurement processes vulnerable to corruption
www.ibac.vic.gov.au/article/public-sector-procurement-processes-vulnerable-to-corruption
- Corruption risks associated with procurement in local government
www.ibac.vic.gov.au/publications-and-resources/article/special-report-on-corruption-risks-associated-with-procurement-in-local-government

Victorian Public Sector Commission

- Victorian Public Sector procurement guide
www.vpsc.vic.gov.au/ethics-behaviours-culture/conflict-of-interest/strategies-and-checklist-for-organisations/conflicts-of-interest-in-procurement-victorian-public-service-vps/

Victorian Auditor-General's Office

- Managing conflicts of interest in procurement
www.audit.vic.gov.au/report/managing-conflicts-interest-procurement

This product was prepared based on findings from desktop research and stakeholder consultations from IBAC's 2024 Public Sector Strategic Assessment. All information contained in this document should not be considered as evidence for, or accusations of, corruption.

If you experience or suspect public sector corruption, report it to IBAC



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If you have difficulty accessing the online form, call us on **1300 735 135** for further assistance.



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