Procurement fraud
The focal point…

Procurement is a key function in any organisation covering the following broad areas:

- **Sourcing**: Identify of vendors/service providers.
- **Selection**: Select a vendor for the product/service required.
- **Onboarding**: Conduct due diligence of the selected vendor, contract finalisation and integrating the vendor in the procurement process.
- **Order placement**: Initiate purchase orders against the vendor and schedule delivery of goods/services.
- **Periodic evaluation**: Measure the performance of the vendor on an ongoing basis to maintain delivery standards.

- **Delivery and payment**: Ensure delivery of products/services are as per the contract/purchase order meeting all the requirements of the Service Level Agreements (SLAs) and payment as per the terms agreed with either the vendor.
- **Termination**: includes exit procedures for a vendor parting after either completion of contract terms or in case of pre-mature termination of the contract.

Our objective is to help companies identify and address the fraud risks arising from vulnerabilities in their procurement function.

Key vulnerabilities you should watch out for

- Inflation of budget for procurement of goods/services
- Absence of adequate documentation evidencing poor-quality diligence procedures carried out before selecting a vendor
- Bid rigging or splitting of bids to ensure selection of a favoured vendor
- Procurement of material/services from single source vendors
- Procuring material/services that were not required
- Procurement at prices either more than the market price or paying more than once
- Fake invoices submitted for goods/services for non-existent vendors
- Kickbacks/bribes paid to company employees for procurement
- Conflict of interest scenarios with vendors.
How we can help you

Our approach for conducting a procurement fraud investigation is detailed below:

**Potential benefits**

- Identification of potential frauds in the procurement function of the company can help the management of the company take stringent action against the perpetrators.
- Implement corrective actions for the issues identified and plug control gaps noted in the existing systems and processes.

**Step 01**

- Understand existing processes, systems and controls related to procurement of goods/services.
- Understand the process of vendor acceptance through cross function review and inter linkage with other departments (example: commercial, finance, treasury, legal among others).
- Preparation of a detailed investigation plan.

**Step 02**

- Undertake data analysis of the available data and review documents to identify the fraud and personnel involved in such transactions.
- Conduct disk imaging and review of the computers/handsets of the suspected employees to gather evidence of the fraud or misconduct committed by them.
- Attempt to gather discreet market intelligence of suspected employees, vendors and third parties, as considered necessary.
- Conduct interviews with suspected employees and external parties as considered necessary.

**Step 03**

- Identify the extent and modus operandi of the fraud or misconduct.
- Identify the persons involved in perpetrating the fraud/misconduct.
- Issue the assessment report with detailed findings and recommendations to mitigate the identified fraud risks in the future.

While this is the broad outline of our approach, it is highly customisable, and can be modified to suit the specific requirements of the client.
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