

Tackle procurement fraud with vetting

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Procurement fraud is a leading commercial risk and organisations must implement every possible preventative measure to ensure it does not impact the business. Described loosely, procurement fraud includes the acts of "dishonestly obtaining an advantage, avoiding an obligation or causing a loss to public property or various means during procurement process by persons involved in the procurement."

For organisations serious about preventing procurement fraud, careful and continuous evaluation of both suppliers and employees is imperative, says Rudi Kruger, General Manager at LexisNexis Data Services.

Employee vetting includes looking into property ownership, bank verifications, lifestyle audits and screening against various databases, such as those published by CIPC and the South African Fraud Prevention Services.

Supplier vetting includes verifying VAT and BEE status, bank verification, property ownership, judgements online as well as screening against databases such as the South African Fraud Prevention Services, National Treasury Database for Restricted Suppliers and Government Employee Status of Directors.

"Fraudulent activity and conflict of interest between supply chain partners and employees can easily slip under the radar if active vetting is neglected. Always ensure that supplier and employee relationships do not cross the line by regularly vetting staff and suppliers," said Kruger.

He added that vetting both suppliers and employees will produce useful information that will assist in determining the existence of:

- Pass-through schemes, where an employee or contractor sets up a business, which supplies goods or services to client.
- Conflict of Interest, which occurs when an individual or organisation is involved in multiple interests, one of which could possibly corrupt the motivation for an act in the other.
- Shell company schemes, which enable an entity that has no active business and usually exists only in name as a vehicle for another company's business operations.
- Tender fraud, where the manipulation of the bidding/tendering process between employees of the issuer of the bid and the bidding company lead to bribes and kickbacks.


A vetting solution that is extremely useful in the procurement process is Lexis® ProcureCheck, an easy to use web-based system designed to help you identify and prevent fraud schemes. "A number of developments in information technology, such as Lexis® ProcureCheck, make it easier to identify and highlight potentially fraudulent activity and can be used to help streamline the process of bringing perpetrators to book," said Kruger.

The solution assists with procurement vetting and vendor management and facilitates the verification of various data sets, providing linkage to identify possible conflicts of interest, pass-through schemes and shell companies. It also enables users to investigate negative and positive news on vendors and employees to assist in mitigating reputational risk. Another key benefit is that it assists supply chain management officers to ensure compliance with the Public Finance Management Act and the Municipal Finance Management Act.

For more information, visit <https://www.lexisnexis.co.za/lexisprocurecheck>.

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