

# The benefits of an ethical approach to procurement

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Companies have come to realise the significance of having in place a strong ethical culture since the King Codes were released. The latest version of the code, King IV published in 2017, delivers stronger support of corporate ethics and the belief that legally compliant companies with sound principles and procedures enjoy a competitive edge over unethical companies. However, a competitive advantage is just one of the benefits as per the framework.

Good reputation and stakeholder trust are key benefits of sticking to ethical codes, says Rudi Kruger, General Manager of Data Services at LexisNexis South Africa. "Another valuable benefit is the avoidance of legal fines and penalties as a result of non-compliance," he added.

An organisation's ethical culture is often put to test in supply chain, which, is one of the business functions most vulnerable to the effects of unethical practices such as conflicts of interest, fraud, bribery and corruption than other illegal activity.

"Procurement professionals must be inspired to conduct their tasks with honesty, transparency and integrity or the business could be subjected to heightened risk and disadvantages," said Kruger,.

However, when employees and suppliers act with poor ethics, tools like Lexis®ProcureCheck are fortunately available to assist companies with identifying fraudulent practices within their organisation and monitoring the procurement environment on an ongoing basis.

"Lexis ProcureCheck forms an integral part of the supply chain management policy and promotes adherence to the code of ethical standards as outlined by King IV, the Municipal Finance Management Act No. 56 of 2003; 46, Ethical Standards," said Kruger. "Furthermore, the solution ensures that supply chain officials meet all conditions as stipulated in 16A8.3 of the Act."

The solution is effective because it helps uncover potential connections, ownership of property or unscrupulous behaviour between staff and vendors. This is achieved through regular vendor and staff vetting, as well as detailed conflict of interest reports. Comprehensive employee vetting against leading South African datasets helps to identify business interests and property ownership of individuals within your organisation and, when cross-matched against your supplier database, can also help to identify connections that pose a financial and reputational risk to your business.

In addition, ProcureCheck runs ongoing monitoring, provides automated irregularity alert reports and allows users to create a personalised internal vendor list, which helps with separating preferred vendors from those that are blacklisted.

LexisProcureCheck is tailor-made for the South African market to assist procurement, compliance and forensic auditing departments in their procurement vetting, supply chain audit and supplier management processes.

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

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