

# Strengthen your supplier management processes against fraud

By [Ryan Mer](#)

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Chief financial officers not only have a serious fiduciary duty to themselves as individuals, but they also have a responsibility to their employer to ensure that every step of every financial process is in order and above board.



Ryan Mer, CEO at eftsure Africa. Image supplied

The consequences of financial mismanagement are multiple – again, individually as well as for the company. Financial loss is just one outcome of poor financial controls - there are also legal and reputational implications.

One of the most complex areas of a CFO's role is supply chain management, from requisitioning a product or service, to vetting and onboarding the supplier, actual procurement and through to payment. If the company is not making a once-off purchase, there is also an element of relationship management required to maintain the supplier.

So how can the CFO make his job, if not a little easier, then at least a little more secure against fraud?

## Supply chain and procurement management

First is ensuring that there is a very clear chain of command and step-by-step process for procurement. No employee should be empowered to go out and purchase or order any product or service without completing the requisite forms and getting sign-off all the way up to CFO/CEO.

Given that procurement officers may be dealing with everything from stationery and promotional and marketing items to the most technical pieces of equipment, it is essential that proper specs for the item are drawn up and that the procurement officer is clear about the expectations of the department that is ordering.

This means finding a supplier that can meet expectations of quality, price and delivery time frames. While larger organisations may have a sizable chain of command and specific roles, even SMEs should have a person responsible for onboarding and dealing with suppliers and a dedicated processes for doing so.



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### Compliance

A transparent supplier process is fundamental to building trust and fostering strong business relationships. It should be structured and consistent, not only to ensure clarity for all participants but also to uphold the highest standards of accountability and integrity.

A systematic approach to supplier processes prevents ambiguities and ensures that all parties understand their roles and responsibilities. Integral to this structured approach is a robust system designed to oversee activities and maintain a comprehensive audit trail.

This audit capability is crucial for any business, irrespective of its size, as it provides a clear record of transactions, decisions, and interactions, ensuring that operations are transparent and verifiable.



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### Risk management

A robust risk management framework becomes paramount. Before integrating risk management information onto payment systems, it's vital that this information concerning suppliers be meticulously vetted and approved. Organisations vary in their risk thresholds – some will demand rigorous scrutiny, while others might opt for a more streamlined approach.

However, the core principle remains the same: a dedicated commitment to risk management.

Every organisation, regardless of size, must anchor its supplier interactions in an appropriate, tailored process. While larger entities might delve deeper into verification due to the sheer scale of their operations, smaller entities should also prioritise their version of rigorous vetting.

At its heart, this is not just about meeting stipulated requirements; it's about championing the principle of risk mitigation.

## **Operational efficiency**

Once you have a central supplier database for all your procurement needs and are ready to place your first order with a supplier, we go back to the chain of command. Who can place the order, what paperwork (for example a purchase order) is required and what are the timelines?

Communication is key in achieving optimal operational efficiency, setting out clear expectations of a supplier in terms of quality and timing.

## **Closing the loopholes**

Every system is open to potential abuse but with all the above processes, procedures and protocols in place, CFOs can mitigate financial and reputational risk considerably. Platforms for real-time verification of beneficiary company banking details can have a considerable impact on risk reduction and provide peace of mind in the complex world of procurement and supply chain management.

Such platforms can help a business achieve all of this without having very complex and massive procurement systems in place.

## **ABOUT THE AUTHOR**

Ryan Mer is the CEO at eftsure Africa

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