

The right information protects from supplier harm

Vetting in the supply chain function enables a business to review their suppliers and vendors with the intention of mitigating risk before entering into business relationships.



Rudi Kruger, General Manager of LexisNexis Data Services

It is an important step in the supply chain, as businesses are vulnerable to a host of potential threats that can emerge from their relationship with suppliers, according to Rudi Kruger, general manager of LexisNexis Data Services. Unscrupulous business practices pose great risk and, if left undetected, they could have severe consequences on the business as a whole. Some of the more prominent threats include:

- 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.
- BEE fronting, where a company deliberately circumvents or attempts to circumvent B-BBEE acts and codes.
- Shell company schemes, where an entity with no active business exists only in name as a vehicle for another company's business operations.
- Tender fraud, which involves the manipulation of the bidding/tendering process between employees of the issuer of the bid and the bidding company, and may include bribes and kickbacks.
- Pass-through schemes, where an employee or contractor sets up a business which supplies goods or services to client.
- Reputational damage, following association with the above-mentioned transgressions.

The potential of reputational damage, legal non-compliance and potential financial losses due to supplier transgressions are

too risky.

However, with the right information obtained via in-depth vetting, procurement professionals can arm themselves with everything they need to make informed decisions and subsequently, protect the business. In-depth vetting sounds like a tedious task but there is help.

“Third-party providers of vetting tools have strong databases on verified content, making them reliable and efficient,” said Kruger. “Making use of them greatly benefits the supplier vetting process time and time again.”

It is also useful in ensuring compliance with the Public Finance Management Act, Municipal Finance Management Act and King IV.

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