



**PROCUREMENT PROCESS
AUDIT**

PROCUREMENT PROCESS AUDIT

The order and clear regulation and framework of the procurement process have the positive impact on the company's financial results:

15-25% costs reduction*

↘ 80% financial risks decrease*

*Based on results of the customers' survey of DELOVOY PROFIL Group

Audit of procurement activities is a complex and quite sensitive matter.

WHEN THE PROCUREMENT AUDIT IS REQUIRED

Such analysis of procurement system can be required, if at least one of the following situations is observed:

- your organization has an established pool of suppliers without rotation or an extremely narrow pool of suppliers (except situations, when rare materials or services are purchased);
- suppliers charge inadequately low prices or, on the contrary, significantly high prices compared to the market average, or you have no up-to-date information;
- the final decision on suppliers' selection is made by one person or by a group of people, which are not directly controlled by top management;
- you find out about the chosen supplier after the project has started;
- you do not see any objective reason for choosing a particular supplier;
- the task of suppliers' and contractors' selection in your company entirely lies with the owner or top management;
- you are not satisfied with the quality of delivered materials / works, despite the apparent objectivity of the selection procedure.

THE PROCESS OF PROCUREMENT AUDIT

Audit of the procurement system is a necessary measure to ensure the sustainable functioning of the company. Particularly, it includes the following:

- audit of the suppliers' selection process and preparation of recommendations for its modification;
- development of the supplier selection process regulations, including the tools and processes creation for their evaluation and selection;
- inventory and detection of the negative schemes, which have an impact on the financial result and costs of incoming materials and products;
- automation of the specified and related processes.

DELOVOY PROFIL Group experts' approach to the projects' implementation in the field of procurement audit includes the following procedures:



Case study of contracts in different segments, competitive procurement, formulation of recommendations



Audit of the procurement process - analysis of control points, transmitted information, ways of communication with suppliers and selection channels



Development of the final documentation and automation

RESULT OF THE PROCUREMENT AUDIT

- A well-functioning managed business process that ensures transparency of controls with detailed instructions to staff;
- A clear procedure for tendering and the suppliers' selection process with criteria that ensures the most efficient and safe selection process;
- Minimization of financial and fraud risks in the procurement process.

PROCUREMENT PROCESS AUTOMATION

Implementation of digital solutions to the procurement processes leads to decrease of time consumption and expenditures as well as ensures reliability and increases the quality of supplier management.

DELOVOY PROFIL Group's specialists offer the efficient solutions for modernization and improvement of procurement process. It is possible to automatize only separate parts of the process or to implement fully automate process, to use existing packaged software solutions or to develop customized solution.

IT-specialists of Management consulting will ensure:

- development of process automation concept and terms of reference preparation;
- selection of the most efficient solution for process digitalization or development of customized one;
- implementation of automated business-process with the synchronous training of employees.

CASE

Audit of the procurement process for the foreign car manufacturer: suppliers' selection process verification and procurement regulations formation

CLIENT:



The large foreign automobile manufacturer

THE SITUATION:



The client, one of the leaders in the global automotive industry, required an audit of the procurement process and an independent investigation of suppliers' and contractors' misconducts. The absence of transparent system of interaction with contractors endangered the company's financial security, as well as increased the responsibility of top-management in terms of «blind» approval of suppliers. The company did not have a supplier selection and evaluation policy. The absence of internal control department made the tasks execution by the staff hardly possible, so the client involved DELOVOY PROFIL Group's experts. It is worth noting that this service had elements of forensic.

FORENSIC is an independent financial investigation of the theft, fraudulent misery, illegal withdrawal and misappropriation of assets, as well as embezzlement of property and funds of the company.

PROJECT FEATURES:



- Fragmented workflow. Projects consisted of several contracts where different contractors were involved.
- The terms of cooperation were documented by e-mails and messengers, which entailed large financial and legal risks.

SOLUTION:

! The expert team was formed under the general guidance of the project manager, which included four consultants, two business analysts and a marketing specialist. The experts determined 2 key procedures to identify the main risks:

1. Comprehensive analysis of the procurement process in the context of control points and procedures.
2. Analysis of the retrospective base of contracts with suppliers by sampling to identify patterns and risks or overpayments presence in individual projects.

As a result, the experts of Management consulting identified number of causes that led the Client to the unstable situation:

- Ineffective management of procurement process
- Absence of established policies and procedures for interaction with contractors that are transmitted to the subsidiaries;
- Transparent supplier selection system absence;
- De facto projects' approval by the top-management (the projects could had already been completed or could be in the active implementation stage).

Employees of the Client's company often avoided answering during the second phase of project implementation – the procedural audit, which was slowed down and hindered the search for the key causes of process imperfection. However, due to the specialists' experience and an extensive database of benchmarks, this fact was not crucial.

RESULT:

✓ The data obtained as a result of an independent investigation and procurement department audit made it possible to develop effective regulations for the suppliers' and contractors' selection and approval, as well as consideration of information on potential cooperation.

As a result of the project, the client received the developed regulations. Further cooperation continued within the procurement process automation.

The new system of high-quality suppliers' selection let the company decrease expenses by 20%, decrease financial risks and ensure confidence in the company's security.



Please, contact for detailed information on service

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ABOUT COMPANY

Audit and Consulting Group «DELOVOY PROFIL» is one of the largest Russian companies at the audit and consulting market:

- **25** years of success
- Membership in MGI Worldwide international network
- Over **200** auditors and consultants
- Professional liability insurance totals **2 bn** RUB
- **16 000** successfully completed projects for the leading companies of various industries

We have been providing the business with efficient solutions within the wide range of consulting services since 1995. Among our competences are tax and legal consulting, financial and management consulting, audit, IFRS and GAAP services, valuation, accounting services and Due Diligence, as well as international corporate services and M&A support.

RATINGS

The Group annually takes the leading positions in the lists of the largest consulting, valuation and audit companies.



As of 2020, according to RAEX analytical agency DELOVOY PROFIL Group takes 21st place among the largest audit organizations and 23rd among the leading consulting groups at the Russian market. In separate consulting areas the Group is also among the leaders:

3 место	marketing and PR consulting
6 место	IT-consulting in the field of management solutions
12 место	strategic consulting

MAP OF SERVICES

DELOVOY PROFIL **Audit & Accounting**

- Audit in accordance with RAS and IFRS
- Mandatory audit
- Preparation and consolidation of IFRS financial statements
- Component auditor
- Forming of accounting system
- Reconstruction of accounting
- Accounting outsourcing



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DELOVOY PROFIL **Financial consulting**

- Comprehensive business review
- Financial due diligence
- Cost review
- Inventory services
- Development and analysis of internal control system
- Development of accounting policies
- Development and analysis of management accounting
- HR audit
- Audit of development agenda
- Forensic – diagnostic of fraud risks
- Anti-corruption services
- Budgeting



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DELOVOY PROFIL **Valuation**

- Business valuation
- Financial modeling
- Investment project valuation
- Valuation for IFRS purpose
- Property assets revaluation
- Valuation of intangible assets
- Debt interests valuation
- Real assets valuation
- Machinery and equipment valuation
- Lease rate evaluation
- Valuation report expertise



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DELOVOY PROFIL **Tax&Legal consulting**

Tax consulting

- Support during tax inspections
- Tax support of transactions
- Tax audit
- Tax due diligence
- Transfer pricing services
- Controlled foreign companies
- Tax risk management
- International tax planning

Legal consulting

- Corporate law services
- M&A transactions support
- Legal due diligence
- Business structuring
- Court disputes support
- Antimonopoly practice
- Customs practice
- Labour law
- Controlled bankruptcy
- Subsidiary liability protection



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DELOVOY PROFIL **Management consulting**

- Strategy and business diagnostics
- Organization design
- Business process optimization
- HR consulting and personnel efficiency
- Market researches
- Marketing strategy development
- Operational due diligence
- Interim management
- Trainings and seminars
- IT-consulting



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CLIENTS


Full list of the clients with filters according to the industry and services are available on official website in the Section [CLIENTS](#).





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