

SUPPLY CHAIN & PRODUCTION ORGANISATIONS

For manufacturing, retail, wholesale, logistics, food and pharma production – continuous throughput, procurement and inventory risk.

Where and why to look for fraud

In supply chain or product-reliant organisations, the same controls that catch a supplier under-delivering can provide input certainty and reliable production costs. The checks that stop stock from walking out of the warehouse give you inventory data you can rely on. A business with clean processes negotiates better with suppliers, manages working capital more effectively, and reports margins accurately.

Fraud loss estimates range from around 1% to 7% of revenue. In supply chain businesses, losses tend to be small per transaction, high in frequency, and easy to hide in adjustments and write-offs. **This tool helps reduce those fraud risks, and it only takes a few minutes to get started.**

Business model map

Step	What happens	What's at risk
1. Demand planning	Estimate what you'll sell or make	The reliability of your forecasts and related targets
2. Supplier selection & contracting	Choose suppliers, agree pricing and terms	Your supplier spend and the quality of your commercial relationships
3. Purchasing	Raise purchase orders, get approvals	Your approval controls and cost commitments
4. Receiving & goods-in	Confirm goods arrived and match the order	What you actually receive versus what you pay for
5. Inventory & warehousing	Store, count, and move stock	Your stock accuracy and the physical assets you hold
6. Production & throughput	Convert inputs into finished goods	Your input costs and accuracy, and output quality
7. Quality control	Test and release product	Your product integrity, compliance records, and release decisions
8. Distribution, returns & credits	Ship goods, handle returns, issue credits	Cash and stock leaving the business with incomplete or missing records
9. Cash & POS (where relevant)	Handle cash sales and transactions	Cash at the point of capture, before it reaches the bank
10. Financial reporting	Record costs, inventory, and revenue	The accuracy of your margins, stock valuation, and period-end results

Pressure triggers to consider: tick all that apply:

- | | |
|---|---|
| ☐ Large supplier base with frequent additions | ☐ Tight margins and pressure to hit targets |
| ☐ High volume of small, routine purchases | ☐ High scrap or waste levels |
| ☐ Limited inventory visibility/manual counting | ☐ QC capacity constraints or pressure to release quickly |
| ☐ Multiple warehouses or third-party logistics | ☐ Frequent manual journal entries in the accounts |
| ☐ Returns, credit notes, or discount activity | |
| ☐ Complex rebate or promotional arrangements | |

Red flags and what to look for

One incident is rarely proof; look for two or three in the same area. Use the following as a checklist to identify things that require investigation:

Supplier onboarding & master data

- New suppliers created by the same person who pays them, with no independent check
- Frequent changes to bank details, payment terms, or remittance addresses
- A supplier whose ownership, contact, or bank account matches an employee or (former) supplier
- Pressure to use a "friend of the business" with no commercial justification.

Buying, pricing & approvals

- Purchase orders split just below your approval limit
- Repeated urgent buys bypassing competitive quotes or standard approval
- Price increases without documented justification or any market comparison
- Heavy use of manual price overrides, applied by the same person
- Rebate or promotional arrangements that are vague, not evidenced, or reconciled much later.

Receiving & goods-in

- High-value or high-risk deliveries without counting, weighing or a good received note (GRN)
- No independent check between the person who orders and the person who confirms receipt
- Counterfeit or lower-grade goods substituted (often complex spec, or QC capacity is stretched).

Inventory, production & materials

- High frequency of stock adjustments or write-offs with no root cause analysis (look at trends)
- Negative stock balances, frequent backdating, or manual stock movements outside normal hours
- Material usage consistently above the bill of materials (BOM) or predictions
- Scrap or waste spikes near month-end or on specific shifts
- Stock held offsite with no visibility (frequent "in transit" adjustments and gaps in proof of delivery).

Quality control

- Test records completed in bulk – identical timestamps, missing raw data, or no traceable link between the record and the physical batch
- QC release without documented checks, or by the same person who produced the batch
- Back-dated records, or unusually clean documentation, where earlier batches were "messier".

Returns, credits & cash

- High volume/value refunds or credit notes from specific customers or stores
- Discounts and promotions applied manually with no second approval
- If you handle cash, till totals don't match deposits; repeat void or no-sale transactions; refunds issued to gift cards or store credit; override activity concentrated in one person or one shift.

Payroll

- Leavers receiving pay after their exit date
- Self-approved timesheets or overtime
- Two employees share the same bank account number in the payroll system
- Pay anomalies on weekends, bank holidays, or shutdown periods.

Bank reconciliation

- Infrequent reconciliations, or by the same person who processes supplier payments
- Items sitting in suspense accounts without a clear explanation
- Reconciling items that keep rolling forward month after month without being cleared.

People & behaviour

- Refusal to take leave, share access, or allow stock counts by someone outside the team
- Unusually close relationships with specific suppliers
- Resistance to system access reviews or process changes in a role with high transaction volume
- Lifestyle changes in someone with authority over cash, inventory, or payments.



Tips

Before investigating, save system logs, supplier master records, PO, GRN, inventory, and QC data as evidence. Quarantine suspect stock where product safety is a concern.

"Most fraud is caught through people speaking up or routine checks - make it easy for them to raise a concern."

Quick self-assessment & action prompts

Score each line: 0 = not in place/ don't know 1 = partly in place 2 = in place and used

	0	1	2
Supplier creation and bank detail changes are independently reviewed – the person who creates a supplier cannot also pay them	☐	☐	☐
Bank detail changes and new payee instructions are verified by a call back to a trusted number, not by replying to the request/through an inbound call	☐	☐	☐
Purchase orders are approved before ordering; "PO after invoice" exceptions are rare and reviewed	☐	☐	☐
Receiving has evidence (counts, weights, inspection) for high-value and high-risk items; mismatches are recorded and resolved	☐	☐	☐
Inventory adjustments and write-offs are approved, logged with reasons, and reviewed for patterns by site and user	☐	☐	☐
Actual material usage is compared to BOM or expectations by line or shift – outliers are investigated	☐	☐	☐
Scrap and waste is authorised, recorded, and reviewed for anomalies	☐	☐	☐
QC release requires traceable raw data, not just a completed form	☐	☐	☐
Returns and credit notes are controlled, inspected, and reviewed for customer and approver patterns	☐	☐	☐
Rebate and promotional agreements are reconciled to credits received – manual period-end adjustments are reviewed	☐	☐	☐
Bank reconciliations are done at least monthly by someone who does not process payments	☐	☐	☐
Payroll is checked quarterly: leavers removed promptly, no duplicate bank accounts, no one approving their own time	☐	☐	☐
Staff know how to raise a concern safely, and trust it will be taken seriously	☐	☐	☐

How to read your results

Mostly 2s:

Maintain controls; focus on the highest-volume, highest-value processes.

Mixed:

Prioritise 2–3 quick improvements and assign owners and deadlines.

Mostly 0s and 1s:

Start with supplier controls, receiving, and bank reconciliation.

Action prompts

In the next 48 hours:

- Verify bank details for your top 10 suppliers by calling a trusted contact.
- Run a duplicate payments check and a "same bank account" check for the last 90 days.
- Pull the last 30 days of inventory adjustments and scrap write-offs - who posted the most, and are there after-hours or month-end spikes?
- Review the top 10 credit notes and refunds: is there evidence of inspection and proper approval?

In the next 30 days:

- **Introduce a cycle-count plan:** weekly for top-value SKUs, monthly for others (analyse variance).
- **Build a simple exceptions dashboard:** duplicate invoices, near-threshold POs, GRN delays, high write-offs, and manual price changes.
- **Standardise receiving for high-value and high-risk goods:** count or weigh at the time and point of receipt.
- **Compare BOM or expected usage to actual usage** for your top five production lines. Flag outliers for investigation.
- **Tighten returns and refunds:** inspection steps, approval levels, and a monthly review of outliers.

Your plan (write it down)

1. Top 2 fraud risks, in plain language: _____
2. Two actions we will complete by [date]: _____
3. Owner (name/role) and check-in date: _____