



Supply chain assurance in the retail sector

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Business and Management Faculty




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Business and management

This section brings together the most up-to-date thought leadership, technical resources and professional guidance for ICAEW members in business. It also includes the more specialist information provided by ICAEW's Business and Management Faculty.



Need to know

Business and Management Faculty

The faculty provides a mix of technical and soft skill resources to help members meet their CPO requirements and keep abreast of the changing world of business. Resources include our monthly magazines, special reports, quarterly briefings, as well as our popular webinar and events programme.


Coronavirus (COVID-19) hub

Coronavirus is not just a world health emergency; it is an economic one too. The economic impacts are plain to see and emergency provisions are being made worldwide in an attempt to support individuals, business and anyone who advises them. ICAEW is monitoring the situation closely and collating resources as conditions unfold.


Core Accounting and Tax Service (Bloomsbury)

From May to October 2020 members in business have free trial access to Bloomsbury Professional's comprehensive online library, comprising over 60 titles from leading commercial law, tax and accounting subject matter experts.

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Commercial insight



EXPANDING THE CFO'S HORIZONS

SPECIAL REPORT
SEPTEMBER 2020

Tourism in the UK - post covid



How UK tourism should respond to lockdown lifting.

[Read article](#)

Articles

- > [What is a post furlough world?](#)
- > [The future of agriculture](#)
- > [How to communicate better](#)

Resources

- > [PDF of July/August magazine](#)
- > [July/August technical update](#)
- > [View our past webinar recordings](#)

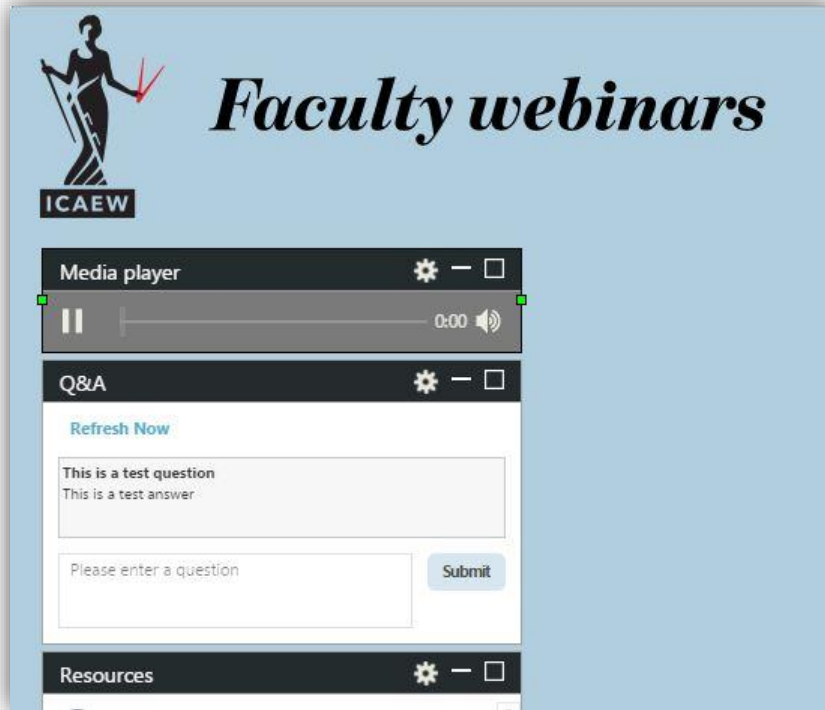
icaew.com/joinbam

Today's presenter



Abigail Harper

Ask a question or download resources



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Ask a question

Type your question into the question box then click submit.

Supply Chain Assurance in the Retail Sector

October 2020

Webinar information

Modern day slavery and unethical practices within the retail supply chain pose serious financial, operational, regulatory, and reputational risks for organisations. When third parties are involved, or when an organisation's supply chain is international, further difficulties arise from the complexity of operations. How can organisations help protect themselves from supply chain risk? What key controls should be in place to mitigate risk?

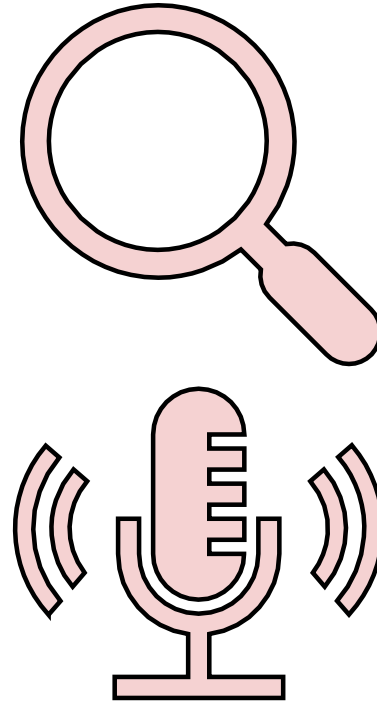
Speaker

Abigail Harper specialises in commercial, operational, and financial assurance for international companies; to evaluate and improve the effectiveness of risk management, control, governance, and compliance. With a background in Internal, External, and IT audits, Abigail is experienced in 2nd and 3rd lines of defence; currently working within the retail and e-commerce sector. Sitting on the ICAEW's Internal Audit panel, she advises on topical issues pertaining to Internal Audit and business management, provides thought leadership, practical guidance, and useful information/publications for Internal Audit and governance.



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 - Ethical / Modern Slavery
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 - Inventory Management
 - Transport Logistics and Security
 - Data Protection and Cyber Security
 - International Tariffs and Taxes
 - Business Continuity
 - Perform site visits

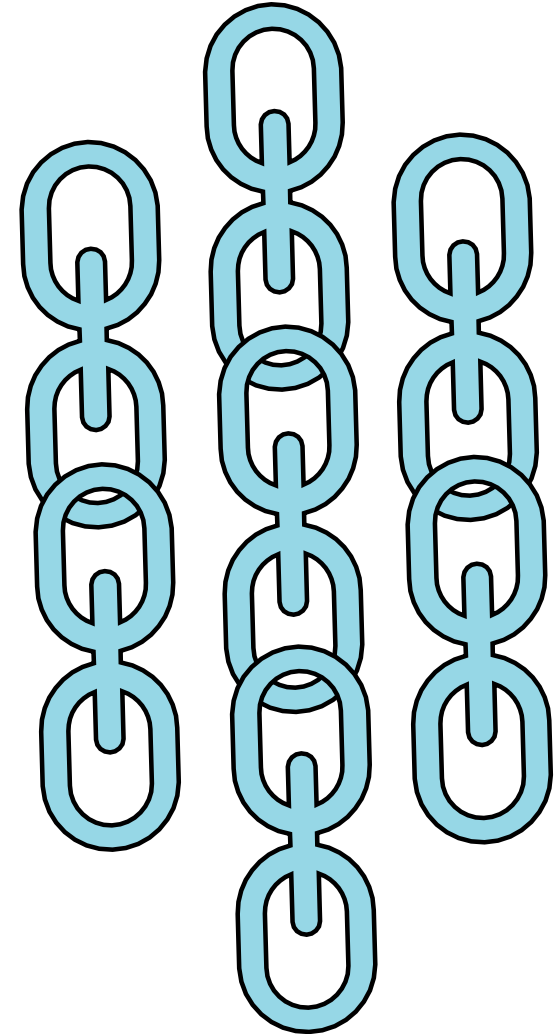


What is a supply chain audit?

A detailed examination of your supply chain.
End-to-end → From product to the customer

The objective / benefits can include:

- Identifying **risks** in your supply chain so you can protect your revenue and reputation
- Finding and stopping **fraud** and systematic **errors**
- Improving supply chain **performance**
- Creating and demonstrating greater **reliability** and **credibility**
- Gradually increasing your **third party**' **compliance** with standards
- **Motivating change** in the areas of safety, health, *environmental sustainability*, working conditions, anti-corruption, and others
- Creating better **business relationships** with third parties



What is an internal audits purpose?

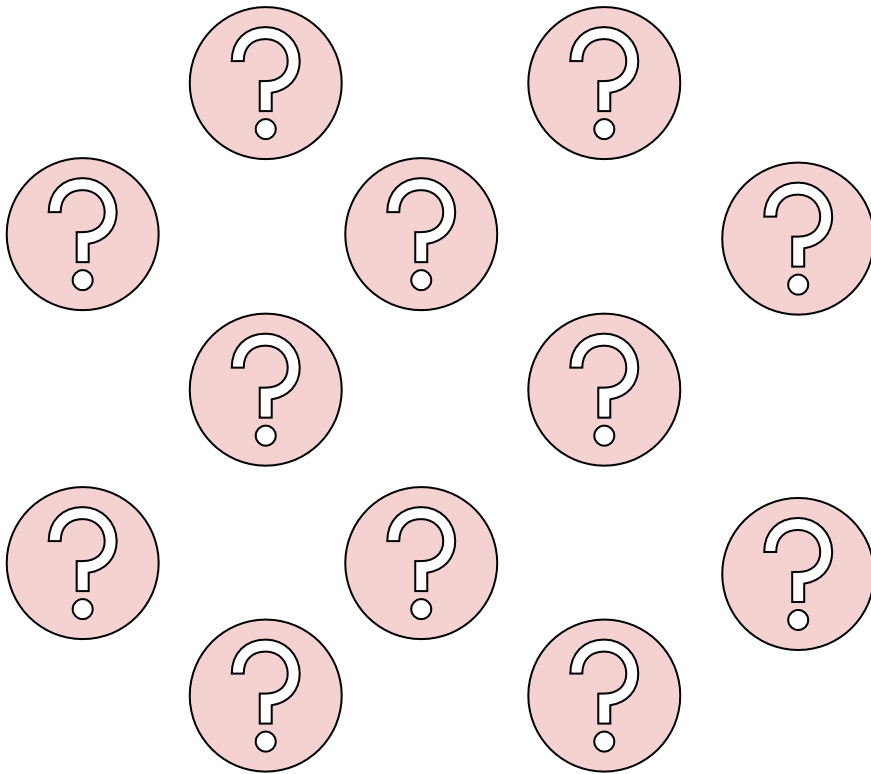
“Internal auditing is defined as an independent, objective assurance and consulting activity designed to

add value and improve

an organization’s operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of

risk management, control, and governance processes,”

as defined by The Institute of Internal Auditors (IIA)



Considerations for scoping a supply chain audit

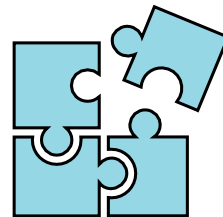
IT DEPENDS

Consider:

- Business model
 - Department store
 - Manufacturer
 - JIT
- Size / Scale
- Risk appetite
- Customer profile
- Market position
- Level of out-source
- Own-brand

Within:

- Planning
- Execution
- Communication
- Follow up



...But where do I start?

RISK BASED APPROACH

Build a foundation of knowledge from Data

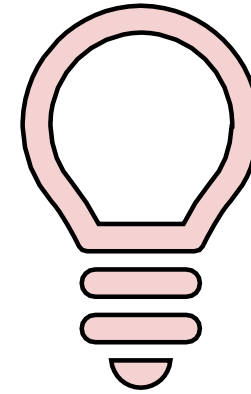
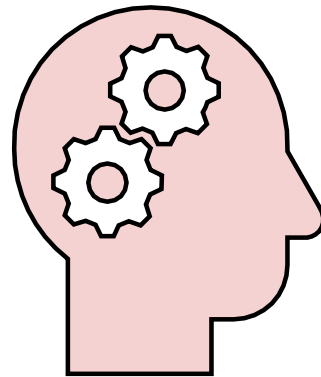
- Speak to personnel within your supply chain!
- What is the business culture?
- Have there been high volumes of returns?
- Have there been high volumes of complaints?
 - Analyse for themes?
- Have there been any breaches with outsourced suppliers? (in-house and externally)
- Review performance reviews of key suppliers

Risk Explanation

Risk	Explanation
Financial	<p>Risk associated with financial loss or negative cash flow management.</p> <p>Common forms: Credit risk, liquidity risk, asset-backed risk, foreign investment risk, equity risk, and currency risk.</p>
Operational	<p>Risk associated with inadequate or failed internal policies and processes, people and systems, or from external events.</p>
Regulatory / Legal	<p>Risk associated with breach / non-compliance with law, legislation or contract.</p>
Reputational	<p>Risk associated with loss of market share and reputation with stakeholders (investors, customers, suppliers etc).</p>
Strategic	<p>Risk associated with decision making and/or achieving business objectives. This includes making poor business decisions, substandard execution of decisions, inadequate resource allocation, or from a failure to respond well to changes in the business environment.</p>

Key areas to consider:

- Procurement and Relationship Management
- Ethical / Modern Slavery
- Contract Management
- Inventory Management
- Transport logistics and security
- Data Protection and Cyber Security
- International Tariffs and Taxes
- Business continuity
- Perform site visits



Other considerations

- Data collection
- Automation
- Customer services
- Order fulfilment
- Manufacturing flow management
- Returns

Procurement and Relationship Management

Risks

Financial, Regulatory / Legal, Reputational, Operational, Strategic.



Controls

- Defined roles and responsibilities between Procurement and Relationship Manager
- Due diligence
- Contracts
- Leverage existing suppliers
- Annual performance review → Fed back to Procurement if separate roles / Have Procurement attend
- Training, monitoring, escalation
- Standards and procedures

Ethical / Modern Slavery

‘Held’ or ‘forced’ against their will, in slavery or to perform compulsory tasks.

Risks

Financial, Regulatory / Legal, Reputational, Operational, Strategic.

Controls

- Modern slavery statement
- Due diligence
- Third party audits / assurance – Payroll
- Policies
- Whistle blowing hotline – **FOLLOW UP** ← Links to strong contracts



Transparency

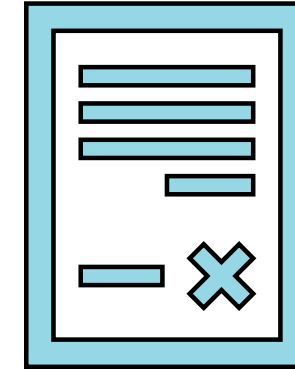
Contract Management

Risks

Financial, Regulatory / Legal.

Controls

- **Right to audit**
- **Data ownership**
- Exit strategy
- **KPIs, SLAs**
- Adherence to policy and procedures
 - Ways of working
 - Frequency of communication
- Adherence to laws and regulations
- **Penalties / consequences**
- E-commerce – DC allocation / Insurance cover
- Valid, stored, reviewed



*Follow through when contracts
are breached*



Sets the tone for supplier

*Define responsibility and processes
for this*

Inventory Management

Risks

Financial, Regulatory / Legal, Reputational, Operational, Strategic.

Controls

- **System integration**

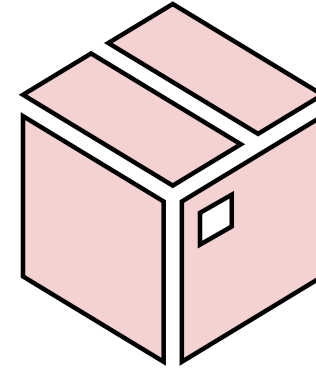
Order system - buyer, warehouse system, order system – customer (e-com) / store and finance system

- **Designated DC workspace**

Products in, categorised, picked, obsolete

- **Stock counts in DC / Factory**

Frequency, blind, re-counted, approved before system correction, product write off.



Transport Logistics and Security

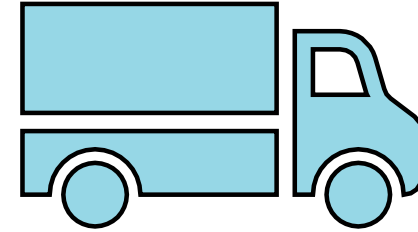
Risks

Financial, Regulatory / Legal, Reputational, Operational, Strategic.

Controls

- **Visibility**
- Evidence of delivery to customers
- Insurance / transfer of risk - *Liable for damages in transport?*
- Mode of transport
- **Capacity and route planning**
- **KPIs**
- **Packaging**

Suitable, sustainable, durable, appropriate for travel



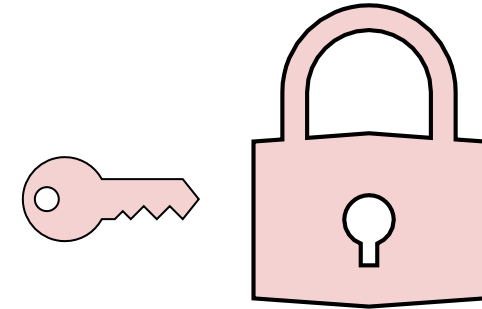
Data Protection and Cyber Security

Risks

Financial, Regulatory / Legal, Operational.

Controls

- Up-to-date documented policies and procedures, accessible to staff
- **Access and superuser access**
- Password controls
- **Multi-factor authentication (MFA)** where possible
- Multiple layers of protection e.g. Firewalls and virus protection software
- **Simulations** to test employees - phishing
- **Maturity roadmap**
- **Continuous monitoring**
- Inhouse vs Outsource



National Cyber Security Centre proposed 12 principles, designed to help you establish effective control and oversight of your supply chain:.

<https://www.ncsc.gov.uk/collection/supply-chain-security/principles-supply-chain-security/understand-the-risks>

International, Tariffs and Taxes

Risks

Financial, Regulatory / Legal, Operational, Strategic.



Controls

- Understand the **tax laws** of the country product is shipped to/from → preferably mapped, with Tax team involvement
- Understand **VAT and reclaim** → *Subject to change (VAT re-claim)
- Consider tariff and tax **impact on pricing models**
- Consider how tariff and tax is **accrued / paid**
- Consider how this feeds into **strategic decision making** – Governance framework
- Training / knowledge sharing
- Consider **emerging risks** around politics, climate change, and laws and regulations, e-commerce.
- Brexit

Business continuity

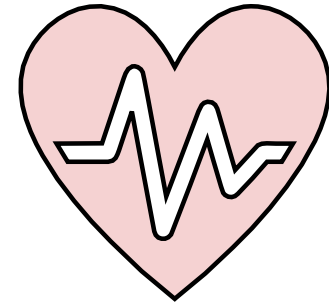
Risks

Financial, Regulatory / Legal, Reputational, Operational, Strategic.

COVID 19 has significantly disrupted the supply chain.

Controls

- Assess end-to-end strategy
- Capability
- Identify changes
- Operations
- Governance
- Communication



PERFORM SITE VISITS

*(where possible)
and be COVID-19 safe*

Unannounced or minimal notice where possible.

Review physical evidence where possible, drawn directly from source.

Talk to people and ask questions when they are working.

Take photos.

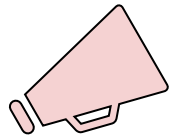
- DC / Factory

Training, right to work, certificates, Loss Prevention checks, employee in/out procedures.

- Alternatives – consider getting third party assurance, video calls?



Any Questions



Upcoming BAM webinars

60 minute webinars: 10.00am

Navigating 'office politics' positively
5 November

Practical Excel tips
7 December

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Thank you for attending

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Upcoming BAM webinars and events

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