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REVIEW ON VENDOR AUDIT MANAGEMENT

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ABSTRACT:

Vendor Relationship Management (SRM), is systematic planning and managing of all interactions with suppliers to maximize its value. Its application varies from construction industries to healthcare system and investment banks to industries. Several buyer-supplier relationship models, as well as supplier selection and evaluation strategies, have been documented by many researchers. The vendor management system is for supporting the good quality of material, delivery on time, good service and cooperation, reasonable price, improve the strong and close relationship, etc. The Vendor Management System (VMS) is the one most important factor of success. The vendor is the partnership that concerned to manufacturer not only the quality but also other business issues.

Key words: Vendor Relationship Management, partnership, buyer-supplier

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INTRODUCTION: [1-3]

A vendor, is also known as a supplier, a vendor is an individual or company that sells goods or services to someone else in the economic production chain. Individuals, activities, technology, organizations, resources these are the network which involved in the creation and sale of a product, delivery of source materials from the vendor to the manufacturer, all the material is delivery to the end user all above things are the part of the supply chain. Vendor is also the part of the supply chain.

An audit is a independent, systematic and documented process for obtaining audit evidence and evaluating it objectively to determine the extent to which audit criteria are fulfilled and also work done in the organization are in the given standards.

Audit have two main types as follows.

External Audit

External audit is types of audit that assurance services, Legal Service, Financial Advisory, Consultant Services, Risk Management Advisory and Tax Services all are provided by the audit firm. The prime examples of external audits are EY, Deloitte, KPMG and PWC. External auditors could be person from the organization or individual. These kind of firms or organization are sometime required to hold CPA qualification to run audit firm and sign audit reports that's why also called as CPA firm.

This type of audit required to strictly follow international audit standard also required to maintain professional code of ethic and local standards as required by local law. The audit is conducted by the other auditor.

Internal Audit

The audit committee or board of directors determine internal audit activities. These are the people or department which are working in the company. The internal audit conducted by the company. Internal audit normally report to owner of the company if there is no audit committee and board of directors Internal audit is the type of audit that controls the internal operations, check the review, complaints, cheating, faults, and sometimes special inquiry assigned from audit committee or board of directors. Its report normally contain the list of audit findings, proof of those findings, along with consultation. All finding require discuss and settlement with managements.

Audit requires for ensure the compliance with ISO 9001:2008. Fulfill the organization requirements, fulfilled the regulatory requirements. Ensure the Quality Management Systems is effectively applied and maintained auditing for improved performance. Look for opportunities for improvement. look for best practices that could be applied in other areas. Look for preventive action. look for outstanding emphasis on customer satisfaction.

There are some principles behind conducting the audit E.g., Virtuous conduct, Proper presentation, Professional care, Independence, Objectivity, Impartiality, neutrality, Evaluations based on proof, Capability, Cooperation, Trust.

Management system including quality management, Organizational understanding, Specific process and product knowledge, Social interaction Consider guidance in ISO 19011, Education and experience. Auditor should have the knowledge to conduct the audit and skill for conduct the audit, procedures and techniques,

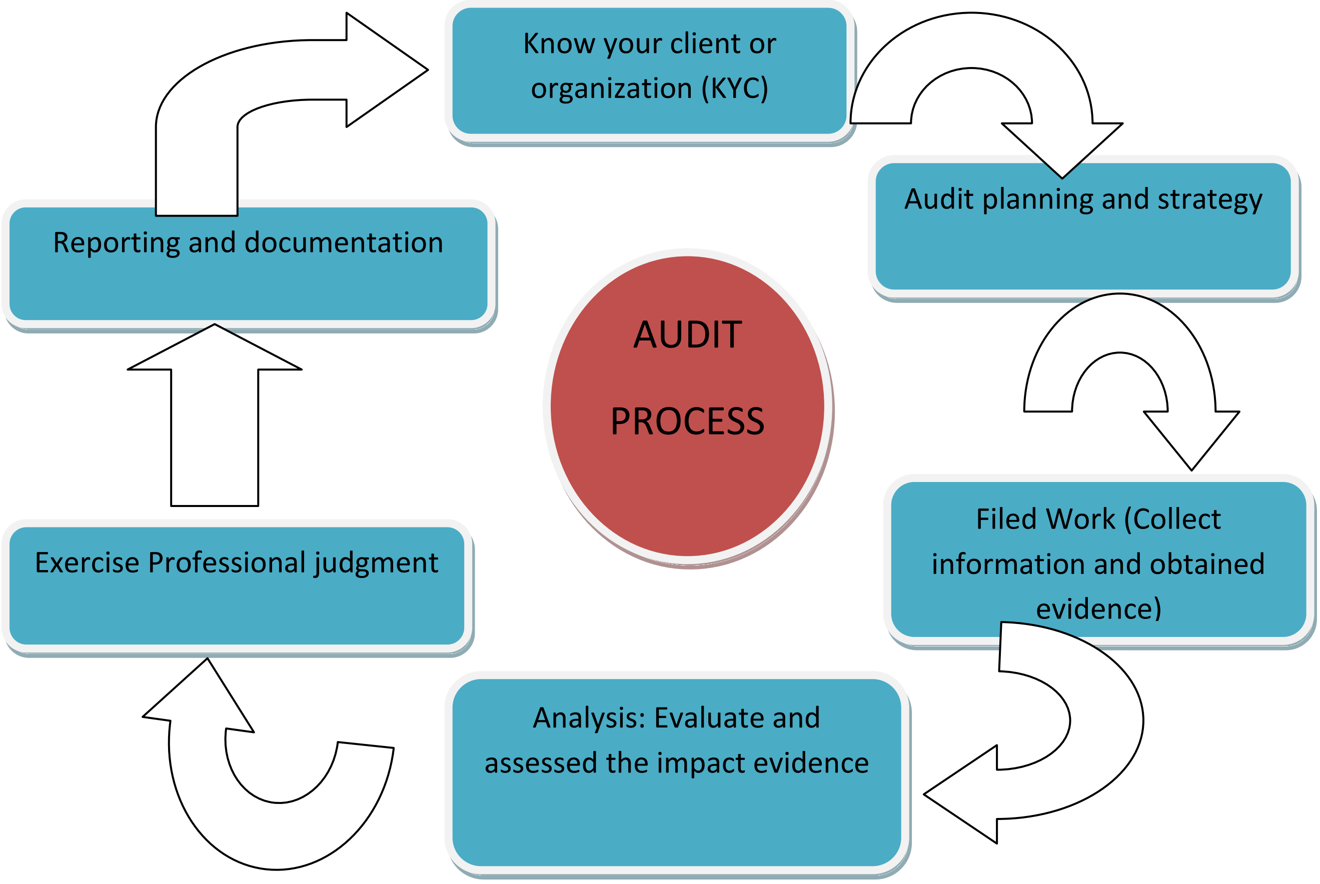

Fig. No. 1: Audit Process

Audit Process [4-6]

An audit is an objective analysis and examination of some part of a company's operations to confirm the process conduct in the organization is in compliance with expected standards. Audits can have different purposes. A financial audit looks at a company's financial records to make sure they're correct. A compliance audit is designed to ensure the company is complying with applicable regulations or laws. In most cases, an audit consists of several steps or phases that are designed to ensure the most accurate, objective and reliable results. The process for a specific audit will depend on what type of audit is being performed, as well as what set of standards govern the auditor's work.

Notification:

When the audit are being conducted with the issuance of some kind of notification are given to the company or organization from the audit firm. When audits begin the announcement letter generally will indicate the purpose of the audit, when it will be conducted and the date and time of an initial meeting the auditors would like to schedule with the company's leaders.

In this notice list of what documents the auditor wants to examine, the recorded minutes of any board meetings, an organizational chart, correspondence, sales records and more.

Planning:

After the announcement is sent, the auditor will take some time to plan the audit. Before meeting with the organizational leadership appropriate planning for that meeting and the fieldwork that follows. Auditors also need to identify the main areas of inquiry and tell the specific information that they will need to examine in order to analyze those areas. For this also gives the company time to gather the requested documents.

Initial Meeting[:7-8]

The planning stage usually leads to an initial meeting between the senior management of the company and the auditors. Administrative staff may also be present. The purpose of the meeting is to give the auditors an opportunity to explain the process that follows, as well as give the organization a chance to express any practical, strategic or scheduling concerns they may have.

Fieldwork: [9]

Fieldwork starts the active auditing stage of the process. A more detailed schedule is usually drawn up. Interviews with main employees may take place to investigate business procedures and practices. To make sure the company's document are clear, auditors may also perform sample document checking.Depending on the size and scope of the audit, the fieldwork may be conducted by a few auditors or a larger team.

Communication: [10]

While the fieldwork is completed by the auditing team the team should be in regular contact with the other associates auditor in order to clear the procedures and sure proper access to needed documents. The draft document contains detail purpose of the audit, procedure for auditors, the documents reviewed and the audit's findings.

Management Response:

After the complete auditing revisions and audit report the final document is given to management for its review and response. After checking the document the audit's findings and conclusions by stating whether it agrees or disagrees with the problems cited, the plan to correct any observed problems or deficiencies and the expected date by which all issues will have been addressed.

Exit Meeting:

Following the management response, which may be formally attached to the final audit report, a formal exit.

Distribution of Audit Report:

All necessary stakeholders, including inside and outside the area audited the finalized audit report is distributed.

Feedback

Finally, the audited company implements the changes recommended in the audit report, then the auditors review and test how well those changes solve the identified problems or issues. The feedback between the company and the auditors continues until all issues are resolved and the next audit cycle begins.

Follows are the new techniques for improve the vendor management.[11-13]

Robotic process automation and cognitive intelligence Robotic process automation (RPA) is the use of software to perform rules-based tasks in a virtual environment by mimicking user actions to obtain the same or enhanced results. RPA also often taps multiple systems. In general, it makes repetitive manual activities more efficient and effective. Cognitive intelligence (CI)—a step beyond RPA—includes natural language processing and generation, artificial intelligence, and machine learning. CI can extract concepts and relationships from data, "understand" their meaning, and learn from data patterns and prior experience. Both RPA and CI are seeing adoption in the business and second-line functions, particularly in financial services and other data-intensive industries. In addition to many benefits, RPA and CI pose operational, financial, regulatory, organizational, and technology risk. Fortunately, the associated risks can generally be addressed by extending existing approaches

Auditing digital risk Many companies have established digital transformation strategies; created siloed teams to develop apps, websites, and other digital channels; and embedded first- and second-line teams in these efforts. Yet Internal Audit generally lags in understanding the technologies, methods, and tools of digital initiatives. These include application-development methods, dev-ops teams (which combine development and operational professionals), and tools that automate controls. Many Internal Audit groups retain traditional mind-sets and methods, whereas digital innovators employ more agile and automated techniques. Apps and websites used in customer acquisition and interactions can raise a range of identity, privacy, and security risks. Meanwhile, many organizations lack risk frameworks and risk management capabilities equal to the complexities and challenges of those risks and those posed by external partners who provide these new technologies, channels, and services.

Cyber security In recent years, cyber security audits have often focused on regulatory compliance - areas such as data privacy, IT security, and business continuity. These audits have generally ascertained compliance with regulations and standards (such as ISO 27000). Compliance will continue to be high on most companies' radar, especially for US-listed organizations with the Securities and Exchange Commission making cyber security a priority in its National Exam Program, and with its recent creation of a Cyber Unit within its Enforcement Division. Also, new regulations are being developed daily in parallel with the new AICPA cybersecurity risk management examination. Companies should continue to focus on assurance while understanding that compliance with existing regulations hardly guarantees high, or even adequate, cyber risk management. Organizations involved in several recent high-profile cyber incidents were likely in compliance with applicable cyber regulations. Indeed, while most cyber security activities focus on the IT department, corporate email, and the like, the highest risks now emanate from business teams using cloud-based systems, working with external developers, and using applications outside of IT proper. Much of this activity escapes the attention of the CIO, CISO, and Internal Audit, and presents serious risks. The challenge now is to identify a broader range of cyber risks before they occur

Internal Audit analytics Analytics is a perennial high-impact area for several reasons. First, beyondthe-basics analytics is the single most powerful booster of Internal Audit efficiency and effectiveness available. Second, the continuing digitalization of business generates huge quantities of data, which analytics can transform into valuable information and business insights. Third, the tools for analyzing and visualizing data are now simpler, cheaper, more available, and easier to use than ever. Finally, stakeholders' needs for higher-level assurance, insights, and risk anticipation have never been greater.

Vendor management: [14-16]

Vendor management allows you to build a relationship with your suppliers and service providers that will strengthen both businesses. Vendor management is not negotiating the lowest price possible but constantly working with your vendors to come to agreements that will mutually benefit both companies

Share Information and Priorities

The key to succeeding in vendor management is to share information and priorities with your vendors. That does not mean that you throw open the accounting books and give them user IDs and passwords to your systems.

Appropriate vendor management practices provide only the necessary information at the right time to allow a vendor to serve your needs better. It may include limited forecast information, new product launches, changes in design and expansion or relocation changes.

Balance Commitment and Competition

One of the goals of vendor management is to gain the commitment of your vendors to assist and support the operations of your business. On the other hand, the vendor is expecting a certain level of commitment from you. It does not mean that you should blindly accept the prices they provide. Always get competitive bids.

Allow Key Vendors to Help You Strategize

If a vendor supplies a key part or service to your operation, invite that vendor to strategic meetings thatinvolve the product they work with. Remember, you brought in the vendor because they could make the product or service better and/or cheaper than you could. They are the experts in that area, and you can tap into that expertise to gain a competitive edge.

Build Partnerships for the Long Term

Vendor management prioritizes long-term relationships over short-term gains and marginal cost savings. Constantly changing vendors to save a penny here or there will cost more money in the long run and will impact quality. Other benefits of a long-term relationship include trust, preferential treatment and access to insider or expert knowledge.

Seek to Understand Your Vendor's Business Too

Remember, your vendor is in business to make money too. If you are constantly leaning on them to cut costs, quality will suffer, or they will go out of business. Part of vendor management is to contribute knowledge or resources that may help the vendor better serve you. Asking questions of your vendors will help you understand their side of the business and build a better relationship between the two of you.

Negotiate to a Win-Win Agreement

Good vendor management dictates that negotiations are completed in good faith. Look for negotiation points that can help both sides accomplish their goals. A strong-arm negotiation tactic will only work for so long before one party walks away from the deal.

Come Together on Value

Vendor management is more than getting the lowest price. Most often the lowest price also brings the lowest quality. Vendor management will focus quality for the money that is paid. In other words: value! You should be willing to pay more to receive better quality. If the vendor is serious about the quality they deliver, they won't have a problem specifying the quality details in the contract.

Vendor Management Best Practices

Whether you're a multimillion dollar company or a small business with a few employees, here are some vendor management best practices that any size business can use.

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