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Press release

Groceries Code Adjudicator reports success on forensic audits

Large retailers act after encouragement from the Adjudicator to time limit audits and reduce burden on suppliers.

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From:

Groceries Code Adjudicator (<https://www.gov.uk/government/organisations/groceries-code-adjudicator>)



Christine Tacon today marked the first year of the Groceries Code Adjudicator (GCA) by announcing significant progress in one of the top five issues that suppliers have raised with her. Following the Adjudicator's encouragement eight of the ten large retailers have made voluntary commitments to time limit forensic audits – a process in which accounts and records are analysed in detail for money that might be owed to the retailers. These audits can go back up to six years. The eight – Aldi Stores Ltd, Asda Stores Ltd, Co-operative Group Ltd, Lidl UK GmbH, Iceland Foods Ltd, Marks and Spencer plc, Tesco plc and Wm Morrison Supermarkets plc - have agreed to limit their search for missed claims in suppliers' trading accounts to the current and two previous financial years. This will be on a reciprocal basis where suppliers agree to make the same commitment. The commitment will considerably reduce the burden on suppliers in responding to claims from retailers. This is because after a long interval the documentary audit trail can be complex and difficult to piece together and require considerable effort from suppliers, particularly in some cases where key personnel have moved on.

Retailers retain the legal right to go back up to six years for missed claims but this commitment is a significant step forward to reducing costs in the groceries supply chain.

The Adjudicator Christine Tacon said: "I am delighted that eight of the large retailers have taken on board the concerns I voiced about the impact on suppliers - particularly small suppliers - being asked for sometimes significant sums of money several years after they have closed their accounts for any particular year.

“This is a major change from the previous position where both retailers and suppliers were looking for missed invoices and payments going back up to six years – even longer in some circumstances. Each retailer will now set out how they will implement this commitment.”

The Adjudicator announced the change to audit practice at the inaugural GCA conference attended by retailers, suppliers and trade associations as well as delegates from overseas keen to observe how the UK is regulating the relationship between the large retailers and their direct suppliers.

The conference also saw the release of the GCA’s first annual report which sets out the progress made so far and the range of issues which suppliers and others have raised with the Adjudicator. The issues will be the starting point for the work of the GCA in the coming year.

As well as forensic audits the other issues are; drop and drive where there are discrepancies between what suppliers say they have delivered and what the retailers say has been received, forecasting/service levels, requests for lump sum payments and packaging/design charges.

An infographic included in the report sets out key facts from the Adjudicator’s first nine months in office including travelling 9,912 miles to attend 100 events and meetings where 3,000 people learnt directly about the GCA and its responsibilities.

Also at the Conference YouGov presented the results of the first survey commissioned by the GCA into attitudes and views of those in the groceries sector.

Welcoming the report, Christine said: “I am very pleased with the response to our first survey and to the quality of the feedback from all those who took the time to reply. Many responses support and provide further information about the issues raised with me directly by suppliers and others.

“We will look at the results in more detail but I see a clear priority is to improve awareness of the Code. In the coming year the GCA team will work with retailers’ Code Compliance Officers and trade associations to ensure there is better supplier knowledge and understanding of the Code and role of the GCA.”

Notes to editors:

The statement agreed by the retailers is as follows: “Aldi Stores Ltd, Asda Stores Ltd, Co-operative Group Ltd, Lidl UK GmbH, Iceland Foods Ltd, Marks and Spencer plc, Tesco plc and Wm Morrison Supermarkets plc have agreed voluntarily to limit the auditing of suppliers’ trading accounts from missed claims, by internal or external auditing processes, to no more than the current and previous two financial years on a reciprocal basis. Each retailer will set out how they will implement this commitment.”

The GCA-commissioned survey will be run annually and smaller surveys of those respondents who agreed to take part in more detailed research will be carried out throughout the year.

The annual report is available on the GCA website /www.gov.uk/gca. The GCA accounts will be available shortly and will also be published on the website alongside the annual report.

For further information contact Sheree Dodd

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