

GRN process review: a recommended approach

The GRN recording process has for many years, been used as a key control process for managing the appropriateness, accuracy and quality of delivered materials, measured against what had been ordered and invoiced.

In particular, in the construction sector the GRN recording process is used to ensure all deliveries are factual; evidenced by a signed proof of delivery (POD), and occasionally as a rather blunt and labour intensive instrument for the site management team to control (withhold) supplier payment.

There is growing evidence that a number of tier one and tier two contractors have moved away, or are moving away, from recording the GRN details in a 3-way match process, in preference for a simpler 2-way match process. The argument being that the cost of operating the GRN recording process is significantly and disproportionately higher than the risks associated with occasional delivery errors.

To satisfy the business that there is an opportunity to reduce operational cost, improve process efficiency and reduce effort without relinquishing control over the delivery and payment of supplier materials, it is recommended that the following thorough review of the GRN process is carried out.

1. Review of the current process for recording and handling goods receipt (GRN) information at both site and within the accounts payable department.
 - 1.1. Understanding the value-add of each stage of the current GRN recording process.
 - 1.2. Flag activities that provide questionable value-add.
2. Review of the current level of errors that have been identified when matching GRN information against order and invoice information.
 - 2.1. What is the value of the mistakes trapped by the current GRN process?
3. Review of the balance of the cost of processing GRNs against the possible lack of cost and management control.
 - 3.1. Quantify the possible risks and define the mitigation strategy for each risk.
4. Recommend changes to current processes and ways of working that substantially mitigate potential risks associated with not recording individual GRN information.
5. Provide to-be process diagrams, operational guidelines and run process improvement workshop(s) for both AP and site staff.

The output would be a detailed business case for stopping the direct recording of GRN information, covering the impact on the business; the risks and opportunities, overview of the recommended to-be process and the contribution the new process would make towards delivering the long-term objectives of:

1. Standardising processes across the business
2. Reducing process cost and effort
3. Providing faster, more effective and timelier transaction processing
4. Maintaining process control and process compliance
5. Providing greater transaction visibility
6. Enabling an increase in supplier commitment to eTrading