EXECUTIVE BRIEFING

5 STEPS THAT WILL BOOST YOUR PURCHASE-TO-PAY EFFECTIVENESS

FISCAL TECHNOLOGIES®

Protecting Organizational Spend

5 STEPS THAT WILL BOOST YOUR PURCHASE-TO-PAY EFFECTIVENESS

Finance departments are experiencing unprecedented levels of risk & fraud. Internal, external and regulatory forces are threatening their keys assets; working capital and reputation.

Existing financial controls are out of date, automation is speeding everything up and headcounts are reducing. In this landscape, how will you better manage risks while also enabling the business?

With these 5 proactive steps you can address the risks, reduce costs and drive process improvement - boosting the effectiveness of your purchase-to-pay operations and enhancing the role of the Finance Department as a business enabler.

"Modifying controls and deploying effective risk management in order to mitigate today's and tomorrow's risks and create maximum value has never been more urgent."

ECIIA Risk in Focus 2019

1 STEP ONE: FORTIFY YOUR CONTROLS WITH DAILY SELF-AUDITING

Traditionally, internal and external auditors have been the guardians of risk assessment, supported by 3-way matching, other basic controls and reporting to find anomalies. This is no longer sufficient to protect spend in the continuously evolving business world.

The retrospective nature of audits means that corrective action is taken after the event. The irregularities and errors found have been in place since your last audit. In many cases this means that working capital has left your account, and will only be identified 12 months later when the next audit takes place. During this time your working capital is not working for your organization.

Drivers of Risk

- The lengthy period between audits increases the impact of errors and fraud
- Most risks are in transactions below the value that audits review
- More ways to receive invoices and make payments introduce more opportunities for payment errors and fraud
- Automation leads to fewer people reviewing transactions, which passes responsibility for protection to audit teams

SOLUTION

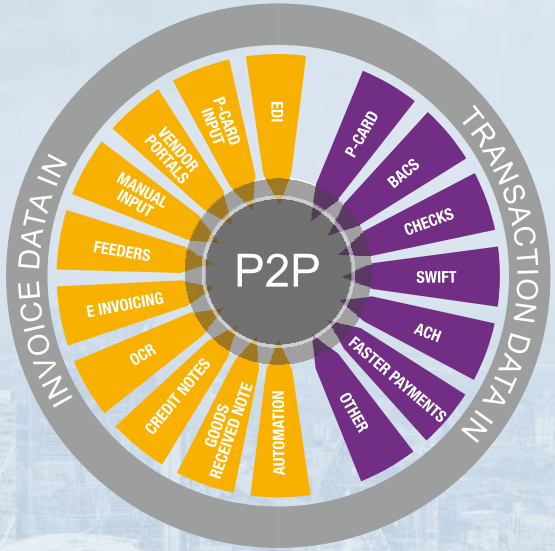
Empower your teams to self-audit. Provide the tools that allow P2P teams to use technology to effortlessly audit themselves daily. Enable them to be proactive in their identification and analysis of irregularities, to remove the reliance on audit teams, and to reduce the lifespan of any issues found to 24 hours.

P2P teams should work hand-in-hand with internal and external auditors to strengthen the organization's overall system of controls. By applying agreed control measures continuously, the impact of issues identified is reduced and annual audits run more smoothly.

Benchmark Yourself

- Are you training up P2P leaders as internal controls managers?
- Have you implemented a preventative strategy for overpayments and fraud?
- How are you managing exceptions to drive process improvements?

INCREASED COMPLEXITY IN P2P OPERATIONS



RELIANCE ON EXTERNAL AUDITS

80% OF ORGANISATIONS RELY ON EXTERNAL AUDITS OF THEIR FINANCIAL STATEMENTS

YET ONLY

4% OF FRAUD IS DETECTED BY EXTERNAL AUDIT

ACFE Report To The Nations 2018

2 STEP TWO: SUPERCHARGE YOUR ACTIONABLE INSIGHT

Every system deployed within the Finance function will generate its own set of reports and dashboards. Business Intelligence (BI) tools are churning out more information than ever before. The paradox is that all this information and data being generated is actually obscuring the view of what matters most when it comes to identifying unknown risks and provides little in the way of actionable insight.

This inevitably makes the P2P process more vulnerable to risks.

Drivers of Risk

- Reports are too general and don't highlight the most important P2P specific risks
- Too many disparate reports being generated by multiple systems
- Off-the-shelf BI tools are time-consuming and expensive to fine-tune
- Most reports don't analyze deeply enough to uncover root causes and new insights

SOLUTION

Finance departments need to be able to find, understand and then act upon irregularities in the P2P transactions they process. When analyzed correctly, this data will provide insight into specific risks and any shortfalls in the P2P process for both immediate and long-term benefit.

Using continuous monitoring, deep forensic analysis and artificial intelligence capabilities to find exceptions will provide the specific insight needed to drive process improvements in a P2P team seeking strategic risk and cost reduction imperatives.

Benchmark Yourself

- Are you measuring KPIs in real-time to give a true view of your P2P risk exposure?
- Do you have a system to monitor exceptions and trends daily?
- Are you forensically examining all your transaction and supplier data every day to find the well-hidden risks?
- Do you benchmark against peers and competitors to identify shortfalls in the P2P function?

63%

of CFOs do not think their reporting and analytics are keeping pace with business demands

The Future of Finance and CFO Summit 2018

OVER

50%

of finance leaders aren't capitalizing at all on the use of 3rd party analytics

Dun & Bradstreet

3 STEP THREE: ADD OVERSIGHT TO YOUR AUTOMATION

In the rush to automate repetitive P2P processes, companies are now foregoing much of the monitoring that previously came from human involvement and are not replacing it with anything else.

It is estimated that in 75% of cases, a large organization's spend is now protected mainly by automated 3-way matching, a forty-year-old standard control that can be bypassed in a number of ways and is now wholly inadequate for a modern finance organization.

Drivers of Risk

- Overreliance on automated 3-way matching to protect from errors and fraud
- Supplier portals and other changes to the P2P landscape have changed the risk profile
- Increased reliance on automation systems that don't manage exceptions well
- Straight-through processing without human intervention
- Increasing speed of P2P processing

SOLUTION

Some of the time saved by automation must be used to oversee your operations - ensuring there are robust controls protecting working capital is equally as important as automation.

Giving finance teams the tools they need to continually analyze automated payments, and interrupt and act on risks before they have any impact is the most powerful control you can implement, and will radically reduce payment errors and associated costs.

Automation is essential, but oversight, exception handling and the insight to improve processes will provide the efficiency gains and working capital protection that automation alone cannot.

Benchmark Yourself

- Where is your final control point for organizational spend?
- Do you continually analyze the purchase ledger to identify errors, fraud and compliance issues?
- What additional controls are in place other than 3-way matching and invoice approval workflow?
- Do you analyze payment error and fraud root causes and redesign processes to prevent future occurrences?

*"Increased processing errors can be caused by badly designed automation solutions. **Lack of effective oversight** procedures can lead to **increased operational inefficiencies**."*

Deloitte

5 DRAWBACKS OF 3-WAY MATCHING

1. POs can be entered retrospectively, after the goods are received
2. POs can be left open, allowing duplicate payments to occur
3. Overreliance on this control fosters staff complacency
4. Not all purchases require POs, leaving the door open for misuse and abuse
5. Duplicate or split invoices and other irregularities prevent automated 3-way matching

4 STEP FOUR: STEP-UP YOUR FRAUD PREVENTION

The risk of fraud is growing rapidly. It is growing in tandem with the complexity in P2P operations and pressure to reduce costs in supply chains. New technologies enable fraudsters to carry out ever more sophisticated scams and automation has removed countless human checks.

Against this backdrop, the absence of a coordinated and comprehensive organization-wide fraud strategy leaves organizations dangerously exposed.

Drivers of Risk

- Increasing complexity of financial operations
- Automation removes opportunities for people to spot anomalies
- Inadequate procedures for maintaining the master supplier file
- A global supplier base which can expose gaps in control processes

SOLUTION

The P2P team must become the cornerstone of an organization's fraud risk reduction strategy, generating insight from the P2P data that only they hold. This will identify potential fraud all the way up the supply chain.

For example, continuous and proactive master supplier file maintenance is vital to reducing fraud and other payment risks. The key is implementing a standard process that goes beyond periodically deleting inactive suppliers. Procurement and AP need to collaborate and act cohesively on insight found by analyzing the P2P cycle as a whole, intelligently identifying high-risk suppliers from cross-functional data.

Benchmark Yourself

- How are you continuously and intelligently cleansing your master supplier file?
- Do you identify root causes once a potential fraud has been identified, classifying risks to drive business process improvements?
- How do your finance teams collaborate to identify the sources and reduce fraud?

*"The median response provided by Certified Fraud Examiners is that **organizations lose 5% of their annual revenues to fraud.**"*

ACFE, Report to the Nations, 2018

*"Respondents in the United States reported one of the highest overall incidences of fraud at **91%**, well above the global average of **84%** and also higher than last year's figure of **80%**."*

Kroll 2018 Global Fraud & Risk Report

5 STEP FIVE: TRANSFORM YOUR FINANCE TEAM'S SKILLS PROFILE

As the operating budgets of organizations contract and market pressures intensify, the spotlight inevitably turns to internal "overhead" functions to play a more proactive role in an organization's success.

Long seen as a cost center, back-office functions like Accounts Payable, Purchase-to-Pay and Shared Service Centers now have to generate increasing value through savings, efficiencies and deeper analysis and interpretation of data – not the traditional skills found in transaction processing teams.

Senior finance executives have the opportunity, perhaps the obligation, to develop the skills in their teams to adapt to evolving requirements, to use new technologies, and to contribute more towards their organization's strategic objectives.

Drivers of Risk

- Purchase-to-Pay and Accounts Payable are traditionally seen as cost centers, performing routine back-office functions
- Reduced headcount after automation leads to the loss of human knowledge and insight
- Increased complexity in P2P processing and analysis requires additional skills
- Disaffected staff due to lack of investment

SOLUTION

Executives looking to transform the P2P function into a strategic asset can begin by empowering it with the appropriate tools and authority to generate increased value.

With access to best of breed tools, P2P teams can generate the evidence and actionable insights needed to raise performance and benefit the organization overall. When invested with a level of authority to match their full potential, P2P teams can fulfil their expanded mandate and offer real strategic insight into organization spending and its impact on working capital.

Benchmark Yourself

- Do you have a plan to update the skills profile in your finance teams?
- Are you using P2P data to drive operational excellence?
- Are you generating both income and value from your P2P function?
- Are you identifying the root cause of problems that end up in AP, and changing business processes upstream to make improvements?

"The finance organization is a natural fit as the hub of enterprise analytics. Finance must earn this role or be relegated to an automated accounting function."

From reporting the past to architecting the future, meet the Finance 2020 workforce. Accenture

"Only 35% of finance organizations believe they have the right talent strategy for the digital era."

The Hackett Group

Accounts Payable IQ (APIQ) is the ability of AP teams to analyze and interpret their data to drive process improvement within the entire P2P cycle.

YOUR NEXT STEP

Through supporting your organization in these 5 steps to improved effectiveness, FISCAL Technologies will help your Shared Service Center, AP or P2P teams take the lead in safeguarding your organization's supplier spending, driving efficiencies and supporting strategic objectives.

To help you improve P2P effectiveness, we offer a no-cost, no-obligation Risk Review to provide an independent analysis of your organization's P2P spending risks that highlights areas needing increased controls and the potential value of your risk exposure.

ACT NOW

Find out how a Risk Review has helped 100's of organizations save millions of dollars

Take your first step by visiting **www.fiscaltec.com/usreview**

IMMEDIATE BENEFITS OF A RISK REVIEW INCLUDE:

1. Identifies your highest-risk payments
2. Reports on potential high-risk suppliers
3. Provides immediate tangible cost savings
4. Highlights areas of vulnerability and non-compliance
5. Reveals priorities for process improvements

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FISCAL Technologies is a world leading provider of forensic solutions and services that empower purchase-to-pay teams across the globe to protect organizational spend.

Incorporating unique technology to reduce risk in the supply chain, FISCAL Technologies' award-winning cloud-based risk management platform is used on a continuous, preventative basis to protect supplier spend, defend against fraud, increase profitability and drive process improvement.

Since 2003, FISCAL has safeguarded hundreds of millions of transactions and is now relied on by over 250 leading private and public sector organizations.

THE QUEEN'S AWARDS FOR ENTERPRISE: INNOVATION 2016 · sage ISV Rockstar · ORACLE Gold Partner · SAP Partner · Microsoft Partner Gold Application Development

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