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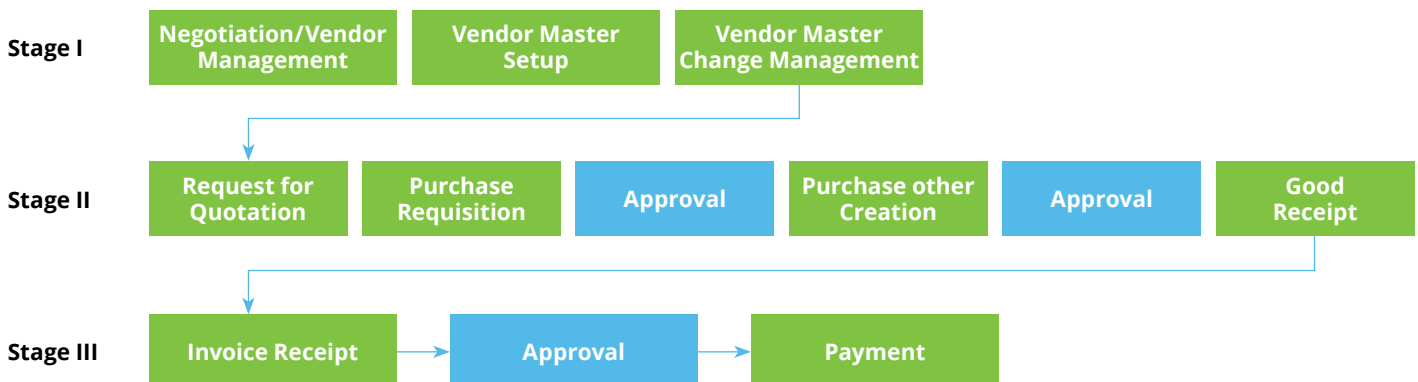**Procure to Pay analytics**

2019

Risk Advisory

Content

Overview

The Procure to Pay process (P2P) remains one of the most complex business processes, often spanning accross multiple systems and operations. Despite the level of automation, including enterprise resource planning (ERP) implementations, P2P remains an area prone to fraud, money leakage, and inefficiencies. Since it is one of the most critical business processes which involves huge cash flows, visibility into the entire life-cycle of a transaction from vendor selection to the final invoice generation and payments with adjustments becomes a challenge for the business.

It is critical to have insights into these metrics for businesses, which can be achieved by incorporating data from source systems such as SAP, Oracle, etc., using technology driven analytical tools to highlight exceptions, outliers, and trends which helps clients improve and, reinvent their processes, enforcing accurate decision making and driving efficiency.

Identifying Risk in the P2P Process

Stage I	Negotiation/Vendor Management	Vendor Master Setup	Vendor Master Change Management

Stage II	Request for Quotation	Purchase Requisition	Approval	Purchase other Creation	Approval	Good Receipt

Stage III	Invoice Receipt	Approval	Payment

Despite the availability of technology that can drastically reduce the man-hours spent in collating and anlysing the P2P data and inefficiencies plaguing accounts payable, few companies have addressed account payable transformation like other processes essential to the business while others still use the approach of manual transaction monitoring.

BANK

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Procure to Pay Issues and Challenges

Given below are a few P2P challenges which ultimately impair the ability to effectively manage and efficiently execute key activities:

- Finance does not provide sufficient information to support decision making (e.g., spend analytics)

- Data governance and quality are inadequate to make informed decisions and meet finance stakeholder needs (e.g., Vendor Master Data)

- Absence of, limited, or Multiple unintegrated systems with limited access or absence of integrated systems supporting the process

- Customization of ERP which leads to abnormal entries being processed

- Lack of ERP knowledge or training among users that facilitate incorrect transaction processing

Risk Analytics Approach

At Deloitte, our teams help design, implement, and embed technology, enabling our clients to identify, assess, and mitigate risks in the P2P process by integrating and analyzing the data from multiple source systems. As the ERP systems become more and more powerful to maintain huge databases across geographies, the complexity of the data structure increases manifold.

Our Procure to pay analytics tool provides insight into the overall health of procurement controls from requisitioning to payment as well as segregation of duties and vendor master data.

Data-to-Insight-to-Action

With the use of this tool, organizations can run their order processing, purchasing, and other business-critical transactions through preset filters, such as value thresholds and data completeness parameters. These exception reports act as an early warning system for potential business risks and regulatory non-compliance, thereby reducing the risk of material financial leakages.

Getting started requires an understanding of the following:

- Detailed process understanding for identification of relevant risk in the process
  – Compliance
  – Finance
  – Fraud
  – Operations

- Categorization of risk to define the key objectives of the analytical procedures

- Develop analytical scenario for trends, outliers, and exceptions to the processes

- Assessment for potential risk or KPI indicators

Analytics Indicators

- Compliance
  – Split purchase order
  – 3-Way match analysis
  – Invoice without GRN
  – Segregation of duties

- Finance
  – Large non-PO invoices
  – Share of business
    (vendors)
  – Payment terms mismatch
  – Debit note analysis (high
    value)

- Fraud
  – Duplicate vendor invoices
  – Employee as vendors
  – Duplicate vendors
  – One-time vendor analysis

- Operations
  – Price variation analysis
  – Open purchase orders &
    GRN
  – GR-based invoice
    verification
  – Payment without POD

Reporting Dashboard

Facilitates an understanding of trends, correlations and drill-down through an interactive dashboard.

Gain actionable insights into the spend, process KPIs and supplier metrics

The procure to pay cycle can be challenging to manage, given the high volumes of transactional data often housed in multiple IT systems and applications and complex authorization processes. The financial consequences of errors, duplicate payments, and vendor and employee fraud can run into huge amounts of losses each year.

Insight into spend, process KPIs, and supplier metrics not only drives revenue, but also gives you critical control over your financial operations. P2P analytics platform provides all of these capabilities in a user-friendly and highly visual procure-to-pay reporting solution.

The tool's interactive data filtering gives you the ability to slice and dice the data in any way, e.g. spend volume by category, organization unit, cost center, project or any other relevant dimension.

Risk Profiling

The transactions are analyzed for every geographic location, drilling-down to various vendors and entities associated with that location and further to the items being procured or transferred.

These transactions are associated with various types of risks and a risk profile is assigned to them, making the segregation of risky accounts and vendors possible. This helps the management and other users of the dashboard to make quick, accurate and right decisions without spending thousands of man hours assessing various vendors.

Flagged Transactions

Transaction scrutiny provides the list of flagged transactions against specific tests such as ageing, duplication of invoices, discrepancies in the accounts payable, unreconciled accounts, etc. Segregation-of-duties analysis identifies and analyzes risk areas such as misappropriation of funds and accounts payable balances where employees pose as vendors for transactions.

"The successful execution of the P2P strategies that impact cash positions requires a level of cohesion and visibility across the entire P2P process that is usually best supported by technology solutions."

Chief Research Officer, Leading P2P Company

You can employ automated and repeatable analytics for immediate fraud detection plus manage and track anomalies from initial detection to resolution. With automated monitoring, business process owners are able to reap significant cost savings by identifying and resolving issues at source, rather than during periodic audits. The organization also gets the added intelligence of identifying root causes that can now be addressed to help with overall improvement of the procurement process.

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