REDUCING THE RISK OF FRAUD WITH P2P AUTOMATION

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Economic instability, the growing influence of automation, tightening regulations and the fight against corruption has catapulted risk management and fraud prevention to the top of the to-do list for administrative and financial departments. With the effects of the COVID-19 pandemic taking hold in the spring of 2020, issues with delayed payments tripled[1]. Fraudulent activities were also on the rise: According to a Euler Hermes France survey, 70% of companies were the target of at least one attempt of fraud between 2018 and 2020[2], and the fear of fraudulent operations continues to grow. Combined, these circumstances can have serious implications for a business' cashflow.

The procure-to-pay (P2P) cycle, which covers all transactions and interactions with suppliers, is the business process most at risk for attempted fraud, both internally and externally. Making risk management a priority and optimising processes by implementing effective organisational practices and adequate strategies can assist businesses in protecting themselves from these threats.

What are the best strategies for tackling the rise in fraudulent activities and payment anomalies?

1 – DIGITISING SUPPLIER RECORDS

Depending on the type of suppliers they work with, businesses are legally required to verify certain information when creating supplier records. Specifically, France's Sapin II Law requires 3rd-party verification, to help prevent of a number of supplier-related risks. Automating the P2P cycle can facilitate these kinds of assessments by automatically verifying information uploaded by the supplier onto a secure portal. Digitising also makes it possible to check the accuracy of information by exporting and cross-referencing it. In turn, businesses can rest assured that they are acting within the law and making every effort to minimise supplier risks.

2 – CONFIGURING SECURE PROCEDURES

P2P automation solutions offer the option to control data access based on user profiles. Access and user permissions are granted according to tightly secured and configured frameworks established by a company. Separating and assigning tasks for the P2P cycle is crucial, and multiple departments and employees within a company can be involved. This ensures that at every stage of the process — from creating supplier records and ordering to processing invoices — each person has access to the information needed to carry out the assigned tasks. By configuring these rules and approval channels, every document can be directed to the correct person.

3 – TRACKING EVERY ACTION & INTERACTION

By being able to track and record every action, P2P automation solutions offer visibility and accountability. When a business is audited, it must be able to recover and provide records of all actions that have been taken, proving that it complied with all legally required procedures and that it has thoroughly carried out its due diligence with service providers. Employee actions and interactions are documented, and the company can safely demonstrate what it did and when. It ensures that the appropriate person completed the tasks assigned to them and was able to view the right data at the right time. The ability to report all this information reduces the risk of fraud, even for attempts made internally: 47% of detected fraudulent activities were carried out by employees, resulting in nearly €100 million of damages[3].

4 – FASTER INVOICE PROCESSING

Paying your suppliers on time requires setting up an automated system for receiving and processing invoices. These procedures are then carried out with electronic payment slips, anomaly alerts, reporting tools, indicators and collaborative management tools. Automating the steps of processing supplier invoices speeds up payment times, thereby reducing late payments and avoiding penalties. Streamlining this management positively impacts cashflow and improves supplier relationships.

5 – AUTOMATIC RECONCILIATION

Automating the P2P cycle also adds a way to detect anomalies, which can often be an indicator of fraud. A verification layer is added by automating the reconciliation of documents and information. As an example, an alert is sent if a supplier's bank details on an invoice do not match the information entered in the database. When an alert is received, the accounting department can resolve the issue with the supplier directly: they can determine whether the bank details were legitimately changed and the new information was not checked beforehand, or if it was, in fact, attempted fraud. Similarly, invoices can be automatically cross-checked with line items on an order or discrepancies detected on delivery slips.

6 – ESTABLISHING CASHFLOW INDICATORS & MONITORING TOOLS

Automating the P2P cycle can also involve setting up indicators and measurement tools that provide real-time, high-visibility monitoring of cashflow changes, related forecasts, activity variations and any other data linked to P2P cycle performance. This also enables managers in finance, procurement and accounts payable to detect any malfunctions that may lead to payment delays. They can also then formulate effective strategies as well as find ways to use all this information to better determine and implement operable drivers.

Indicators that support P2P cycle efficiency include:
▪ amounts of purchase requests to be approved against the remaining budget
▪ percentage of order-related invoices
▪ average time it takes to process invoices
▪ exception rates when processing invoices
▪ penalty rate and the amounts of incurred penalties

The data provided by P2P automation will not only optimise workflows and create visibility, but the implementation of internal controls that automated processes bring with them ensure accountability and visibility, so that businesses can create a system of safeguards to protect themselves from fraudulent activities.

Sources:
[1] Les Echos, Délais de paiement : les incidents explosent depuis le début du confinement, avril 2020
[2] Euler Hermes-DFCG Survey, 2020
[3] PWC's Global Economic Crime and Fraud Survey, 2020

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