

Supplier Risk Management in Procure-to-Pay



New research uncovers widespread vulnerabilities in financial operations' risk protection

Conversations about supplier risks are becoming more urgent and concern is growing as finance teams discover the full extent of their supplier-risk exposure.



This survey of finance leaders was conducted by Purchase to Pay Network and FISCAL Technologies. We found that current procure-to-pay risk protection is still largely transaction-oriented and tactical. We see that basic checks are being relied upon by most, with few organisations complementing their invoice processing with supplier checking.



Many recognised that fraud risk is increasing, and most acknowledged that increasing their supplier checks would be of value. However, the majority surveyed are relying on one-off, new supplier due diligence and ad-hoc checks to protect themselves from supplier-related risks.



Although increasing risks are acknowledged, the barriers to Accounts Payable and Procure-to-Pay team performance improvements were clearly identified as high levels of exceptions and excessive time taken responding to queries.



Further survey results include the risks associated with purchasing cards, and the impact of Covid-19 on fraud, processing risks, and compliance issues. Finally, this report gives recommendations for building upon controls already in place, adding strategic value to accounts payable, procure-to-pay, and shared service operations.

Validating suppliers

When asked about a wide range of factors they validate among their suppliers, survey respondents gave the following responses:

Do you check your suppliers for the following:



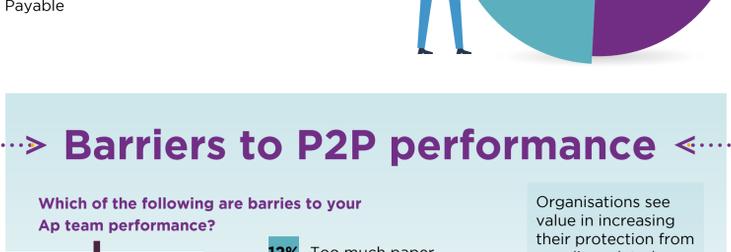
Once a sanctioned supplier has been identified and deactivated, any future transactions with such high-risk suppliers will be prevented entirely.

With increases in legislation and penalties, and risk levels in general, conducting checks for all types of P2P risks enable AP/P2P teams to deliver more value—raising their profile in the Finance function and the organisation as a whole.

Typically how often do you check the above?



Which team maintains your master supplier file after the on-boarding process?



Barriers to P2P performance

Which of the following are barriers to your Ap team performance?

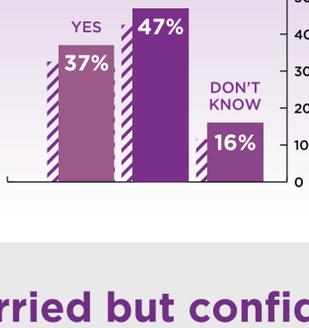


Organisations see value in increasing their protection from supplier-related risks. But with so much of the AP team's time consumed by the operational inefficiencies shown here, and updating supplier details, this opportunity is largely being missed.

Do you believe that Covid-19 and the change to working conditions has increased the level of fraud, risk and compliance issues in your purchase-to-pay process?



Has the use of purchase cards (physical or virtual) increased during lockdown?

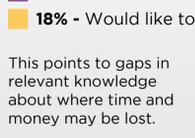


Worried but confident

Attempting to quantify worries in AP, P2P, and shared service centres, we questioned regarding what's likely to cause leaders to lose sleep.



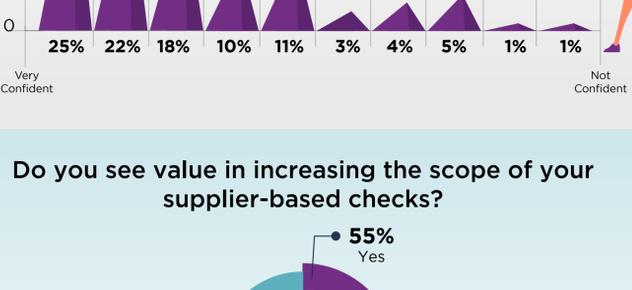
Are you currently able to identify the top 10 suppliers that send duplicate, fraudulent, incomplete or incorrect invoices?



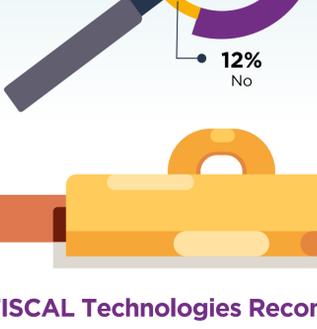
This points to gaps in relevant knowledge about where time and money may be lost.



How confident are you that you're not in breach of any regulations in relation to your suppliers and your master supplier file?



Do you see value in increasing the scope of your supplier-based checks?



FISCAL Technologies Recommendations

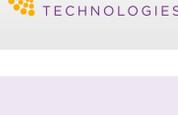
Throughout the survey responses, the opportunities to improve controls and protection for Accounts Payable and Procure-to-Pay teams have become apparent. The good news is that the measures already in place remain valid and can be built upon to better protect organisations from contemporary risks.

By moving risk detection up the procure-to-pay value chain, two benefits can be achieved. Firstly, instead of analysing only invoices, can be analysing suppliers, the source of many transaction risks can be removed at source.

Secondly, where AP teams have shown that they are hampered by repetitive exception handling consuming too much time, a more preventative approach makes time available to work on higher-value activities.

Looking further ahead, AP/P2P teams operating proactive risk detection are able to contribute to strategic objectives such as environmental, social and corporate governance (ESG) in their supply chain. While few regulations currently exist in this area, ESG compliance is a hot topic and will become more significant. Continuous forensic analysis of suppliers and their transactions with an ESG lens allows AP/P2P teams to raise their profile above financial operations.

We urge AP/P2P teams to identify similarities between the survey results and their organisations. This will help map out the path to best-in-class levels of protection and build the business case for upgrading controls and protection.



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