

# Digitising accounts payable (AP): A key step towards financial excellence



Managing vendor invoices in the AP function is often seen as a routine, administrative activity that is tertiary to a finance team's core function. However, from the vantage point of finance or Global Business Services (GBS) organisations (particularly in an environment where shared services or outsourced finance operations are almost a norm), AP function is one of the most crucial processes. AP has a pivotal role in enhancing operational efficiency, reducing costs, improving compliance and strengthening supplier relationships. Leaders in future-oriented organisations are already aware that a well-managed AP function can help organisations in:

- driving process effectiveness with the right performance on metrics, like percentage of supplier invoices paid on time
- ensuring supplier satisfaction and collaboration with timely and accurate payments, and minimum disputes
- continuously managing process compliances, and achieving available input credits
- optimising working capital with contract commitments like payment terms, discounts and services being met
- driving trust with the status of invoices and liabilities by implementing a transparent system, robust policies, procedures and approvals
- enabling data-driven decision making and performance measurement by generating and analysing insights from AP data and metrics.

However, all the above goals are not easily achievable as they require a combination of the right data, process and policy, driven by a strong comprehensive platform. Most companies struggle with this goal due to the following constraints:

- **High volume and complexity of invoices**, especially in industries with multiple vendors, contracts and tax regimes – AP functions struggle to manage a wide-ranging template of invoices, with different ways of writing information. Additionally, information captured in the contracts must remain in sync with that in the invoices, thereby making the entire process difficult.
- **Manual and paper-based processes** prone to errors, delays and inconsistencies – companies have historically received invoices as paper invoices and, sometimes, this is not done in a central manner. Hence getting invoices read, compared with goods or services receipt, and in time is a challenge that companies typically face.
- **Array of compliances during invoice processing** that need to be considered for tax purposes. While recording invoices, AP teams need to ensure that GST details are accurately recorded so that the appropriate amount of input tax credit can be claimed. On the withholding tax (WHT) side, companies face statutory requirements to deduct and deposit taxes on overseas payments as well as payments to micro, small and medium enterprises (MSMEs). The AP process is thus incomplete without an appropriate focus on tax compliance.
- **Lack of integration** from the way invoices are written, validated, consumed by the AP systems to master data management systems – this includes external application processing interfaces (APIs) and hampers process effectiveness, thus resulting in having to do manual work which is often patchy and inconsistent.
- **Limited visibility and transparency** in invoice status, ownership, audit trail and overall pending amount – this results in incomplete outbound cash flow needs and accounting information.
- **Low productivity and scalability – this is** due to manual processes which are not just cost-intensive but also error-prone.

**To overcome these challenges and risks, and achieve the benefits stated above in the AP function, leading organisations need to go on a transformation journey that leverages technology, best practices and innovation. Some steps that organisations can take to begin this process are mentioned as follows.**



- Perform a current state diagnosis to understand how the processes are executed in their present form.
- Identify the gaps in best-in-class performance on process effectiveness.
- Measure the current-state effectiveness on metrics like percentages of invoices paid on time.
- Create a future state of process with goals and technology, process, and policy interventions.
- Execute the implementation plan with appropriate change management.
- Ensure that the process adheres to policies and ways of working defined and the technology is adopted by the vendor(s) as well.





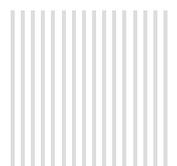
Technology interventions which make the process truly touchless need to be orchestrated in a workflow and stitched together in a comprehensive application. Some of these are as follows:

- **Multi-channel invoice entry:** Allow invoices to be auto-picked by the technology from different sources like hard copy submissions, invoice submissions from email, uploads against a purchase order and GST portal integrations.
- **Self-service master data creation:** Let the vendors raise the master data creation request with appropriate document uploads and have approval access given to the AP organisation.
- **Master data validation with third-party APIs:** Ensure the quality of master data at the start of the process itself.
- **In-built tax validations and integrations:** The futuristic design of a digital-led accounts payable (AP) function facilitates agility, intelligence and collaboration, delivering value to the organisation and its stakeholders. Some features and capabilities of a digital-led AP function are as follows:
  - Real-time and predictive cash flow management, utilising artificial intelligence (AI) and machine learning (ML) to optimise payment timing, terms and methods
  - Dynamic discounting and supply chain financing leveraging data and analytics to provide and use discounts and financing options with suppliers
  - Smart contracts and blockchain technology to ensure compliance, transparency, security and traceability in digital transactions
  - Cognitive and conversational agents employing natural language processing and voice recognition for seamless user and supplier interaction
  - Augmented and virtual reality technologies enhancing training, support and engagement through immersive and interactive experiences

The AP function serves as an ideal starting point for your transformation journey, offering significant opportunities for improvement, innovation and value creation.

By transforming the AP function, you can optimise core processes and operations while enabling your organisation to turn into a more agile, intelligent and collaborative space in the digital age.

PwC can assist you in achieving your AP transformation goals, by providing end-to-end solutions and services – from strategy and design to implementation and support, along with monitoring and evaluation. By leveraging our global network, industry expertise and technology partnerships, we deliver customised, best-in-class solutions for your AP function.



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To learn more about how we can transform your AP function and your business, contact us:

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