



A guide to automating Accounts Payable (AP)

A whitepaper by Pegasus Software





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Introduction

This paper highlights five steps in making a move to greater automation in accounts payable (AP) and looks at the key things to consider when establishing a business case.

A facet of financial management focused on managing payments to suppliers, Accounts Payable (AP) involves a broad range of processes from onboarding suppliers; and raising and approving purchase orders; to receiving; coding; and reconciling suppliers' invoices, before scheduling; approving; and making payments.

While financial management, on the whole, has been subject to significant digitalisation, AP remains an area which commands the greatest proportion of manual, and often painful, processes.

Whether you are in the throes of investing in a new financial management platform, or have already acquired new capabilities but lack the necessary rigour in AP, this guide aims to help you navigate the key points to consider in order to build a business case for, and optimise the discipline.

5 steps to getting AP Automation right

1. Evaluate and establish the current profile of your AP. Recent research undertaken amongst CFOs and FDs in the UK and US highlights that exposure to risk and fraud are amongst the top concerns when it comes to AP's challenges. Add to this the global supply chain complexity which is forcing organisations to consider diversification of supply, reshoring and nearshoring in their quest to reduce risk and maximise performance from their suppliers, according to Make UK, and it's no wonder many are looking to implement capabilities which mitigate some of these challenges.

Typically, AP involves a high volumes of processes. Consider which areas command the greatest manual effort, and identify where the pain points, inefficiencies, and bottlenecks exist.

Manual data entry, paper-based invoices, delayed approvals, errors and duplicated efforts are all rife. Invoices for example, land in many forms, from physical documents, e-mails or links via portals. Once received they must be approved, checked, filed and paid. This involves reconciling every invoice against its purchase order and order details to ensure that it contains the relevant information, and is for the correct amount. Getting this right is crucial, as even one missed, or incorrect invoice, can cause mismanaged VAT, overpayments and impede cashflow.

CFO goals

When evaluating AP automation, the wealth of solutions can be overwhelming. Some promise wins in certain areas, while others profess to manage the entire invoice lifecycle.

The goal should always be focused on a capability which tracks, views and automates payments, approvals and reports. Through having visibility of all payable liabilities and ageing debt reports in real-time, action can be easily taken to expedite and address bottlenecks, and ultimately ensure the smooth running of the office of the CFO.

The screenshot displays the 'AP Automation' software interface. On the left, an invoice for 'Technodrive Computers' is shown, including a table of items and their prices.

Qty	Item code	Description	Unit Price	Net
1	SCLTMS9	E228WFP 22" monitor	£170.00	£170.00
1	SCLTMS1	HP Compaq 6510 Notebook	£1,119.00	£1,119.00
1	SCLTMS8	DELL 1815 Multifunction Printer	£275.00	£275.00
1	DELIVERY	Delivery charge	£300.00	£300.00
			Total Net	£1,864.00
			Total VAT	£372.80
			Total Gross	£2,236.80

Invoice payable 30 days from invoice date

On the right, the 'Previous Approval Timeline' shows a submission by Antony Angell on 15/05/2023 at 10:57:41, which was denied by Antony Angell on 15/05/2023 at 12:59:10. Below this, a list of suppliers is shown, with 'TechnoDrive Computers' selected. The interface also includes fields for 'Invoice reference', 'Supplier Reference', and 'Purchase order reference', along with 'Submit', 'Save', and 'Delete' buttons.

2. Look at the benefits of automation across individual bottlenecks and the process overall. Where possible, seek to quantify the potential benefits from a number of aspects. This might include enhanced visibility, tighter controls, cost savings, efficiency improvements, faster processing times and better cash and credit management. Prioritise those areas which can deliver most value in the first instance for some stand out wins.
3. Take these quantifiable benefits to the next level and calculate the ROI of AP automation. Through comparing the costs involved in acquiring AP Automation capabilities, and mapping these against projected financial benefits, the payback period and scope can be ascertained to support both business case development and projections. While some are easy to justify, such as the freeing up of hours to save costs and optimise resources, some, such as a reduction in the risk of human error, are harder to put numbers on.
4. In developing a comprehensive business case, involve all of those responsible for the AP process to fully understand the processes, scope of the challenge, and ensure justice is done to projected benefits. This should include timelines with scope for some contingency, an assessment of the wider risks and challenges, and a detailed cost-benefit analysis.
5. Ensure buy in from the board through presenting a detailed business case with all of the salient points and information to all relevant departments, users and stakeholders. Address any concerns or objections raised by stakeholders, and provide a clear plan for moving forward with the project.

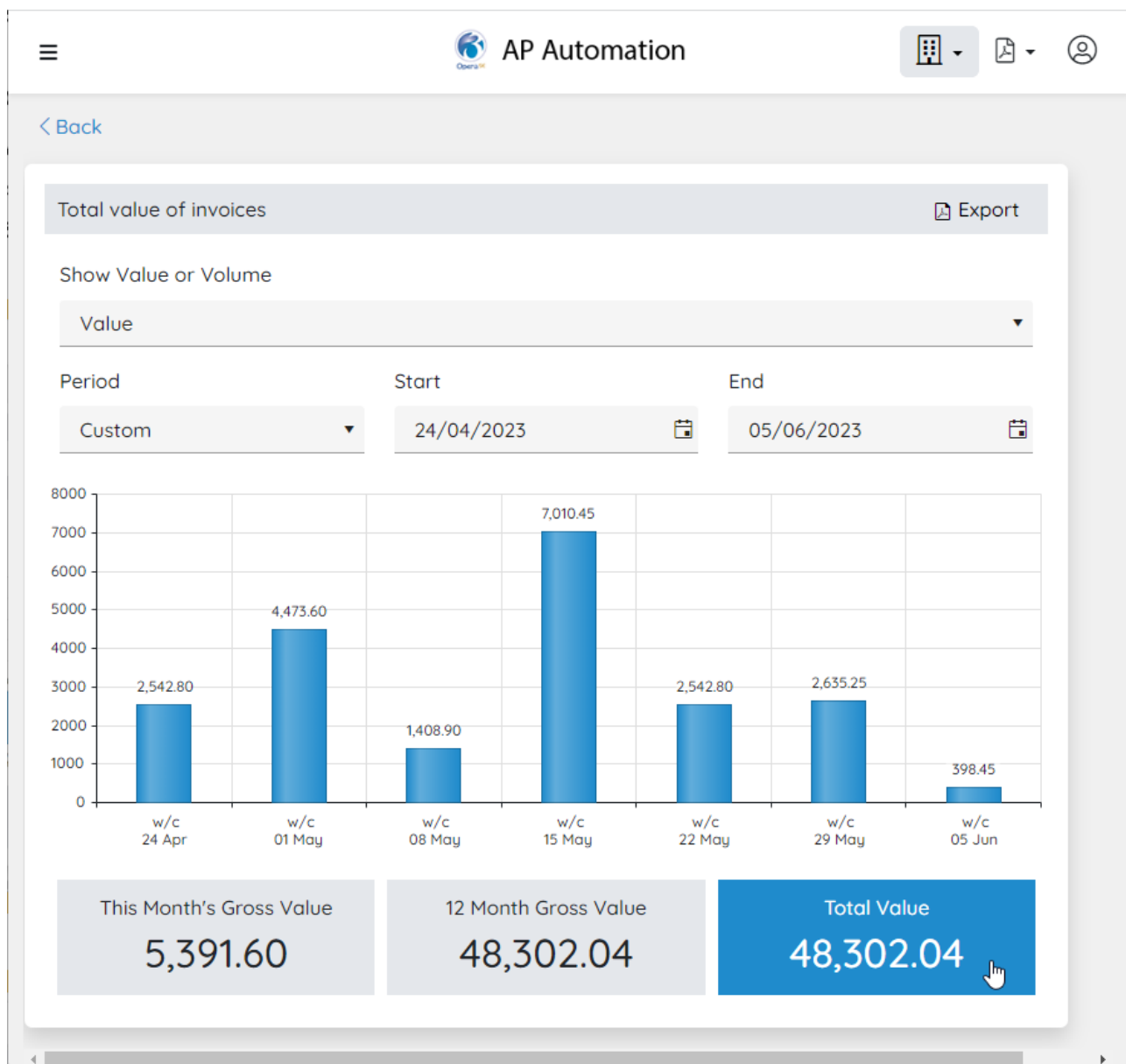


Challenging cost saving, control and consistency

The right AP Automation platform will ensure that all invoices can be received electronically, and regardless of format, that they can be processed quickly, consistently and accurately. Because these all go into the financial management platform upon receipt, streamlining AP provides much greater control, and mitigates the risk of errors, while faster processing of invoices and quicker payments helps to create better relationships with suppliers, which is particularly important now in light of the supplier restructuring at play.

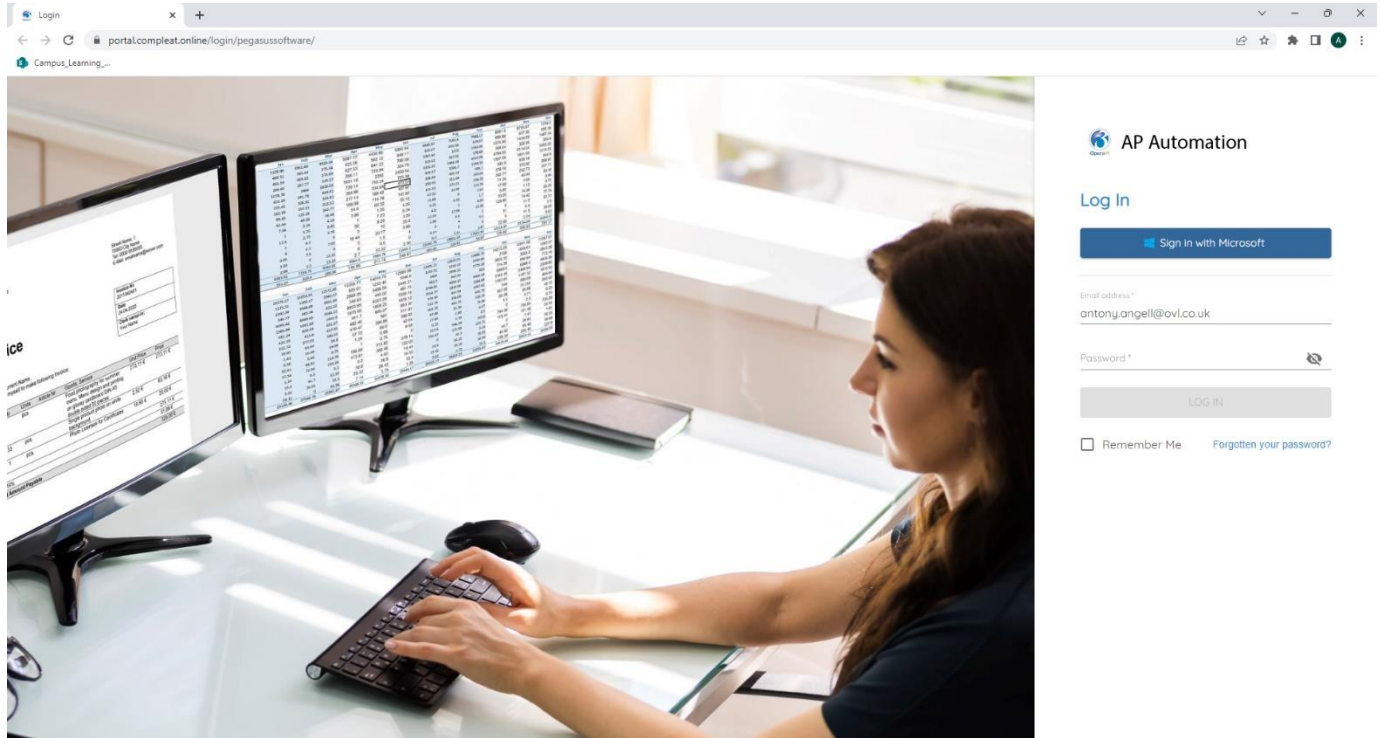
A reduction in paper-based processes reduces the need for physical storage and expedites audits, while the ability to undertake AP processes from any location removes potential delays or bottlenecks and streamlines approvals. More collaborative working supports greater productivity, and the manual labour saved can be deployed in other areas, adding value to the wider goals of the department.

And of course, with a fully automated process, reporting can be taken to another level. The real-time insights generated boost visibility, contextualise information and ultimately facilitate better decisions. Monthly expenditure can be monitored more tightly, cashflow can be monitored more closely, and annual trends can be mapped and acted upon appropriately.



How can we help?

Pegasus can help through its AP automation for Opera 3 SQL SE. If you would like to learn more or see this exciting new feature in action, then please contact us today.



Pegasus Software Orion House, Orion Way, Kettering NN15 6PE

T: 0800 919 704

T: +44 (0)1536 495000

F: +44 (0)1536 495001

E: info@pegasus.co.uk

www.pegasus.co.uk

[@PegasusSoftware](https://twitter.com/PegasusSoftware)

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