

Perform A Purchase-to-Pay Audit To Improve Efficiency



Your company's procure to pay process, also known as the P2P process, is how you purchase raw materials you need to do business. From choosing the suppliers you work with, to the pricing of products and services, all the way through paying your vendor invoices - a smooth purchase to pay cycle is vital to business growth and sustainability.

Key Challenges in the Purchase to Pay Cycle

In a perfect world, the procure to pay cycle would move seamlessly from placing orders, receiving goods, and vendor invoices. Eprocurement solutions such as PuchaseControl help you integrate and automate various parts of the cycle to improve efficiency and address the many challenges you may face, such as:

- Finance does not provide sufficient information to support decision-making
- Using multiple, unintegrated systems to track data
- Inadequate data governance and quality prevents informed decision making

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Many businesses aiming to secure materials and optimize their supply chain deal with a complex procurement process that involves a series of steps and interactions with suppliers at various stages. It involves several people moving individual purchase transactions through the pipeline from requisition all the way through to payment...and that's without considering procure-to-pay audits.

To improve your business efficiency, it is crucial to optimize your procure-to-pay process. Using best practices such as standardization, Automation, and strategic goal setting, you can save your business money while reducing the time and resources you need to get materials in the door.

Setting these practices is only the first step. For a procurement department to continue to run effectively, there also be regular and internal audits to measure progress towards goals, find and efficiencies, and recommend improvements where they're needed.

Audits take time and resources, so it may seem counterproductive when you feel you're lacking the efficiency to get everything done. However, the benefits of a purchase to pay audit program certainly justify the resources required to conduct the audit.

Benefits of a Purchase to Pay Audit Program

Instead of diving right into your first audit, make sure you understand why the process is both valuable and necessary. For the majority of companies, auditing the procure to pay cycle produces a number of tangible benefits including:

- **Finding hidden cost savings:** By improving worker productivity and reducing your cycle time, you will have found ways to save on your procurement costs.
- **Identifying bottlenecks and inefficiencies:** You'll be able to spot areas where you can make improvements with a better process.

- **Increasing spend transparency and visibility:** With a clearer picture of how much money you're spending and where it is being spent, particularly when it comes to complex purchases, you'll be able to make data-driven decisions about the vendors you wish to continue working with and those you may want to replace or renegotiate terms with.
- **Understanding ways to integrate procurement and accounts payable:** Integrating the two departments can help simplify your career to pay process and reduce cycle times.
- **Identifying potential lost profits:** Audits will allow you to quickly and easily spot over 10 minutes and missed opportunities.

The more you know about how your purchase to pay process actually works, the better you will be able to optimize it. Regularly auditing your process gives you the transparency and visibility you need to integrate these processes, maximize productivity, minimize costs, and eliminate bottlenecks.

Purchase to pay cycle automation helps set internal controls that prevent duplicate payments, improve risk management, and ultimately streamline business processes.

Steps for Auditing Your Purchase to Pay Process

With an understanding of how regular auditing is necessary, learn what to do to ensure your audit results in tangible Improvements.

Establish Goals

Know your desired outcome. Anyone involved in the process must be aware of the information they are trying to uncover with the audit. Be more specific and measurable your goals are, the better. Whether you're looking to find hidden costs, improve productivity, or increased integration, specify your goals before moving on to the next steps.

Compare Purchase Orders to Final Transactions

By comparing your purchase orders to final transactions, you will be able to

evaluate how accurate your initial estimates are. It also helps in understanding whether any aspect of the intake process Improvement.

No organization is completely optimized so there will be some discrepancies between purchase orders and final transaction. Finding the discrepancies and discovering the trims that can be corrected with the better ordering process is what you need to improve your procure-to-pay cycle.

Evaluate Supplier Selection and Relationships

The purchase to pay process requires collaboration with a number of suppliers and vendors. It's important to evaluate your processes to make sure that you were working with the best possible options and maximizing your collaboration capabilities. This way you establish mutually beneficial supply chain relationships that can help your company grow.

There are a couple of ways you can handle this evaluation. You can rate supplier effectiveness and quality after each transaction or reconcile communication through the cycles with these rankings. Regardless of which method you choose, your supplier relationships must be a component of your audit to reap the most benefit.

This is a good time to take a look at the vendor master data you have to ensure you're still working with all the vendors you have in your system. Eliminate the vendors you're no longer working with for whatever reason.

Take the time to look closely at each contract because contract management and compliance may help you spot errors where you have been overcharged because vendors aren't following the terms of your contract.

Assess Integration of Procurement with Accounts Payable

For many organizations, departmental lines and tasks are clearly delineated. The procurement department secures the contract and accounts payable is responsible for actually making the payments. However, a successful spend management approach ensures both departments are integrated to avoid bottlenecks and inefficiencies.

Assessing integration can be difficult. Accuracy and timeliness of communication is key as is the time to pay in a typical transaction. Ask members of each team about the current processes and areas for potential Improvement as this can also be beneficial.

Take a look at your current workflow. Ideally, a purchase requisition starts the process, where it is approved through a series of automated rules and converted to a purchase order.

From there, the goods are received and entered into the system. The vendor invoice is attached and goes into the system for payment. With three-way matching, you can automatically compare the purchase order to the goods receipt to the invoice to ensure you're only paying for goods you've both ordered and received.

Invoice processing can be integrated with your accounting software like QuickBooks, to speed up the payment process. This means your procure to pay cycle is shorter and suppliers are paid faster. Better supplier relationships mean you have leverage to negotiate better payment terms to free up working capital and improve cash flow.

Compare Your Goal and Actual Spend

The final step in a secure to pay audit is to look at the bigger picture. Did your organization meet its goals and not only securing the correct materials but also by staying within budget and spending goals? though these are seemingly simple questions, the answers can be quite complex and are vital to a fuller assessment of your procurement cycle.

Context is key here. Purchases that are larger than anticipated in isolation show an unfavorable outcome. But if the purchases are larger because of an increase in demand and production, they were necessary. Comparing your actual spend with your initial goal while considering demand, can give you helpful insight on ways to improve effectiveness while also reducing costs.

Creating the Framework for Better

Procure to Pay Audits

With these steps, you can improve the accountability, integration, efficiency, and transparency of your entire purchase to pay cycle. Audits can of course be more complex and go beyond the relatively basic tips with covered here. To get to that point, you must have the framework in place that allows you to audit your process and a standardized way.

Finding the right procure-to-pay software is an important first step in making that effort. PLANERGY does more than just automate your picture to pay process. With it, you have enhanced transparency that allows for stronger collaboration with suppliers, invoice generation and evaluation, and spend analysis in monitoring within a single web interface. Everything updates in real time and because it's hosted on the cloud is accessible anywhere there is an internet connection.

With it, you have everything you need to conduct procure-to-pay process audits on a regular basis and find ways to improve your procurement processes over time.

What's your goal today?

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