



Digitising the Purchasing Cycle

If you would like further information on eProcurement Scotl@nd please contact us on 0131 244 3618 or email eprocurement@scotland.gsi.gov.uk



eProcurement Scotl@nd Summary Guidance:-

Purchase to Pay Processes and the role of e-Invoicing and e-Payables

eProcurement implementations push transactional effort from central requisitioning (ordering)/administrative areas to the point of need on business user desk tops. This ensures compliance to preferred supplier deals through on line catalogues which users browse to find the items they need. Key features include:

- electronic catalogues for core/standard items;
- punch out to suppliers' websites for dynamic/diverse products;
- recurring requisitions;
- business approval rule groups;
- electronic Purchase Orders' despatched through an internet network to suppliers;
- line item reporting capabilities.

eProcurement Purchase to Pay Process Flow:



(Diagram 1)



Seamless Purchase to Pay Processes

End to end purchase to pay processes require to be reviewed, re-engineered and rationalised by the cross-functional stakeholders (finance, accounts payable, audit, procurement and representatives of internal customer departments). Standard robust purchase to pay processes underpin the successful delivery of e-Commerce. (A glossary of terms for the various purchase to pay processes is at Annex A).

The preliminary groundwork required for optimal purchase to pay processes and automated purchase to pay solutions include:

- Review, re-engineer and rationalise purchase to pay processes to establish standard processes. Document the agreed standard purchase to pay processes (process flow diagrams) and procedures;
- Cost the Total Transaction Costs of the various purchase to pay processes as a benchmark to determine time release savings (cost avoidance) – a purchase to pay process cost analysis is attached – Annex B;
- Align the standard purchase to pay processes to best of breed payment tools (as detailed below);
- Review the capability of the finance system to upload electronic invoices through file format;
- Conduct a creditors' analysis to determine the nature, volume and value of paper invoices received from suppliers;
- Produce an implementation plan (Project Initiation Document) addressing prioritised high volume suppliers (paper invoices) identified through the creditors' analysis.

In order to close the requisition to payment cycle (diagram 1) there are a number of payment solutions. These are:

- Integrated/Embedded Procurement Cards – the VISA Government Procurement Card (GPC) is available to all public sector bodies. The VISA GPC consolidates multiple paper invoices into one statement/file. This file can be uploaded electronically or, dependant on the capability of the buying organisation's finance system the consolidated statement can be entered manually;
- Electronic or Manual Consolidated Invoicing;
- Evaluated Receipt Settlement also known also as Payment on Receipt/Self Billing.

Invoice reconciliation and settlement requires to be streamlined. Robust standard purchase to pay processes when applied to best of breed solutions (eProcurement and e-Invoicing) delivers e-Commerce.



Broad streams of invoice activity which can be addressed by e-Invoicing:

Broad stream of invoices	Characteristics
Mainstream high volume invoices from major transactional suppliers	<p>Low/mid transaction value</p> <p>Recurring/repetitive transactional purchases and payments.</p> <p>In the main, catalogue based items/goods such as stationery or hospitality.</p>
Solution	
<p>Integrated/embedded p-card or Electronic/Manual Consolidated Invoice. P-card integrator/supplier can format and submit the p-card/ECI file to be uploaded onto the finance system. If the finance system is not capable of loading electronic files a consolidated p-card statement/invoice can be manually entered.</p>	
Broad Stream of Invoices	Characteristics
Infrastructure Invoices	<p>Demand cannot be forecast.</p> <p>Low/mid transaction value</p> <p>Low/mid/high value</p> <p>For example: facilities and estate services, utilities, photo-copies.</p>
Solution	
<p>Evaluated Receipt Settlement/Payment on Receipt/Self Billing.</p>	

(Table 1)



Purchase to Pay Processes – Glossary of Terms

Annex A

General Definitions

eProcurement	eProcurement applications deliver on line Procurement services. Key features include : electronic catalogues, punch out to suppliers' websites for dynamic products, recurring requisitions, easy to use web access, workflow routings, electronic orders dispatched over the internet to suppliers, line item reporting capability (Elcom, Ariba). eProcurement provides a single standard platform to conduct business with suppliers.
Enterprise Resource Planning (ERP)	An Enterprise Resource Planning solution offers multiple modules that support major business processes: Production Planning, Finance, Sales, Human Resources, Purchasing. ERPs are expensive to implement (Oracle, SAP) and Develop.
Manual Order Process	Order Process where all steps are conducted manually.
Paper Invoice Process	Invoice process where all steps are conducted Manually.
eProcurement Order Process	Order process where an eProcurement System is used to place the order.
ERP Order Process	Order process where an ERP is used to place the order.
Two Way Match Process	Invoice process where an order is matched against an invoice before payment is made to a supplier.
Three Way Match Process	Invoice process where an order, receipt and invoice is matched before payment is made to a supplier.
Electronic Invoice Process	Invoice process where receipt, reconciliation and match are all electronic.
Physical Procurement Card Order Process	Order process where a physical procurement card is used for ordering (placed by phone or fax) and used for payment.
Integrated/Embedded Procurement Card	Order process where an eProcurement System is used to place the order and the Integrated/Embedded procurement card is used for payment.
Electronic Invoice	The transfer of data / financial information through Electronic

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Presentment and Payment (EIPP)

Invoice Presentment (EIP) and payment made electronically. This combination constitutes Electronic Invoice Presentment and Payment (EIPP). The capability to send detailed invoice level information in an electronic format. The transition from manually processed paper checks to electronic invoices and electronic payments.

e-Invoicing / e-Payables Solutions

Electronic/Manual Consolidated Invoice

An Electronic Consolidated Invoice is an electronic file containing all relevant financial information required for upload onto the finance system. Thus eliminating the need for manual re keying within accounts payable. If the finance system is not capable of loading electronic files a consolidated invoice can be manually entered. Electronic or Manual Consolidated Invoicing is often an exception based settlement solution and can be applied to both two-way and/or three way invoice matching. Procurement Cards are in effect an electronic consolidated invoice provider with the bank submitting one electronic consolidated invoice / file rather than multiple hardcopy invoices from various suppliers. Similarly a consolidated p-card statement can be manually entered.

Evaluated Receipt Settlement

Evaluated Receipt Settlement (also known as Payment on Receipt / Self Billing) eliminates the need for a supplier to submit a hardcopy invoice. Upon delivery or on reviewing real time consumption on the web the buying organisation can authorise payment to be made to the supplier. Evaluated Receipt Settlement is suitable for infra-structure suppliers (suppliers where demand cannot be forecast). ERS is suitable for the following goods and services : facilities and estates services, utilities (electricity / gas / telecoms), photo-copiers, service providers. eProcurement combined with ERS is an effective best practice purchase to payment solution. Consumption can be reviewed on line and payments issued to suppliers in a prompt and effective manner.



Purchase to Pay Process Costs Analysis

Annex B

Purchase to Pay Administrative Process Costs	
New supplier set up on Oracle 11i	£2.14
New supplier set up on eProcurement Solution	£1.35
Purchase to pay process on Oracle 11i - paper invoice	£10.28
Purchase to pay process on eProcurement Solution - Evaluated Receipt Settlement/Payment on Receipt	£0.68
Purchase to pay process on eProcurement Solution - standard	£1.20
Payment of invoices through Oracle 11i	£2.15
Payment of invoices through integrated/embedded p-card on eProcurement Solution	£0.11
Physical procurement card purchase to pay	£2.00
Payment of Electronic Consolidated Invoice	£1.87
De-activating supplier on Oracle 11i	£0.21

*Note: These costs are indicative (as at June 2005) and are subject to regular revalidation.