E-book:

Managing Audit Programs **Effectively** Through a Crisis

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PRGX®

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Managing Audit Programs Effectively Through a Crisis

The volatility and upheaval of 2020 has provided some useful lessons about how to manage audit programs effectively through a crisis, particularly when the risk of invoice errors and value leakage is at an all-time high.

When companies set objectives for 2020, they likely never imagined a global pandemic. Now disruption is a daily fact of life, and managing through it effectively is central to stability and growth.

After COVID-19 began to spread, things escalated quickly. As new lockdowns were announced, procurement and accounts payable teams around the globe had to establish processes for new project management tools, document sharing platforms, and video calls — literally overnight.

Audit teams faced the same challenges. Projects that had been in the works for months had to be suddenly redesigned for remote working, virtual meetings, and online collaboration. Objectives, considerations and sensitivities that would have been discussed around a boardroom table, suddenly had to be addressed via shared screens and conference calls.

Those responses remain a great way to get things done when travel restrictions and social distancing make everyday office interactions impossible. But tools and technology alone won't bring stability.

In Unsettled Times, Keeping Audits Going is Vital

COVID-19 has altered how every business does business — and that includes suppliers.

The abrupt transition to home and remote working meant procurement, accounts payable, and accounts receivable teams (on the supplier side) had to rush to get home offices set up, secure network connections, re-arrange child-care, and generally adapt to new tools and processes.

Cohesive teams with working relationships solidified over years became groups of isolated individuals working from remote locations. In some cases, cost containment led to headcount reductions or the placement of key staff on temporary furlough.

With fewer people to do the work, restricted access to offices, and new workflow settling into place, some things inevitably slipped through the cracks. Notes left on desks may have been forgotten. Credit memos may have been left un-entered. In a rush to keep cash flowing, supplier's account receivable teams may have been distracted or prone to take short-cuts.

Combined, those factors raised the risk of loss from non-compliance with contract terms, missed credits, and overpayments, to an all-time high. Against that backdrop, the rationale for sustaining contract and recovery audit projects is stronger than ever.

But how do you take them forward when business conditions are still so unsettled?

How PRGX Adapted to Change

At PRGX, we've responded to the pandemic's new operational realities with adjustments of our own in terms of how we conduct contract and recovery audits.

As the operational realities of social distancing set in, we realized we had to make a fundamental shift in the way we performed audits if we were going to continue partnering with clients effectively.

Our auditors are comfortable working remotely, either from home or at one of the remote audit centers we've created. We've integrated remote access to data and documents into our process, allowing us to continue to deliver our services, validating and documenting recoveries securely and without taking up space in client offices.

That lightens the load for clients in terms of how they collaborate or make information available to auditors. PRGX is also developing new technology platforms that let us expedite the processing of client data, examine contracts for risk of leakage, and perform accounts payable reviews more efficiently.

Along the way, we've identified ways to make audits happen more smoothly when things are in flux. Here are our top tips to keep audits delivering value and supporting working capital, just when businesses need them most.

4 Tips for Managing Audits Through a Crisis

1

Ramp-up Communications

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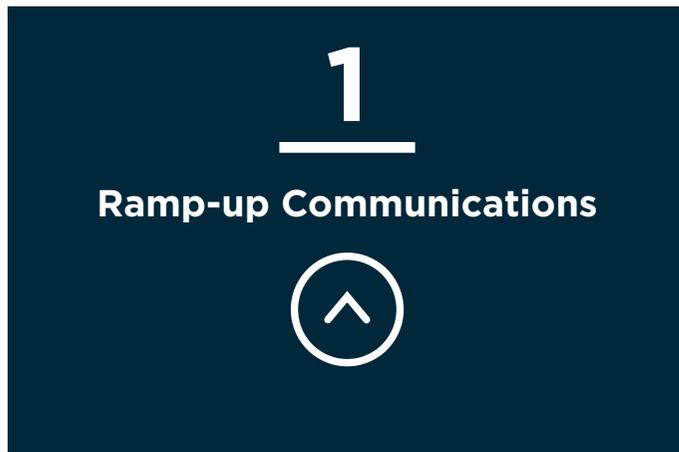
Structured meetings and the normal, ad hoc interactions we take for granted at work all have to be replaced to ensure that nothing is missed out and projects stay on track.

That means greater use of collaboration and conferencing tools to stay in touch with audit team members and sponsors on a regular basis.

Most team meetings with clients — who are typically working remotely as well — become entirely virtual. That requires a different approach to planning. Multiple geographies and time zones may need to be accommodated, so three group calls might need to replace what would have been one large in-person gathering. The content required for a virtual meeting may also need to change to accommodate delivery on virtual platforms. It's useful to develop templates

in this case which can be tailored to individual audit programs as required.

Adopting file sharing solutions to ensure everyone has access to invoices, contracts, change orders, reports and essential data is necessary for collaboration.

Staying regularly connected through quarterly business reviews, setting realistic timelines on projects, and giving suppliers the flexibility to provide data or support the audit is also essential.

> When big changes happen, small things matter. For example people, having a quality headset was important in handling household noise and keeping the quality of online conversations high.

2

Focus on Sector Specific Impacts

The pandemic has affected various industries differently. In manufacturing, for example, there has been a rise in the stockpiling of critical materials, commodities and components — particularly those with a longer shelf life — as a backstop measure to ensure production could be maintained.

It's also worth giving extra attention to suppliers that sit in industry sectors hit hardest by COVID-19, for example, travel and aviation, to minimize risk of not being able to recover on claims.

Improved demand planning and working more closely with key suppliers to optimize terms can help minimize disruption and facilitate unexpected changes in order volume.

3

Consider Special Measures for Shared Services Centers (SSCs)

Businesses that rely on large, centralized teams working in one location have been impacted more severely by the shift to remote working. To overcome the loss of team cohesion and streamlined workflow they rely on to deliver value, SSCs have had to take a more urgent approach to technology adoption and process re-engineering.

Some procurement functions, for example, have set up 'SWAT teams' to identify critical suppliers and better understand all the provisions that exist within their contract terms and conditions.

Launching a project to review supplier contracts, or establishing a contract compliance program, can ensure that SSCs take a systematic approach that doesn't miss opportunities to secure more value.

4

Review Accounts Payable Data in a Shorter Timeframe

Current business conditions make a fertile environment for invoicing errors and value leakage. That means it's a good idea to review accounts payable data closer to the activity, for example, setting a new standard of 90-days-out.

Working closer to the transaction makes the resolution of any error that much faster. There is less chance of supplier abrasion, in that suppliers can deal quickly with audit claim queries that are more recent. Aged historical claims take longer to investigate, as the relevant records may be archived.

Acting quickly on recoveries improves the likelihood that you'll get money back and potentially makes it happen faster. Your audit provider will also have better visibility of what caused the error in the first place, enabling them to drive process improvement suggestions that can be implemented more quickly.

About PRGX

PRGX helps companies spot value in their source-to-pay processes that other sophisticated solutions didn't get to before. Having identified more than 300 common points of leakage, we help companies reach wider, dig deeper, and act faster to get more value out of their source-to-pay data.

We pioneered this industry 50 years ago, and today we help clients in more than 30 countries take back $1.2 billion in annual cash flow. It's why 75% of top global retailers and a third of the largest companies in the Fortune 500 rely on us.

For more information, please visit: **www.prgx.com.**

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