



PROTECTING FINANCIAL OPERATIONS IN HOUSING, CONSTRUCTION and PROPERTY MANAGEMENT

A NEW APPROACH

5 best practices that remove risk
from your financial operations



••➤ A NEW APPROACH FOR A NEW WORLD

According to the Regulator of Social Housing, providers are experiencing “fragile economic recovery” in part due to increased spending on existing housing stock – such as remedial safety works, catch up on repairs post-pandemic, and energy efficiency improvements.

These factors put pressure on construction and housing providers’ operating margins and increase risks for property management providers. As we recover from the effects of the pandemic and raising finance becomes more expensive, protecting working capital has never been more important

- UK construction businesses lose more than £1.8 billion from invoice fraud every year and 60% have received a fraudulent or suspicious invoice in the last year - *Construction Global Magazine*
- 40% of UK companies lost between €150,000 and over €400,000 [to procurement-related fraud] a year - *Chartered Institute of Procurement & Supply (CIPS), Supply Management magazine*
- “Housing providers will need to maintain strong risk management and financial controls... so that they can continue to meet the needs of current and future tenants.” - *The Regulator of Social Housing, April to June 2021 quarterly survey report*

It is essential that finance teams put in place all available controls for preventing unnecessary financial loss. Using supplier risk intelligence to continuously identify high-risk suppliers and transactions is the most progressive way to preserve working capital, generate cash savings, remain compliant, and reduce supplier fraud risk.



➤ QUESTIONS TO CONSIDER

If you answer yes to any of the following questions, then now is the time to consider a new approach to protecting your working capital and your reputation.

1. Are you concerned about rising procurement/supplier fraud?
2. Are you upgrading your ERP or accounting system within the next 18 months?
3. Do you have multiple business units but lack visibility into supplier spending across all of them?
4. Are you consolidating your distributed AP operations into a shared service?
5. Is your master supplier file out of date or inaccurate?
6. Are not able to reconcile all your statements?
7. Do you need more controls in your P-Card program?

“When fraud is detected proactively, it tends to be detected more quickly and thus causes lower losses. The median duration of a fraud is 14 months. In construction, the median loss was \$200,000.”

ACFE Report to the Nations 2020



An aerial photograph of a city skyline, featuring various high-rise buildings and a dense urban layout. The image is overlaid with a semi-transparent blue filter. A white geometric shape, resembling a stylized arrow or a corner of a document, is positioned on the left side, partially overlapping the text area.

5 BEST PRACTICES FOR EFFECTIVE PROCURE-TO-PAY RISK MANAGEMENT

Leading housing providers, construction, and property management companies are adopting these practices to change their approach to fraud and error prevention from reactive to proactive.

Doing so allows them to introduce effective, long-term risk management while reducing costs and being seen as value creators.

➤ FORTIFY YOUR CONTROLS

Traditionally, internal and external auditors have been tasked with finding risk by carrying out spot-checks using historical financial data.

Existing accounting system checks and audit reports are no longer effective protection from supplier risks. This is due to the multitude of ways invoices are received and attempts at straight-through, touchless processing.

Weaknesses in existing controls are compounded further by multiple payment methods. These factors all contribute to an increased risk of error and the urgent need for more oversight.

In the last 12 months, the housing, construction, and property management sectors have experienced, according to FISCAL's actual customer data *

- An increase in spending of 10% with 5% more invoices
- The value of credit notes raised has increased by 65%

A key step to reducing risk is to empower your frontline teams such as Accounts Payable and Procurement to carry out continuous auditing.

This is achieved by providing these teams with easy to action artificial intelligence (AI) powered forensic analysis reports. This allows your teams to identify risks in near real-time and put controls in place to mitigate these, reducing the potential for financial loss.

*FISCAL Technologies benchmarks 2021



STEP-UP FRAUD PREVENTION

The risk of supplier fraud is growing rapidly within the housing, construction and property management sectors due to the perfect storm of post-pandemic demand fluctuations, supply chain reliability concerns, and the increasing sophistication of fraudsters.

With automation removing human visibility of relevant supplier and transaction details, and the need for more analytical skills to identify fraud, many finance teams find they need to revamp their approach to fraud protection.

In the last 12 months, in the housing, construction, and property management sectors FISCAL's actual customer data shows that *

- 74% invoices are under £1,000 which do not normally get included in an audit
- 53% of invoices still don't include a Purchase Order number
- 66% of suppliers are not being used regularly, which carries risk

When Accounts Payable and Procurement teams work collaboratively with internal and external auditors, using insight found by forensic analysis of ALL suppliers and transaction data, they become the cornerstone of a strong fraud prevention strategy.



➤ SUPPLIER CASH RECOVERY

Whether in times of calm or turmoil, liquidity is critical to maintaining operations, enabling on-time payments to suppliers and having the financial flexibility to meet opportunity.

Most housing, construction, and property management providers have limited controls in place to check supplier invoice payments are correct - resources simply aren't made available for these controls. Most rely on their accounting system to perform a 3-way match on invoices, or their annual audit, both which are out of date and inadequate controls in today's AP & P2P environments.

A one-off historical invoice review, at a forensic level, will uncover overpayments, undetected by existing controls, that can be recovered. FISCAL's solution delivers one-off recovery audits and following this, the same solution provides ongoing, proactive detection of future risks within the supplier base and invoices.

Within our housing, construction, and property management customers, last year, savings per customer were on average *

- £580,000 of incorrect payment were prevented
- A further £64,000 was recovered from suppliers

Finance departments are now able to find, recover, and in future, prevent significant financial leakage by using continuous monitoring, forensic analysis and artificial intelligence (AI) accessed via easy-to-use AP-specific reports.

*FISCAL Technologies benchmarks 2021



SPEND PERFORMANCE MONITORING

In a fast-changing environment, the top housing, construction and property management finance teams are moving from transactional to strategic advisor mindsets.

The best teams will leverage advanced analytics and AI solutions to provide greater insight into achieving targets and protecting valuable working capital.

Using benchmarking and continuous forensic analysis that drive actionable intelligence helps finance fulfil its role as strategic advisor. To do this it needs to reinvent the way it manages and analyses its procure-to-pay cycle data.

FISCAL's actual customer data shows that, over 3 years of use, on average *

- One-time supplier count reduces 50%
- Total supplier count reduces 30%
- Invoice entered-to-paid time reduces 57%

Giving finance teams the ability to more effectively analyse their suppliers, transactions and throughput, and prevent risks before they have any impact (payments made) is the most powerful control you can implement and will radically reduce payment errors and associated costs.

*FISCAL Technologies benchmarks 2021





UPSKILL YOUR FINANCE TEAM

With the need to do more with less, the spotlight inevitably turns to internal “overhead” functions to play a more proactive role in each organisation’s delivery of service.

Long seen as a cost centre in the housing, construction and property management sectors, functions like Accounts Payable, Procurement and Internal Audit now have to generate increasing value through savings, efficiencies and deeper analysis and interpretation of data – not the traditional skills found in transaction processing teams.

When invested with a level of authority to match their full potential, finance teams can fulfil their expanded mandate and offer real strategic insight into spend risk and its impact on working capital.

With the right tools Accounts Payable, Procurement and Internal Audit teams can be empowered to generate the evidence and actionable insights needed to raise financial performance which benefits their organisation as a whole.

“Top organizations will leverage advanced analytics solutions to provide greater insights”

The Hackett Group, 2021 Finance Key Issues



An aerial photograph of a city skyline, featuring various buildings and streets, overlaid with a semi-transparent teal filter. The text is centered on the image.

PROTECTING SUPPLIER SPEND HAS NEVER BEEN MORE IMPORTANT

“This system enables us to catch any errors, overpayments or attempts at fraud before each payment run. This ensures that we are able to process all our payments correctly and on a timely basis.

In addition, our auditors reported to our senior management team that our finance department’s processes and methods have significantly improved since we started using FISCAL’s solution.”

Finance Manager, Trafford Housing Trust

By enhancing P2P risk management with the 5 best practices in this report, Accounts Payable, Procurement and Internal Audit teams can be empowered to control risk, deliver increasing cost efficiencies and collaborate to comprehensively protect their organisation from unnecessary financial loss.

ASSESS YOUR 2022 RISK EXPOSURE

FISCAL Technologies offer a range of no-obligation services to provide an independent analysis of risk exposure in your financial operations.

These include:

- In depth demonstration
- Return of investment assessment
- Benchmarking review
- Supplier & transactions risk review

Benefits of these services include;

1. Detailed analysis of supplier file and transactions
2. Ranked list of high-risk suppliers and transactions
3. Recommendations for process improvements
4. Immediate cost saving opportunities
5. Operational metrics and benchmarks created

FISCAL's solution achieves project payback within 1-3 months of use.

With over 18 years of experience and over 1 billion transactions processed, valued at over £5 trillion in spend, we are in a uniquely strong position to protect your spend.

Find out how a Risk Review will help you improve operational effectiveness, implement proactive risk management, and achieve project payback within 3 months.

**ACT
NOW**

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FISCAL Technologies is the leading provider of supplier risk intelligence solutions that empower progressive finance teams across the globe to protect organisational spend.

Our award-winning software and services use forensics and AI to provide a unique view of supplier risk. We continuously protect working capital and increase profitability, while defending against reputational and financial risks and maintaining regulatory compliance.

Since 2003, FISCAL has processed over 1 billion transactions with a value of over £5 trillion in spend and is relied on by leading private and public sector organisations.

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