

PowerDive - preventing payment gridlock



Business Intelligence tool designed to monitor effectiveness of invoice processing and the level of outstanding payments in order to effectively manage payment practices in the organization.

PowerDive - preventing payment gridlock is designed to:



- monitor the number and value of invoice backlog against the due dates,
- analyze Key Performance Indicators (KPIs) related to invoice processing and their trend over time,
- categorize outstanding invoices according to their subject, type, approval status and number of days till due date,
- perform cause-effect analysis of inefficiencies in the invoice processing both at the aggregated level and at the level of a single transaction,
- automate the distribution of notifications to employees responsible for invoice approval at various stages of their processing,
- monitor the value of overdue transactions, including interest on late payments, as required by the *Act on combating late payment in commercial transactions*.

The most common causes of delays in invoice processing:



- ineffective process of documents circulation in the organization,
- lack of a purchase order number placed on the invoice,
- lengthy process of identification who should approve an invoice without a purchase order,
- lengthy approval process,
- lack of a system confirmation of service delivery or receipt of goods stored outside of a warehouse (e. g. marketing materials).

Implementation benefits:



automatic identification of invoices being at risk of late payment and root cause of that



enhancement of invoice approval process



ongoing monitoring of KPIs and deviations from established targets



early warning of possible problems in on-time payments



reduced risk of financial consequences resulting from overdue payments and unreliable payment practices

Examples of functionalities:



- ongoing monitoring of compliance with statutory requirements
- ongoing monitoring of the level of overdue payments
- analysis of suppliers and transactions in terms of applied payment terms
- control of the causes of payment delays

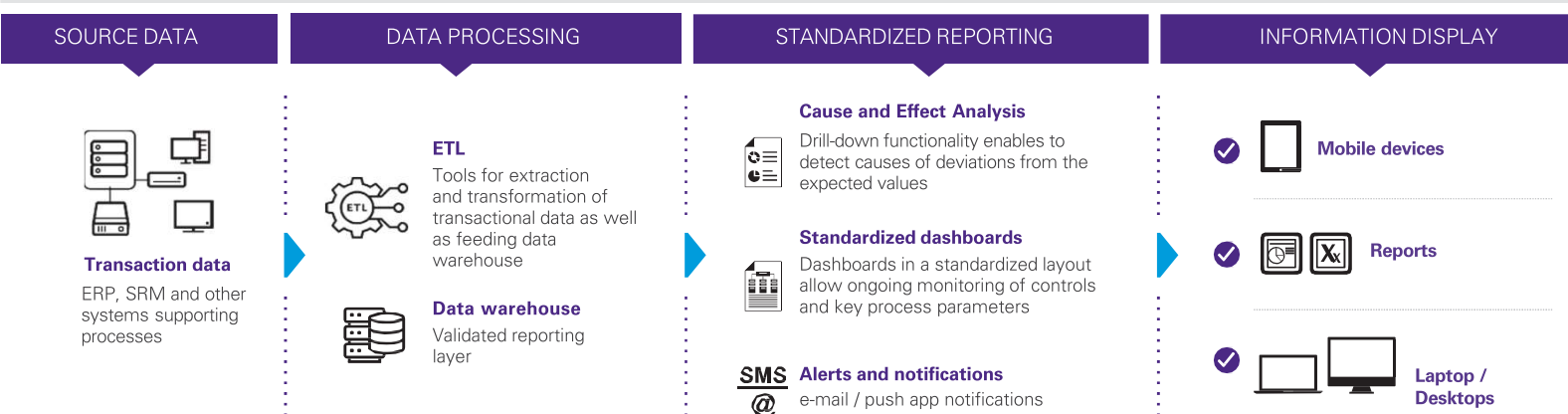


- overview of invoice processing status by departments and responsible employee
- ageing of invoices by due dates, including current stage of processing
- automatic identification and analysis of invoices at risk of late payment



- analysis of invoice processing, including monitoring of the average time of each processing stage
- analysis of the trend over time for invoices processed on time, by the document type
- identification of suppliers and invoices without a purchase order number placed on the document
- categorization of suppliers by the number of invoices issued in particular period, document type and frequency of settlements

High-level architecture:



PowerDive origin:

Starting from January 1st, 2020, the regulations on commercial transactions (i.e. contractual supply of goods or services within business operations) have been changed by the *Act amending certain acts to reduce payment gridlock*. Adoption of the new law requires a strict verification of payment practices, particularly of applied payment terms and the level of outstanding payments.

The most important changes brought about by the *Act* include an increase in the statutory interest rate for delayed payment from 9.5% to 11.5% (i.e. NBP reference rate + 10 p.p.) and the possibility to terminate contracts with a payment term of over 120 days. Another restriction for large companies is the ban on setting terms above 60 days for transactions with small, medium or micro enterprises. Furthermore, maintaining overdue liabilities level of at least PLN 2M (PLN 5M in years 2020-21) in 3 consecutive months will be faced with fines depending on the delay period and payment value. The largest entrepreneurs (and tax capital groups) will be also obliged to report their payment practices on an annual basis under threat of a fine imposed on board members.

In response to those changes, KPMG team has developed a tool dedicated for monitoring the processing of invoices and the level of overdue liabilities, which supports companies in adapting their internal purchasing and payments procedures to new legal requirements.

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