Business Integrity in O2C

Ensuring Compliance and Security in your O2C Processes Within the Digital Transformation

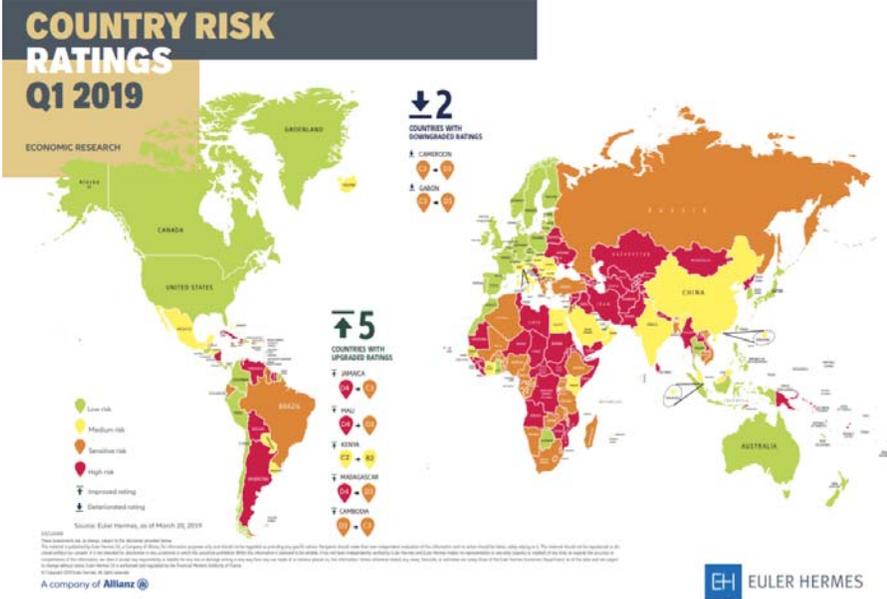SERRALA

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Business Integrity in O2C

Looking Beyond Customer Credit Risk

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Credit and Default Risk Keep Challenging Credit Managers…

COUNTRY RISK RATINGS Q1 2019

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EH EULER HERMES

… but Compliance Risks should not be neglected either

CORRUPTION PERCEPTIONS INDEX, 2018
More than two-thirds of 180 countries scored below 50

Russia
28

U.S.
71 points
(22nd place),
four points
lower than
in 2017

China
39

TRANSPARENCY INTERNATIONAL
the global coalition against corruption

No data

Score
Very clean
90-100
80-89
70-79
60-69
50-59
40-49
30-39
20-29
10-19
0-9
Very corrupt

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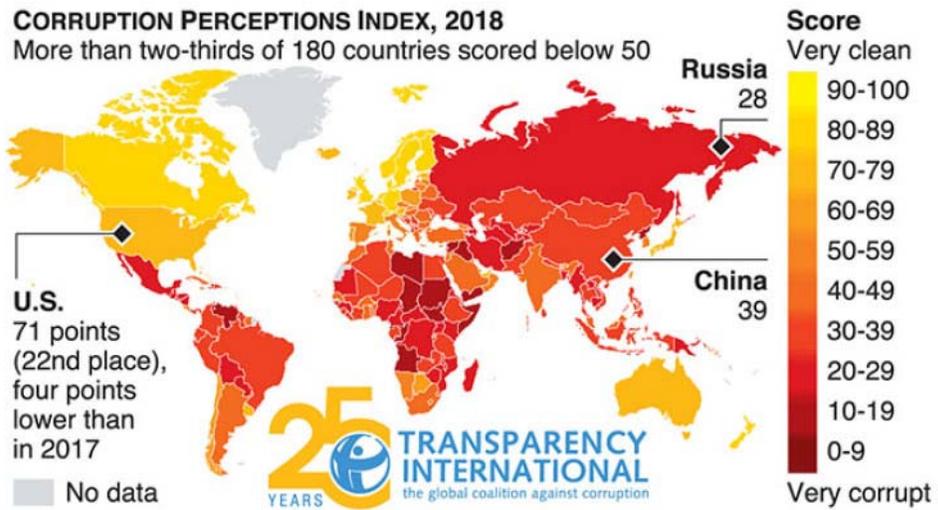
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Fraud
Compliance
Cybercrime

In the face of globalized business relations and digital transformation,
credit manageners need to adress the dangers of customer compliance risk,
receivables-related fraud and data and cybercrime

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Customer Compliance Risk

- **Anti-money laundering** laws, strict **SEC** requirements within the US, and other numerous **compliance-related regulations** all over the world have systematically increased the standards for companies
- Companies must know if their customers are listed on **terror, embargo** or a **politically exposed person (PEP) list**
- Increasingly companies will only conduct business with you if you have effective operating **compliance management** procedures in place

Remember!

Companies can be made liable not only for the misconduct of their own employees but also for illegal activities conducted by customers.

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Data Fraud and Cybercrime

- Data fraud and cybercrime have reached the top level of today's global risk landscape and are now considered the **greatest risk to doing business globally**
- **Whaling:** Cybercriminals are increasingly successful in identifying and stalking potential targets and learning their weaknesses
- **Phishing:** Executives or finance administrators are lured into installing malicious software via e-mail or web sites so that cybercriminals can take control of their computers

Did you know?

82 % of organizations have been subject to payment fraud in 2018

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Fraud in Accounts Receivables

- Due to the constant influx of cash, AR is an attractive target for **internal fraud**
- Undetected A/R fraud can result in a significant **disruption of your cash flow** and even threaten its very existence, and ultimately threaten your business as a whole
- While accounts receivable schemes are among the **most common forms of employee fraud**, most companies do not have standards in place to prevent them

Look Out!

Most economic crime is committed by internal rather than external parties, with senior and middle management representing the largest source of internal fraud.

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AR Fraud Schemes to Look out for

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Lapping

Diverting customer payments to cover up a theft or misuse of a previous customer payment

Check skimming

Intercepting an incoming check from an account holder and cash it into a private bank account

Refund skimming

Pocketing refunds that are meant for companies that have accidentally overpaid

Fraudulent write-offs

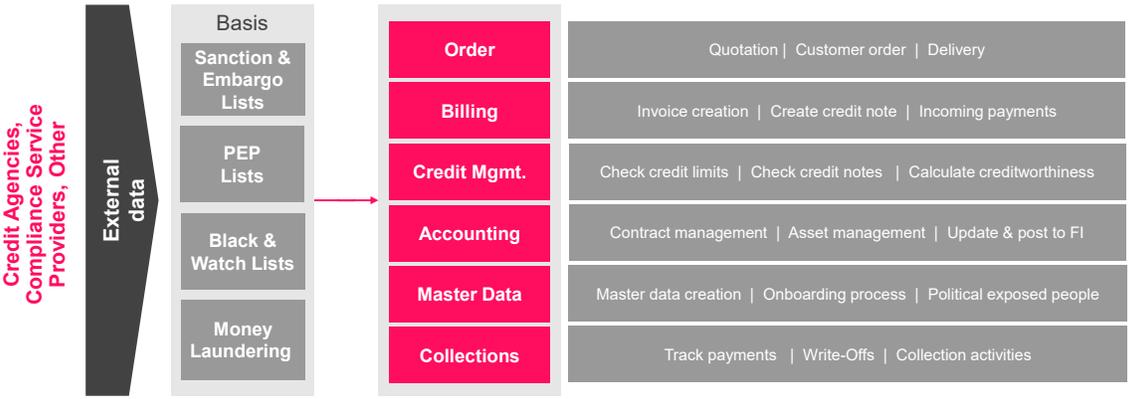False write-offs to cover up a previous theft by an employee

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Holistic Approach

How to Protect Yourself from Risks in Your Accounts Receivable

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Compliance Relevance in O2C Processes

To be managed and controlled by an integrated approach

Credit Agencies, Compliance Service Providers, Other

External data

Basis

| Sanction & Embargo Lists |
| PEP Lists |
| Black & Watch Lists |
| Money Laundering |

Order	Quotation | Customer order | Delivery
Billing	Invoice creation | Create credit note | Incoming payments
Credit Mgmt.	Check credit limits | Check credit notes | Calculate creditworthiness
Accounting	Contract management | Asset management | Update & post to FI
Master Data	Master data creation | Onboarding process | Political exposed people
Collections	Track payments | Write-Offs | Collection activities

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Improving the Integrity of your O2C Cylce

Best practices that will help you and your organization to protect your account receivable.

Best Practices for AR Security

System Risk Screening

Screening of business partners against lists published by governments, international organizations, and private content providers

Process Compliance

Standardized processes and compliant execution help to eliminate weaknesses in all the stages of the end-to-end O2C cycle

Centralized Inbound Payments

Damages resulting from fraud can be mitigated significantly by concentrating the majority of cash into centralized accounts and topping up operative accounts as needed

Definition of Responsibilities

To prevent damage, organizations need to define and put in place strict approval processes, specific policies as well as roles and access rights

Process Documentation

Documenting your current processes carefully to reveal inefficiencies, security issues, and irrelevant steps but also non-compliant behavior and fraud attempts

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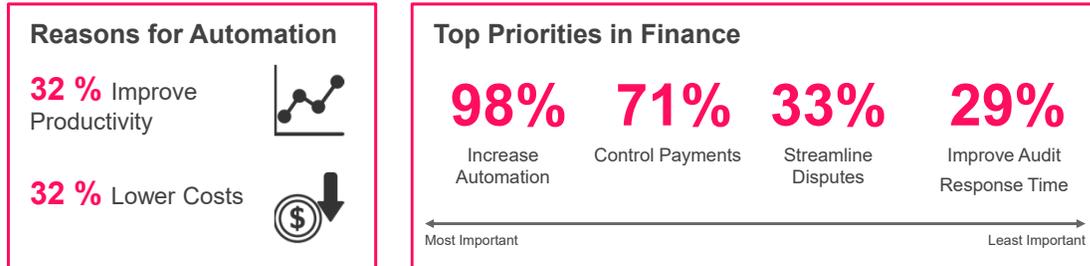# End-to-End Automation

Utilize High-Tech Solutions to Avoid Entry Points for Risk

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Automation – a Top Priority Across all Finance Areas

Helping to improve productivity, lower cost and increase agility

Reasons for Automation

32 % Improve Productivity

32 % Lower Costs

Top Priorities in Finance

98%	**71%**	**33%**	**29%**
Increase Automation	Control Payments	Streamline Disputes	Improve Audit Response Time

Most Important ← → Least Important

Automation is a top priority in all finance areas, helping to increase agility, lower costs, and improve productivity.

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Benefits of Automation in Finance

Improve Productivity

- Scale to meet increasing work volume
- 24/7 Operations
- Eliminate manual clerical work
- Free up high-value workers

Lower Costs

- Leverage existing systems
- Significantly cheaper to use than offshore/outsourced resources

Reduce Risk

- Increase processing Accuracy
- Maintain complete audit trail of activities and improve transparency

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Mastering the Digital Transformation

Many organizations are still in the process of getting there

"Nine in ten companies are already in the cloud or plan to be by the beginning of 2020"

IDG

"45% of organizations plan to migrate BI, data warehouse, and analytic applications to the cloud in the next one to three years."

Forbes

❯

Adoption is slow but steady

- Many finance departments are still in the early stages of technology adoption and change is happening slowly.
- One reason for this resistance to change is because many legacy systems are still running well.
- As the adoption rate of cloud and cognitive technology increases, however, more organizations will realize that there is no time to wait.

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Key Trends with Relevance in the Automation of Finance

Process Automation

Intelligent Robotic Automation

Machine Learning/ Artificial Intelligence

Less Complex — More Complex

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They Key to Success: Bringing Technology and Human Expertise Together

Automation

For O2C processes, cloud and cognitive technology has the potential to automate manual repetitive tasks and transform the end-to-end process to deliver greater value to the organization.

Resource Allocation

Bringing together information, automation and personal interaction in the exact right balance to ensure an optimal allocation of resources

Added Value

Automation provides knowledgeable staff with more freedom to work on complex tasks that require good judgement and nuanced decision-making
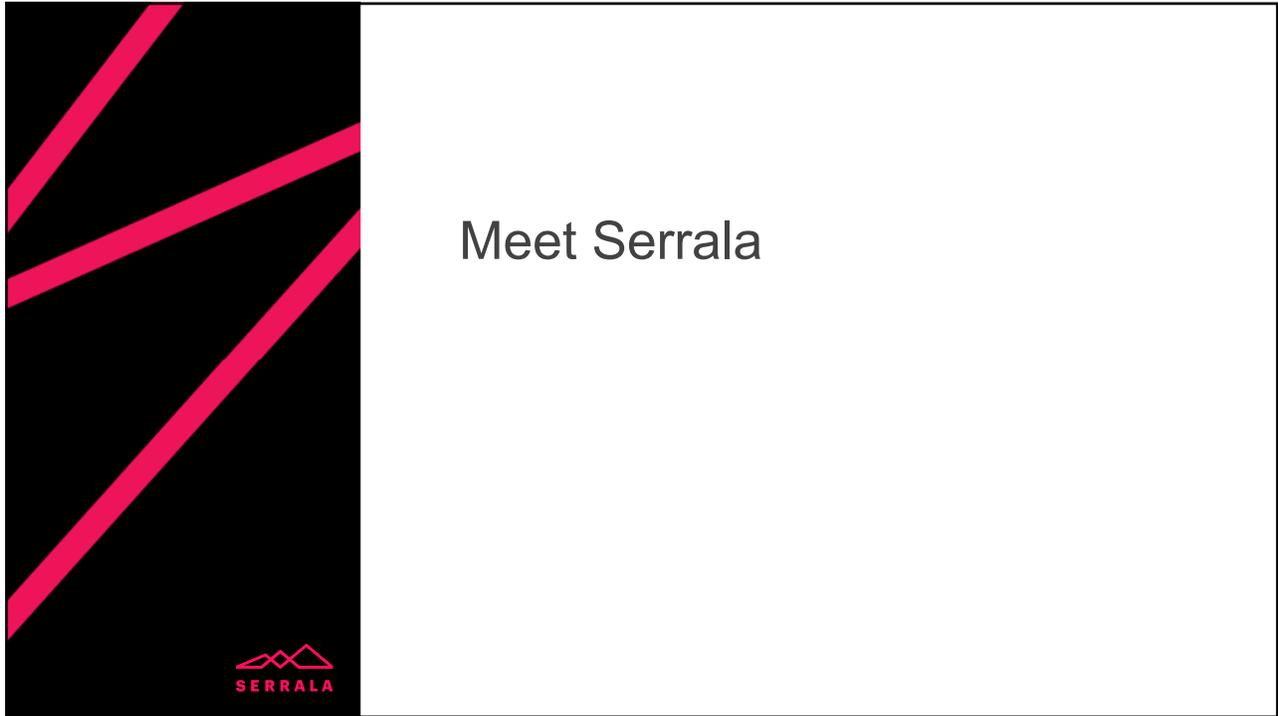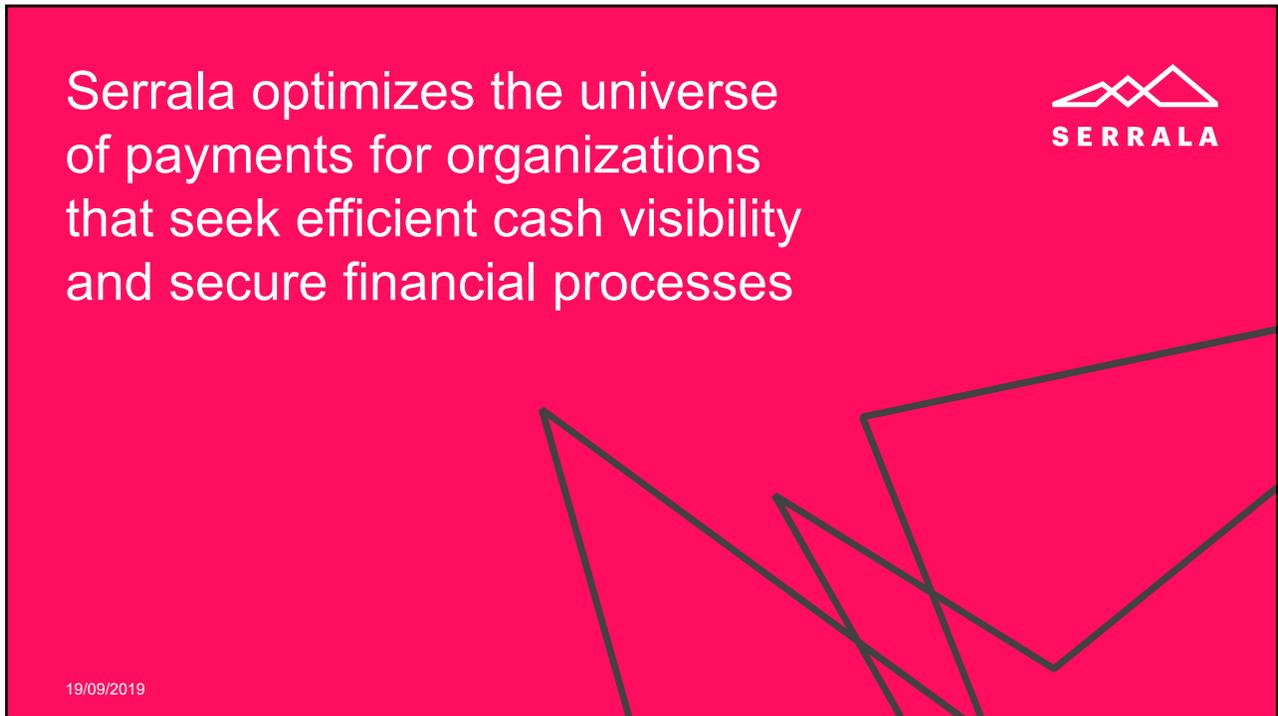
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Best Practices for Implementing Intelligent Automation

1 Efficiency is priority, automation follows

2 Embed intelligence in end-to-end payment process

3 Avoid implementation of multiple class-1 RPA tools

4 Automate underlying business process

5 …not just single end-user activities

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Meet Serrala

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Serrala optimizes the universe
of payments for organizations
that seek efficient cash visibility
and secure financial processes

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Key Facts about Serrala
Our Company in a Nutshell

600+
People focusing on O2C, P2P, Payments, Cash/Treasury as well as Data/Document Management

18
Offices worldwide (Europe, North America, Asia, Middle East)

2,500+
Customers globally, either SAP, SAP-integrated, Multi-ERP, on-premise, in the cloud or as managed automation

30+
Years of experience

25%
25 % of Fortune Global 100 are our customers

1
Company
Rebranded from Hanse Orga Group and its subsidiaries (e.g., Dolphin, e5 Solutions)

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Thank you

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