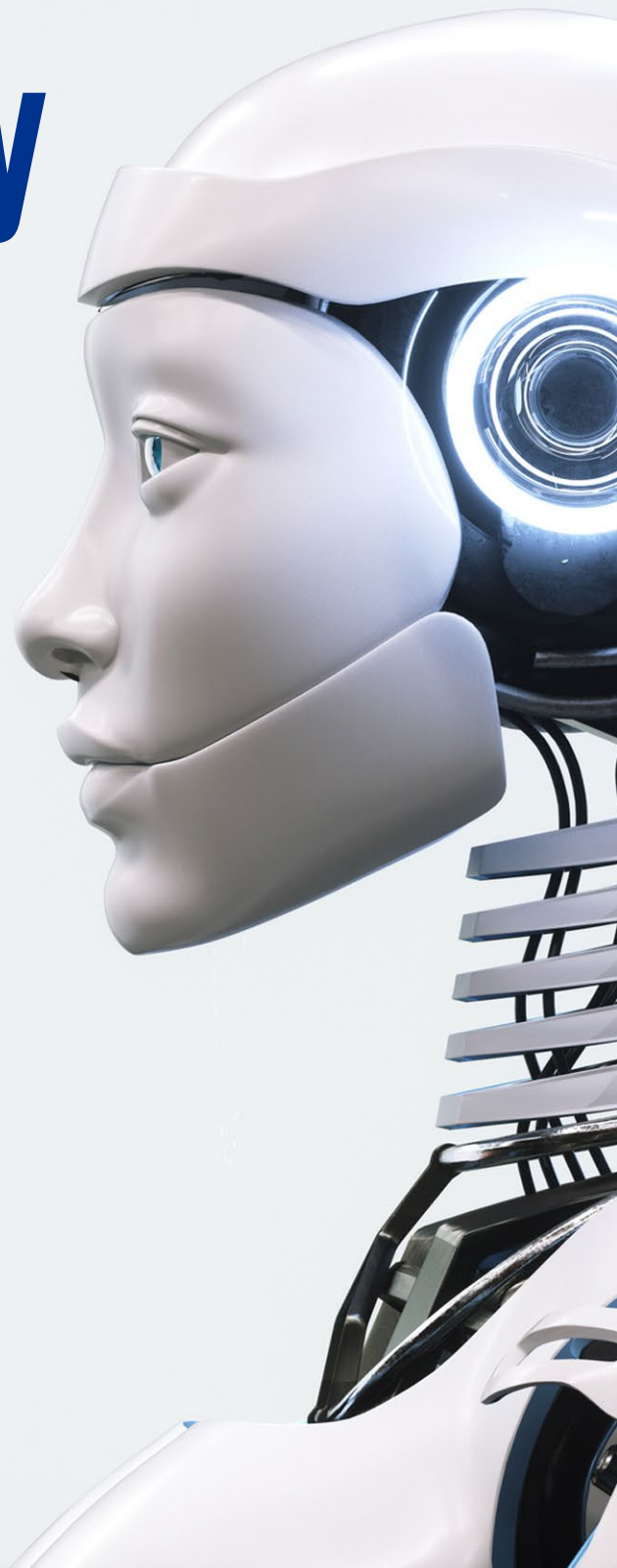




Quality, speed and functionality

**Implementing robotic process
automation in contract management**

Driving process efficiencies and delivering
cost savings for your organisation



Making the case for robotic process automation in contract management

What if you could improve your company's contract management process and cut costs, all without hiring new staff or making a major IT investment?

Contract management involves a number of time-consuming, manual processes that are ideally suited for 'bots' created with robotic process automation.

Has your team spent hours or even days validating a supplier invoice due to the volume of data or complexity of pricing? Have they found errors only after an invoice has already been paid? Or worse, do they perform sample-based validation because the volume is all too overwhelming?

For contract managers and accounts payable teams, the rapidly developing technology of robotic process automation (RPA) offers an opportunity to improve the quality, speed and functionality of the post-award contract management function, while allowing for the better utilisation of scarce contract management resources.

What is RPA and how does it improve contract management?

RPA 'bots' are sophisticated software that lay on top of an organisation's IT systems to manipulate existing application software in the same way that a person today processes a transaction or completes a process.¹

RPA is therefore suited to clerical task processing which requires manipulation of systems and/or application of rules-based decision-making that may otherwise be performed by a human.

Contribution to quality improvement

Compared to human labour, RPA is more capable of carrying out tasks both continuously and reliably. Consequently, errors and clerical mistakes are greatly reduced.

Contribution to speed

Data editing, screen operation and other tasks via RPA do not involve physical manipulation of devices and therefore a task can be accomplished at tens or hundreds of times the speed of human labour, resulting in increases in speed of operation.

Contribution to improved functionality

RPA reduces the need for human intervention in certain processes, thereby freeing personnel from routine work and allowing them to engage in more value-adding activities.

Contract managers should identify repetitive, data-driven and rules-based tasks in contract management that lend themselves to RPA implementation. In this paper, we explore how you can evaluate RPA opportunities in your organisation and the process to automate invoice validation, typically a prime candidate for automation.

¹ Source: HfS Research, "Framing a Constitution for Robotistan" (2013)

How to evaluate RPA opportunities in contract management

Contract managers often perform or oversee time-consuming processes that can be made more efficient through the application of RPA. Identifying applicable processes requires an evaluation of contract management activities to identify the RPA 'wins'.

The first places to look for RPA opportunities are the set of repetitive, duplicative, and standardised tasks performed by staff performing contract management related activities. Data management is another area that can be enhanced by automation. Look for instances where data is stored across multiple systems, or where data is improperly categorised, making consolidation, transformation, and analysis difficult. For example, aggregating data across multiple systems using RPA can provide greater visibility over contract spend by enabling easier access to information.

The typical processes that work well for RPA automation consist of one or more of the following characteristics:

- highly manual and repetitive
- high volume of transactions
- high variability in volumes
- requires searching, collating, researching and/or updating information
- can be easily decomposed into unambiguous rules
- involves 'swivel-chair' access to multiple existing systems or screens
- involves significant transfer of data between screens or different applications
- requires limited knowledge to execute
- operates in a stable technology environment
- uses stable decision-making rules
- execution does not require significant analysis, judgement and/or interpretation
- exceptions comprise a limited portion of transactions or steps
- areas where human staffing capacity is constrained based on budget or labour.

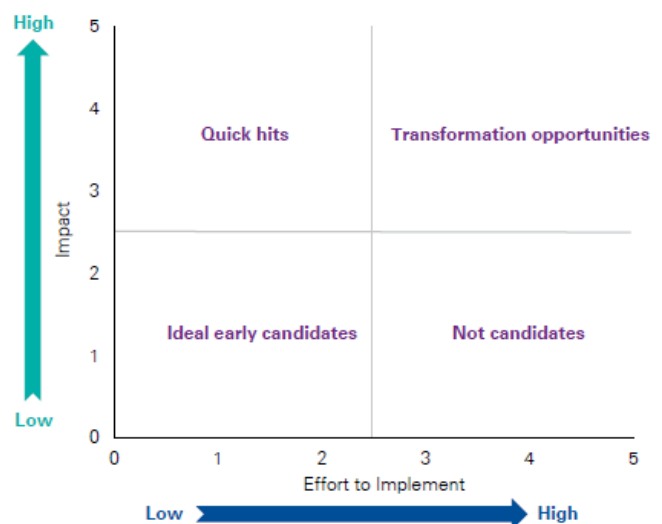
The opportunity list generated based on these criteria should then be prioritised to target the greatest return on investment. Prioritisation typically considers the impact of the RPA opportunity as well as effort to implement.

Impact factors:

- impact from improvement in quality or cycle time of the process
- number of resources that can be redeployed based on the automation.

Effort to implement factors:

- development and implementation cost
- investment in licences and other infrastructure
- cost to adjust the RPA for any near-term process or system changes.



On the following pages, we detail the considerations in implementing RPA in the invoice validation process.

RPA example – invoice validation

The opportunity

The invoice validation process is often a prime candidate for RPA implementation, particularly in instances where it relies on large volumes of data and/or rules-based decision-making. RPA is, however, predicated on having the right information available in a usable form. As such, RPA may form a component of a broader improvement project to enable more accurate and informed validation.

The table below summarises common data and verification activity gaps identified in contract audits that result in contract value leakage or overcharges by contractors.



- Typical contract references to supporting invoice documentation **are generic** (e.g. ‘Contractor shall provide hard copy timesheets’) and **not specific to data format and fields**. For example, the contract should require the submission of a spreadsheet export of a contractor’s timesheet system with fields required to validate charges, including relevant codes to identify the nature of time charged, i.e. productive vs non-productive.

- Insufficient **supporting documentation** submitted and maintained within the company’s systems for invoices.
- Documentation submitted is insufficient in **content** and/or inconsistent in **format** to enable robust validation.

- Limited **manual sample testing** performed by company personnel responsible for invoice validation.
- Personnel responsible for invoice validation have limited access to or knowledge of **specific contractual terms** to enable accurate validation of charges.

- Contract audits typically identify value leakage between **2% to 5%** of contract spend representing financial loss due to deficiencies identified above.



Contract delivery requirements definition opportunity

At contract award, define and provide specific data requirements for contractor to provide as part of invoice submission to facilitate more robust validation processes.



Automation opportunity

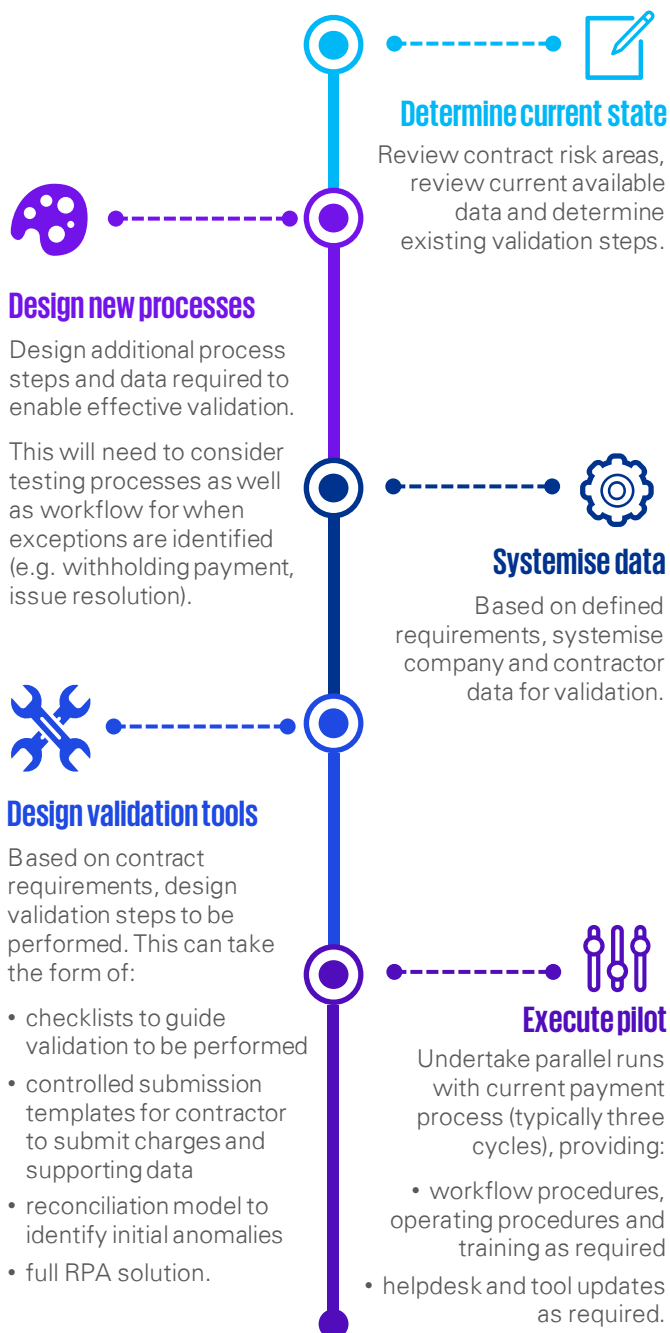
On the assumption that contractor provides data content and format as prescribed, consider undertaking a proof of concept to automate invoice validation activities for contracts which can be subject to rule-based data matching.

RPA solution – invoice validation

The solution – invoice validation automation process

In the context of the previous invoice validation manual process shortfalls identified, the workflow diagram below demonstrates an example of how validation activities may be automated.

KPMG typically performs a role in designing the bespoke data and process requirements as well as overseeing implementation requirements to enable the intended validation activities to occur as intended. A proof of concept is also recommended to enable potential time savings and cost benefits to be assessed.



The business case for implementing contract management bots

Typically, companies planning to adopt new technologies often face the prospect of a large financial investment, long, and possibly high-risk implementations and transformation initiatives. The return on that investment can be uncertain or years away. Implementing RPA bots can help automate existing processes with **low investment** and **higher efficiency** – and without disrupting legacy systems. Incorporating bots also offers a number of other advantages:



Non-intrusive applications that reside above enterprise applications



Interfaces primarily at the UI level



Configurations vs software coding



Typically a business initiative not an IT program



Provides complete auditable transaction record



Model is scalable, and is largely independent of labour growth



Revenue/profit not correlated to people

Final thoughts

Alignment with other functions within the organisation on the use of RPA is important. Contract managers and procurement practitioners should work with IT, finance, and other functions on selection of the specific RPA tools to be used, on the governance of RPA, and on the approach to change management.

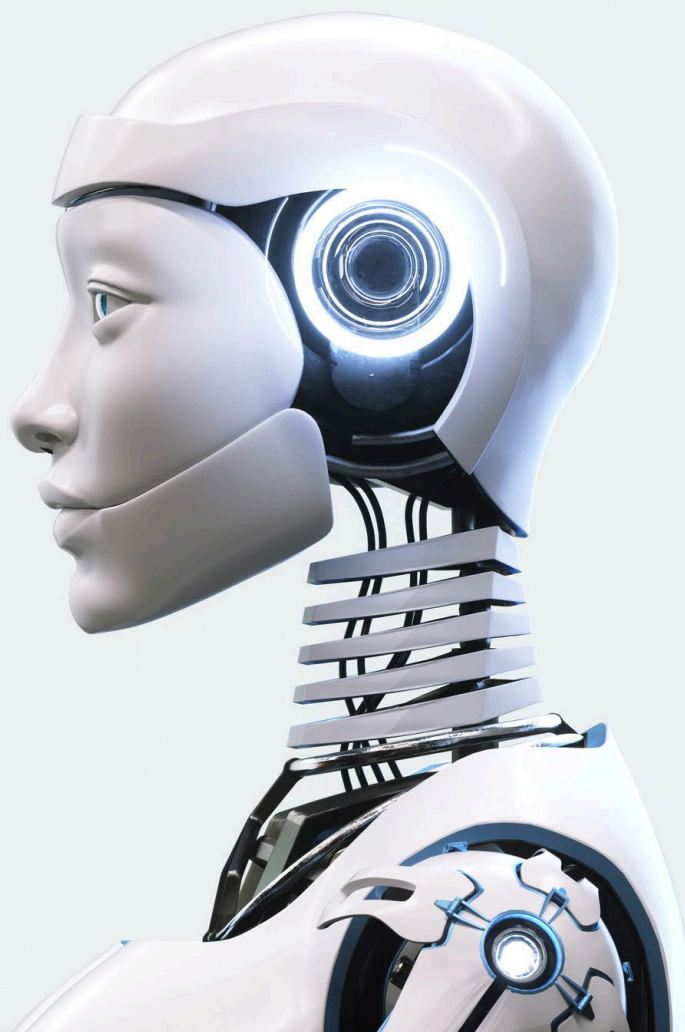
RPA presents a clear advantage to alternative processes as a relatively inexpensive method for achieving greater efficiency without disrupting existing systems.

Organisations should consider the ability of RPA to take up the many low-value tasks that distract highly skilled resources, preventing them from strategic work.

Automation is not designed to replace contract managers or procurement practitioners, given the complexity of decision-making required. It is, however, a valuable tool to augment existing systems and personnel.

The benefits of RPA in uplifting work and enhancing the speed and accuracy of clerical tasks are a clear first step on the contract management automation journey.

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