

A guide to **e-invoicing** **and PEPPOL** in Australia and New Zealand



What is e-invoicing and PEPPOL?

Electronic invoicing, known as e-invoicing, is the automated exchange of invoice information using a predefined electronic format. It improves efficiency, reduces cost, and gets supplier invoices paid much faster.

E-invoicing in Australia and New Zealand is based on the successful international PEPPOL (Pan European Public Procurement On-Line) platform.

The PEPPOL project, initiated in 2008, aims to simplify electronic procurement across borders by developing technology standards that could be implemented across all governments within Europe. The overall objective is to let businesses communicate electronically with any European government institution in the procurement process, increasing efficiencies and reducing costs.¹

Why has e-invoicing been introduced in Australia and New Zealand?

In February 2019, the Australian and New Zealand governments announced their intention to adopt the PEPPOL framework for e-invoicing to increase opportunities for businesses to succeed in the global trading environment.

¹ <https://peppol.eu/about-openpeppol/history-of-openpeppol/>

In Australia[^]

- Over 1.2 billion invoices are exchanged annually in Australia.
- Australian small businesses are collectively owed AU\$26 billion in unpaid invoices at any one time.
- 89 per cent of small and medium-sized enterprise (SME) invoices are processed manually.
- e-invoicing is predicted to save the Australian economy AU\$28 billion over the next decade*

[^] SOURCE: <https://lgprofessionalsaustralia.org.au/wp-content/uploads/2020/06/ATO-Webinar-Slides-Local-Government-e-invoicing.pdf>

* SOURCE: <https://www.ato.gov.au/Business/E-invoicing/E-invoicing-for-government/>

In New Zealand[^]

- Nearly 80 per cent of all New Zealand businesses are affected by late payments.
- 28 per cent of payments are more than one month overdue.
- e-invoicing could save New Zealand businesses up to NZ\$4.4 billion annually.

[^] SOURCE: <https://www.nzbn.govt.nz/using-the-nzbn/e-invoicing/benefits/>

The Australian Taxation Office (ATO) has mandated that Australian federal government agencies must have e-invoicing in place by July 2022, with the aim of having over 80 per cent of invoices enabled by July 2021. The ATO is also strongly encouraging state and local governments to adopt e-invoicing to return cashflow to businesses much faster.

Even though it is not mandated in New Zealand, both the Australian and New Zealand governments have committed to e-invoicing and have in place the Trans-Tasman Electronic Invoicing Arrangement. This arrangement aims to maintain a common New Zealand and Australian e-invoicing approach to improve productivity and reduce the cost of doing business for both government and industry through an interoperable, single, digital economic market.

The Australian government has committed to pay invoices submitted over the PEPPOL network within five days. This will offer a significant boost to suppliers, who are currently waiting up to 35 days or longer for payment, which returns cashflow to the economy sooner.

In addition, e-invoicing significantly reduces the risk of duplicate and fraudulent invoices that cost the Australian and New Zealand governments and private-sector organisations millions of dollars each year.



How e-invoicing differs from other payment methods

Using email or a similar approach to process invoices is not e-invoicing. True e-invoicing is an automated, secure process that uses a digital platform to transfer an invoice in a pre-defined electronic format from the supplier's billing system to the customer through an access point on the e-invoicing platform.

It removes the need for data entry and the risk of data errors, and saves the time and cost of manual invoice processes for both buyers and suppliers. Through e-invoicing, the time it takes to process an invoice can be dramatically reduced from 35 days or more to less than five. This pays suppliers faster, which in turn gets cashflow back into the economy sooner. It also increases the opportunity for buyers to negotiate discounts based on payment speed.

E-invoicing is different to a network purchasing system. A network purchasing solution often involves a payment mechanism. Purchasing

networks allow buyers to source items and agree specifics like price, quantity, delivery date and even payment information. This automates much of the accounts payable function by managing the payment on the buyer's behalf, and achieving more control and efficiency in the source-to-pay process.

However, a purchasing network does not meet the ATO's requirement for e-invoicing through a PEPPOL platform. The e-invoicing platform can either be standalone from the existing purchasing network or integrated with the purchasing network.

The benefits of e-invoicing

There is a growing global trend toward the adoption of e-invoicing, with governments in more than 50 countries adopting or considering e-invoicing mandates. This rapid digital trend has been fuelled not only by governments, but by the benefits the solution delivers to businesses that can use e-invoicing data and analytics to promote greater efficiencies, improve profit margins, and decrease duplicate and fraudulent invoices.

For both buyers and suppliers, e-invoicing provides multiple benefits including:

- **significantly reducing** invoice processing cycles through automation, ensuring suppliers can be paid faster, and that buyers can negotiate discounts based on speedy payment terms
- **reducing the risk** and cost of manual invoice processes; for example, a paper or PDF invoice costs businesses around AU\$30 in administrative time to process, compared to less than AU\$10 to process an e-invoice²
- **lowering the risk** of error because data is more accurate and complete as it travels from the supplier's billing system to the buyer's receiving system. The common standard for e-invoicing ensures that important data is entered accurately before an invoice is sent, and there is a consistent exchange of invoice information
- **significantly decreasing** the risk of duplicate invoices and fraud that can occur with manual processes and e-mail invoicing
- **eliminating invoice storage** and retrieval costs because no paper is required
- **opening opportunities** for cross-border transactions to support growth because organisations can easily and securely send e-invoices to participating overseas business partners and achieve the same speed of invoice processing compared with domestic transactions
- **accessing new financial options** through accurate and near real-time visibility of expense payments, which improves cashflow management and supports more efficient supply chain financing that increases working capital and liquidity

- **achieving agility and scalability** through near real-time data insights that also help organisations more accurately monitor and report on business and program performance
- **improving governance** through greater levels of transparency regarding invoice management
- **securing invoice processes**, reducing the risk of cyberattack and helping to protect the organisation's financial information. (E-invoices are sent from the supplier through the e-invoicing platform to the buyer. This means financial information is protected within the platform, avoiding the risk of invoices being compromised, which often happens with emailed and manually handled invoices. Invoices are also never lost because they are stored in the e-invoicing system.)
- improving sustainability by eliminating the need for paper-based forms and reducing energy requirements.

Connect once, trade with many
E-invoicing means that all businesses, in all sectors, can open their networks and trade with many partners, regardless of their size or the financial software they use. For private businesses of all sizes and public-sector organisations, e-invoicing is the gateway to fast, secure, and borderless trade.

Environmentally friendly

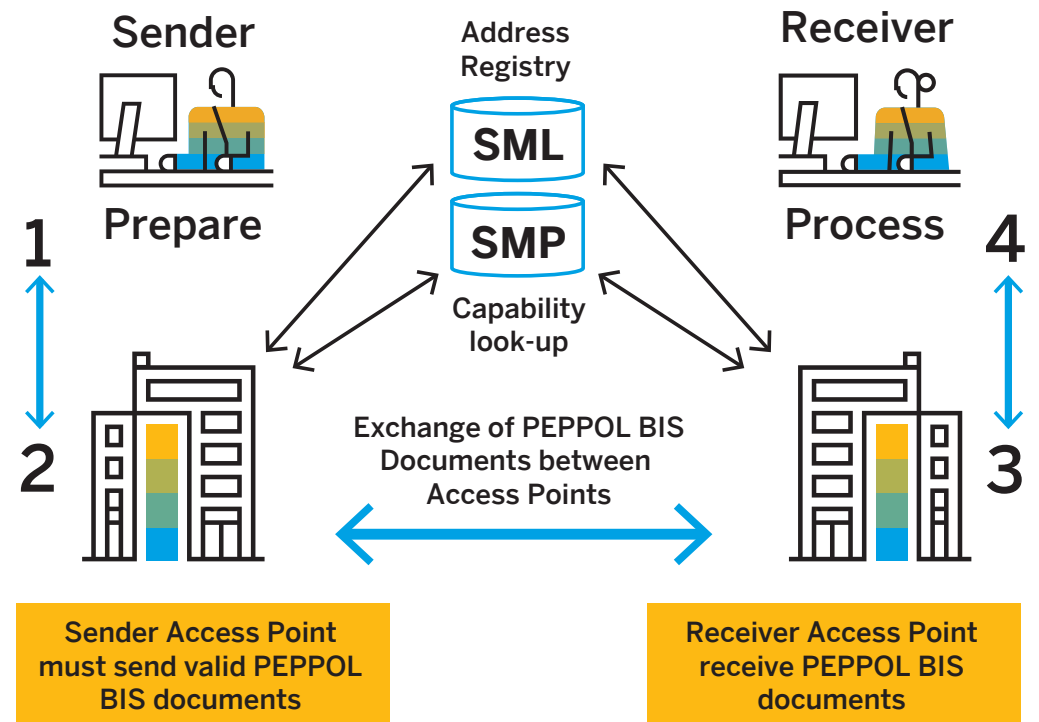
E-invoicing is eco-friendly because it eliminates paper, requires no physical storage space or resources, and requires less energy. Eliminating paper-based invoicing saves material costs and waste, and reduces environmental impact through less paper, printing (including printer cartridges) and delivery costs.

How e-invoicing and PEPPOL work

Australian and New Zealand government and private-sector organisations that want to adopt e-invoicing must subscribe to an e-invoicing access point provider.

With e-invoicing, suppliers generate an invoice from their CRM or billing system. The invoice is then converted into the designated ANZ (PEPPOL) format and loaded onto the PEPPOL or e-invoicing network through an access point. The network automatically identifies the customer so, once the invoice is loaded, it is automatically routed to the customer.

The customer retrieves or downloads the invoice from their access point and converts it into a format that can be processed by their accounting software. The e-invoicing system allows suppliers and buyers to more efficiently send invoice and payment information between their accounting systems, no matter which accounting software is used.



source www.peppol.eu

Why PEPPOL?

The Pan European Public Procurement On-Line (PEPPOL) platform has been chosen as the basis for e-invoicing in Australia and New Zealand because it is a proven and secure framework that has been successfully used in 34 countries for more than 12 years.

It is based on open standards and interoperability with existing systems. PEPPOL is an open network that allows suppliers and buyers to securely exchange information supported by a proven legal framework that defines network governance.

PEPPOL uses international standard specifications and supports scalability. It also has a wide network of existing suppliers with extensive and broad experience across governments and industries.

What happens if my organisation doesn't adopt e-invoicing?

Australian federal government organisations are mandated to adopt e-invoicing by the ATO before July 2022, otherwise they could face repercussions from the ATO.

For New Zealand public and private-sector organisations, and Australian state and local governments and private-sector businesses, the risks of not adopting e-invoicing include:

- increasing fraud and cybersecurity risks from manual processes
- the ongoing cost of manual processing
- longer payment cycles that delay cashflow
- less ability to negotiate discounts based on speedy payment terms
- loss of business opportunity to a competitor that has adopted e-invoicing
- challenges complying with changing governance and legislative requirements.



Steps to e-invoicing and PEPPOL adoption

There are three essential elements to consider before adopting an e-invoicing solution:

1. The ability for the PEPPOL Network to integrate with the organisation's existing IT systems and invoicing processes. This will ensure rapid adoption by employees, and a seamless transition to the new technology. Determining how the software will work with existing systems and processes before adoption helps to mitigate any issues that could contribute to operational cost and risk during the transition to e-invoicing.
2. The ability to work across suppliers that have e-invoicing capabilities and those that don't. Considering the large number of small business suppliers in Australia and New Zealand, it may take some time for all businesses to adopt e-invoicing, and some smaller businesses may continue to rely on manual processes for the longer term. To maximise the return on investment of e-invoicing, and avoid the risks associated with a manual invoicing environment, it is imperative to adopt e-invoicing software that allows all suppliers to use the platform, whether their organisation adopts e-invoicing or not.

3. The e-invoicing solution provider's level of experience in your industry. It's important to conduct due diligence before selecting an e-invoicing provider. While there are many providers on the market, it's essential to fully understand what they can and can't offer with their solution. Also consider their level of experience with compliance in Australia and New Zealand.

With these considerations in mind, there are four clear steps to e-invoicing adoption:

Step one: Determine the project scope

The transition to e-invoicing requires buy-in from all areas of the business that are involved in receiving or issuing invoices on behalf of the organisation. This may include procurement, finance, project management, and multiple department leads. Therefore, an e-invoicing implementation should have a project sponsor, who is ultimately responsible for driving and managing the implementation. This may be led by finance, IT or a combination of both areas.

The first step involves scoping the project and developing objectives for the new e-invoice system. This is a critical step that must be defined prior to e-invoicing adoption because the project scope and objectives will directly influence the final outcome.

The project scope will include factors such as:

- identifying all stakeholders impacted by the change, including suppliers, customers, shared services, and employees involved in invoice processes
- an audit of how the organisation currently processes invoices including the procedures and systems in place that would need to transition to e-invoicing
- an analysis of the number of invoices sent and received, and the frequency and overall cost of invoicing. This will help the organisation to determine the expected return on investment of the e-invoicing solution
- any training and change management requirements for employees involved in invoicing processes
- the impact on existing IT systems and how to integrate e-invoicing with current systems
- a shortlist of e-invoicing service providers that offer a solution and approach that best fit the organisation's needs
- the project implementation timeline and budget. If the organisation is unsure, an experienced e-invoicing solution partner can provide assistance with realistic costs and timelines of the e-invoicing transition.

Once the project scope and objectives have been defined, the organisation is ready to move toward e-invoicing implementation.

Step two: Select the right e-invoicing solution

Even though e-invoicing is based on PEPPOL open standards, it is not a one-size-fits-all solution. The right e-invoicing solution will seamlessly integrate with your organisation's existing applications, and deliver benefits across all suppliers whether they use e-invoicing software or not. The chosen e-invoicing solution should immediately begin to deliver a return on investment through improved administrative efficiencies, a significant reduction in manual processing, and faster payment cycles.

Therefore, this step involves reviewing the organisation's shortlist of e-invoicing providers, and selecting and validating the right e-invoicing partner.

At a basic level, e-invoicing providers must be able to convert paper invoices to e-invoices and vice versa. They must also have relevant experience within the Australian and New Zealand legal framework, with specific regard to e-invoicing compliance.

The e-invoicing solution must work efficiently across most accounting systems, or require minimal adaptation. Consider the organisation's current and future needs beyond e-invoicing adoption, and how the e-invoicing transition can provide an opportunity to achieve greater visibility across all organisational spend.

It's useful to check with the preferred e-invoicing software provider to clarify what is required for the organisation's specific activation process, and ongoing requirements. This will differ amongst service

providers both in process and commercial terms, so it's important to use a trusted software partner.

After selecting and validating an e-invoicing solution partner, the next step is e-invoicing implementation.

Step three: e-invoicing implementation

The chosen e-invoicing solution partner will help the organisation develop an e-invoicing implementation roadmap, which includes timelines, milestones and requirements for the transition.

This step includes notifying all stakeholders impacted by the transition, including suppliers and employees, and training employees who will use the e-invoicing platform.

During this phase, the e-invoicing solution partner will guide the organisation through the implementation process. This includes onboarding trading partners into the system, providing e-invoicing training for employees, and testing the platform with key suppliers.

Step four: Review and refine the e-invoicing system

Following e-invoicing implementation, the organisation needs to review the original project scope and objectives, and determine whether the e-invoicing solution is delivering according to the organisation's expectations. This step involves identifying gaps and areas for improvement, and working with the organisation's e-invoicing partner to refine and optimise the e-invoicing system.



Top tips to optimise an e-invoicing solution

Whether planning, implementing or refining an e-invoicing solution, there are some key tips to consider to optimise return on investment:

Have a clear plan for long-term success

A major pitfall with e-invoicing is simply choosing the least expensive solution or fastest deployment to meet current organisational needs without considering longer-term goals and economic or regulatory change.

When planning or refining an e-invoicing solution, set specific, measurable, achievable, relevant and time-based (SMART) goals with longer-term objectives in mind. Consider how the organisation currently manages all its financial spend data, and how this can be more effectively captured and managed as part of the e-invoicing planning process.

This will help future-proof the e-invoicing solution and deliver an optimal return on the e-invoicing investment.

Ensure data is clean

Any solution, including e-invoicing, is only as good as the data that it accesses. Most accounts payable systems have duplicate entries in the supplier database. This must be reviewed to ensure the right supplier is mapped to their appropriate e-invoice solution.

Acknowledge there will be a hybrid environment

Despite the multiple e-invoicing benefits, it may take some time for suppliers, particularly smaller businesses, to adopt an e-invoicing solution. This means the organisation must be prepared to manage a hybrid environment in the short term, which involves the use of e-invoices, as well as some paper and email-based invoices. E-invoicing organisations can help guide and support their suppliers on the e-invoice journey. However, there will still be a need to consider all types of invoices, and having a single process that manages all invoices regardless of how they are received, will make the process easier for all users.

Engage an experienced e-invoicing advisor

Even for organisations that have the most experienced and well-resourced IT teams, it's much more cost-effective and significantly less risky to employ an e-invoicing expert to transition and manage the e-invoicing platform. The reason for this is that e-invoicing vendors have broad knowledge of both short- and long-term e-invoicing implications across cost, risk and compliance. Even beyond the initial e-invoicing transition, the solution must continually meet changing business, compliance and regulatory needs. Trying to manage e-invoicing in-house, along with existing business requirements, puts significant pressure on the in-house IT team. This can lead to costly mistakes, or missed opportunities to optimise the solution to drive even greater process and cost efficiencies. An e-invoicing solution partner will continually seek solution optimisation to maximise the return on investment for the organisation for both the e-invoicing solution and across broader spend management applications.





Considerations for state and local government

Many state and local government organisations still rely on legacy invoicing systems that result in process inefficiencies and administrative burden. Even though their constituents expect greater levels of automation, and the ability to fast-track invoice payments, e-invoicing may not be considered a current priority.

Therefore, when determining whether to adopt e-invoicing, there are four key questions that state and local authorities should consider:

1. Are invoicing processes costing too much time and money?

Consider how much one invoice costs to process for the organisation in employee time, the infrastructure used and the cost of errors and fraud. Then, multiply by the number of invoices sent during a year. Based on this calculation, determine how much money could be saved through e-invoicing both immediately and within the next three to five years.

2. Which internal processes could be streamlined to deliver greater value back to government?

Significant employee time and cost is wasted on internal administrative processes. Automating these processes can deliver high levels of organisational value by freeing up employees to drive innovation that delivers benefits back to communities, and cost savings back to government.

3. What will securing financial processes cost now and into the future?

Government agencies are a prime target for cyberattacks, and this risk will only increase into the future. The cost of security solutions to protect financial processes may only be a band-aid solution, and could create even further security gaps. A comprehensive, secure financial solution such as e-invoicing significantly reduces the risk and cost of security breaches and fraud associated with email and manually handled invoice processes.

4. What is the impact of emerging legislative and compliance requirements?

The ATO is mandating that all Australian federal government agencies must have e-invoicing in place by July 2022. It is only a matter of time before this requirement could extend to other levels of government in Australia, or for the New Zealand government to mandate e-invoicing, to protect the financial information of businesses and return cashflow back to communities faster. Adopting e-invoicing now can save government authorities from scrambling to adopt e-invoicing to meet compliance needs.

61 per cent of local government organisations spend at least **AU\$10,000 a month** on account processing inefficiencies.

One in three spend more than **400 hours** processing invoices a month.

SOURCE: <https://lgprofessionalsaustralia.org.au/wp-content/uploads/2020/06/ATO-Webinar-Slides-Local-Government-e-invoicing.pdf>

Learn more about e-invoicing and PEPPOL

Visit the SAP Concur e-invoicing website:

www.concur.com.au/e-invoicing/public-sector

Contact the SAP Concur e-invoicing team on (+61) 2 9935 4500

For ATO e-invoicing information, go to

www.ato.gov.au/business/e-invoicing

For more information on the PEPPOL eDelivery network, see

<https://peppol.eu/what-is-peppol>

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