ApprovalMax

A guide to AP as a service

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How accounting and bookkeeping professionals can use automation to unlock new service offerings

Accounts payable is critical to a healthy finance function. But it's one area many accounting and bookkeeping professionals avoid taking on, for a few reasons. Many consider it risky, especially with rising rates of fraud, or just too time consuming and manual to be worthwhile. Yet there are a growing number of those in the industry using it to expand their service offerings, grow revenue, and create an all-round better experience for clients and teams.

> "People have been apprehensive [about AP] in the past, both from the bookkeeping and client side, because of the access to client money. Obviously if you make a wrong payment, it's not your money."
>
> **Lara Manton**
> Head of Bookkeeping EMEA at ApprovalMax and Director of LJM Bookkeeping
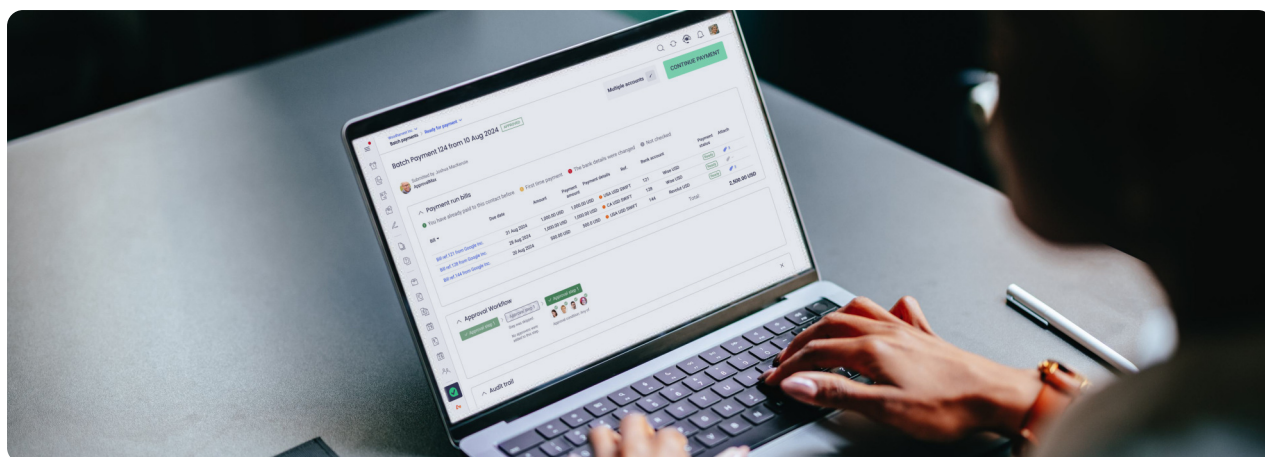
Technology – in particular automation – is the key that opened this door.

In the past, accounts payable was a highly manual process that lacked transparency. Bills would come in, be placed in someone's desk tray for approval, then eventually go on to be paid. Even with newer technology, like email and cloud accounting, there's still limited visibility that can be easily taken advantage of by nefarious players.

> "Previously, we could have only done AP if we were in a client's office and able to see everyone and guarantee all bills were approved. When working remotely, we typically left AP to the client because it was too hard to manage without any real oversight."
>
> **Brendan Lucas**
> Head of Accounting APAC at ApprovalMax and Founder of Next Dimension Accounting

However, the right approach can unlock a whole new world of accounts payable.


Introducing AP as a service

More and more, accountants and bookkeepers are overcoming the roadblocks to offer accounts payable as a service, both standalone and as part of broader offerings. This sees them taking on part or all of the AP process for clients, taking care of the input of bills, approval, batch preparation and, in some cases, payment.

Why are they taking on a once off-limits task?

First, to boost revenue. Offering AP as a service expands their business and introduces a new, recurring income stream with different fee structures. More clients are also seeking this kind of service – many accountants and bookkeepers say they first started due to client requests.

Not only does this introduce a new revenue stream, it's recurring revenue; usually on a monthly basis. This guarantees a consistent amount of work vs the volatility of tax or consulting work.

But the service adds to more than just the bottom line. Lucas says offering AP as a service boosts the overall quality of accounting data, which has a big impact for those offering it as part of broader services. "At the end of the day, we can't do our management accounting unless we've got all the expenses in the system because otherwise it doesn't make sense."
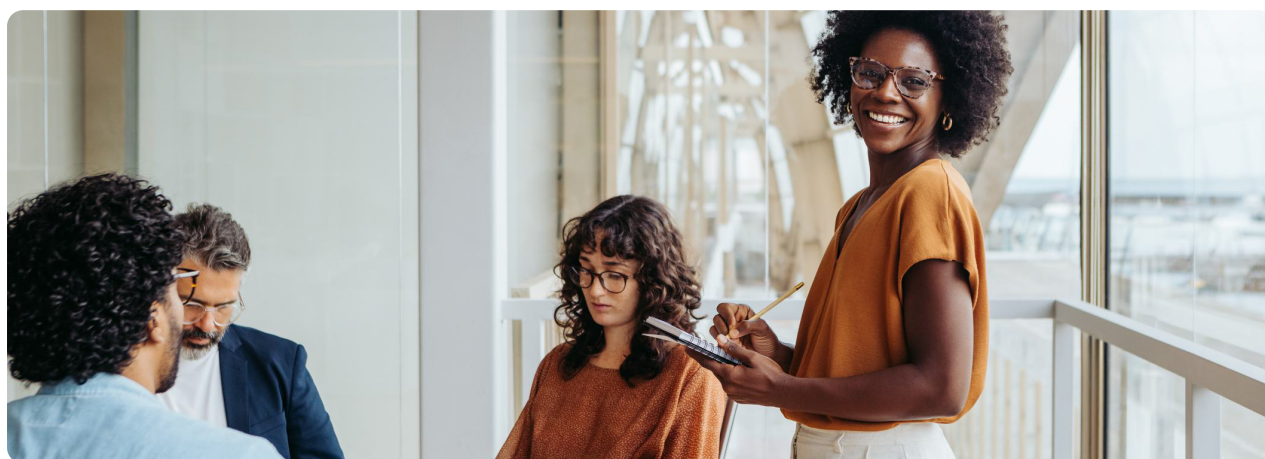
With up-to-date AP insights and accurate data, accountants and bookkeepers can save time and feel confident in the numbers they're working with.

Finally, it pays off in client satisfaction and retention. "We've found where we offer that complete package we have a lower attrition rate, which is huge for us," says Lucas. "It 100% offers a competitive advantage. Offering more value and reliability to a client through better processes and experiences builds a better relationship – and good relationships last longer."

Viability

To start, it's best to take a closer look at how viable this may be for your practice as it operates right now.

For some firms, offering AP as a service may only need small tweaks, while for others it may be a bigger leap – though that doesn't mean it's off the cards!

So, whether you already offer accounts payable or are new to it entirely, how can accountants and bookkeepers create and standardise this service for clients? This guide will take a closer look, drawing on the insights from ApprovalMax's expert advisors who have navigated this themselves.

Consider your:

Team structure

How many team members do you currently have and how full is their workload? Do any of them have experience with accounts payable? If you're a sole trader, do you have any spare time or people you can work with to manage overflow? While automation saves time and effort in the accounts payable process, adding any new service will still take time and extra resources.

Existing client-base

Who are your existing clients and what services are they engaged for? Do you work with them on a regular basis (such as for bookkeeping, payroll, or CEO services) or only during critical moments, like tax time? Do you know how they currently run their AP processes? For highly-engaged clients, adding AP might be just a small step away.

Technology set up

How digitised is your practice? What's in your current tech stack and are clients used to collaborating via technology? Accountants and bookkeepers say technology is the key that unlocks a risk-free AP process that shares responsibility between them and their clients.
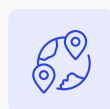
Location

Where are you located in relation to the clients you work with? Some technologies, especially on the payments side, are location specific – like open banking. In some places, it's also worth checking if your insurance coverage needs to change when adding new services.

While these factors don't negate your ability to offer AP as a service, they may change what it looks like for you and can be helpful in identifying what groundwork needs to be laid before you can move forward.

Current processes

Offering AP as a service means building a standard process that can be easily applied to clients, both new and existing. To start, it's important to have a clear view of what you and your clients are already doing.

This means looking at how:

STEP 1

Bills enter the accounts payable process

Who are they sent to and what do they do once they receive them? Are they all coming in via email or are some still by post? Are any tools being used to automate this (like ApprovalMax Capture, Dext, or Hubdoc)?

STEP 2

Bills get approved

Are they circulated via email or printed and put in someone's tray? How many stakeholders sign-off on these?

STEP 3

Bills enter the general ledger

Do bills only get entered once they've been approved by all relevant people? How accurately are they entered – are there ever typos or other errors?

STEP 4

Bills are paid

Who makes the payments, how, and when? Are there any additional checks in place at this stage? Once they're paid, how are they reconciled?

Having this understanding of existing processes (and the tools behind them) shows where they may need to be changed or standardised. Some clients may also have extra needs beyond your standard AP as a service offering.

Finding the right clients

Like other accounting and bookkeeping services, AP as a service won't be right for each and every client you deal with. Just like you wouldn't do payroll for a business without employees, there's not much need to do AP for a business that only receives a few bills.

Certain industries, like construction, tend to have a higher volume of incoming bills, even if the business itself may not be large compared to those in other sectors, says Cassandra Scott, Head of Bookkeeping APAC at ApprovaMax and Director of Laurus Bookkeeping. Business size, in this case, is less relevant than the scale of its outgoing. For example, she manages accounts payable for a small plumbing business as well as a large engineering firm with 30+ employees.

Some other things to consider:

Size
It's also unlikely that clients at the very large end would need AP as a service, unless they're undergoing a massive restructure, as they typically have people dedicated to managing accounts payable.

Industry
Some industries, like construction, retail, and hospitality, deal with a larger volume of bills than the likes of professional services and may be in more need of help.

Digitisation
AP as a service is best suited to clients already using a cloud-based accounting system and who have some degree of digitisation in their processes. If they're still paper-reliant, a bigger overhaul might be needed.

Setting up AP as a service

So, how can you use technology to de-risk and streamline AP as a service? Let's take a closer look.

1   Set up data capture

One of the most manual, time-consuming parts of accounts payable is inputting bills into the accounting or ERP system. Whether rifling through paper bills, searching for misplaced receipts, or digging through emails to find the next bill to pay, it can be a time consuming and fiddly process – and that's before you even get to data entry.

The average cost of paying a PDF invoice is AUD$27.67/£13.93 and for paper invoices AUD$30.87/£16.13. According to the Australian Taxation Office, most of this cost is due to the manual work of inputting data from bills and processing them for payment, including fixing errors.
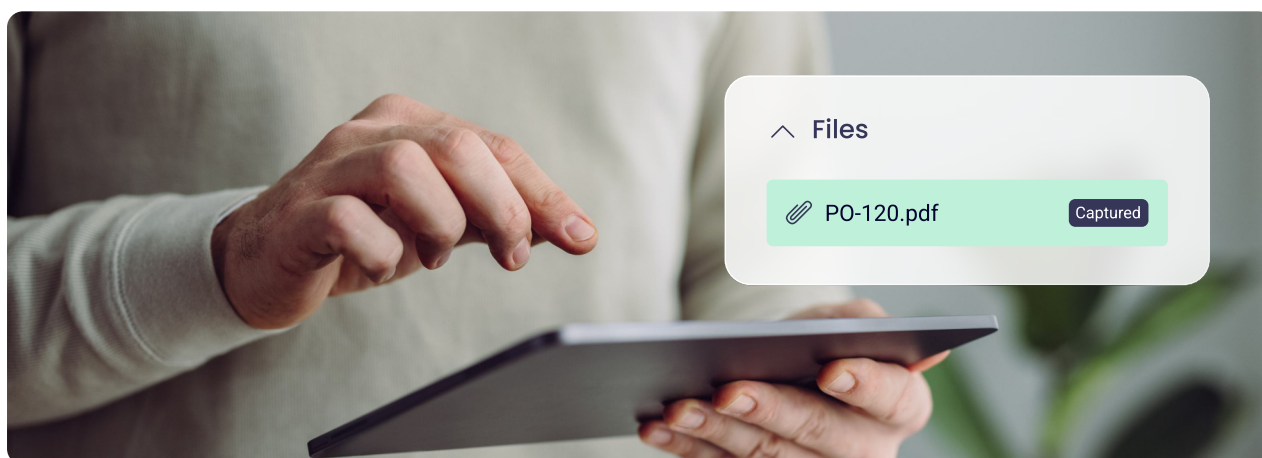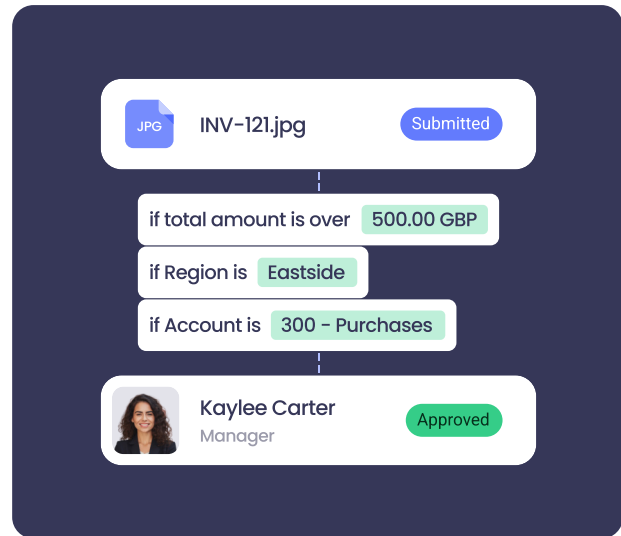

For clients, there's a big advantage to outsourcing manual bill entry. And for accountants and bookkeepers, there's a big advantage to using technology to do the heavy lifting. OCR tools, like ApprovalMax Capture, Hubdoc, and Dext, pull certain details from PDFs or photos of bills and send them directly to an accounting system.

Automated workflows can be set up so incoming bills via email are automatically sent to the OCR tool and go straight into the accounting system. "We usually set clients up with an email address for all incoming bills. This auto-forwards to the OCR tool; once the bill gets emailed directly from the supplier to our client, it goes through, ends up in Xero as 'awaiting approval', then ApprovalMax kicks in," says Lucas.

2 Build out approval workflows

Once bills have entered the system, the next step is approval.

This means putting them in the hands of the right decision-makers. Too often, businesses rely on outdated, highly manual approval processes for this, like email. Not only is it hard to keep track of how a document is tracking, there's also a higher risk of double-ups or sketchy activity slipping through the cracks.

JPG INV-121.jpg	Submitted
if total amount is over	500.00 GBP
if Region is	Eastside
if Account is	300 - Purchases
Kaylee Carter / Manager	Approved

Automated approval workflows do all the thinking and chasing for you – they save the hassle of having to send documents to people one by one, waiting for their reply, and moving onto the next approver. Instead, the system follows your pre-set approval matrix, with each approval automatically triggering the next step.

Check Delivered Items

Department Approval

CFO Approval

1,0

1,0

1,0
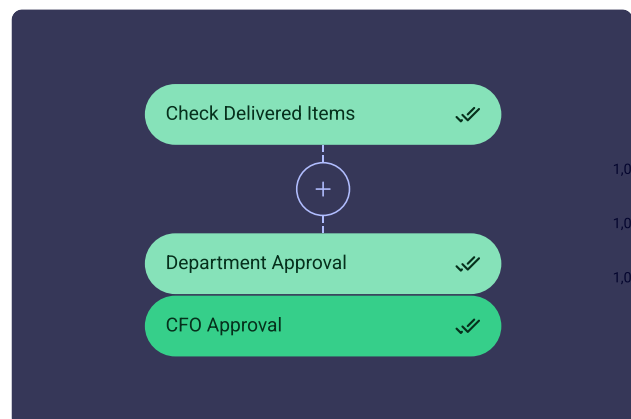
Enable Auto-approval

Automatically approve requests matching the defined rules.

HIDE   ENABLE

Once a document is fully approved, it enters your client's general ledger as a bill waiting to be paid.

This helps solve one of the biggest concerns accountants and bookkeepers have around accounts payable – risk. While no process is 100% foolproof, automated approval workflows mean a bill goes to each and every approver (as pre-defined by the client) so it always goes through the right steps before being paid.

ApprovalMax even flags when a bill enters the general ledger without going through the right approval process, so there's little risk of one slipping through. Technology like ApprovalMax tracks each and every action so you have a full record of the process.

"The beauty of ApprovalMax is you can tailor [the workflows] to whatever you need. It's important because we can do really simple to really complex approvals, which means that from a process point of view nothing gets paid unless it's been approved. It's a critical roadblock to ensure the client has good internal financial controls."

Brendan Lucas
Head of Accounting APAC at ApprovalMax and Founder of Next Dimension Accounting

3 Pay bills – or pass them on

The final step is to pay approved bills. This is where, historically, things have gotten tricky. "The biggest mistake I see [small businesses make] is giving access to their bank account. I've seen multiple business owners provide their bookkeeper or accountant signatory access to the bank account, often where it's one to sign," says Lucas.

So how can accountants and bookkeepers manage payments for their clients instead?

New technologies mean accountants and bookkeepers can pay their client's bills without needing their bank details. Depending on the region, there are a few ways to do this from ApprovalMax:

Batch Payment
GBP 2,780.00   Approved

Bank of England Account
10-00-00 · 56822473

PAY
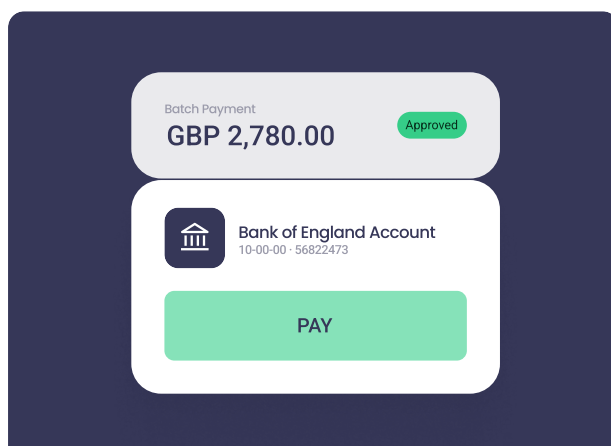
ApprovalMax Pay

This is a separate add-on product that is available in beta to businesses in the UK using Xero, this in-built tool uses open banking technology to pay approved bills from the ApprovalMax platform.

PDF   PO-121.pdf   Approved

AWAITING PAYMENT
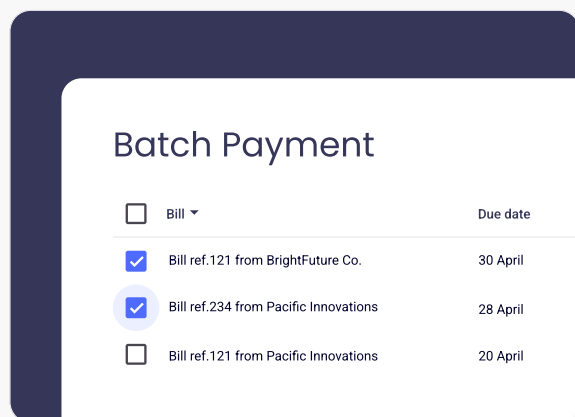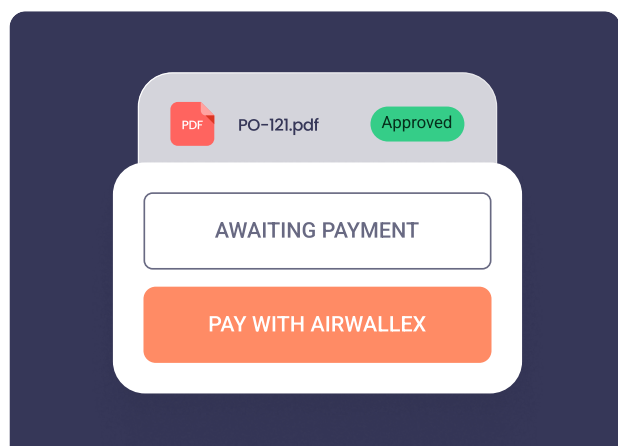
PAY WITH AIRWALLEX

Airwallex integration

Businesses in the United Kingdom, Australia, and New Zealand can make payments via ApprovalMax's integration with Airwallex. Client payments can be managed without requiring access to their bank accounts, and there are over 40 different currencies and over 150 countries to support global business.

Because these technologies plug straight into ApprovalMax, only approved bills get paid, so you know they've been signed off by the right people, every time. This reduces risk and means there's oversight of the entire process, especially with ApprovalMax's automated audit trail.

In some situations though, it might not be possible to manage the entire payment process for clients. This doesn't mean that there aren't ways to round out the AP process, however.

Many accountants and bookkeepers will instead prepare batch payments. Using technology, it's easy to make sure only approved bills are put into a batch payment. There's even extra layers of control, like being able to prioritise certain payments over others in line with their due date, or grouping payments by supplier.

ApprovalMax's batch payment features allows accountants and bookkeepers to quickly prepare batch payments and have them approved, before flowing straight into Xero, ready to be sent to the banking system. With this, a client can confidently pay bills without having to manage the rest of the AP process.
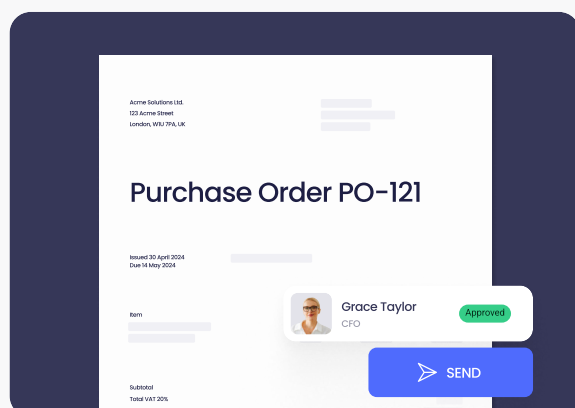
Batch Payment

	Bill ▾	Due date
☑	Bill ref.121 from BrightFuture Co.	30 April
☑	Bill ref.234 from Pacific Innovations	28 April
☐	Bill ref.121 from Pacific Innovations	20 April

4   Add extra checks and balances

While technology takes the heavy lifting out of the accounts payable process, it's important to have extra checks and balances in place where needed. These will depend on the unique needs of your client, their business, what they're paying for, and who they're paying.

Common examples might be using purchase orders for expenses over a certain value, or calling contacts to confirm certain details.

Acme Solutions Ltd.
123 Acme Street
London, W1U 7PA, UK

Purchase Order PO-121

Issued 30 April 2024
Due 14 May 2024

Item

Grace Taylor
CFO

Approved

Subtotal
Total VAT 20%
Total GBP

SEND

Sometimes, extra checks may make sense when there are:

✓ **Large bills** (e.g. >$10k is a common limit but it depends on the business)

✓ **New suppliers**

✓ **Updated banking details**

✓ **New contacts**

✓ **Invoice anomalies** (e.g. typos)

✓ **Certain categories of goods** (e.g. computer equipment, entertainment)

Like the rest of the accounts payable process, these extra checks should be set up as a formal process so the client and your entire team is across them.

It's important to document the ways of doing things and make sure everyone is on the same page – processes don't work if only a few people follow them!
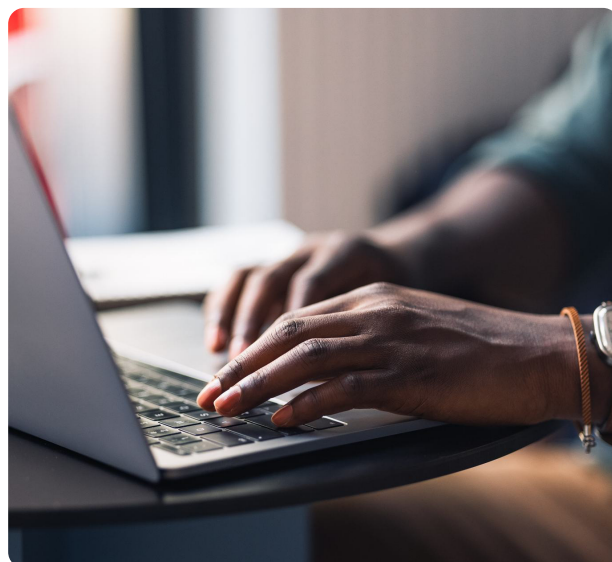
"You need to work out what level of risk you're willing to take. We have an internal process for any payments over $10,000. If it's a new supplier, the team verbally confirms the bank details via the phone number on their website and if it's an existing supplier we check the bank details are the same as the last payment to them. It doesn't make sense to do it for every single invoice so we picked a threshold and said above that, extra verification checks are needed."

Brendan Lucas
Head of Accounting APAC at ApprovalMax and Founder of Next Dimension Accounting

Adapt and refine

Technology lays the base groundwork for smooth AP as a service. From there, the process should be refined to meet the needs of your client, team, and practice.

There are also ways to refine how you offer this service to clients, both new and old:

1 Marketing a new service

To start, you may want to test a new service with a select group of clients. But if you're looking to sell it in more broadly, how you market it plays a big role. This might include:

✓ Updating your website

✓ Events

✓ EDMs to existing clients and prospects

✓ Radio, print, and online advertising

✓ Social media posts and blogs

Consider how this new service fits in with your existing services and how you market them. And don't forget one of the most important marketing tools – relationships! How can you build on the relationships with your current clients? If your clients are happy with you, why not ask for referrals, or request testimonial reviews to help you explore and attract new services?

2 Billing for a new service

Accounting and bookkeeping is a profession that has typically charged on a time basis. However, as technology changes the way people work, the industry is also re-evaluating how it bills clients, says Scott. In some situations it makes sense to bill based on outcomes (and value-added) rather than a set hourly rate.

While there's no universal approach to pricing AP as a service, it's important to consider whether a fixed vs hourly fee will best suit your practice, advises Scott. "This includes pricing based on volume, such as the number of bills processed."

3 Resourcing a new service

Technology cuts out much of the manual admin that comes with AP, like scanning bills and data entry. If you're starting off small, your existing team might be able to resource a new service without much change.

However, if your AP offering grows, then it's worth thinking about who can take on this extra work. Will they need extra training, or should this be factored into an upcoming hire?

Accounts payable can be suitable for more junior employees with the right training, Scott says, as it's not as complex as other areas like payroll. This can be a great area for them to grow their skills, with the right measures and oversight in place to manage risk and protect client assets.

Batch Payment

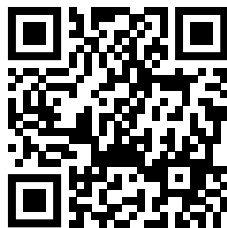| Bill ▼	Due date
☑ Bill ref.121 from BrightFuture Co.	30 April
☑ Bill ref.234 from Pacific Innovations	28 April

JPG Invoice INV-121.jpg — Submitted

Kaylee Carter
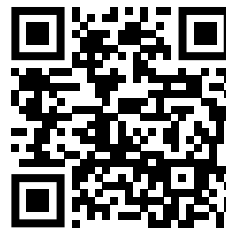Manager — Approved

Terry Griffiths
Director — Pending

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