Efficient Invoice Handling

From paper invoices to scanning centers, electronic invoices, and workflow systems

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Introduction

All accounting practices are looking to increase the efficiency and effectiveness of their work processes. Practices of all sizes are overcome by costly paper-based and manual processes that slow down business, impact productivity, impede growth and leave them missing out on opportunities.

Streamlining and automating your inbound workflow can help your practice become more efficient year-round. This guide will inform you on the importance and opportunity for automating this process and what to consider when getting started. This guide is intended for accountants who are currently using paper based or manual processes, and those interested in improving their existing workflow processes.

What is efficient invoice handling?

The goal of efficient invoicing is to automate the inbound invoice process as much as possible. Inbound automation improves accounting efficiency, the quality of the accounting records, and helps accounting offices collaborate with their clients. Rather than spending copious amounts of time tracking down paper documents, inbound automation can do a lot of of the work for you and decreases the chances of losing important documents. Along with simplifying the process of manual scanning of documents into an inbound automation system, some software vendors allow you to outsource your scanning *and* incoming electronic invoices in the same flow. Whatsmore, most software allow you to create rule-based automated workflow processes that only handle the exceptions, thus saving you time. A rule-based automated workflow lets users define how to handle invoices based on parameters such as vendor, reference, and amounts. The system then recognises it and automatically registers it in the way it was set up to be taken care of and sends the document accordingly to approval flow. Using an electronic process lays the foundation for automated transactions with clients. Implementing a paperless workflow benefits accountants and clients alike.

Comparison of paper based and digital invoice process:

PAPER BASED	DIGITAL INVOICE PROCESS
1. Receive or fetch physical mail 2. Sort physical mail 3. Open physical mail 4. Make copies of documents to be archived, including paper supplier invoices 5. Stamp paper supplier invoices with notification area for arrived date, due date, approvers and GL accounts 6. Archive paper copy 7. Register invoice in Accounts Payable 8. Send for approval with physical internal mail (desk to desk) 9. One reviewer/approver will handle the invoice per day 10. Register final notes and changes to the Accounts Payable based on manual scribblings on the paper invoice 11. Send paper copy as approved to accountant 12. Register invoice in Accounts Payable and General ledger 13. Further questions about the invoice with the client 14. Make payment run on due date 15. Send payment file to bank or register in a net bank 16. Complete reconciliation of Accounts Payable based on paper account statement from the bank received weekly or monthly 17. Update General Ledger and Accounts Payable	1. Receive an **automatic** alert of new invoices to review or approve 2. Log in to workflow system by computer or mobile, review and approve the invoices, which have been **automatically** registered to the correct GL accounts, split into the correct dimensions and set the right approval workflow. Make comments or change GL accounts/dimensions if needed 3. A payment run is **automatically** done based on due date and sent to bank 4. Accept **automatic** reconciliation suggestion based on daily retrieval of electronic account statement 5. Accounts Payable and the General Ledger are **automatically** updated

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Creating the paperless process

When it comes to improving workflows, paper based processes continue to slow things down. Successful implementation of an invoice automation solution has many benefits, including:

- Eliminating paper invoice setbacks
- Improving efficiency and profitability
- Increasing control, visibility, and reporting
- Serving clients better

If you are still using paper processes to manually register supplier invoices and manually entering data to capture financial status, you are not alone. However, more and more accountants are realising they must start automating in order to stay competitive. The first step in streamlining financial data flow is to eliminate paper so that data can drive the recording of your financial transactions. Using an inbound automation system creates a paperless process for input of supplier invoices.

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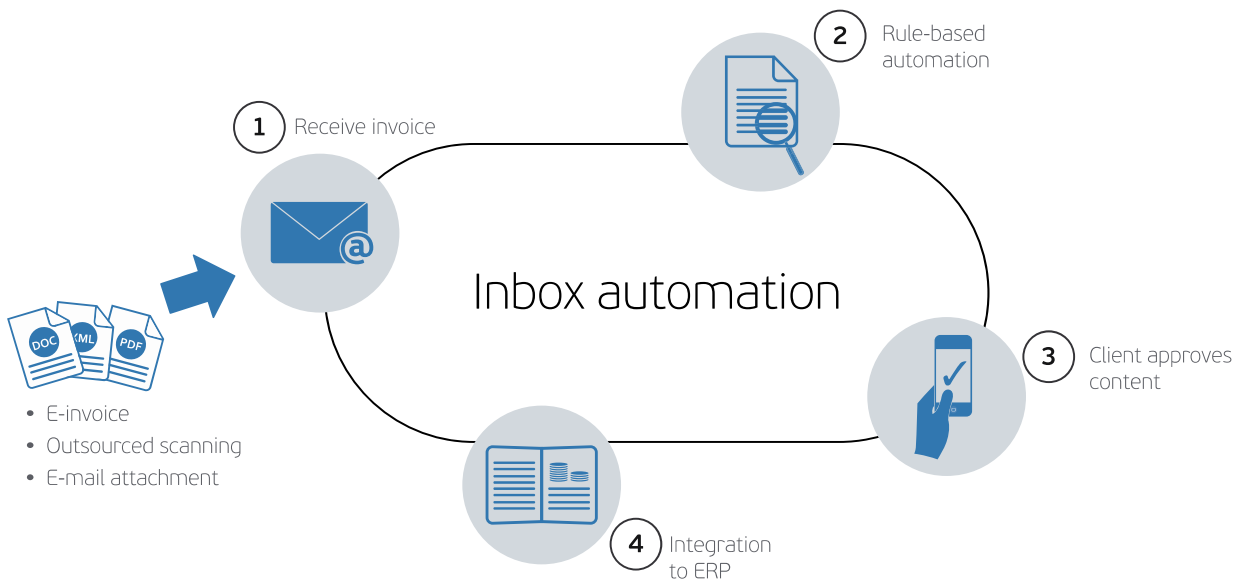
Optimising costs

The option many businesses choose is to outsource the scanning and quality assurance process so they can leverage high-scale productivity. Instead of using your valuable time on things such as opening envelopes, sorting documents, scanning and quality controlling each scan, these processes can be outsourced. When a specialised firm completes scanning, the job is done more efficiently and for a low price per transaction. It simply makes sense to outsource; it is a typical process that is more affordable than managing it yourself. Thanks to a rapid increase in electronic invoices, this job will soon be redundant.

Once the intake process is firmly laid down, the next step towards a fully optimised process requires minimising the time spent. The next step is to reduce the remaining time spent to process the invoices, support vendor inquiries, provide analytical work, perform compliance tasks, initiate reporting, and provide client support. With automation,

the time spent on these processes can be used for tasks that are more profitable. At this stage, the goal is to reduce costs while preparing to implement more advanced processing automation.

All invoicing is becoming electronic

With the increase of electronic invoicing, scanning your own documents and manual data entries are gradually disappearing. Within a couple of years, the majority of the invoices sent and received will be electronic. Electronic invoicing is much more time and cost efficient than paper invoices. You do not need to manually handle an electronic invoice; it simply flows between the systems of the supplier and the customer. Time between sending and receiving an electronic invoice is counted in seconds rather than days. Electronic invoicing also eliminates the need to double check and interpret information. A field in an electronic document is always the same for the sender as it is for the receiver. For example, say you need to find a bank number to pay an invoice, you no longer need to double check to see if the number is correct, because it has been entered in by a computer rather than by a human, thus eliminating errors.

While the major change to electronic invoicing is happening right now, business partners' capabilities of sending and receiving electronic invoices will vary. Fortunately, you can have your own invoice flow digitally over night; you do not have to wait for your business partners to get on board to reap the full benefits. By choosing an outsourcing partner that offers scanning and pure electronic invoice reception and the right invoice handling software, you can have all of your client's invoices in electronic form overnight, in a single structured digital invoice stream.

The business perspective

Let us address the elephant in the room: billing your clients for manual handling of all inbound invoices. You might be able to charge for these hours today but will not be able to continue doing so for long. Clients will no longer be willing to pay for double-registration in the future, knowing that information could be automated and electronic.

Remember, your value as the accountant is still there. You have the knowledge about the bookkeeping, which is what clients are paying for. By adjusting your business model accordingly, for example, by switching to value-based pricing for your services, you will be able to keep or improve your profits.

In addition, you will often have the opportunity to become a reseller of client-accessed services, such as approval workflow, making new revenue streams for your accounting practice. Along with this comes the option to choose to either standalone software or bundle your own service offering. Becoming a trusted provider of technology systems is a great way to expand your client relationships. For more information on pricing and profitability, download our free guide, Why and how Accounting Practices should adjust their business model.

Making the transition
Why you should make the transition

Digitisation of data makes it possible to move a process from manual to automatic and gives accountants the possibility to *add* automation and functionality. Moving over to electronic/digital processes boosts productivity and frees up time and energy, which leaves you with more time to focus on initiatives like financial advisory services or taking on more clients.

Workflow automation streamlines the financial management and provides a totally secure audit trail for backtracking transactions. It also removes all the unnecessary steps that the paper based processes requires.

By adopting a digital workflow, invoices can be handled much faster, which is good news for those receiving many invoices. The result is faster invoice handling times with the ability to triple the invoice volumes handled, without adding staff or overhead.

The ideal goal is straight-through processing where the invoice is processed by the automated workflow from purchase to payment - all without human intervention.

Which software is right for you?

To implement an automated inbound workflow it is important to consider the value chain as a whole and to choose a future proof solution that will adapt to the rapid development in electronic exchange of documents.

Two options:

1. **Part of ERP or accounting software**, more and more bookkeeping solutions have integrated inbound process handling. Covering all processes of the company including inbound invoice handling and payments, sales invoice sending and receivables, inventory, purchasing, accounting, and reporting in one integrated solution has several benefits.
2. **Specialised specific solutions** for inbound automation. Focusing on the core process, these services offer a quick and easy way for implementing an inbound automation on top of existing ERP or accounting system. Oftentimes, this can offer a different view of the accounting side, especially by being able to work with several clients in the same screen. What is important here is evaluating the level of integration to the ERP and the capability of the vendor to be in forefront of the electronic invoice development.

There are ranges of software options that offer different features. Some companies have an accounting department with a dedicated, full-time staff. Others keep track of revenue and expenses for bookkeeping purposes and transfer data to their outside accountants.

The first scenario includes software that can do double-entry accounting and is often integrated with the sales process to make ordering and payment tracking a seamless process.

The second scenario is inbound automation programs that only keep revenue and expense ledgers. This basic option automates the inbound process crunching without any added features or capabilities. These programs often have limited functionality, and integrate mostly with your ERP or bookkeeping system.

Today cloud solutions are preferred because connecting to electronic exchange networks is a breeze, and the extensive possibilities for approval workflows. For more information on generic differences between cloud and on-premises, download our free guide, On-premises vs. Cloud – Make the right choice for your business.

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Once you decide which software meets your needs, there are certain features you should evaluate to find the best inbound automation system for you. The champion among the features for evaluation is the *user interface* and whether it is easy or hard for you to use together with the highest level of automation possible. Accounting requires consistency. If a program is difficult to navigate or has a low level of automation, it increases the likelihood for bad output quality and efficiency.

Conclusion

When considering the benefits of the inbound workflow, it is surprising that more accountants are not working to eliminate paper setbacks. Electronic workflow can improve the speed of transactions and can simplify your workday. More importantly, an electronic workflow can provide a comprehensive portrait of operations. Reports and analytics can highlight problems anywhere in the value chain.

We hope this guide helped you better understand the benefits and advantages of inbound automation/inbound workflow, and what it can bring to your accounting practice. Implementing a digital solution can transform and reinvent your practice. It is time that accountants caught up with other global industries and automated their financial supply chain.

Technology continues to give accountants a competitive edge in new ways. Those companies that learn to harness technology for workflow processes will have an even greater competitive advantage because of their efficiency, flexibility and extensibility.

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