WHITE PAPER

Automating Accounts Payable

5 Reasons to Digitalise the Procure to Pay Process

iTESOFT Digital Automation
Smarter. Faster. Safer.

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Automating supplier invoice processing
A strategic lever for finance departments

The processing of supplier invoices is a **complex, highly regulated, often manual process,** a major source of **costs** and **disputes** for businesses... It is also a key factor in the **performance** and **productivity** of finance departments and contributes to the improvement of the company's image and reputation among its entire ecosystem.

Benefits that become tangible when the company adopts automation. **Digitalisation of processes** is also a key factor in the **resilience** of organisations in times of crisis (as the Covid-19 crisis pointed out acutely, the slightest 'grain of sand' in a paper-based manual process renders it inoperative).

The automation of this **key process of Accounts Payable** is usually the first step in the digital transformation of finance departments, because it offers the most important and immediate benefits: cost reduction, risk control, real-time management of financial performance and the increased resilience of a digitalised process... It also allows finance departments to **free up valuable resources** to refocus them on higher value-added tasks: Analysis, risk prevention and strategic advice to other parts of the business. Engaging in this transformation is also an opportunity for companies to r**eshape their supplier relationships.**

Today finance departments need to **accelerate their deployment of automation and digitalisation tools.** Ultimately, their implementation will strengthen the finance functions expertise in digital transformation, data management and analytics, helping to make their case as a **true business partner** for other departments.

Through this white paper, we aim to highlight the different benefits of digitalising and automating the P2P processes in order to support your organisations evaluation and projects in this area.

For 60% of CFOs, digitalisation of the supplier invoice process (P2P or Procure to Pay[1]) is among their top priorities.[2] It also fits their desire to improve performance control.[3]

1. Procure to Pay (often abbreviated as P2P)) refers to business processes that cover the activities of requesting (requisition), purchasing, receiving, collecting invoices, reconciliation and validation, payment and accounting for goods and services. Also commonly known as Purchase to Pay.
2. PwC - CFOs' 2019 Priorities
3. 2018 Payables Insight Report - PayStream Advisors

1. Reducing processing costs and associated delays

Faced with an increasingly **competitive market** and the need to **do more with less,** the digitalisation of invoice processing addresses **productivity and operational performance challenges** for finance departments

EXPENSIVE MANUAL PROCESSING

The management of supplier invoices is an expensive process, ranging from more than £19 per invoice for manual processing to less than £3 depending on the level of automation[4], divided between direct and indirect costs:

1. Direct costs: receipt of the invoice, content validation, reconciliation with purchase orders, compliance verification, transfer to the accounting department, data entry into accounting software, payment processing and then filing and archiving.

2. Indirect costs: chasing down approvers, incoming supplier calls, lost invoices, lack of traceability, lack of reliable audit trail, order alterations, dispute management, recipient errors, late payment penalties, payment errors, storage costs...

40%

40% of financial decision-makers feel that their supplier process still includes too much paper

Ardent Partner's
Accounts Payable Metrics that Matters 2020

More than **1/3** of invoices are still received in paper format, another 1/3 in PDF format (normally as e-mail attachments), both requiring data to be entered manually into accounting software.

1/3

Payables Insight Report 2018 – PayStream Advisors

AUTOMATION RATE, THE REAL BATTLE GROUND

The main objective of digitalising invoice processing is to reduce manual work within accounting teams. However, this workload is directly related to performance in the automated reading and extraction of invoice data.
The difference between a 70% automation rate and an 85% automation rate means halving the remaining effort for accounting teams. In this context, every percentage of automation matters.

DIGITALISE THE PROCESS TO SIGNIFICANTLY REDUCE COSTS

With the **digitisation of the P2P process,** the entry and control of invoices and their reconciliation with orders are automated and accurate, allowing resources to be allocated to higher value-added activities and **eliminating time-consuming tasks and reducing risk of errors.** The invoice validation process becomes more fluid and the costs associated with it are considerably lower. Dispute detection is faster and more effective, which improves resolution.

4. 2018 Payables Insight Report - PayStream Advisors

REDUCING PROCESSING TIMES

The processing time for an invoice ranges from more than 15 days for a manual process to less than 3 days for an automated process.

There are many factors that influence this processing time:

1. The time to send, receive and process the initial invoice for those received in paper format. Even if the process is outsourced, this delay remains significant if it is not fully digitalised.

2. Delays related to invoice validation. Circulating a paper invoice within the organisation creates additional hurdles, which prove prohibitive when an invoice is lost or simply pending on a desk...

3. Finally, the performance of the invoice instruction and validation process. When a digital document circulates in the organisation, significant differences in processing time are observed between those with an efficient process (parallel routing, two- or three-way matching with orders and goods receipting...) and those relying on a more rudimentary process.

Mick Crowder,
Head of Shared Services at Canal & River Trust :

We now have a controlled and efficient accounts payable function that allows us to process a high volume of invoices and expense forms and allows us to drive significant business value.

AUTOMATE AS MUCH AS POSSIBLE TO SPEED UP THE PROCESS

By reducing processing times, finance leaders gain many benefits. Of course, they can meet their **regulatory requirements,** particularly in terms of **payment times.** Second, they have **visibility** into their commitments and are better able to control their organisations **cash flow** and **accounting closing process.** Finally, for the more advanced, they can negotiate prepayment rebates and early payment discounts and make substantial savings.

51% of financial decision makers feel that processing and paying supplier invoices is taking too long.

Ardent Partner's
Accounts Payable Metrics that Matters 2020

51%

Scott Blackwell,
Financial Accountant at Colas :

COLAS needed to accelerate the slow, manual invoice process they had whilst continuing to process more than 100,000 invoices across multiple locations a year. They are now able to process these invoices with only 1 full time equivalent.

THE ROI OF AUTOMATING SUPPLIER INVOICE PROCESSING

By digitising the management of their supplier invoices, companies can cut processing times by three or more, while dividing the associated costs by five and more when compared to manual processes. This makes it one of the **most obvious projects in terms of ROI** for a finance department, while freeing up valuable resources for higher value-added tasks.

THE ITESOFT DIFFERENCE

Productivity gains remain one of the primary objectives for automating supplier invoice processing and digitising the Procure to Pay process.

To achieve the best performance - invoice processing costs of less than £3 and delays of less than 3 days - it is imperative to obtain maximum automation. And it has a direct correlation with the ability to extract all data from an invoice, valid and in real-time, whatever the source. Delivering maximum performance is a strategic investment and research area for ITESOFT.

Its software robots uniquely include, AI technologies and expert algorithms

Thanks to the power of the cloud, data recognition relies on a single shared supplier base, continuously enriched by millions of invoices processed by our customers.

Each client's platform is monitored individually by our teams to ensure its performance

ITESOFT therefore guarantees an 85% automation rate for every customer, with our real-life production platform actually reaching more than 92%. The cloud technologies provide the optimal automation rate in a reduced period of time, delivering an ROI that is typically less than 4 months.

2. Control risks: errors, compliance and fraud

DIGITALISE THE P2P PROCESS TO LIMIT ERRORS

The Procure to Pay process is particularly sensitive to errors, due to the **increasing complexity** of documents and their related processes: missing information and time-consuming corrections, multiple and redundant manual inputs, lack of purchase requests and efficient validation routes, lack of traceability and visibility leading to duplicate payments...

These are all **risks** that can be **limited with digitalisation and automation.** By avoiding multiple invoice data entries, by leveraging advanced validation workflows, and by automating the reconciliation between purchase orders and invoices, it contributes to better traceability across the P2P chain. The Accounts Payable department then has real-time visibility on all invoices and can easily verify consistency between the various related documents (orders, delivery orders, invoices...) and also identify any prior instalments or invoices already paid.

Moreover, when it utilises modern solutions - in particular those leveraging native Business Process Management technologies - a digitalised process ensures that every **step and action is carried out in a compliant way.** The actual process is one that has been defined and at any time it is possible to access a detailed audit trail where every step is recorded.

ACCOUNTS PAYABLE CURIOSITIES AND ANOMALIES

- *According to APQC, more than half of invoices are still manually keyed[5] into ERPs and accounting systems, a source of errors and delays.*
- *In this context, multiple payments (double) are one of the most frequent risks encountered by Accounts Payable departments. According to a study[6] by IOFM, it is estimated that 80% of companies lose up to 2% of their expenses in multiple payments from the same invoice.*
- *And at the same time, organisations spend between 3 and 7 days solving an invoice error, undermining supplier relationships, limiting financial visibility and the ability to meet payment deadlines[7]*

5. "How Prevalent Is Manual Invoice Processing?" APQC Open Standards Benchmarking Survey on Accounts Payables and Expense Reimbursement. October 2016g
6. "Duplicate Payments: An Ounce of Prevention, a Pound of Cure," Institute of Finance and Management IOFM Benchmark studies, February 2016.
7. "Invoice Resolution Shouldn't Take a Week," APQC Open Standards Benchmarking Survey on Accounts Payables and Expense Reimbursement. April 2016.

For **two-thirds** of companies, the fight against fraud requires strengthening their control procedures.

2/3

Euler Hermes Barometer / DFCG 2019

AUTOMATE CONTROLS TO DETECT FRAUD

Companies are **increasingly faced with the risks of fraud,** with significant financial impact but also, reputational consequences... **Fake supplier fraud** currently tops the ranking of the most common fraud attempts for 47% of CFOs surveyed according to a Euler Hermes/DFCG survey[8].

Hacking of e-mail messages, impersonation, exploiting poorly defined validation workflows to replace bank payment details, using perfectly imitated falsified documents... there are many ways to build confidence and take advantage of unsecured processes within accounts payable.

This is why it is important to **directly integrate fraud detection** into the Procure to Pay process: preventing, limiting and even eradicating the risk of fraud and error is only possible with faster, smarter and safer processes. New technologies (AI, RPA, BPM, Cloud...) are critical to solve this issue: automatically detecting fraudulent incoming documents, modelling processes to better identify their deficiencies, leveraging a mutualised supplier repository, enforcing defined and secure validation workflows, deploying a procurement process to increase invoice reconciliation... these are all solutions to **reduce and eliminate the risks of fraud.**

Half of the most common methods to cover up fraud involve the use of a fraudulent documents or files

Association of Certified Fraud Examiners (AFCE) – "Report to the Nations" (2018)

8. Barometer Euler Hermes / DFCG 2019

THE IMPACT OF FRAUD

7 out of 10 companies have been victims of at least one fraud attempt in 2018 and more and more criminals are achieving their goals: one in four companies has suffered at least one proven fraud in the same year. While fraud is a growing risk, 60% of companies do not have a budget allocated to fight against it.

Attacks can be costly; in 2018 the average loss per case of reported invoice fraud was over £28,000, and of the £92.7M lost in 2018 only £29.6M was returned to business customers[9]. This is also an international issue:

- *Technology giants Facebook and Google were robbed of $23 million and $100 million respectively by false invoice fraud[10]*
- *Former Bankrate CFO sentenced to 10 years for accounting fraud that resulted in $25M shareholder losses and was ordered to pay $21.2M in restitution.*
- *McKay Shipping in NZ were defrauded of more than $1 Million over a 6-year period by an IT Manager raising false invoices for IT equipment.[11]*
- *During the Covid-19 health crisis, the pharmaceutical dispatcher CERP was defrauded of 6.6 million euros following a fraudulent order for protective masks*

THE ITESOFT DIFFERENCE

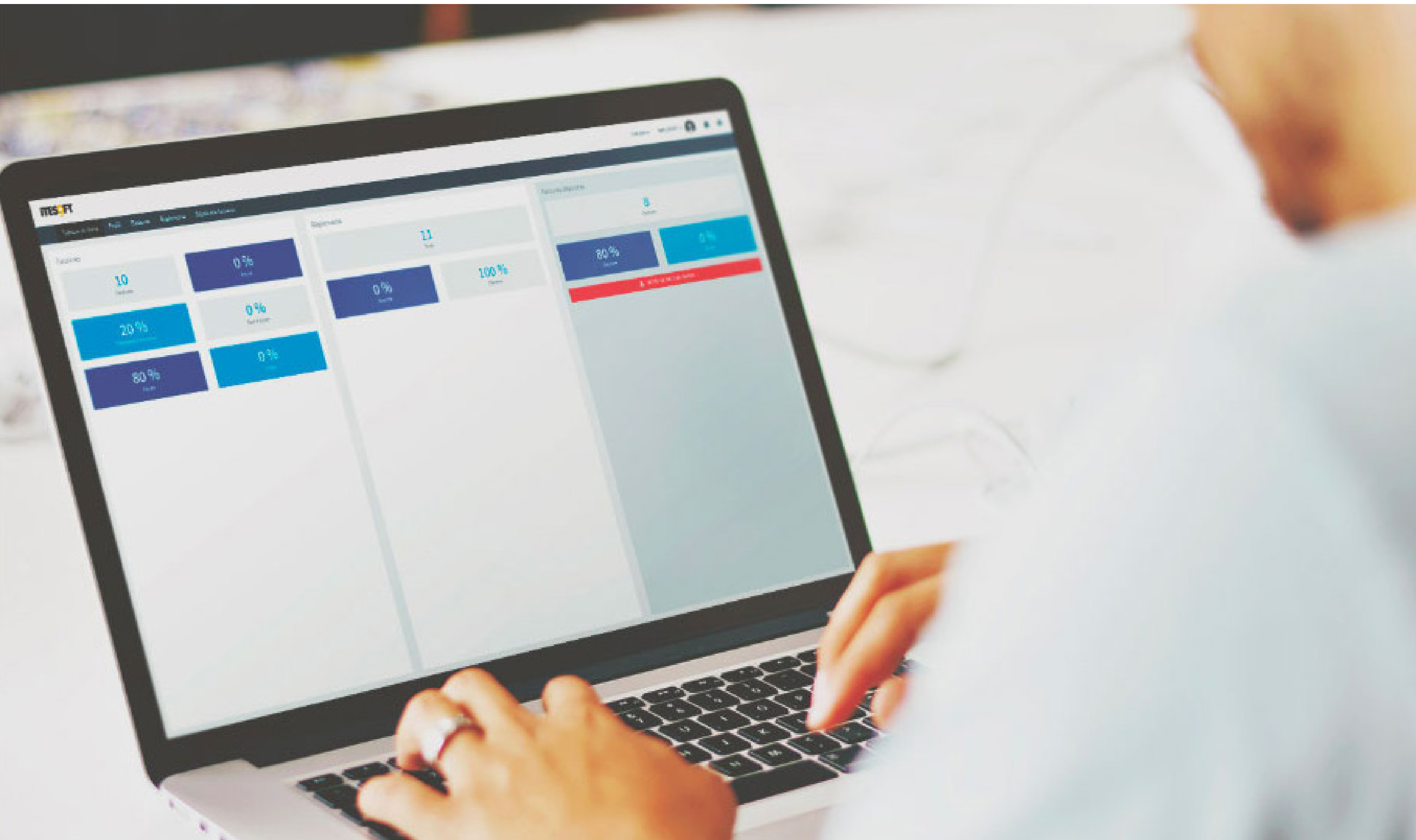
With fraud risks increasing, our belief is that fraud detection functions must be integrated as standard into processes, specifically within the handling of supplier invoices.

Fraud detection controls must be:

- Before any business treatment and any operation
- Systematic, on every single transaction, not samples
- In real time when information arrives in the organisation
- On all data and documents, especially invoices received into the company

It is these convictions, along with the implementation of unique technologies developed with specialised research laboratories, that drive the agenda for fraud detection in ITESOFT solutions, especially within Streamline for Invoices, the most secure cloud-based Procure to Pay application.

9. https://www.ukfinance.org.uk/system/files/Fraud%20The%20Facts%20 2019%20-%20FINAL%20ONLINE.pdf
10. https://www.cnbc.com/2019/03/28/how-to-avoid-invoice-theft-scam-that-cost-google-facebook-123m.html
11. https://www2.deloitte.com/nz/en/pages/forensic-focus/articles/employee-fraud-false-invoicing.html



INVOICE DIGITALISATION, ALSO A REGULATORY ISSUE

Current P2P process automation technologies support companies in their efforts to comply with the various regulations regarding billing and electronic archiving, as well as payment deadlines.

Deploying an invoice automation solution which includes automatic document recognition and data extraction technology (OCR, Automatic Document Recognition and Reading) that accepts any invoice format prescribed by the tax authority (EDI, signed PDF...) allows businesses to **comply with current and future regulations** around electronic invoices.

In addition, BPM (Business Process Management) technologies contribute to the **traceability of invoices** from receipt to archive, and in setting up reliable audit trails. They provide the necessary technological framework for companies to be 'compliant': when audited, they will be able to prove the authenticity and origin of the invoice, the integrity of its content and its legibility...

THE RELIABLE AUDIT TRAIL

Updated in the UK notice published on the 19th May 2015. Electronic invoicing (VAT Notice 700/63)

Section 4.1 You may invoice electronically where the authenticity of the origin, integrity of invoice data, and legibility can all be ensured, and your customer agrees to receive invoices electronically...

To do this, HMRC requires this audit trail to guarantee 3 main principles: the authenticity of the origin of the invoice, the integrity of its content and its legibility. As part of this process, the company should document and be able to trace every step of the P2P process, from order to payment. As a result, the time spent searching and then providing items to auditors is greatly reduced.

A high-performance supplier invoice processing solution should therefore provide the ability to implement the controls and processing associated with reliable audit trails. The use of Business Process Management (BPM) technologies, which natively include these functions, is a major asset.

CAN ORIGINAL PAPER INVOICE BE DISPOSED OF ?

The afore mentioned notice from HMRC specifically relating to VAT invoices and orders, and similar notices such as "Archiving your trade documents" from 8th October 2012 show that there is no legal requirement in the UK to continue to store and manage paper-based documentation. As long as the electronic documents are secure and can be validated and audited. Companies can therefore dispose of the original paper provided that it is reproduced identically to the original, or is received in a secure format, that the document and its data have not undergone any alteration or modification and that it remains accessible throughout the legal period of invoice retention.

3. Supervise and optimise the Procure to Pay process

Digitalisation of the supplier invoice process is first and foremost an **important source of savings.** It is also a unique opportunity to **transform** how it is operated and **optimise** its performance by making it more adaptable, transparent and resilient. Key digital process attributes that are particularly needed in times of crisis; how many organisations still relying on paper-based processes suffered because they hadn't completed their digitalisation project before the Covid-19 health crisis?

ENSURE PROCESS ADAPTABILITY

Merger, acquisition, reorganisation, change in IT systems, external crisis... the pace of business change is faster than it has ever been. And with constant changes, all functions in an organisation need to **adapt in real time** to new scenarios.

Supplier relationships are by no means an exception. **Accounts Payable** requires a c**ontinuity in operational activity** and an ability to **evolve** as the company does. Its digitalisation is a key factor in this adaptability objective.

This is also a reason why it is generally recommended to automate the process with a dedicated application connected but independent form the core ERP system ; for example, if a new company or entity needs to be integrated, it does not necessarily use the same ERP system and may not be ready for a change. An independent P2P application can quickly connect to any ERP back-office application without any change or cumbersome evolution.

ADOPT BEST PRACTICES

While each company is unique and has its own operating processes, the Procure to Pay process follows a **fairly well-defined step sequence and implementation** requirements. A modern solution for AP digitalisation must therefore be sufficiently mature to propose best **practices out the box** - a guarantee to accelerate and secure implementation, but also flexible enough to enable each organisation to incorporate its unique specificities.

Relying on a set of practices widely adopted throughout the organisation also helps to quickly onboard new business entities on a central 'core model'.

FOLLOW NATURAL STEPS TO MAXIMIZE AUTOMATION

Automating the Procure to Pay process translates into cost reduction and processing time acceleration. Processing times have a direct impact on key accounting processes:

closing books, visibility of data and committed spent, cash flow management and discount negotiations...

To maximise automation, a **progressive transformation** journey is generally adopted:

1. Digitalise paper flows and capture electronic documents
2. Ensure automatic recognition and extraction of data from 'image' documents (paper, PDF, etc.). This is a critical step as automation performance and data quality have a direct impact on following steps in process
3. Automate invoice management through workflows, 2 and 3-way matching, dispute management, ERP integration
4. Digitalise purchase orders and goods receipting - critical for maximising performance and enabling 2-way or 3-way matching
5. Deploy a supplier portal
6. Implement EDI and e-invoicing

CONTROL PAYMENT TERMS

The time it takes to pay a supplier invoice is intimately linked to its processing efficiency: The processing time from receipt to approval varies from 5 to 45 days, depending on the maturity of the digitalised Procure to Pay[12] process. Having a clear **focus on payment deadlines** is also not an option in many countries as they are subject to strict **regulatory requirement,** with any breach resulting automatically in, sometimes very significant, financial penalties.

- *Since 2017 and the launch of Duty to Report on Payment Practices and performance, it is now required for the largest UK companies and LLPs to broadly report on a half-yearly basis on their payment practices, policies, and performance. This information in available in the public domain allowing anybody to read and review the information returned. The potential impacts of this information are fairly obvious.*

PROMPT PAYMENT CODE CHANGES.

Since 2020 the voluntary scheme known as Prompt Payment Code, created originally by The Chartered Institute if Credit Management (CICM) has now been transferred completely to the Small Business Commissioners Office, in line with the Governments stated ambition to bring all late payment initiatives under a single umbrella. Since its launch in 2008 there have been more than 2,500 signatories to the code. What remains to be seen is what impact centralising control of the code will have on sign ups, and on future legislation or regulation[14].

12. Your Guide to accounts payable automation technology, PayStream Advisors, 2016

PAYMENT IMPACT

Late payment of invoices can lead to significant impacts on smaller businesses; however, it can also lead to significant problems for some of the largest companies in the UK.

On the 15th January 2018 Carillion collapsed whilst owing approximately £2 Billion to around 30,000 suppliers.

In 2019 House of Fraser went into administration owing its suppliers £484 Million, according to documents from EY.

Situations like these highlight the significant risks to smaller business supplying larger organisations.

By digitalising the P2P process, payments related to supplier invoices are better controlled and allow finance departments to anticipate and optimise cash management, controlling their payment terms. As a result, they avoid late payment penalties from suppliers and can benefit from any available or negotiated early payment discounts.

THE ITESOFT DIFFERENCE

When it comes to processes, there is no effective automation without a BPM (Business Process Management) strategy: modelling, diagnosing, and optimising its own business processes is an essential step in any digital transformation project. It is the BPM that allows you:

1. to identify critical processes, bottlenecks in instruction and validation steps, redundant and time-consuming operations... and optimise them to run more efficiently, faster, and more securely.
2. to quickly adapt a process, starting from an existing model and iterating from there
3. to trace all activities for each single process instance
4. to supervise all aspects of the process when adding an analytics solution, allowing users to manipulate all data.

That is why ITESOFT chose to build Streamline for Invoices on its Business Process Management technology, recognised by analysts like Gartner and Forrester and fully compliant with the BPMN 2.0 standard.

Users of ITESOFT Streamline for Invoices, ITESOFT's P2P solution, benefit directly from this unique technology, and from there can leverage their investment to automate other processes such as HR, legal, operations...

4. Improve supplier relationships

While Customer Relationships are generally the focus for marketing and sales departments, Supplier Relationship is owned by Finance and Purchasing departments. And it must be noted that in evolving and ever more complex 'supply chains' representing increased risks, **the quality and strength of this relationship** becomes increasingly important.

Regulatory compliance, business processes efficiency, quality of interactions... Finance Departments have realised that a solid supplier relationship is a key driver of performance. Always looking for more efficient, faster and safer processes, new challenges are emerging every day that increase the call to **optimise these relationships:** reducing time spent by AP teams on dispute management or simply responding to other daily supplier queries, having a dedicated communication channel with them or ensuring regulatory compliance and vigilance by automating the integration and update of legal documents held within internal Information Systems.

SUPPLIER PORTALS TO STREAMLINE INTERACTIONS

Setting up a supplier portal allows organisations to go one step further in improving supplier relationships. By offering them access to a portal that includes capabilities such as consulting and tracking their invoices, interacting with chat, entering invoices online or even uploading documents (Bank details, business registration certificate...), companies are streamlining their exchanges. They create a **trust environment** with their suppliers by providing them with evidence that a document has been received and dealt with, greatly limiting the risk of disputes or late payment. They also improve the traceability of documents, activities and messages exchanged on the portal, which is essential for a reliable audit trail.

Accounting teams, for their part, receive significantly less interruptions from supplier phone calls chasing payments, requests for copies etc. and consequently save valuable time. The provision of legal documents and banking information in a **self-serve mode** also contributes to reducing time-consuming communications.

A supplier portal is also an opportunity for an organisation to redefine structural elements of its contractual relations with its suppliers (systematic presence of the order number on the invoice, specific mentions...)

22% % of an AP teams time is spent responding to requests for information from Suppliers

Ardent Partner's Accounts Payable Metrics that Matter in 2020

22%

THE ITESOFT DIFFERENCE

Setting up a supplier portal meets the expectations of organisations looking for improved supplier understanding, more collaborative relationships, visibility of exchanges... but also additional productivity gains beyond automating supplier invoice processing. Digitalisation of documents and supplier portals have a symbiotic relationship. This is well understood by decision-makers: 84% of respondents who wish to set up a supplier portal have already implemented the digitalisation of their P2P process or wish to set up the two projects simultaneously.

SRM (SUPPLIER RELATIONSHIP MANAGEMENT) FOR STRATEGIC MANAGEMENT OF THE SUPPLIER RELATIONSHIP

Optimising supplier relationships is not only a source of potential savings but also a guarantee of stability in the face of risk management, fraud, vigilance, compliance, traceability etc. Responding to these issues requires communication and engagement between accounting, purchasing and management through, among other things, an automated end-to-end Procure to Pay process and the **sharing of common repositories** to drive supplier relationships.

A strong relationship with its suppliers starts with a duty of care; as a company must secure relevant information it has for its customers, the same applies to its suppliers. To do this, it is first necessary to have a shared vision between the Finance Management team and the Purchasing Management team of active suppliers; The repository proposed by the SRM and connected to the company's various data sources is an essential first brick. In addition compliance requirements for companies and their suppliers are getting stricter with legislation such as the Modern Slavery Act (2015) in the UK and the 2017 Duty of Vigilance law in France as just two examples that require everyone to check the practices of their suppliers in terms of social, environmental and governance risks. Here too the SRM proposes itself as a solution to **centralise all these legal documents** on the part of its suppliers, allowing them to update them, to control their deadline and validity etc....

KYS ou Know Your Supplier

Just as financial institutions have a duty to have reliable and verified information about their customers before granting a loan, open an account ..., the finance and purchasing departments have a duty to have at their disposal validated and up-to-date information about their suppliers.

Finally, it is more necessary than ever for companies to **proactively manage their panel of strategic suppliers.** Sourcing, benchmarking and performance management strategies are at the heart of the supplier relationship and the SRM provides the foundation for managing these relationships.

Guy Turton, Financial Systems Operations Manager, Oxford Health NHS:

ITESOFT delivered a superior solution that was able to adapt to our specific business requirements. Their professional and supportive attitudes enabled us to deliver a highly successful P2P project."

94% of financial and purchasing managers do not trust the data of their supplier repository

94%

Apexanalytics

5. Anticipating regulatory and technological transformations

The **environment** in which finance departments operate is **constantly changing,** whether it is increased regulations, or adopting new technologies to increase performance. Any consideration around supplier invoice processing and the Procure to Pay process must take this into account to be able to deal with them today as well as tomorrow.

There are two areas of focus:

1. The evolution of regulations around electronic invoicing
2. Technological innovations enabling finance departments to run smarter and faster, such as RPA (Robotic Process Automation), AI (Artificial Intelligence) or Blockchain

ELECTRONIC INVOICING: FROM POST-AUDIT MODE TO CLEARANCE MODE?

Although the majority of companies are in favour of electronic invoices, particularly in view of its benefits in streamlining process and in reducing payment times, the modes of transmission of electronic invoices in the UK remains fairly loosely regulated, despite the often touted desire, fiscal administration aiming first and foremost to fight against VAT fraud.

However, we are seeing the first steps towards a far more digitalised process and way of working from HMRC, especially when considering changes such as Making Tax Digital for VAT, which applied to the vast majority of businesses in the UK since 1st April 2019. This legislation is considered as a first step by the UK government to close what is known as the VAT Gap, the difference between VAT paid, and VAT expected to be owed. The estimated gap in the UK for 2018 – 19, according to HMRC was £10 Billion[15].

Christian Van Der Valk
Formerly co-founder of Trustweaver (Sovos) and leader in the ICC and EESPA

A silent revolution is spreading across Europe. As governments across the EU seek to close their VAT gaps, increasingly we're seeing the trend towards government-controlled, real time invoice control platforms, known as the 'clearance' model... ...With clearance mandates being introduced across two EU countries in phases – Italy from July 2018 and in Greece at the start of 2019...

VAT Notice 700/22 section 4.2.1.1

"A digital link is an electronic or digital transfer, or exchange of data, between software programs, products or applications.
The use of 'cut and paste' or 'copy and paste' does not constitute a digital link...".

There are two main models of trade control used by tax authorities around the world;

1. **Clearance** mode: Checks are done in real time. The electronic invoices issued by companies are sent to a platform operated by the tax administration of the country concerned, usually in an EDI format. The controls are then applied, even before the invoice is sent to the customer. A mode notably implemented in Brazil, Russia and, since January 1, 2019, in Italy.

2. **Post Audit** mode: Checks are done after the invoice is issued and received. Parties can exchange invoices in different formats provided they follow the rules set by their country's tax administration. The tax authorities also grant themselves the right to carry out audits over several years after the invoice has been issued to verify the proper application of these rules. A mode so far retained by the majority of European Union countries, including the UK.

THE ITESOFT DIFFERENCE

With this revolution happening in Italy and Greece, we also know that French companies must prepare for the arrival of this regulation by 2023 - 2025, the question remains how long until similar changes are considered in the UK.

For any company that will be impacted, their first imperative is to ensure that they fully digitise their process: What is the point of capturing electronic invoice flows if downstream processing remains basically manual? This may also cause more concern to those who have not opted for automation of their processes if this impacts the UK.

If the UK is moving towards a Clearance model, with tentative steps such as MTD for VAT, it is important that companies audit and control their information flow and how invoices are captured:

1. Regardless of the electronic invoice format chosen by any administration, in the absence of a European or global standard, companies operating in different countries will have to be able to process different electronic invoice formats.
2. The data that will be transmitted in the electronic invoices passing through the portal will first have a VAT control objective. The completeness of the data needed to process an invoice in a B2B environment - including often essential information such as the order number, a site code or warehouse - will not necessarily be conveyed. It will therefore remain necessary to extract it from an image PDF file, or even from a paper document circulating in parallel
3. Companies witch have invested in advanced EDI platforms are likely to keep them
4. It is anticipated that 20% to 30% of the invoices will still be in paper format at first. If only those from foreign suppliers that will not be required to go through the state platform.

It quickly becomes clear that in order to prepare for these developments, in addition to proactively implementing the digitisation of their process, companies have an interest in developing solutions that allow them to capture all invoice streams, through all channels, in all formats. This is the whole meaning of the 'Omnichannel Capture' technology offered by ITESOFT within the Streamline for Invoices application.

Rachel Finkelsztejn, CFO, LIDL

The implementation of ITESOFT Streamline for Invoices meets two objectives for us: a productivity target with more than 720,000 invoices per year, but also an anticipatory target on the 2023 regulation that obliges B2B relationships to be fully digitalised.

RPA, AI, BLOCKCHAIN: TOWARDS EVER MORE PRODUCTIVITY

The digitalisation of processes, the automation of exchanges and the roboticisation of transactions becomes a priority issue. Not just to meet the needs of finance management in reducing costs and loss. But also, more and more, because the digitalisation of processes allows businesses to have valid and reliable data, of **better quality,** in **higher volume** and in **real time,** giving better control over the performance of the organisation.

New technologies are now taking process digitalisation and automation a step further, and most can find their place in the Procure to Pay process.

Transaction robotics (commonly known by the acronym RPA) offers the ability to automate 30-40% of manual tasks that are not yet automated (e.g. uploading invoices to a vendor portal, entering accounting data between Excel and ERP, verifying supplier or customer data on external repositories...) and focus employees on value-added tasks.

Artificial Intelligence already optimises the roboticisation of conventional tasks such as document scanning or dynamically reconfiguring a process in accordance with its actual functioning. Gradually, it allows businesses to deploy predictive models, anticipate and also better control risks and fight fraud.

Finally, a technology like Blockchain must be carefully monitored by finance departments as its disruptive potential is obvious. By allowing, among other things, to free itself from registration authorities and third-party validators, it promises an increased simplification and security of trade. Today, it is still a forward-looking subject, albeit growing rapidly. Identity documents, invoices, contracts, diplomas... the opportunities are numerous.

THE ITESOFT DIFFERENCE

Artificial intelligence is a key lever in the search for greater performance in organisations. As a pioneer in the use of AI in document automation, ITESOFT is acutely aware of the potential and operating mechanism of these technologies. The company has now contributed to over 100 scientific papers on the subject, through its own research and development department and through partnerships with laboratories on topics such as Machine Learning, Neural Networks, Continuous Learning etc.

These technologies are now embedded in software robots that ITESOFT manages in its solutions, making them available to its customers. In particular, the following robotic services are available:

1. Capture as a Service: document processing service - acquisition, recognition, data extraction, validation, with dedicated versions for specific functions, such as invoice processing.
2. Fraud Detection as a Service: a service based on submitted documents and data, embedding unique technologies such as image tampering detection (graphometry). Relevant functions are directly available within its supplier invoice processing solutions.

Network Rail

At Network Rail, invoice rejection is decreasing period on period and that's been the case for the last 3 years, because of the information we extract out with ITESOFT.

Repositioning your finance department as a key business partner

In an economic context characterised by **uncertainty and rapid transformation,** the role of finance leaders and the importance played by new technologies is evolving. The traditional prerogatives of CFOs are more important than ever, especially in a context of increasing risk. However, these CFOs also become business partners, able to inform the past, but also to give **direction for the future** and **catalyse the transformation** of their organisation.

The digitalisation of the P2P process is one of the first levers available to financial leaders to transform their organisation. It is a real digital initiative whose purpose goes far beyond the desire to reduce costs and meet regulatory obligations. Well-conducted, it helps to make an organisation **more agile** and gives it a real **competitive advantage.**

In addition to a rapidly identifiable and measurable return on investment, the digitalisation of P2P processes is also part of a more comprehensive project to transform the entire chain of purchasing and accounting. By digitising the entire process related to the supplier invoice - from order and purchase requisition to payment, through the provision of a supplier portal - the company multiplies the benefits associated with the digitalisation and automation of processes. Bottom line: a significant reduction in the risk of fraud and non-compliance, a closer management of the organisation's performance and a step by step evolution towards a real financial supply chain.

For all these reasons, the **digitalisation of the P2P process is now an imperative** for finance departments. Achieving an automation rate of supplier invoices close to 100% is no longer impossible, provided that the solution for digitalising this process can meet all the challenges, issues and best practices outlined in this white paper.

The key to driving this transformation is to rely on competent partners, mastering the issues and specificities of the P2P process, as well as proven and innovative technologies that can truly capture the value of digitalisation. This makes the P2P process smarter, faster and safer.


ANALYTICS

Digital Automation
Smarter. Faster. Safer.

ITESOFT is a business process automation software specialist. Our vision and belief for more than 30 years has been that digital technologies must make organisations smarter, faster and safer; and therefore, more effective in delivering more value.

ITESOFT's mission is to provide the most automatic solutions and technologies to enable the secure digital transformation of 'data intensive' and 'human centric' processes:

1. Data intensive because an ever-increasing number of documents, information and data of all types circulate through organisations
2. Human centric, because in the end it is the individuals - employee, partner, customer - who create value and our robots help them in their daily activities reallocating valuable resources to higher value-added tasks.

ITESOFT solutions are based on three unique pillars:
1. The digitalisation of incoming information flows and documents
2. The orchestration of processes through BPM (Business Process Management) and the robotisation of tasks
3. The detection of compliance and fraud risks

The entire ITESOFT offering is based on ITESOFT SCPA - Secure Capture and Process Automation - a unique platform to automate all business processes with the highest level of performance, agility, and security.

Based on SCPA, ITESOFT, our customers and partners develop any type of application focused on customer and supplier relations: account opening or credit granting, underwriting, insurance claims management, administrative procedures in public organisations, but also supplier invoice automation or digital mailroom solutions applicable to all types of business sectors...

Streamline for Invoices

Bruntwood, Helios Towers, Cambridge Assessment, Carambar and co, Securitas, Royal Canin, Lidl, Spie, Gepsa... all of these organisations, like many others, have chosen to automate the processing of their supplier invoices in the cloud with the next-generation solution: ITESOFT Streamline for Invoices. Unrivalled automation performance with innovative and unique technologies, shortened start-up and return on investment, maximum process adaptability and fraud risk detection make the difference.

The key unique benefits:

1. Dividing by 5 or more costs to manage supplier invoices

2. Reducing processing times from several weeks to a few hours

3.Compliance improvement and detection of attempted fraud

4. Automation performance from the first month to reach ROI in less than 4 months

5. Advanced connections to main ERPs: SAP, Oracle, Microsoft, Sage, Cegid, Infor ...

Streamline for Invoices' unique features now enable Mid-Size and Large Companies to adopt the most automated, adaptable, and secure solution:

- An 85% guaranteed automation rate (92% actual production on our platform) thanks to the unique combination of robots and AI technologies as well as a shared database of more than 1 million supplier records
- Maximum scalability and adaptability (parallel validation, unlimited number of analytical axes, asset management, down payments...) thanks to the BPM technology.
- Natively integrated unique fraud detection functions based on data and documents

SUPPLIER INVOICE AUTOMATION - TECHNOLOGY GLOSSARY:

Scan: Converting a document into a digital file (e.g. PDF)

OCR (Optical Character Recognition): Conversion of an 'image' document (handwriting or printed text) into encoded text for interpretation by a computer.

Automatic Document Recognition: Identification and automatic classification of a document according to its nature (invoice, ID card...)

Automatic Document Reading: Automatic extraction of information - data fields or indexes - from a digital document (e.g. invoice date, Amount, VAT, DUNS code ...)

AI (Artificial Intelligence): A set of theories and techniques used to create machines capable of simulating human intelligence.

RPA (Robotic Process Automation): a technology for creating robots by learning how a user behaves on a graphical interface.

BPM (Business Process Management): technologies to define, model, orchestrate and manage an organisation's business processes.

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