



The compliant receipt

Saving time and money for Financial Directors and the business

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How much time is lost?

Have you ever considered how long it takes each of your employees to find, check and file their expenses receipts; to unfold each receipt and check it for dates, VAT numbers and item descriptions? Even if it only takes 45-60 seconds per receipt to check the basics, can you imagine how much time that adds up to for your entire workforce over the course of a month or a year?

What's more, have you ever thought about how long it takes your team of line managers and payroll officers to review and approve each of those receipts? Line managers need to ensure each receipt matches the claim description and expenses policy, and payroll must ensure each receipt has the necessary information to qualify as both a business receipt and VAT receipt.

There are more obvious, direct financial losses associated with staff expenses too. Have you ever thought about how much money your business is losing through poor VAT reclaim on staff expenses receipts? Plenty of companies simply don't claim VAT on staff expenses for fear of getting it wrong. Similarly, perhaps you are one of those businesses inadvertently over-claiming VAT on staff expenses and are at risk of a HMRC investigation.



“The Expenses Expedite team have a good understanding of compliance processes. By validating claims and prompting employees to correctly classify items such as mileage they ensure the correct level of VAT is paid. It was a difficult process to manage beforehand but we've seen an increase in the amount of VAT we've reclaimed since using the Expense Expedite service.”

*Johnathon Armstrong,
Systems Accounting Manager,
Spire Healthcare*

The good, the bad and the ugly

The picture above may sound bleak, but the reality is potentially worse! In our receipt handling facility, our rate of return i.e. receipts we return to our customers' employees for extra checks, is anywhere between 10 - 60% of total receipts. This does depend on the 'expenses maturity' of the business, or how well educated the employees are in terms of what can and can't be claimed. If your line managers or payroll teams are returning receipts and asking staff to re-submit claims, it's adding extra time to the already unnecessarily lengthy process.

We regularly see incorrect receipts, or receipts with vital information left off, submitted by our customers' employees, all of which stagnate the whole process. Here are some of the common issues:

- Employees submitting receipts with no dates or they have scanned the front of the receipt, but actually the date is on the reverse, which they didn't scan.
- We see people submitting receipts via the wrong cost category i.e. claiming an item is entertainment [and not eligible for VAT reclaim] when actually it was a subsistence.
- We often see employees 'cutting off' the bottom of receipts to hide its true value and attempt an over claim.

Here are some less common examples, perhaps some of the worst we have seen, but they serve as a good example of the frustrating challenges your line managers and payroll officers will be dealing with:

- Someone recently submitted to us a photo of a coffee cup, as part of their subsistence claim
- Another person took a photo of a parking sign to show – presumably – that they had parked their car for company business
- A third person took a photo of a petrol pump in some failed attempt to make a mileage claim!

Each of those examples were submitted without a receipt, instead using photos of coffee cups, petrol pumps and parking signs – whilst amusing, the time it takes to reconcile these expenses is lengthened.

Compliant receipts

How to get compliant receipts and reduce lost productivity

Assuming you handle receipts in-house, firstly, you can save time for the payroll team and line managers – and improve your VAT reclaim chances – by providing suitable staff training on expenses receipts. It's sensible to build a team of champions; people within business units that can be trained in receipt handling and who can be relied upon to pass on best practice. If you're using an electronic system to handle expenses, then naturally a user guide or manual should be essential [expect the vendor to provide this].

When it comes to training, also understand that staff see receipt handling as a burden. They're only doing it to get their expenses reimbursed, so they're hardly going to be jumping through hoops to help!

Digital expenses

Second, if you're not already using an electronic system, get one. A good expenses management system will help collect the supporting data needed for accurate reimbursement, help you to reduce expenses costs, speed up the entire process for claimant and payroll and increase VAT recovery.

At Mitchells & Butlers, we helped the payroll team move away from using a paper-based expenses system. Lauren Collier, Reward & Policy Manager at Mitchells & Butlers commented, "With such a large volume of claims we wanted reassurance that every submission was compliant – the Expenses Expedite service gives us that peace of mind. It eases the burden on our internal team, provides us with an auditable review of our claims and also helps to coach our staff on best practice."

All claims go through a rigorous 16-point check to assess whether they are compliant. This includes, amongst others things, examining receipts, identifying VAT and invoice numbers as well ensuring the item description matches the claim. If any errors are identified during validation, then the claim is simply sent back to the employee for more information. Once approved by the Selenity Expenses Expedite team, employees are reimbursed the next day.

We also have one customer, Walsall Housing Group, using our electronic system, which has been able to reduce time spent managing employee expense claims from 20 hours per week to less than half a day per month with a Finance Officer now only reviewing receipts. The finance team responsible for managing expenses has been reduced to one person with the second now free to focus on other finance functions.

'We have used Selenity Expenses for a number of years now and it has transformed the way we process expense claims.'

16 point validation

Checks

Third, to reduce wasted time for payroll and line managers and, to improve compliance, ensure that your employees are providing receipts which meet these 16 validation checks:

1. Is the invoice total / total amount paid visible?
2. Does it include a supplier name and address?
3. Is there a VAT number present?
4. Does the receipt cover multiple VAT rates [a composite rate]?
5. Does it have a date of purchase?
6. Is there an item description and does it match what the claimant is claiming?
7. Can you be confident that the receipt is an original?
8. Is it actually a receipt [i.e. not a photo of a coffee cup, for example]?!?
9. Is an invoice number present?
10. Is the recipient business name visible?
11. Is the Amount Excl. VAT visible?
12. Is the VAT amount visible?
13. Can the VAT rate be identified?
14. Is the Amount Incl. VAT visible [item totals]?
15. Does the receipt only relate to one expense item, a single receipt?
16. Total [if UK non VAT receipt]?

Sharing examples of good receipts and providing information on the 16 point validation checks should form part of your training programme for employees.

There are other checks which relate to VAT reclaim and should be performed by a competent payroll officer. These are:

- If the spend is up to £25, a basic six- point check is sufficient, unless it is made up of composite VAT rates. 0% and 20% are fine, but VAT rates of 5% and 20% would need to be separated
- Spend of £25 – £250 needs more supporting evidence and must apply to a single expense type
- £250+ is classed as a full invoice and needs to show all 16 points are there and can't be composite

Outsource it!

Lastly, consider a completely outsourced service to handle your staff expenses receipts. Although this service would cost money, it will be small in comparison to the indirect and direct costs you are already incurring handling receipts yourselves. Your team will get back the vast majority of the time wasted on managing their staff expenses currently.

Specifically, the outsourced service should be able to reduce the time your employees and payroll teams spend on expenses by managing the receipt scanning, receipt validation process, payment / reimbursement and compliance information to ensure you're fully up-to-speed on current HMRC legislation. Naturally, as experts, they'll understand what a compliant receipt looks like.

The receipt handling service should take all of the burden away from your employees. It should combine simple processing technology where claimants can input their expenses data [such as via a mobile app], and make it possible for them to simply put their receipts in the post. The service should take care of the rest.

And the service should be quick too – using a mix of technology and human checks to handle the checking and validation of each receipt.

A good supplier should also be electronically 'dabbing' each receipt – highlighting exactly the whereabouts of those validation checks on each receipt. This will help with your compliance needs.

A good outsourced service should also help to reduce the re-validation rate too. In our own centre, we find that generally after 4-5 months of working with us, receipts being returned to employees goes down to 10%, i.e. a 90% pass rate. At Allocate Software, we work with our customers to improve this rate further through additional training and best practice.

The complexity of information receipts contain and, details required by HMRC for compliance, is growing. Your employees and payroll teams are wasting time, and money, through lack of training, poor understanding of the compliant receipt, lack of digital systems and being too slow to grasp professional, outsourced services. Now is the time to change.

To find out more about any of the topics discussed in this report, please email: marketing@allocatesoftware.com
