ALLOCATE

SELENITY EXPENSES

It is time for digital expenses?

A guide to moving your company expenses into the cloud

Contents

Making the move

Allocate, in conjunction with Pay & Benefits magazine, surveyed UK-based payroll managers to better understand views on accepting, managing and storing staff expenses receipts.

This white paper will:

- Provide insider knowledge on the views of payroll managers facing the staff expenses challenge.
- Act as an essential guide for companies looking to understand the rules governing acceptance, management and storage of staff expense receipts.
- Provide vital, practical knowledge for those firms looking to make the switch to a truly 'digital' expenses environment.

"Before Allocate we had an expenses process that was paper based. This was time consuming for all areas of the business. Most of our claims come from colleagues who aren't office based which caused an additional burden of them needing to post receipts to the office and thus delaying the speed that they could be reimbursed."

Andy Jackson,
Head of Finance,
Imosphere

Why move at all?

Your peer views on expenses

A large number of businesses [50 per cent] are still storing staff receipts in paper format. The problems associated with paper-based receipts include the storage of the paper receipts and associated costs with doing so. Further complications include staff losing receipts or providing torn or damaged copies, as well as providing stacks of paper for many months worth of unclaimed costs that they demand reimbursement for.

Payroll teams are often then left trying to balance the books at the end of the month using reams of staff receipts. The challenge is relative: for smaller organisations that may not have internal payroll support the issue is one of re-allocating time to the task. For those teams that are managing hundreds of expenses claims the challenge is the same, but larger in scale, and will require a dedicated team. Manual checking of paper receipts is not only hugely time consuming, it also means the chances of spotting claim errors or intentional over-claiming are difficult. The challenges here would include processing old or out of date expenses, processing a duplicate claim and paying out by mistake, but most importantly, businesses could be missing out on VAT reclaim opportunities.

Typically, smaller businesses don't face the same challenges of storing and validating paper-based expenses receipts due to the small number of claims being processed each month. However, businesses processing upwards of 100 expenses claims per month are likely to find dealing with paper receipts most challenging, and obviously it's a problem that grows in conjunction with the number of expenses claims within an organisation.

There are numerous companies across all industries and sizes in the same, confusing position. If you're storing staff expenses receipts in paper format, you're not alone.

Governance

One of the key reasons consistently cited by organisations for why they keep paper-based receipts is that they are under the assumption that HMRC requires them to keep the receipts for a minimum of six years. However, an Allocate and CIPP (Chartered Institute for Payroll Professionals) investigation into HMRC's paper receipt policy has led to confirmation that UK businesses no longer need to keep hard copy receipts for employee expenses in storage for any reason, provided that electronic copies exist on their financial IT systems.

The basic rule is that a company must create and retain normal business records, but these records do not have to be kept in a set, i.e. hard copy way, which for years is how businesses have been led to believe it must be. Most bookkeeping and computer systems will meet the requirement providing that they contain all the necessary requirements for your invoices to be valid VAT invoices (if applicable). Notwithstanding CH13300, records can be kept electronically, so long as the method of storage is capable of capturing the information accurately.

Moving to the cloud

The tide is turning towards electronic/digital storage of staff expenses, with half of those surveyed by Allocate and Pay & Benefits saying that they accept both paper and electronic or electronic only formats. With 42 per cent having made the switch in the last 12 months.

As stated above, HMRC has confirmed that using an electronic expenses system to manage staff receipts for expenses such as mileage and subsistence is now recognised as standard practice. HMRC will not require paper as a back up to electronically stored copies. Electronic is possible and it is allowed.

For those businesses looking to move to electronic or digital receipts, the first step is building out an expenses policy. According to research from Quocirca, around one in four UK companies do not have an expenses policy in place.

'Our staff find Selenity Expenses easy to use so picked it up quickly, which meant there was minimal training required. It's configured around our policies and processes so our finance team spend less time checking and have confidence that colleagues are reimbursed correctly.'

Five steps to cloud expenses

1. Expenses policy

An expenses policy provides employees with a high level view of what is expected and specifically guides the employee on what is, and isn't, an acceptable expense for the company. From the company's perspective, the policy can save money and improve efficiency – as an example, for mileage, one of the biggest areas of conflict, a policy can explain how and why journeys are routed a specific way [usually the shortest, as opposed to quickest distance between two locations].

Having an expenses policy in place can reduce the number of conflicts between an employee and the company, as well as reducing the overall time spent validating expenses.

2. Evaluate electronic expenses systems

Before you make the switch, look closely at scanning facilities and services:

- Staff prefer a combination of both PCs with scanners and mobile cameras or applications – 60 per cent of business indicated that staff were using PCs and scanners; 21 per cent indicated staff are actively using mobile phone cameras applications.
- Assess what the new expenses management system will offer you in terms of capturing receipts – 21 per cent of payroll teams are content to see the use of mobile phone cameras, with others stating they had no particular preference.
- Does the expenses provider have a dedicated mobile app? – Linking expenses software to mobile devices (via dedicated apps) means the inclusion of GPS functionalities to help tracking for mileage claim validation.
- Can you outsource part or all of the expenses processing to the expenses provider? – Outsourcing services can help paper-based teams overcome all of the perceived hurdles for changing to digital receipts.

3. Information gathering

Once you've developed your expenses policy and chosen your expenses provider you will need to provide certain information to make sure that the system is tailored to your company. Usually this is done through a 'kick-off' meeting, which is designed to get you familiar with the system and help you understand what information you will need to provide.

The specific information you'll need to provide will depend on your expenses policy, but staff names and contact details, home and work address, and details of any cars used for business purposes are common. Having this information already prepared will help speed up the process of moving to cloud-based expenses.

Finally, you will need to provide typical expense items themselves. Common expense claims would involve mileage, subsistence and parking to name a few, but again, this is dependent on what you allow your employees to claim for.

4. Preparing your system

Once you've provided the information to populate the expenses systems with staff details and expense line items, your expenses provider should set up the system and make sure its tailored to you. This typically involves a small project team within your company testing the look and feel of the system, making sure everything works and makes sense. Have them submit real expenses through the system so they can see how it works [these can be deleted before the system goes live].

Having a dedicated project team using the expenses system before its rolled out across the company can help iron out any issues or problems during the testing phase, meaning a much smoother transition when it comes to the going live date.

5. Preparing your staff

There's no right or wrong way of doing this, but there are certain steps you can take to ensure there are no issues. Letting your staff know ahead of time that there will be a new expenses system being implemented and explaining the benefits it will bring to them can go a long way to them accepting the new system.

When rolling out the system, the best approach to take would be to select one or two employees to become 'advocates' of the expenses software who can then provide support to the rest of your staff. A good cloud-based expenses solution shouldn't need any significant investment in staff training for it to be used, so be wary of any expenses providers that recommend this approach. Your expenses software should be intuitive and easy to use, with minimal training needed for staff to use it. How-to guides and video tutorials should be on hand from your provider, as well as helpdesk support.

Does it work for all roles?

Will it support claimants, managers and admins?

There are many roles within expenses management and many touchpoints from claiming, validating, approving, assigning delegates to cover holiday, administration, and reporting.

When you're considering an expenses app make sure you check that it works for all of these roles; can managers approve claims from their phone, can they query expenses and send back to the claimant to check, can claimants fully enter and submit their expenses without the need to power up their computer?

Receipt capture

Digital imaging, OCR and storage?

Receipt capture in many ways is the backbone of expenses management, compliance, VAT, and validation…it all stems from the receipt.

Areas to consider, are whether the app can access your camera to snap the receipt directly within the app, and also access your photo album to attach previously photographed receipts.

There are many apps out there with differing ways of attaching a receipt. Very cumbersome methods include having to upload photos into photo galleries within the app, and then navigate to the expense item, only to have to find and attach the receipt from the app's photo gallery. The quickest and easiest solution is to simply choose in app that can access your photo album or camera from the expenses item.

Making it as quick and easy as possible to capture, upload and attach the receipt to the expenses item is key.

Is it seamless?

Can you complete your task from start to finish?

This point combines a number of previously mentioned points. The idea here is to review how fast and how easy it is to process all of the tasks, across different roles, with the shortest path and least clicks. We've all at some point used a programme or even an app and thought, crikey they've made this hard work, or stumbled upon a stage where it's really not clear what to do next.

When you're considering an expenses app, think is it simple and can I easily and quickly complete what I need to do.

We talked earlier about levels of functionality; for example if you can add an expense item from your phone, then you also need to be able to add a receipt and submit to your manager. If you have to logon to the web-based version to complete a step in this process then ask yourself how much value is the app really adding?

Is it a one stop app?

Do you need to link to third party apps for receipt scanning or travel mapping?

This point might not seem an obvious one, and it's not something you'd immediately think of. You're not alone here, it's natural to assume an app is going to provide everything you need within one solution.

We have experienced expenses solutions that offer for example journey validation through mileage calculation; however if you want to perform this, you need an additional app, provided by a separate company.

Another area here to consider is OCR - the ability to use the photograph of the receipt to generate the expenses item. What's worth noting here is the margin of error. The majority of OCR processing in expenses receipts at the moment requires second stage validation by a human. This is simply due to the fact that the technology is still not advanced enough to be 100% accurate. As the majority of expenses savings are driven by accuracy, this means to uphold this level of compliance a person still needs to check the receipt.

If this level of receipt capture is something you're considering, make sure you understand that this is likely to incur additional costs.

If you are looking at additional validation you might want to consider a fully manage receipt validation service with the added benefits of increased accuracy and a quick processing tine.

Much like the point above, your decision making process needs to come back to; how much value does this add to the system, and is it the quickest and easiest way for me to ensure accurate and compliant expenses?

Business travel

Does it work for your preferred method of travel?

If you're not already aware, the largest proportion of employee expenses are related to business travel. In the UK this is largely dominated by road travel, in particular grey fleet*.

The biggest savings a company can make is through accurate mileage and journey validation.

Things you need to consider are does the app support your organisation's business travel needs? You may find that some global expenses solutions are engineered for the US travel market, and whilst may be advanced in terms of flight and hotel management, fall down when it comes to road travel and mileage. This often results in mileage not being part of the main app and the claimant having to access mileage validation through a separate third party app to take care of this. So again the consideration here is, how important is it that one app does everything I need?

How easy do I want to make it for my employees to record accurate mileage claims?

It's also worth looking at the functionality of mileage. Whilst postcode to postcode entry provides a start and finish, does the solution allow you to pinpoint the exact start and finish down to street level? For even greater mileage accuracy.

Going even further, does the app have GPS capture so claimants can simply tap start, drive and then hit stop, automatically generating their journey length and mileage claim? Will it allow claimants to add their vehicle details from the app?

* If you're an organisation with a large grey fleet you need to consider the level at which you manage your duty of care to your drivers and their vehicles. It's important to understand your legal responsibility with duty of care and what responsibilities you can take to manage both your employees driving documentation, their vehicle status and their driving risk ratings, to safeguard your employees and your company's reputation.

The technical bit

Platforms, versions and roadmap

The last point on your checklist should be to consider whether the app works across all platforms, and whether you provide company phones or allow employees to use their own.

Making sure an expenses app runs across all standard platforms is a must.

You will no doubt need it to work across many platforms, so make sure you check out whether each platform is given equal status. You can often find digital solutions which advance an app on one platform, say iOS regularly, but find their other platforms frustrate users with older versions, with little updates or new versions pushed out.

When it comes to versions, you want to be sure it's robust and well tested, so check how established the app is and how long has it been around. In a world where apps are almost a given, you can often find solutions that showcase BETA (still in development) versions of their apps to prospective clients, making you their guinea pigs.

It is always best to check the app store and see if the app is live and available now and ask how long it has been established.

It can be exciting to hear about a development roadmap and what a company plans to do with their software and why. Be sure that it can fully provide your requirements now and that you don't realise later down the line that it cannot fulfil something you expected to happen.

Mobile apps are incredibly complex pieces of development that can take years to develop and fully test. Make sure that if, an app is key to launching your digital expenses, that the app will be available and ready when you deploy and not another 'coming soon' scenario. It's a good idea to get written confirmation of everything the app will do to support your expenses process, at the time you make the switch to digital expenses.

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