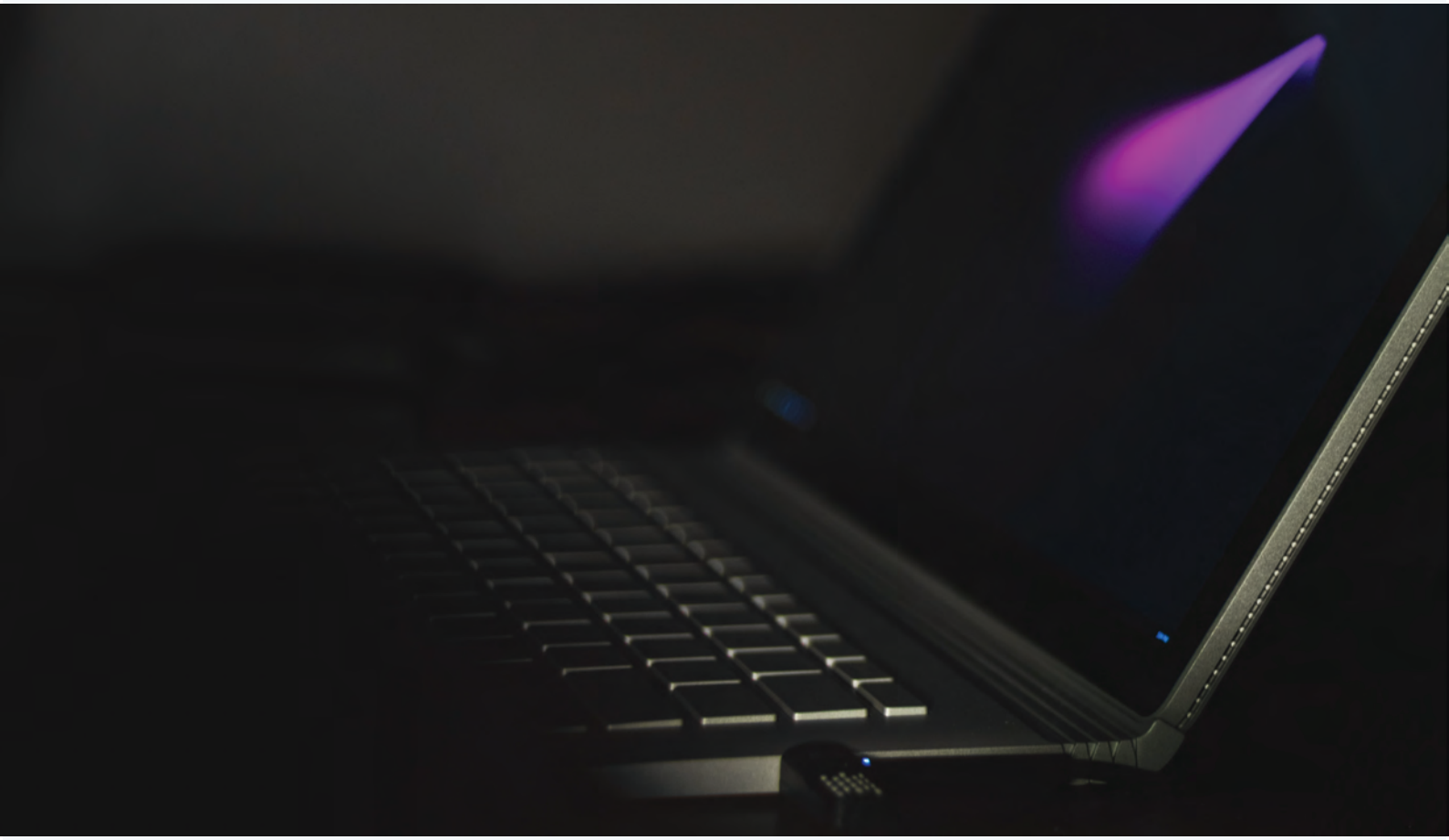
IT@ SPECTRUM

Finance Automation

Are you automation ready? - The Top 5 things you can do to prepare for finance automation today!

Digital automation in every feasible process is top of the list for most leaders right now but particularly within the Finance function. Take a look at the following paper as we explore the five things you can do to prepare for the future of automation.

By **Josh Powley, Solutions Manager**



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Automation comes in many shapes and sizes, the most current ways of automating manual tasks/removing duplication are using technology including:

- Robotic Process Automation (RPA)
- Optical-character recognition / handwriting recognition (OCR / ICR)
- Electronic forms

Many of these products can be 'thrown in' in an out-of-the-box way, but they would provide very little value. The fact is, out of the box solutions do not understand your business and they do not 'see' what you see.

For example, that great big IT@Spectrum logo below looks like this to OCR software:

IT@ SPECTRUM

Listen. Innovate. Deliver.
itspectrum.co.uk

IlsPEec R

Listen Innovate. Deliver.

Some capture products can recognise logos and images, but these will require lots of training, massively reducing the time-to-value on an automation project. The other alternative is data-based validation, where these products use the data in your business systems for cross-checking and matching.

Good quality data is the area any business can work on in preparation for a finance automation project. If you are looking at introducing more automation into your finance processes, then you can start preparing now. To help we have provided a breakdown of five things you can do NOW to make your accounts payable automation project deliver extraordinary results!

To give you a head start, below are our top 5 "gotchas" for Accounts Payable automation...

1. Avoid ambiguity: Removal of old supplier accounts.

Upkeep of clean supplier records is often something that gets overlooked when you are busy with the day-to-day, but when implementing a finance automation solution, the technology needs to be able to rely on your data.

Most finance systems include functionality to change a supplier accounts status to 'inactive'. Using this status can be useful to remove the old supplier accounts from view. If your finance system is not able to do this, agree on a convention across your team for distinguishing 'old accounts'.

We commonly see customer's adding "*** INACTIVE ***" to the end of the supplier name. Whilst this is not the cleanest way, it can still help the technology identify which supplier accounts to ignore.

2. Increase accuracy: Complete and accurate supplier data.

Often the finance system only contains the supplier information that is required to perform the day-to-day human tasks. Besides the supplier's name, address, and contact telephone, we do not see much else recorded. Sometimes this includes details such as bank account, sort code, VAT registration number, but often this is sporadic at best.

Early iterations of finance automation systems were template based and required a heavy overhead of time to set up the different supplier templates. These days the best of breed technology no longer relies on templates and instead takes a dynamic view of searching the full document and incorporates machine learning to continually learn which data entities are relevant and which are not. In order for these solutions to thrive they rely on quality data, and lots of it!

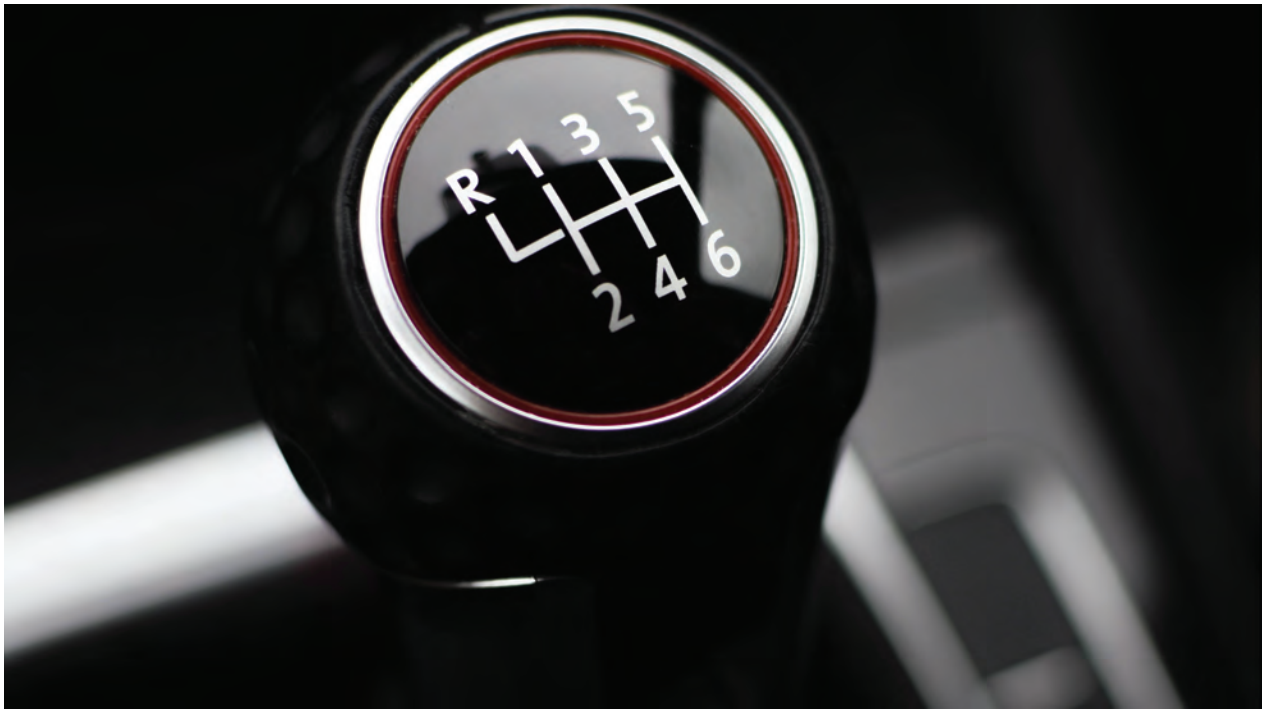
When we implement an 'invoice capture solution' our most common references for supplier matching are:

- VAT Registration Number
- IBAN
- Bank Account & Sort Code
- Company Name, Address Line 1 & Postcode

If you are looking at implementing an 'invoice capture solution', we suggest that you look at these data points. Check your finance system against what your suppliers have on their invoices, the closer your data matches, the better chance of a reliable and automatic validation.

If you can, look at this whilst you are in the procurement phase of sourcing a solution. We find that clean data can dramatically speed up the user acceptance testing time, ultimately increasing your time-to-value.

We understand this can be a daunting task. If, like most businesses we work with, you have 1,000s of suppliers, it can be difficult to know where to start. We can help on this front. Our Data Consultants can review your data and advise where to focus your efforts to get the best return on investment. Most of the time, roughly 20% of your suppliers will generate 80% of invoices, so find that 20% and focus your efforts on getting those suppliers up to scratch first.



3. Reduce manual effort: Request your invoices via email.

Some businesses prefer to receive their invoices in the post. We understand this - why should you spend money printing when your supplier is willing to!

Whilst this can help reduce costs when processing invoices manually, it adds manual steps when introducing automation. We would strongly recommend requesting invoices be sent to you via email (one invoice/credit note per PDF) to avoid the need to scan them.

There is a 'gotcha' to watch out for though! Most finance teams are already receiving invoices via email to an 'accounts payable' email address, in here expect to find invoices, statements, correspondence, newsletters, etc.

If you introduced a capture solution and told it to monitor those emails, it will assume that every attachment is an invoice and treat it that way. Not only will you then have to waste time deleting these from the capture system, but it could also cost you more if your automation charges per page/document.

That is not to say there isn't a way around this. Some automation products offer 'classification' (also known as mailroom) functionality. Classification is where the system can essentially 'tell the difference' between an invoice, statement, letter, etc. and do something different with each type. This type of functionality is often an extra add-on to these solutions.

Long story short though, you could avoid this complication/cost by asking your suppliers to send invoices and credit notes to a different email address from everything else. But, if you think classification functionality adds an extra benefit to your processes, there is no reason not to add this.

4. Increased accuracy (line item validation): Matching purchase orders.

There are two types of invoice capture solution; 'header & footer', or full 'line-item' capture. The difference between these two types of capture is: 'header & footer' capture focusses on the supplier, references, and totals. In comparison, 'full line-item capture' adds the extraction of each line on the invoice.

A 'line-item' capture project takes the line items on the invoice and would match them to lines on a purchase order. This type of capture can provide significant automation gains, without compromising on validation.

If desired, when an invoice is processed, if it matches each line on the purchase order automatically, there is probably no reason for approval. These invoices could go straight into the finance system, or into a holding queue to be quickly checked before releasing (no long and painful approval process required).

However, this process again relies on the accuracy of your data. For example, the 'kitchen scenario'; We have a purchase order for a kitchen, this order contains one line titled 'kitchen' totalling £5000.

When the invoice arrives from your supplier, it contains 60 lines of individual doors, screws, worktops, etc. There is no way the system can automatically know that each line should be associated with the single line on the PO, more so if there was a variance in the total cost. Ultimately you wouldn't want the system to guess, and would therefore need manual intervention for matching.

So, what can you do to increase the chance of automatic matching? Consider the following:

Enforce stricter policies on orders created. These should match what you expect to see on the supplier's invoice.

Ensure that your 'price book' is up-to-date. Often, we find that suppliers prices have changed, but the order is still using a cost from 2 years ago, leaving finance to pick up the pieces.

Consider the need to match to Goods Received Notes (GRN). Do you receive frequent part-deliveries/invoices? If so, GRN matching instead of order matching is a must! However, you need to ensure you are receipting the goods quickly and accurately.

If you often repeat order the same item with different variants on one order (i.e. gloves in yellow/pink/blue) some capture products can not determine the difference. It may be a consideration to enter your suppliers part code against your stock item to assist the automatic matching.

5. Less is more: Simplify your rules, if you can.

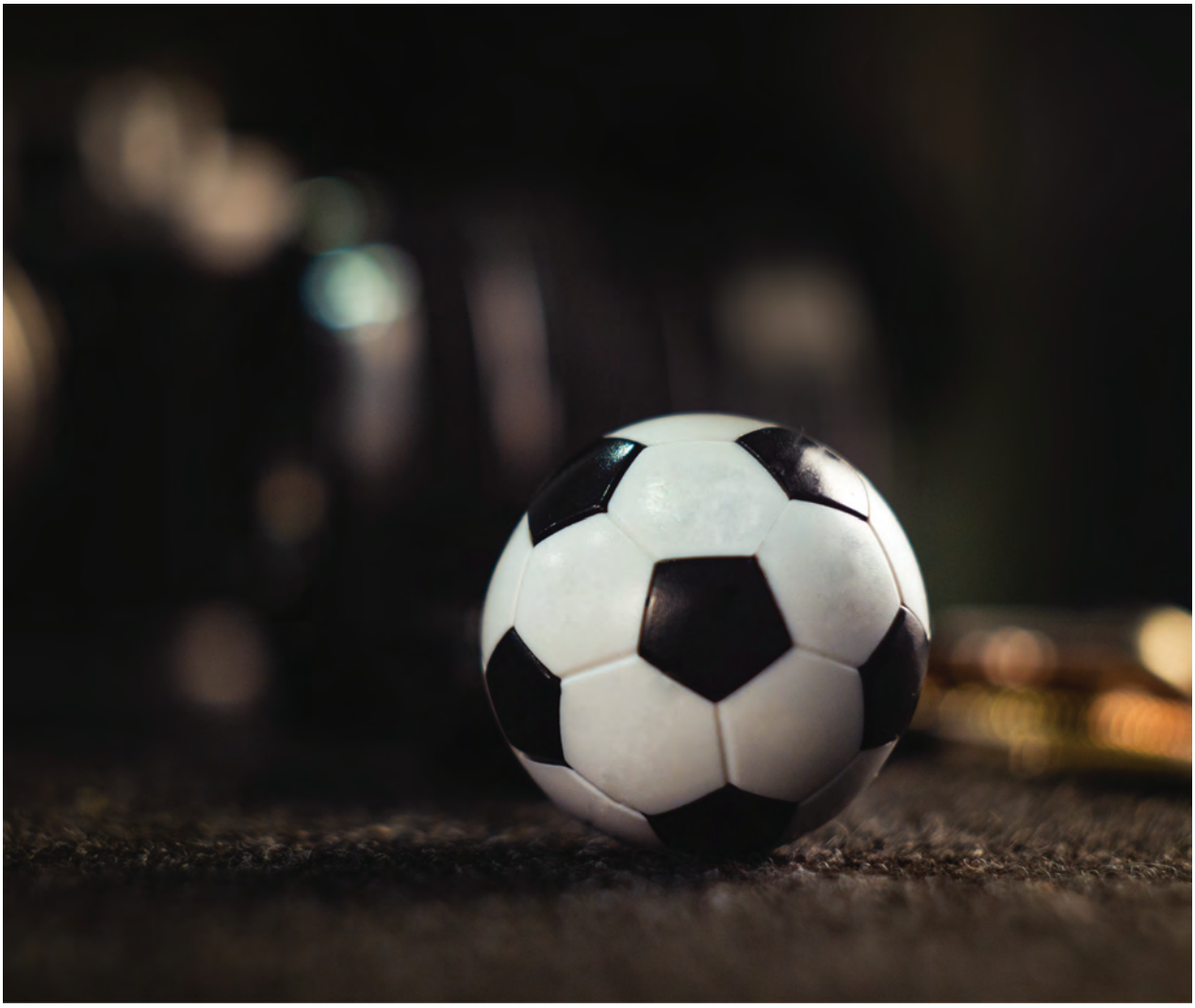
Often approval rules for purchase invoices are quite complicated, and there is a good reason usually. When implementing digital approval, it takes time to configure the systems to 'know' the years of business rules you have built. I.e. who handles which invoices, especially if these have hierarchies and lots of edge cases.

The question to ask first is: Is the approver already in a system somewhere? If not, could it be?

Most finance systems can add custom fields on the supplier. You can make use of these extra fields to dictate who the approver should be. Or maybe it already exists, often the person who raised a 'purchase order' would be the person who should review any discrepancies.

The next question is: Can I write down my approval rules in a structured way? I.e. for this combination of Nominal Code & Department 'XX' person should approve it.

It is a good idea to have thought about these two questions before starting on the path to automation, but you don't know what you don't know. If you are struggling with this process, our Business Process Consultants are here to help. Our team have many years of experience working with businesses in lots of sectors and departments. They can help understand and advise on all the points raised in this document and how to achieve the best possible finance automation outcomes.



Conclusion.

Delivering extraordinary results from your finance automation project requires more than just an investment in shiny new technology. As this white paper demonstrates you need to consider everything from data to processes and of course people! If finance automation is on your roadmap then you can start preparing now. We have over ten years of experience working with and advising organisations on getting the most out of this type of investment. Time and time again the same themes come out:

- Remove (or flag) old supplier accounts.
- Focus on getting complete and accurate supplier data.
- Speak to your suppliers and request your invoices via email.
- Focus on line-item level details.
- Simplify your approval rules.

Over the last decade IT@Spectrum have built up a depth of expertise in finance automation. That is why we know we can help you navigate around the icebergs and deliver extraordinary results.

Follow us on LinkedIn and CLICK HERE to receive all of our latest white papers and other free, informative material produced by our industry specialists.

In the meantime, if you are interested in automating your finance processes, then we are here to help. Get in touch with us.

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About the Author, Josh Powley.

Josh has been a part of our evolving digital team for almost 10 years, starting from an apprentice to managing our delivery teams. During this time he has worked with a wide range of business transforming technologies in the information and document management world. Josh has worked with countless customers over the years to help automate even the most complex processes and has become a trusted technical expert for many of these customers.