

E-INVOICING – LET US HELP YOUR COMPANY TO BOOST RESULTS

WHITE PAPER

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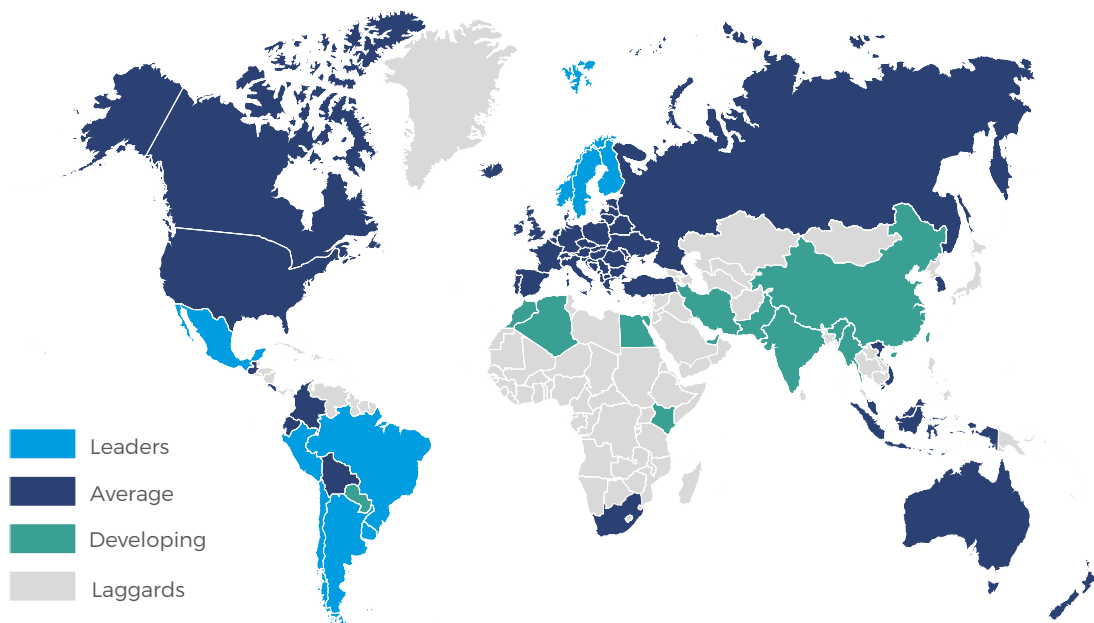
E-INVOICING: DEFINITION AND TYPES

Issuing paper invoices takes a lot of time and can be problematic, especially with a large number of contractors. Electronic invoices can be the antidote, and indeed they are becoming more and more popular, even in small businesses. Handling electronic invoices automatically significantly optimizes operations within companies, improves efficiency and reduces costs. E-invoices are key documents in business transactions, payment process and taxation. Thus, the move from paper-based to electronic invoicing requires thorough analysis of the options available, in order to choose the proper solution.

E-Invoicing is the issuing of compliant invoice documents (mostly compliant with indirect tax law) by an issuer, and their receipt in an electronic format (paperless process). Besides sending and receiving invoices, electronic invoicing includes the storage of documents in electronic format, including for evidence and tax compliance purposes, as e-invoices are legally valid in most countries.

The definition may vary in different regions of the world, each with different regulations, but e-invoicing is widespread globally.

MARKET MATURITY FOR ELECTRONIC INVOICES/BILLS



Source: E-Invoicing / E-Billing, Billentis, 2017



However, when implementing an e-invoicing project, a company should define the level of automation of the process.

- **High level of invoice process automation:** for companies looking to exchange documents in structured form (e.g. EDI/XML or hybrid model when using a combination of EDI/XML format and PDF) using electronic channels, and which are interested in full integration with their AP/AR systems. As a result of these processes, companies will automate the end to end invoicing process, leading to significant cost reduction and control over the company's spending. In case of AP processes, the company usually provides their suppliers with a user-friendly portal integrated with the AP solution. For AR processes, the company provides the selected e-invoicing provider with invoices in one format, and it is then the provider's responsibility to adjust the document format and distribution channel according to the business partners' requirements.

- **Low level of invoice process automation:** for companies wishing to use electronic channels, but which are not necessarily interested in a fully-automated invoicing process. Such companies may consider exchanging invoices via e-mail in unstructured format, which is legally compliant in most countries, but does not enable full integration with the recipient's systems. As a result, invoices need to be created manually or scanned with OCR technology.

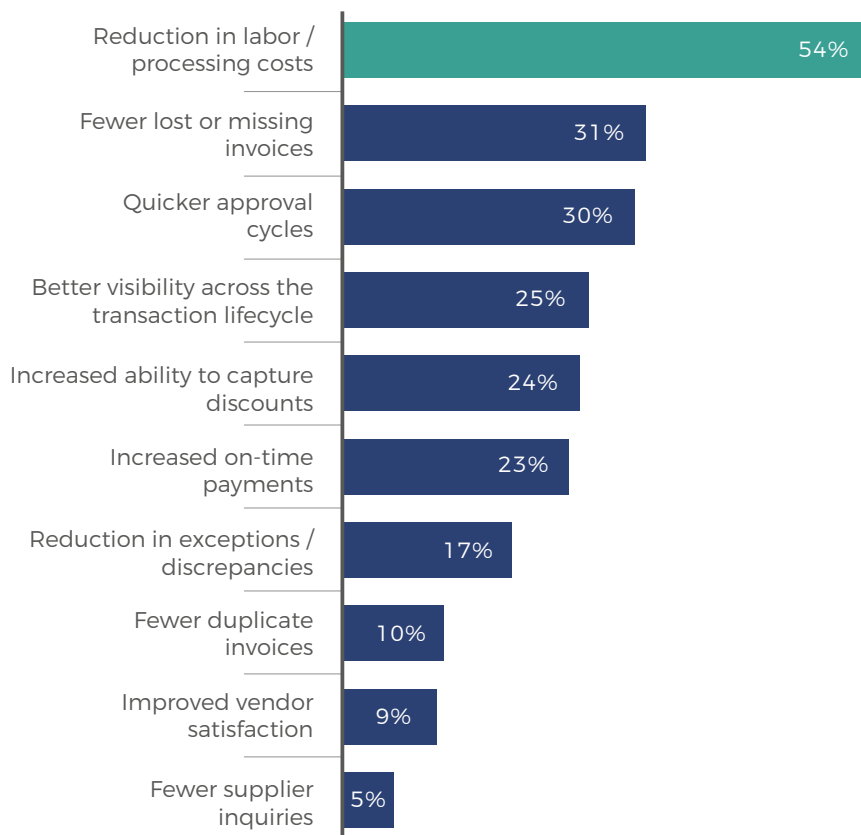
To sum up, companies regularly exchanging high volumes of invoices with many business partners should consider the highest possible level of invoice process automation. Of course, the implementation of such a solution requires a higher initial budget, but the benefits outweigh the costs over time. Each company needs to have a business case for the implementation of e-invoicing, but practice shows that some make the effort to automate the process only with partners with whom they have long-term relationships and exchange a high volume of invoices, while maintaining an unstructured flow with smaller or temporary partners. Another approach is to extend the project timeline – firstly automating the process with the partners with highest volumes of invoices, while maintaining the status quo (even paper) with smaller ones and on-boarding them in next waves.

Each organization has different goals. From the "Invoice Receipt Management Report 2015" written by PayStream Advisors in 2015, in which more than 200 individuals employed in many industries were surveyed, the majority of buyers expect a reduction in labor and processing costs as well as higher data quality and a quicker approval process.

Each company needs to define KPIs expected from moving from paper invoices to their electronic counterparts. Those measures should be based on the holistic picture of the situation in the company, including:

- Number of trading partners and their rotation
- Cooperation with trading partners (whether any other document types, such as purchase orders, have already been exchanged with them; how your company can persuade partners to make changes)
- Percentage of partners from the public administration sector (many countries plan to oblige such companies to send e-invoices to their entities in structured form)
- Countries in which partners are based (whether most originate from one country, or are scattered worldwide, and whether e-invoicing is common in those countries)
- Volume of invoices exchanged with partners (whether most are exchanged with a few TOP partners)
- IT systems in use and plans for the investment in new systems (whether the company has been using an e-invoicing provider already integrated with ERP, and whether it has an ECM-class system in use)
- Structure of your company (is your company structure ready for the internal processes of automation, with clearly-defined responsibilities)

FACTORS FOR IMPLEMENTING AN ELECTRONIC INVOICE SOLUTION



Source: PayStream Advisors, 2015

INVOICE COMPLIANCE AND EXCHANGE MODELS

In order to provide benefits, e-invoicing has to meet many requirements. E-invoicing compliance is associated with regulations for both buyers and suppliers. Generally, this refers to:

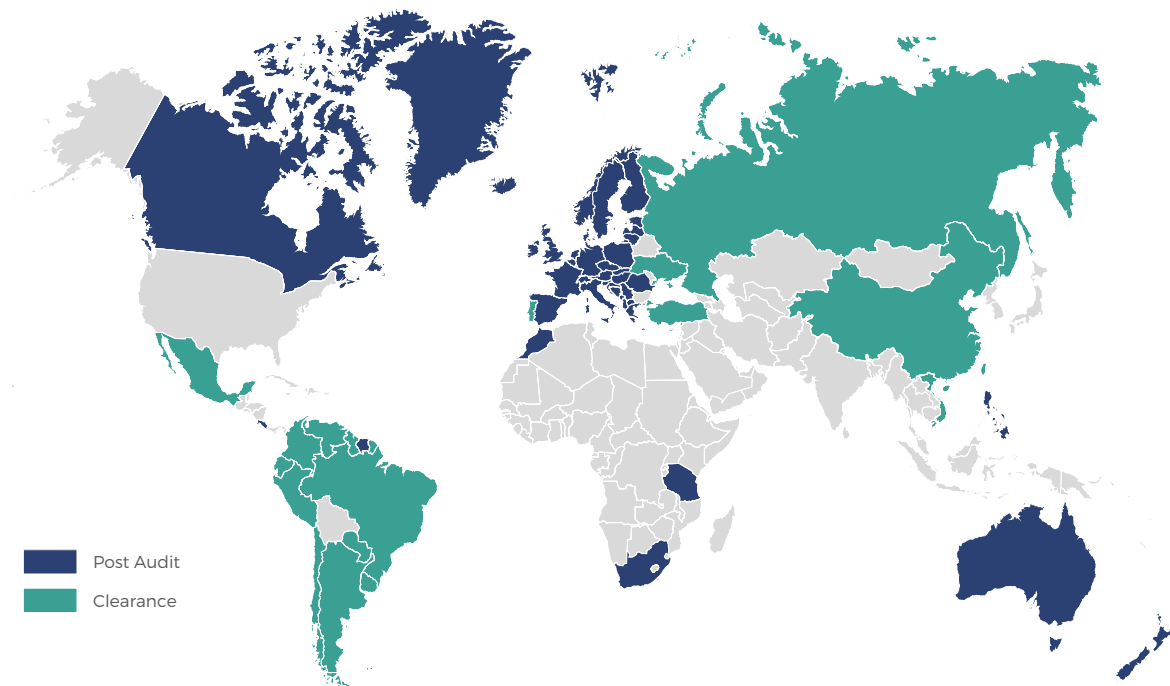
- **Authenticity:** the seller must ensure that the invoice contains the correct data and that it is verifiably authentic. The authenticity of the invoice can be guaranteed by using electronic data interchange, an electronic signature, or through the use of business controls.
- **Integrity:** The goal of integrity is to ensure that the content of a document is not changed after

it is issued – no modification occurs during transit, receipt or storage. Therefore, if the buyer is confident that an invoice is compliant, they can match it to goods or services received, and execute payment under the terms agreed with the seller.

- **Readability:** Readability means that all e-invoices are readable, from the beginning of their existence until the end of the storage period.

Legal issues differ greatly from country to country. In general, though, they fall into two broad groups: post-audit countries and clearance countries.

SIMPLIFIED MAP SHOWING CURRENT DISTRIBUTION OF THE TWO MAJOR
REGULATORY E-INVOICING SYSTEMS

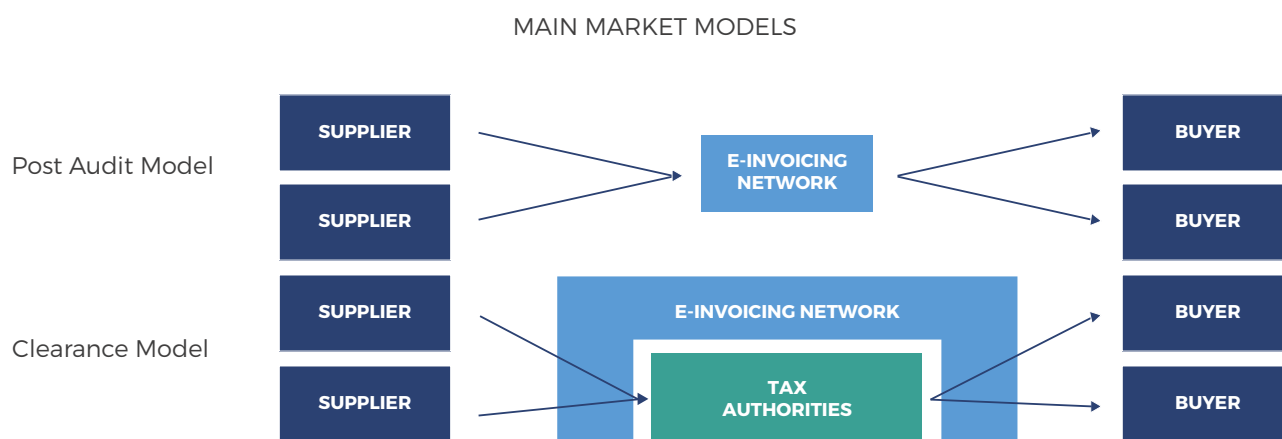


Source: Tax-compliant Global Electronic Invoice Lifecycle Management, TrustWeaver 2016

POST-AUDIT MODEL

Issuers of e-invoices send their documents directly to recipients. With the use of an EDI provider, documents can be transferred via a platform directly from the seller to the buyer. The exchange of invoices between trading partners is “direct”, but

they are required to prove the veracity of archived invoices for up to a decade later. The audit verifies whether the company’s accounts accurately reflect all actual sales/purchase transactions, and whether VAT is properly calculated and reported. This is a common approach in the European Union and Commonwealth countries.



Source: E-Invoicing / E-Billing, Billentis, 2017

EUROPEAN UNION

B2B

Legislative frameworks for the B2B sector in all European Union Member States must be adjusted to Directive 2010/45/EU. Following the roll-out of EU directive 2010/45/EU, electronic bills have to be treated as equal to paper ones. Accepting electronic invoicing has become a legal requirement. Moreover, all countries within the EU allow electronic invoicing from one country to another.

Cross-border invoicing is critical, as an invoice must meet the requirements of various countries. When a company carries out a lot of cross-border invoicing, it should choose an e-invoicing provider that can ensure compliance in many countries.

B2G

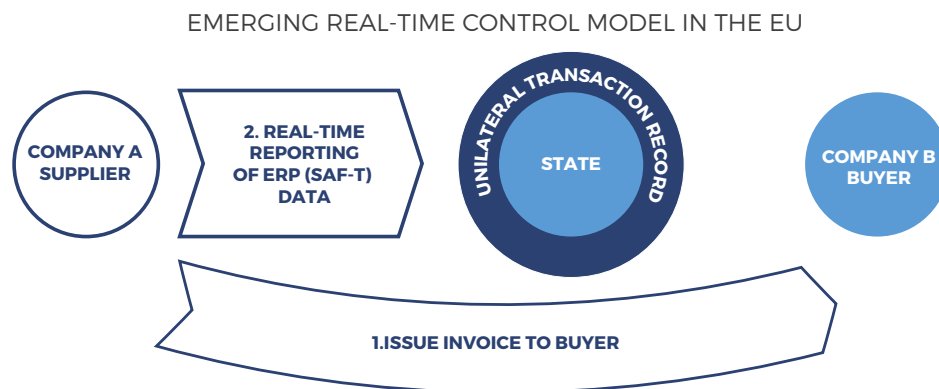
In recent years, the European Union has been focusing on e-invoicing in the B2G sector. Some countries have already created technical platforms, associated specifications, or even made the billing system obligatory. These include Austria, Denmark and Spain (for the majority of taxpayers), France (taking place in stages), Italy, Sweden, Slovenia, and Estonia. According to Directive 2014/55/EU, public administration entities must be able to receive and process electronic invoices that comply with the standard by 27 November 2018 (subject to no postponements).

The European Union, despite its common legal regulations, does not have a uniform solution for relations between public administrations and their suppliers. It is expected that the Peppol project, initiated in 2008, will help Member States to unify the B2G e-invoicing system. Peppol is essentially a set of specifications that ensure the exchange of electronic procurement documents through the concept of service providers acting as “access points”.

TAX REPORTING

Another process – which wrongly appears in the European Union in talks regarding e-invoicing projects – is called the real-time model. These control systems are based on a transaction record built mostly in ERPs. The transaction record consists of SAF-T (Standard Audit File for Tax) – a set of files comprising information about invoices, data from accounting books, bank statements, warehouses, and records of VAT transactions.

The main purposes of a SAF-T file are to remove the barrier to electronic data transmission and to improve the functioning of the tax authorities. Thanks to this, they will be able to perform inspection activities quickly. Files included in SAF-T can be provided for fiscal control electronically. SAF-T is expected in some countries (e.g. Hungary, Poland, Portugal and Spain).



Source: Tax-compliant Global Electronic Invoice Lifecycle Management, TrustWeaver 2016

CLEARANCE MODEL

Invoices in such countries cannot be sent directly to the recipient, but must be controlled and authorized electronically by the relevant ministry of finance before or during the exchange process. This is a widespread approach mostly in Latin America, Turkey, Russia and Asia.

The process is specific in particular countries and there are quite a few variations, but there are some points in common. Typically, the process is started by the supplier, who sends an invoice in a given format to the tax administration or its licensed agent. After validating the data, the tax administration either returns the invoice with an electronic approval code to the supplier, or sends it directly to the receiver. In some cases, the unique identification number is just provided to the supplier and it must be added to the invoice. Most countries require the use of certified service providers for the exchange of data. In this case, they validate the invoice content and provide the buyers with invoices. According to another clearance model, the supplier can send the invoice to the buyer without clearance, but must clear it within a limited period of time. Buyers are obliged to pay only validated invoices; they can check with the tax administration whether the invoice was issued in compliance with applicable requirements.

RUSSIA

- E-invoice interchange has to be done via a registered, authorized operator (EDM), which is periodically audited by the Russian tax authorities
- E-invoicing is not mandatory

TURKEY

- Issuers must forward invoices at all times through the TRA (Turkish Revenue Administration) platform. Technical controls are applied by Revenue Administration and the Ministry of Customs and Trade. Then, the documents are forwarded to the recipients via web services
- E-invoicing has been declared mandatory for certain sectors

LATIN AMERICA

- Depending on the country, invoices are monitored by the Federal Public Revenue Administration (Argentina), the State Department of Finance (Brazil) or the relevant municipal authority
- E-invoicing is mandatory for the majority of taxpayers

CHALLENGES WHEN LAUNCHING A MASS E-INVOICING PROJECT

Every month, many companies struggle with processing hundreds or even thousands of paper invoices. Therefore, many companies are searching for solutions that allow a comprehensive approach to the process of e-invoicing, which allows paper invoices to be replaced quickly with their electronic counterparts, while reducing the costs of invoicing and improving data quality. And all this must be done in accordance with applicable regulations.

As different laws and regulations apply to business partners in different countries, legal requirements which may be unknown or confusing pose the greatest challenge. Also, the market is not so clear for many companies – so missing transparency about the solutions on offer and collaboration between various service providers can cause confusion. A lack of understanding of current available solutions is also a reason why companies do not recognize the business case for e-invoicing and do not believe there will be ROI.

Another challenge is business partner on-boarding and supplier resistance. Some trading partners do not support electronic invoices, and some have different requirements regarding formats, methods and processes.

Finally, there are also many internal challenges, for example a lack of resources to manage automation, including no budget, the fact that current processes work, and the necessity to adopt internal organization processes.

Taking into consideration all these challenges and the complexity of implementing e-invoicing, it is reasonable to trust an experienced company that provides tools tailored to supplier needs, effective on-boarding, and the right project management.

MAIN CHALLENGES:

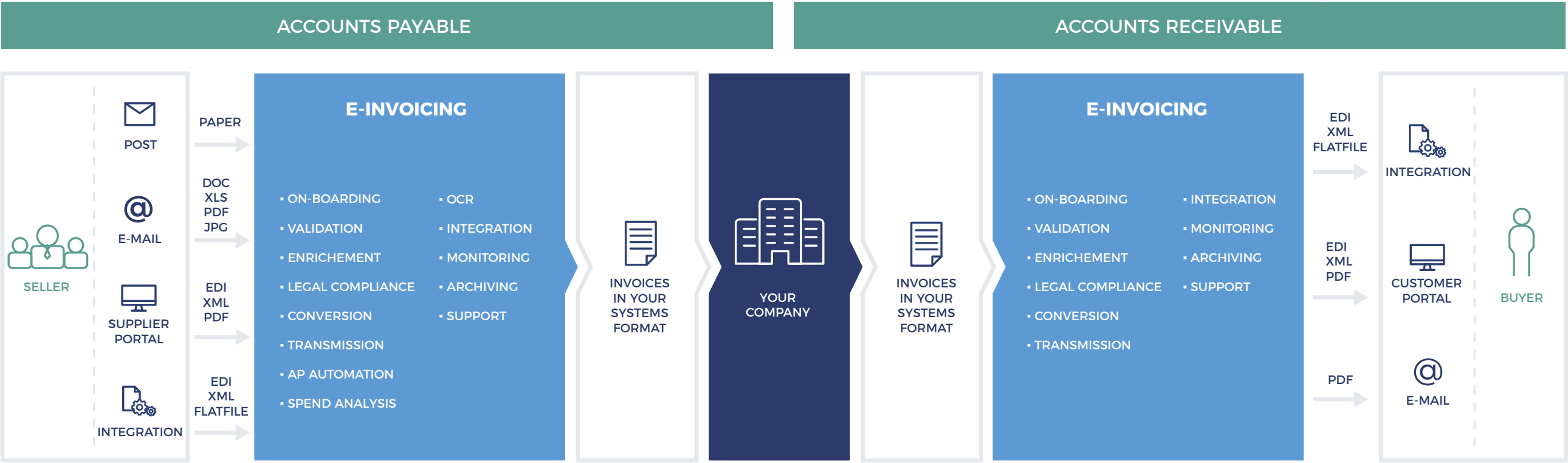
- Legal compliance
- On-boarding all the partners
- Various invoice formats (e.g. EDI, CSV, paper and scans)
- Poor data quality and lost invoices
- Handling AP/AR invoices within a company
- Multiple systems to handle all invoice-related flows



THE RIGHT TOOL TAILORED TO THE SUPPLIER'S NEEDS

For a process as complex as e-invoicing, you need a comprehensive solution guaranteeing the full automation of creating, transmitting, delivering and managing documents in order to make processing an invoice easier and more convenient. There are many standards and norms, and business partners have different expectations as to the ways and formats of sending and receiving invoices. A proven solution provides the implementation of data exchange with any business partner, regardless of technological maturity and geographical area.

Some companies may look for various providers covering different stages in the whole process, one for EDI, another for paper and scans, and yet another for invoice management. Such an approach may result in inattention and poor prioritization (many projects executed with many partners), incompatibility between systems, and a lack of the synergy assured by one provider guaranteeing automation of the end to end process.



When choosing a solution, at least the following features should be considered (besides legal compliance described above):

ON-BOARDING

Efficient mass communication during the rollout phase keeps partners informed and prepared for on-boarding activities. It includes mass mailing, publishing news and other necessary information on the project info page.

For each project, a dedicated onboarding process should be designed to meet all of customer and project requirements and allow partners to be on-boarded in the most effective way.

Treating each partner's onboarding as a separate, independent process allows a huge number of on-boarding processes to be managed simultaneously.

Thanks to the features noted below, the on-boarding process for each partner runs smoothly and transparently:

- Help materials and instructions on each step, along with self-care tools, allow partners to perform complete on-boarding activities by themselves
- Follow-up procedures automatically identify delays on the partner side and initiate previously designed reactions according to the escalation plan
- The ticketing system helps the management of customer issues and communication streams in a transparent and effective way
- The test platform module allows simulated e-Invoice interchange before launching it in production mode. This minimizes and can even eliminate potential errors after go-live
- Selection by the partner of the most suitable go-live date gives them full control of the e-invoicing start date

Even after on-boarding is completed and the partner is using the platform in production mode, self-care tools allow to change various parameters including e-invoice format and transmission channel. So, the partner can adjust the platform without any contact with the customer.

EXISTING NETWORK & INTEROPERABILITY

Interoperability is the ability of suppliers and buyers to exchange documents in an effective and secure way – but it also has a broader meaning. Because there are so many e-invoicing solutions on the market, buyers may have doubts about which service provider to choose. It is better to opt for a big provider with many existing connections in the network, because they will be able to on-board suppliers quickly and inexpensively. As trading partners may be connected to different service providers' platforms, the providers need to create connections with each other. These arrangements are described as interoperability agreements. Interoperability makes it easy for any company, regardless of size, to start e-invoicing, and therefore has a huge influence on the adoption of e-invoicing.

MULTICHANNEL/OCR

One of the main functionalities of an effective, universal e-invoicing system is the support of various channels. Depending on whether the AP or AR process is considered, the solution should support at least:

- Integration: both parties are integrated within a business network that enables the invoice to move directly from one AR system or ERP to another. This model is dedicated especially for large business partners who may use such protocols as AS2, OFTP, SFTP, FTP/VPN or WebService.
- Supplier/customer portal: in the case of the AP process, suppliers enter invoice data into a standardized web form on a supplier portal. For the AR process, customers may receive invoices in a user-friendly application. Uploading a file, creating an invoice from other documents and notifications are just a few of the functionalities to be considered.
- E-mail/OCR: if the suppliers in AP process send images of invoices via e-mail, an OCR engine ensures a noticeable reduction in the time spent on registration. Self-learning algorithms mean you do not need to consider many different invoice layouts. This allows scanning in the mixed model (branches and HQ), indexing in the context of domain systems, and the use of barcodes, 2D codes or QR mechanisms. In the AR process e-mail may be used for customers reluctant to use the portal.
- Post: this channel may still be required in communication with some partners.

SUPPORT FOR VARIOUS FORMATS

Whilst exchanging invoices electronically, you need to take into account the variety of formats of files in your partners' systems. The files have to be transformed into compatible formats or they will be useless. When considering structured files, the most commonly used formats are XML, EDIFACT, VDA, TRADACOM, X.12, EDITEC, UBL and IDOC, depending on the region or the industry. It is standard for the provider to take responsibility for adjusting formats (any-to-any mapping) after agreeing the final specification (message implementation guideline - MIG) with the partner.

The solution should also provide services to support unstructured files in such formats such as .doc, .xls, .jpg and .pdf, and their conversion to the structured format enabling automated processing.

It is worth mentioning that, before data conversion, all required fields should be validated against individually agreed rules. In addition, some routing mechanism may be implemented.

TRACKING

In order to make e-invoicing processes comprehensive, you may also need a tracking tool to ensure prompt access to document processing statuses. Your company will need to have detailed information on transmission and processing, with error descriptions.

In addition, dedicated statuses on invoice approval, entering in the books or payment execution may be implemented. Thanks to such an application, you can obtain:

- Information about mistakes and reasons for incorrect processing
- Date of sending a document
- Status of an invoice
- Information about the relation specification

Document tracking allows you to preview the flow of documents between your partners, regardless of the type of connection between them. It shows both incorrect and correct documents uploaded within a certain period of time.

AP AUTOMATION

Accounts payable features ensure a decrease in the workload associated with manual processing. Use of the process engine accelerates the acceptance of documents and collects data entered at every stage of the process. Thanks to this, accounting staff can focus solely on verification and particularization of the entered assignment. It enables effective invoice management due to quick access to electronic documents which are stored securely in a central repository. It allows documents to be searched, preserved, archived and delivered for audits. Invoice processing is based on a workflow engine, enabling the appropriate approval mechanisms to be set and reflecting the structure of document verification and acceptance or issue management.

ANALYTICS

Dedicated reports and graphical dashboards enable the utilization of data collected within workflows and captured documents, and through integration with other company's systems. By correlating data from all these sources, the solution can produce comprehensive, real-time analysis, providing an insight into a company's invoicing processes. This helps to address emerging issues, control spending, take the right decisions, and predict future financial performance.

ARCHIVING

The effective storage of electronic invoice data is essential, as it allows historical documents to be retrieved quickly whenever needed. It is useful to have a web-based application with access to all invoices from anywhere and including intuitive search criteria, a history of operations carried on documents, a readable version with printing possibilities, and a user management tool. In many countries, companies are obliged to store invoices and the whole supporting documentation for a specific period of time. The legal requirements for archiving e-invoice may differ significantly from country to country, but there are some common rules.

In most cases, e-invoices may also be stored electronically outside the country, if the manner of storage enables the tax authority or the fiscal audit authority to access these documents.

e-Archive mostly expected features

- Archiving of sales and purchase invoices in one place
- Web application with a friendly interface
- Multi-lingual Interface
- Quick search of archived e-invoices
- Different access permissions for documents
- Different roles for users (user access and authorization defined by the administrator)
- Preview to a readable version of e-invoices
- History of statuses

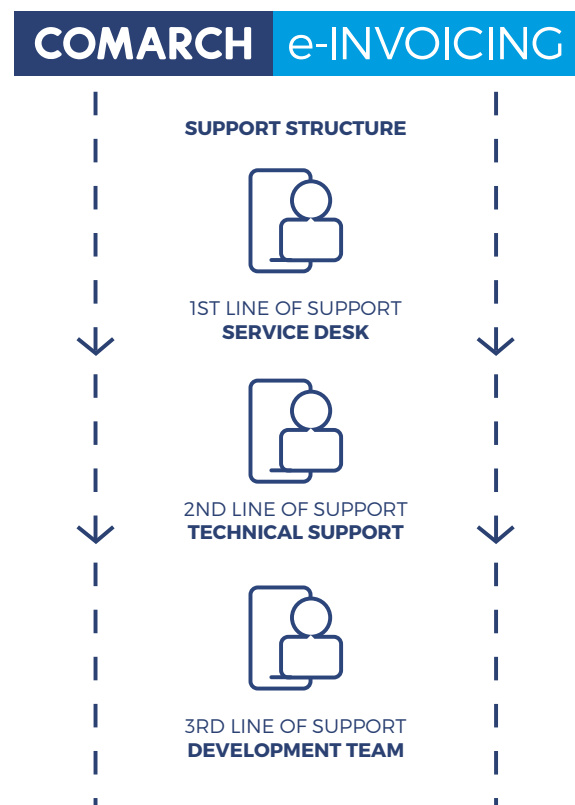
MULTI-LINGUAL SUPPORT

If the trading partners are connected and the system is ready to use, you will probably need a service desk to support the community in solving live issues. An understanding of the trading partners' problems is crucial in project efficiency – thus service desk should be provided in various languages.

A service desk using advanced tools is able to provide a satisfactory response time and actively monitor newly connected trading partners, so that the appropriate actions are taken in the event of any problems or issues.

The reaction time must be guaranteed, in order to enable efficient communication and smooth operating. A service desk is therefore responsible for maintaining a suitable level of customer service. In the biggest projects, it must manage a huge database of knowledge for many customers simultaneously. Issues reported by partners might be functional or technical, easy or advanced, so it is necessary to support each service level to ensure satisfaction. It is a good idea to have diverse support levels with appropriate and fully coordinated work-groups, for example:

- **1st line of Support:** validation of trading partner contact data, distribution of educational materials, training, solution consulting, dealing with simple requests
- **2nd line of Support:** document errors, installations, configuration of relations
- **3rd line of Support:** data analysis, application errors, administration, correction in mappings, backup and Data Center management, security





PROJECT MANAGEMENT

Paweł Nawrocki
Expert statement



The methodology of managing and conducting implementation projects is a result of many years of experience in implementing and developing various kinds of software, and is based on a classic approach to projects based on PMBOK designed by the Project Management Institute (PMI). The methodology of managing projects should be founded on and in accordance with the internal procedures of the quality management system ISO 9001:2000. More and more customers ask for more agile approaches, and are asking providers to conduct projects according to the agile/scrum methodology.

When conducting an implementation project, the provider relies on a number of procedures designed to assure the high quality of the delivered product. Special attention is given to quality management, which is intended to determine the processes necessary to ensure a satisfactory level of applications and services provided to a customer in document form. These procedures are set for each step of the software system development and implementation process.

The project management methodology should define rules during the implementation of projects, from the beginning until completion. The material is created primarily for project managers and resource managers, with the aim of sharing the knowledge and good practices of project management. The methodology aims to communicate in a simple way the things that are happening in projects, including the internal and external environments. At the same time, it is consistent with good project management practices.

PILLARS OF COMARCH'S METHODOLOGY:

- Years of experience in executing IT projects (software development and implementation)
- Adoption of a classic approach to management developed by PMI (PMBOK)
- Procedures of the quality management system (including ISO 9001:2008)

BENEFITS

On the subject of e-invoicing benefits, we can say that it is cheaper, quicker and simpler than paper invoicing. The average time needed to process an e-invoice is five days, while it takes 23 days for a paper invoice. Processing a paper invoice includes a lot of tasks: to issue and print, envelop and post, archive (issuer), deliver, enter, and archive (recipient). For an electronic invoice, the only tasks are: to issue and send, to process and archive, and to receive (recipient).



60%

50-60% SAVINGS

Electronic invoice processes result in savings of 60-80% compared to traditional paper-based processing (Source: Billentis)



12 EUR

4-12 EUR NET BENEFITS PER INVOICE

*applies to VAT compliant e-invoicing (Source: Politecnico di Milano)



65 EUR

UP TO 65 EUR NET BENEFITS PER CYCLE

*applies to full integration of the trade process (Source: Politecnico di Milano)



0,5-1,5 years

RESULTS IN 0,5-1,5 YEARS

Projects typically result in a payback period of 0,5-1,5 years (Source: Billentis)

HOW WILL E-INVOICING BENEFIT YOUR BUSINESS?

- Reduction in FTE
- Quicker approval cycle
- Better visibility across the transaction lifecycle
- Security and speed of data transmission
- Faster retrieval of money from customers
- Improved partner satisfaction



INVOICING

PROCESS AUTOMATION



REDUCTION

OF THE COST OF DOCUMENT HANDLING



COMPLIANCE WITH REGULATIONS



REDUCTION IN FALSE INVOICES

AND RESOLUTION OF MISUNDERSTANDINGS



LINKING TO OTHER
COMMERCIAL DOCUMENTS



FULLY CONTROLLABLE COST ACCEPTANCE
(WORKFLOW UNIFICATION MECHANISM)



FASTER
EXECUTION OF PAYMENTS



POSITIVE
IMPACT ON ECOLOGY (CSR)

SUMMARY

In the era of IT technologies, and at a time when we are focused on taking care on the environment, more and more companies are deciding to issue electronic invoices. It is convenient, time saving and cheaper than traditional paper methods. In order to benefit from the advantages of an e-invoicing solution, many requirements must first be met and many challenges addressed. As e-invoicing is highly complex, businesses taking this route are recommended to take advantage of the experience of a service provider.

Best in class e-invoicing solutions enable cost-effective handling of entire invoice-related flows, both electronic and paper, in one integrated suite. A multi-lingual service desk and interoperability with providers worldwide guarantee electronic communication with all vendors/customers in one place. In addition, you should be able to rest assured that invoice content is validated and correctly formatted, that the transmission process is secure, and that you have access to invoice statuses with detailed information. Moreover, you may fully streamline and automate your AP invoice process. The workflow engine provides control and monitoring.

However, automating the e-invoicing process may bring further benefits when integrated with other processes within the company. The holistic approach called order-to-cash or procure-to-pay guarantees that you can also automate other processes in the supply chain and integrate them with invoicing processes. A comprehensive approach to both internal and external communication with all partners (suppliers, customers, logistic operators and financial institutions), including the exchange of the product, commercial, logistic or financial data, brings about the best results. Consequently, companies are provided with fast and secure access to reliable data, optimization of processes, and a reduction in the cost of handling documents.

COMARCH

ABOUT COMARCH

Founded in 1993, Comarch has more than 20 years of experience in designing, implementing and integrating IT solutions for enterprises in a variety of industries, including retail, consumer goods, DIY, logistics, manufacturing, pharmaceuticals, and oil and gas. Solutions for data exchange and document management are dedicated to master data management, e-procurement, e-invoicing and AP/AR processes. Comarch is a true end to end procure to pay solution provider. Moreover, the offer comprises a B2B network that guarantees secure and reliable data transmission with more than 100 000 entities worldwide in a short time. Comarch is cooperating with leading companies such as Metro Systems, Carrefour, Leroy Merlin, BP, BIC, Unilever, Rossmann, Valeant, Valeo, and Technicolor. With thousands of successfully completed projects, 16 data center locations and more than 80 offices in 30-plus countries, Comarch has the support and infrastructure necessary for high-volume rollouts.

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