

Virtual Filing

A guide to reducing paper filing in your purchase ledger department, using HMRC compliant document scanning

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Introduction

Thank you for downloading our guide to Virtual Filing

If you run an accounts department our guide will explain how to create a virtual filing cabinet which is HMRC compliant, easy to work with and fast to use. This can save you valuable office space and speed up the time it takes to process purchase ledger.

Who are we?

Click2Scan Ltd is a UK company that specialises in document scanning – it's all we do. We provide a range of services around scanning including sophisticated software, a service for scanning backlogs of files or ongoing files, a hire service so you can rent high quality scanning equipment for short term in-house projects and a full online shop for selling scanning equipment, consumables and providing maintenance.

We are partnered with a number of companies including well known and trusted brands like Canon as well as software partners, Abbyy and Spielberg Solutions. This means we can deliver robust solutions which are fully supported now and in the future.

If after reading this guide you would like additional information or an on-site visit to discuss your requirements, we would be delighted to hear from you.

Martin Peirce, Director
Click2Scan Ltd

Terminology

Key terms featured in our guide, explained

ADF/Document feeder

Allows pages to be scanned in batches.

Audit trail

Each document has a history recorded against it – when it was scanned, by who, details of amendments, etc.

Barcode

Used in scanning for accurate recognition of key information. Widely used to 'lookup' additional information based on the relational value.

Certificate of destruction

Confirmation that your original documents have been destroyed – helps with compliance.

Colour scanning

Colour scanning is available on most scanners now but is slower and creates much larger file sizes.

Document management

Usually referred to as document management software. Used for managing the scanning and retrieval process.

DPI

Dots per inch. How much detail is recorded when a page is scanned – usually 200 or 300 dpi.

Duplex

Both sides are scanned.

HMRC Compliant

HMRC will accept scanned documents instead of the originals.

Indexing

The term used to describe the keying in of information from an invoice into a document management system.

Legal admissibility

Term used to describe whether a scanned document can be presented in court (should the need arise) as a true copy of the original document.

OCR

Optical character recognition – reading the contents of a scanned page or finding key information on the page.

PD0008

British standard for digital archiving.

PDF

The most popular file format for scanned documents.

PDF/A

An archiving variant of PDF introduced recently.

Retention period

The amount of time required to keep a document whether it's scanned or original.

Retrieval

Finding your documents again once they have been scanned and archived.

Scanner

A piece of hardware used for scanning paper.

SCSI

Old fashioned connection for joining scanners to PCs.

Searchable PDF

A PDF file where the content can be searched.

Secure shredding

Usually means shredding is done with a certificate of destruction.

Shredding

The destruction of paper documents.

Simplex

Only one side is scanned.

Tiff

A file format which is popular and widely used in document scanning.

USB/USB 2.0

Common interface for joining up scanners.

Version control

Usually a feature of a document management system means that each amendment to a document will be recorded and you can view each change in time.

Virtual archiving/virtual filing

Another way to describe the process of storing your paperwork in an electronic format.

Workflow

Routing a document around in a workflow or process, could be used for the invoice approval process.

Compliance

The legal admissibility of scanned documents

The British Standard for electronic archiving is PD0008 and our understanding and experience of this standard is that your financial records can be scanned and electronically archived but you will need to implement a few compliance procedures including:

- ⇒ Documentation of the scanning process: What your policy or procedure is
- ⇒ Certificate of Destruction: Who shredded the original and when was it shredded?
- ⇒ Version control and audit trail: Can you prove that the scanned document you have is a fair and true copy of the original?

Provided you follow these quite straight forward steps, scanning and shredding should be an easy procedure to follow. Our own customers' experience of HMRC shows VAT inspectors to be extremely comfortable looking at purchase invoices on screen as opposed to paper copies and, as HMRC are virtually paperless themselves, it is a technology they work with everyday.



Scanning & recognition

Intelligently scanning and recognising invoices

There is a lot of information on a purchase ledger invoice and every business has a different approach to capturing this data. The headline information on the invoice is usually agreed as:

- ⇒ Supplier
- ⇒ Invoice number
- ⇒ Order number
- ⇒ Tax date
- ⇒ Net
- ⇒ VAT
- ⇒ Total

This information generally needs to be keyed into your accounts system as well. It is assumed that some invoices will be in response to a purchase order you have already raised and some will be sent into you without a purchase order, i.e. energy bills, fuel etc.

It is now possible to scan an invoice and extract all of the information you need from it which may reduce the amount of keying in you need to do to your accounts system.

OCR is the process of reading areas of the page when the invoice is scanned and freeform OCR is the process of reading the page and then intelligently looking for information that matches a known criteria such as looking for the words 'invoice number' and then finding a value alongside it which looks like the invoice number value.



Scanning & recognition continued...

At what point is the invoice scanned?

You have an existing process for your purchase ledger and this may include an invoice approval process where the invoice is sent off to an individual person or department.

The process could be as follows:

1. Invoice is received into the business
2. Accounts team key relevant information into Sage
3. Sage reference number is written on the invoice
4. Invoice is manually sent/taken to a person for approval
5. Person approves or rejects the invoice and sends it back to accounts
6. Invoice is set as pending payment and put in a pending pile
7. Invoice is paid and put in an archiving file

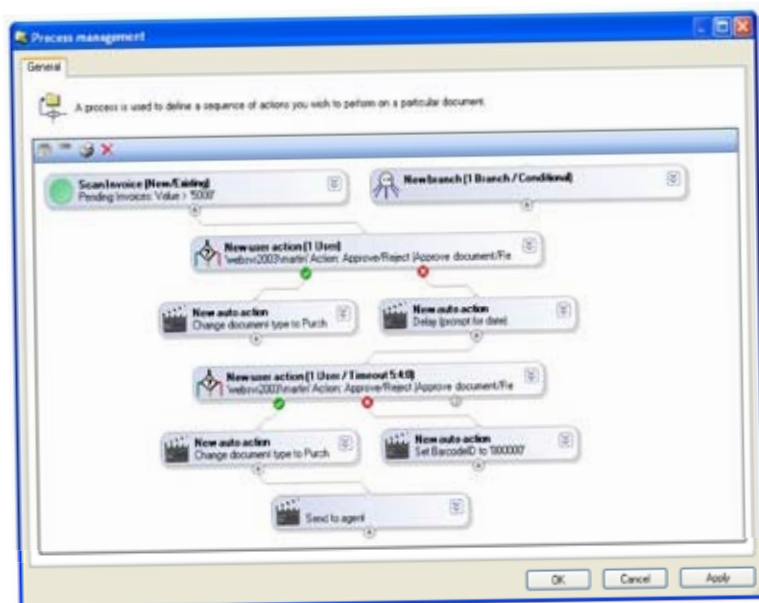
With this process, the invoice could be scanned at point three or at point seven.

Scanning at point three would allow an electronic workflow to be created and the invoice would be automatically emailed around the business. Scanning at point seven would allow the implementation of hands-free scanning with automatic indexing.

Workflow & routing

Scanning into a workflow

Document management systems, like FileDirector, often have workflow modules that can be set up to suit a company's internal process. In accounts-payable, a workflow can be designed for invoice approval with criteria set up around values of the invoice. For example, if the invoice value is greater than £5000 then email it to John, otherwise email it to Sarah. The image below shows how a workflow can be quickly designed.



With an electronic process, the invoice would be scanned early on, and from that point onwards is always available for viewing as well as being trackable at any time to see where it is in the whole process. You can even set up alarms and prompts to ensure your approval process doesn't get held up.

Updates with scanned information

Automatically updating your accounts system

If you process a significant number of invoices every day there may be a benefit in finding a software solution that reads a scanned invoice, which then automatically updates your accounts system with the information.

This can be quite a complex solution and a more simplified way of achieving this is to use the import facility in your accounts system, like Sage, to bulk import the invoices which can cut down on keying in saving time and money.

Using FileDirector or a specialist invoice recognition tool like Abbyy FlexiCapture will achieve this.

Hardware for scanning

Our guide to the best scanners for the job

When it comes to scanning, you have several options available to you. We are Canon partners and are very pleased to recommend this trusted brand as a market leader and the best option available to every business. What we particularly like about Canon scanners is the standard 12 month warranty, which is an eight hour response and eight hour fix plus the ability to upgrade to three years cover.

Desktop scanners

A typical desktop scanner such as the Canon Dr-2510c pictured >

- ⇒ Both sides at the same time (duplex)
- ⇒ Feed a range of paper sizes from a till receipt or train ticket up to an A4 page
- ⇒ Allow you to feed in 25 pages at once
- ⇒ Comes with a bundle of useful software including the full version of Adobe Acrobat



Workgroup scanners

These scanners have a larger document feeder and will scan more pages per minute. The Canon Dr-4010c pictured >

- ⇒ Allow you to feed in 100 pages at once
- ⇒ Scan 40 pages per minute (both sides at the same time)

Offering excellent scanning accuracy and reliability.



A greener way of working

Virtual filing = less paper

Thinking about it logically, it cannot be good sense financially or from a carbon neutral perspective to archive a piece of paper for a minimum of seven years, knowing that there are now faster, more efficient and compliant alternatives.

Wherever you store your files they will always be exposed to floods, fire, theft and decay and in addition to these risks, you will still never have a backup of your paper files.

With virtual filing you free up valuable office space, save on storage costs and improve your response times as you can find information or process payments much faster. Above all though, you will actually have a backup of your files.

Virtual filing can bring many benefits to your purchase ledger department, cut down on paper consumption and effect more recycling through secure shredding.



That's it!

We hope you have found this guide to virtual filing helpful

For further information about our range of services please visit www.click2scan.co.uk

If you have any questions about virtual filing for your purchase ledger department or would like to arrange for us to visit you at your offices to discuss your requirements or give you a demonstration, please call us on 0845 873 8600.

This guide has been produced by Click2Scan Ltd in conjunction with Canon and Spielberg Solutions.