8 Tips for a Best-Practice Expenses Process

And 12 top resources to help you out

Concur®

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Why follow a best-practice expenses claim process?

We understand that whilst most companies would like to adopt best practice procedures it can be hard to a) know what best practice is and b) know how to replicate it or implement it. So here's a guide that might help.

This guide provides eight tips that could help make submitting, approving and paying expenses more efficient, more appropriate, and less frustrating. It also lists 12 top resources that you can use to improve your process.

Tip 1. Start with a firm, fair expenses policy

Having a fair, clear, and unambiguous policy is the start of any best-practice expenses process. Moreover, companies have an obligation to create a policy to demonstrate to themselves, and to HMRC should they enquire, that the expenses being reimbursed are genuine, and that they're not reimbursing individuals for inappropriate or personal expenses.

All too often, an expenses policy[1] is an afterthought that may not be properly aligned with the business. It does the job, but it may not be appropriate, clear, or fair. Ideally, employees shouldn't have to read a 30-page document before they book a train ticket! The key is to review and update your policy regularly – and then publicise it internally and explain it clearly. This is crucial because as research by Concur discovered[2], and a recent Amadeus poll confirmed[3], approximately half of employees say they don't even understand their policy!

Tip 2. Keep the processes simple

When it comes to expenses, the old acronym – KISS (Keep It Straight and Simple) – applies. Keep your process straight and simple and people are more likely to comply. If your systems are bogged down with layers of administrative complexity such as triplicate forms and MI6 security clearance to spend a penny, it'll have a demoralising effect on the claimants and tie up precious man-hours.

Worst of all, having too much complexity doesn't mean you won't avoid serious mistakes – in fact it makes serious mistakes more likely. By making the process too complicated, companies also run the risk that people may exaggerate their expenses to compensate for the pain of claiming them in the first place.

A process that is both robust and quick helps ensure that expenses are signed off appropriately by the right level of management and that corporate governance is being adhered to.

KISS – keep it straight and simple. Too much complexity could demoralise claimants and tie up precious man-hours.

1 Download a free expenses policy template: http://www.concur.com/en-uk/small-business-expense-policy

2 Concur expenses trends infographic 2012: http://img.en25.com/Web/Concur/UK_Expenses_Trend_Infographic_7356.pdf

3 Only 51% say they understand their company's travel policy fully, 47% say the travel department neither helps nor hinders the business, 15% say it is a hindrance: http://www.tnooz.com/2013/01/28/news/amadeus-finds-disgruntled-business-travellers-in-state-of-the-nation-study/

Here's one way to keep it simple… It's not best practice to ask your employees to calculate VAT for you. Claimants don't understand VAT. It's complicated, and frankly they don't care. They just want their money back. Rather, use a system that calculates the VAT for you based on the expense type. Or send your receipts to specialist companies to reclaim the VAT on your behalf.

Tip 3. Collect the right amount of (relevant) information

When it comes to the details, the secret lies in the balance. Don't ask for War and Peace. But, having said that, don't simply accept the price and date for each expense item either. Companies don't ask for receipts because they don't trust their employees, but because the finance team knows that HMRC requires receipts as proof of expenditure.

Capturing relevant expenses information will help to ensure there are no delays in administration and help avoid potential problems with compliance later on. Having the right amount of information also means that you will reach the minimum requirement for HMRC.

Remember that different expenses can require different information for tax or VAT purposes. For client entertainment claims, for example, it is a requirement to capture the company name and the name of all attendees for tax purposes. It's also important to capture business mileage data, because mileage is an expense type that's easy for the claimant to get wrong and it's also easy for HMRC to check on this.

Tip 4. Submit and approve expenses on time

Best practice means having a clear, published timeframe for submitting expenses. It's important to do the right things by your employees and pay them as quickly as you can, in line with your published payment timetable, but it works both ways – it's also important to ensure that claimants are submitting their expenses within a subscribed time frame. When employees delay claiming their expenses for months not only does it hurt their pockets, it also can cause cash-flow challenges for the business, and associated accounting nightmares.

A delay in sign off can also lead to increased credit card fees, which might incline employees to pad their expenses down the line. This is less of a problem if managers can approve expenses as quickly as possible. It's also good practice to make sure that managers are reviewing expenses claims too (rather than simply signing them off)…

Tip 5. Check expenses and make managers accountable

Whilst we advocate swift sign-off of expenses, it's also crucial that managers have the courage to push back on inappropriate or non-compliant expense claims. The 2012 Concur Employees Expenses Benchmark Report[4] revealed that while 10% of the claims approved by managers are not actually within policy, only 1.2% of these are actually queried or rejected.

Best practice means making authorisers accountable for the application and enforcement of your policy, but, as we said earlier, approximately half of employees say they don't understand their policy – and this goes for managers too. By engaging with the management team and explaining the rationale behind the policy, it is possible to get their buy-in. Not only does this drive compliance, it can also promote behavioural change which leads to long-term cultural shift and ongoing savings and policy compliance improvement[5] in the long run.

When it comes to the details, the secret lies in the balance. Ask for the right amount of information. Not War and Peace.

4 http://www.concur.com/en-uk/benchmark-report

5 http://www.concur.com/blog/en-uk/driving-cultural-change-people-policy-and-compliance

Tip 6. Make it easy to submit and approve expenses away from the office

In these days of mobile and global staff workforces, trying to catch up with someone to sign off your expenses is getting harder and harder. If people have to wait and constantly chase their management it can lead to delays and frustration.

Best-practice processes, however, allow for managers to check and sign-off on expenses while they are out of the office. It helps if you can use a tool that allows approvers to say 'yes, this is okay to pay' while they're out and about; so they can sign off claims anytime, anywhere. The beauty of having access on a mobile is that it's faster for people to submit expenses on the go and it's faster for managers to authorise. They're never too far away from being able to approve expenses unless they're on vacation.

Tip 7. Audit your processes and receipts

Auditing your processes

How good is your end-to-end expenses process? Do you know? When was the last time you conducted an audit? Some see expenses auditing as an unwelcome intrusion. On the contrary, in fact, regular auditing can actually make your expenses procedures work better. Auditing can help iron out the glitches in your operational procedures and help to maintain a fair system. Good auditing actually makes for good practice – and a best practice process should include receipt validation and auditing.

Auditing your receipts

Are you checking that your employees are claiming what they say they are, and that the receipts match and are valid? For example, are they submitting credit card slips or receipts, or both (and thereby claiming for the same expense twice)? Although expenses fraud[6] is not common, it's not unheard of. A recent YouGov survey found that one in ten UK employees exaggerated their own expenses in 2012.[7]

In our experience, we've seen everything from brown paper bags being used as evidence for buying grapes for a sick colleague, to a photograph of a petrol pump being used to justify a mileage claim. These are not valid receipts.

Our VAT expert, Matt Lewis, says: "In an ideal world, one would validate 100% of all receipts[8], however, this is not always appropriate. You need to have some guidelines within your processing functions around random audits. You might also choose to audit items that are particularly tax sensitive or items over a certain value. If you can, you should check everything. But it's not always possible." It is possible, however, to outsource this process.

Want to know more about auditing receipts, and what HMRC expects? Listen to Matt Lewis's (Director, Compliance) webinar[9] about 'Keeping the Tax Man happy'.

Tip 8. Pay people on time

Have you ever waited for someone to pay the money they owe you? It's not fun. Once employees have gone through the processes, complied with policy, filled out the right claim forms and attached receipts it's only fair to pay them.

However, if people know they're going to be waiting for their money they may think twice about making those valuable trips that build your business. Or, worse, they might consider fiddling their expenses in order to compensate.

Use a mobile app: it's faster for people to submit expenses on the go and for managers to authorise them.

6 Download the free expenses fraud e-book: http://www.concur.com/en-uk/fraud-ebook

7 http://www.concur.com/en-uk/media-resources/press-releases/02-07-13

8 http://www.concur.com/blog/en-uk/hmrc-compliance-keeping-the-tax-man-happy

9 https://www.brighttalk.com/webcast/8859/65963

It's important to pay employees' expenses in line with the published payment schedule. Ideally, payments should go straight into the employee's bank account, or directly to settle their corporate card bill, on a timely and reliable basis. If people are paid when they expect it, they can budget appropriately. Prompt payment can also improve morale and productivity.

Pay employees' expenses quickly, and when you say you will. Prompt payment can also improve morale and productivity.

Need help? Top 12 resources to improve your processes

Concur has published these helpful resources that you might want to look at to find out more. Follow the hyperlinks, or search for the terms on the Concur blog: www.concur.com/blog/en-uk

1. An expenses policy template
2. An expenses trends infographic
3. Concur employee expenses benchmark report
4. A blog about combining people, policy and compliance to drive effective behavioural change
5. An expenses fraud e-book
6. A fun quiz and a great infographic about 'fiddling expenses'
7. A webinar about keeping the tax man happy
8. Two myth busters guides about what's claimable on travel and expenses in the UK
9. Five top tips about getting started with automated expense management
10. A webinar about how to save time and money by automating your expenses
11. Two cheat-sheets about automating your expenses
12. More info about mobile technology and making expenses easier

Conclusion

The adoption and consistent application of a best practice expenses process is proven to save time and money and also improve your employees' experience. Morever, having a best-practice solution that is available online and on mobile devices leverages the investment that companies have already made in existing technology. Lastly, a best-practice expenses process provides access to data for analysis and review that can continue to inform the policy and highlight opportunities for further cost savings.

In conclusion, using a best practice process enables the effective handling of expenditure in a way that is consistent with your travel policy, your company's needs and your employees' needs.