12 checks before you automate your purchase ledger

Whoever builds it, these are the questions that decide whether automating supplier invoices will work for your firm. Most can be answered from last month's invoices. Write the answers down before anyone quotes you.

- [ ] **1. How many invoices, and how they arrive**

  Count a normal month and your busiest one. Note every way they come in: a shared inbox, the post, a supplier portal, an export from another system. Paper and portals need a step before anything can read them.

  Write down: invoices a month (normal and busiest), and each route in.

- [ ] **2. Which suppliers, and what their invoices look like**

  List your regular suppliers by how many invoices each sends. For each, note whether it's a real PDF, a scan or a photo, whether it runs to several pages, and whether credit notes and statements arrive the same way.

  Write down: your top ten suppliers and the format of each.

- [ ] **3. Header coding or line coding**

  Some firms code a whole invoice to one account. Others split the lines across nominal codes, tracking categories, classes, departments or jobs. Line coding is where most of the typing goes, so check whether the tool you already pay for handles it.

  Write down: header or line, and which codes each line gets.

- [ ] **4. Purchase order matching**

  Do you raise purchase orders? If so, is each invoice checked against its order (two-way), or against the order and a goods received note (three-way)? Note where the orders live, and what happens today when a quantity or price doesn't match.

  Write down: no matching, two-way or three-way, and where orders are kept.

- [ ] **5. VAT or sales tax**

  List the rates you see on your invoices: standard, reduced, zero, exempt, outside the scope. Note any reverse charge, such as construction services or services bought from abroad, and the tax codes your ledger uses for each. In the US, note which states charge you sales tax and whether you accrue use tax.

  Write down: every rate and tax code you use, and any reverse charge.

- [ ] **6. Duplicates**

  The same invoice can arrive twice: emailed and posted, resent as a reminder, or listed again on a statement. Decide what counts as a duplicate, for example the same supplier, invoice number and amount, and check what your ledger already warns you about.

  Write down: your duplicate rule, and what the ledger catches today.

7. Approval rules

Write the rules as they work today, not as the policy says: who can approve what amount, what needs two people, and what always needs a look, such as a new supplier or anything over budget.

Write down: each rule as “if this, then that person”.

8. Who approves, and who covers

Name the person who approves entries, and who does it when they’re away. Decide how long an invoice can wait before it’s chased, and where the approving happens: in the ledger, by email, or on a separate screen.

Write down: the approver, the cover, and the longest an invoice may wait.

9. The exceptions path

Some invoices won’t go through cleanly: unreadable, no matching order, a new supplier, a price that has changed. Decide who gets each kind, where it waits and how it’s marked as dealt with. Treat a supplier’s change of bank details as an exception every time: it is a well-known route for invoice fraud.

Write down: each kind of exception and who it goes to.

10. Your ledger, and what it lets in

Find out how entries will get into Xero, QuickBooks, Sage or your own system: directly through its API, or by file import. Cloud ledgers publish limits on API calls and attachments. Xero can hold a bill as a draft or awaiting approval. QuickBooks Online has no draft bill, so unless your plan has its own bill approval, the approving has to happen before the entry is made. Sage 50 is desktop software, and entries often go in by import.

Write down: your ledger and edition, and whether entries can wait as drafts.

11. The audit trail

For every entry you should be able to see the original document, what was read from it, anything a person changed, and who approved it and when. UK companies generally keep accounting records for six years, and VAT-registered businesses keep digital records under Making Tax Digital.

Write down: where the original document will be kept, and for how long.

12. What “accurate” means: agree a pass mark

Before anyone tests it, agree in writing what counts as right: which fields, header and line items scored separately, on how many of your own documents, and the score it must reach, for example 18 of 20. Agree too what happens if it falls short.

Write down: the fields that must be right, and your pass mark.

Want these ticked off on 10 of yours? Book a 20-minute call at kildrumlabs.com. · Kildrum Labs · General guidance, not tax or accounting advice.