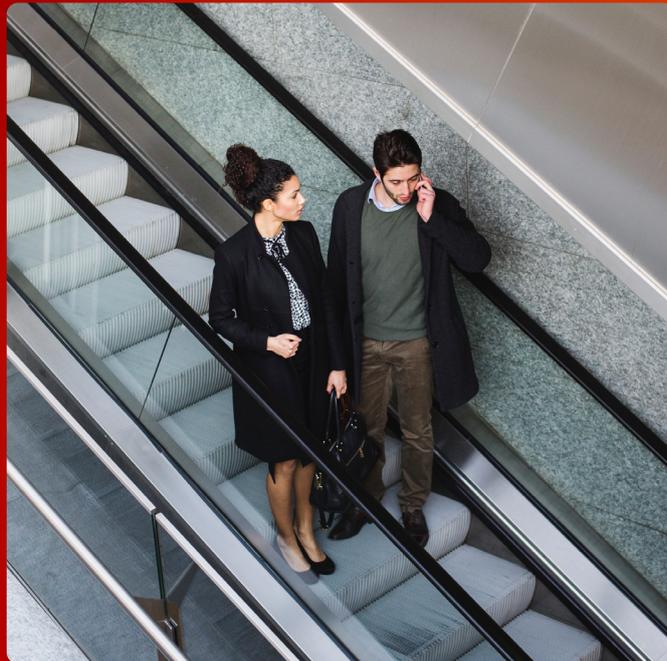


soldo

Expense Management:

A complete guide for businesses



A quick glance at expense management.



What is an expense management system?

Managing [business expenses](#) can be daunting, but it's crucial in keeping track of that steady stream of small outgoings. Many rely on corporate [credit cards](#), petty cash or out of pocket expenses, for their expense management. Unfortunately, these systems are flawed.

Manual processes in brief:

Petty cash is difficult to track efficiently. It's also:

- A security risk.
- Time consuming. Employees need to write up transactions by hand and record reconciliations manually.
- Open to misappropriation, as it's given to employees prior to spending.

Corporate credit cards prevent full spend visibility. They tend to be reconciled once a month, so finance leaders are unable to track the value of what is being spent, or the categories spend relates to. They also have:

- Inflexible spend limits. They don't come with controls in place, so employees may incur spend levels exceeding company policy.
- Cut-off dates mid-way through the month. This creates additional reconciliation work as teams need to reconcile what was paid off during the month, as well as what has been incurred on the live statement through to the month end.

Out-of-pocket expenses are probably the most inefficient form of expense management and cause many problems for businesses:

- Significant effort is needed from employees to enter their expenses on template spreadsheets.
- As submission data is often poor quality and finance teams need to chase employees to complete reports, the month close is often slowed down.
- Paying out of pocket also puts a financial strain on the workers who have to lay out cash, and they may be put off from procuring vital products and services if they don't have personal funds available.

What is expense management?

Expense management is the system and process you use to pay and report on expense claims, from train tickets to stationery to SAAS subscription services.

Many small businesses are surprised at the sheer effort involved in tracking and auditing this constant stream of small but significant payments, which is why many don't do it well. It gets particularly complex when you also have staff to worry about. Traditional expense systems require significant effort from employees. Filling out expense claims is time consuming and is not a value adding exercise for companies.

But thanks to technology, there are ways to make the process of managing all the payments your business needs to make significantly easier, more cost-effective and way more time-efficient.

The benefits of expense management software:

1. Expenses are a sizeable business cost.



One survey found that companies spend on average between **6-12% of their total annual budget on travel and entertainment.**

The same research found that the cost of processing these expense claims or extracting useful value from the data can vary wildly. Achieving a single actionable expense report can range from just under \$7 for automated systems to over \$26 for manual/Excel-based processes.

2. Also, companies that lose track of expenses risk losing money.

A survey by Soldo of 2,500 employees revealed that **over a third** claimed for things they shouldn't, averaging out at £117 in fraudulent claims each month

Even when fraud is not a factor, smaller businesses consider controlling company spending as one of the biggest challenges they face.

3. Expense claims have to be legally compliant.

To claim back tax on employee business expenses you have to be able to prove to HMRC that they are genuine, meet all criteria for employee business expenses and that the cost is reasonable and appropriate. Additionally, the need for expense claims to be compliant, for general business purposes, as well as for VAT has become more important than ever due to MTD. Businesses are unable to claim back VAT if they are not in possession of VAT invoices or VAT receipts with the relevant tax split. Failure to record VAT expenses accurately can result in companies losing cash by not being able to maximise their VAT claims.



[A recent report from Soldo](#) shows that on average most businesses fail to claim back 8% of VAT costs.

However, a robust expense management process – especially one linked to accountancy software – can ensure you always remain compliant and take advantage of VAT refunds.

4. Hybrid working creates new challenges.

The shift to hybrid working creates a new set of challenges related to employees needing to make purchases. Not being physically present in the office increases the chance of fraud due to the potential of employees sharing corporate credit cards with one another, alongside phishing emails from fraudsters impersonating CFOs and CEOs, asking for bogus transactions to be made.

Expense Management: the old way.

Businesses typically handle expenses in one of three ways:

1. Petty cash:

Many small businesses still operate a [petty cash](#) fund, which employees dip into for small value purchases, replacing cash with the relevant receipts. Expenses are recorded in a general [petty cash book or ledger](#) when the petty cash fund is topped up at the end of each accounting period. The petty cash system continues to be popular, despite its administrative difficulties (endless scraps of paper or plain theft!) and the number of available alternatives.

Businesses using cloud accounting software have to repost petty cash ledgers on their software, which they then have to operate similarly to a bank account. However, this is hugely inefficient as all of the transactions have to be entered manually, in contrast to transactions on other similar accounts being pulled through automatically via [banking feeds](#).

2. Out of pocket expenses:

Out of pocket expenses are the most common type of expense method for SMEs. This system requires employees to lay out funds personally, from their current accounts or on their personal credit cards.

This negatively impacts the cash flow of staff and can damage relations between employees and companies if they are not paid back in a timely and accurate manner.

Employees normally submit their reimbursement claims once per month via template spreadsheets. The manual nature of completion means that spreadsheets are often riddled with errors due to incorrect values, tax treatment and expenses commonly being taken to the wrong category.

3. Corporate credit cards:

Company or [business credit cards](#) for small business avoid the risk associated with employees carrying petty cash. Similarly, employees are not left frustrated by being forced to pay for company items out of personal funds. However, giving out traditional company credit cards presents a potential fraud risk and, with high credit limits, spending can be difficult to control. It can be weeks before unauthorised spending gets spotted.

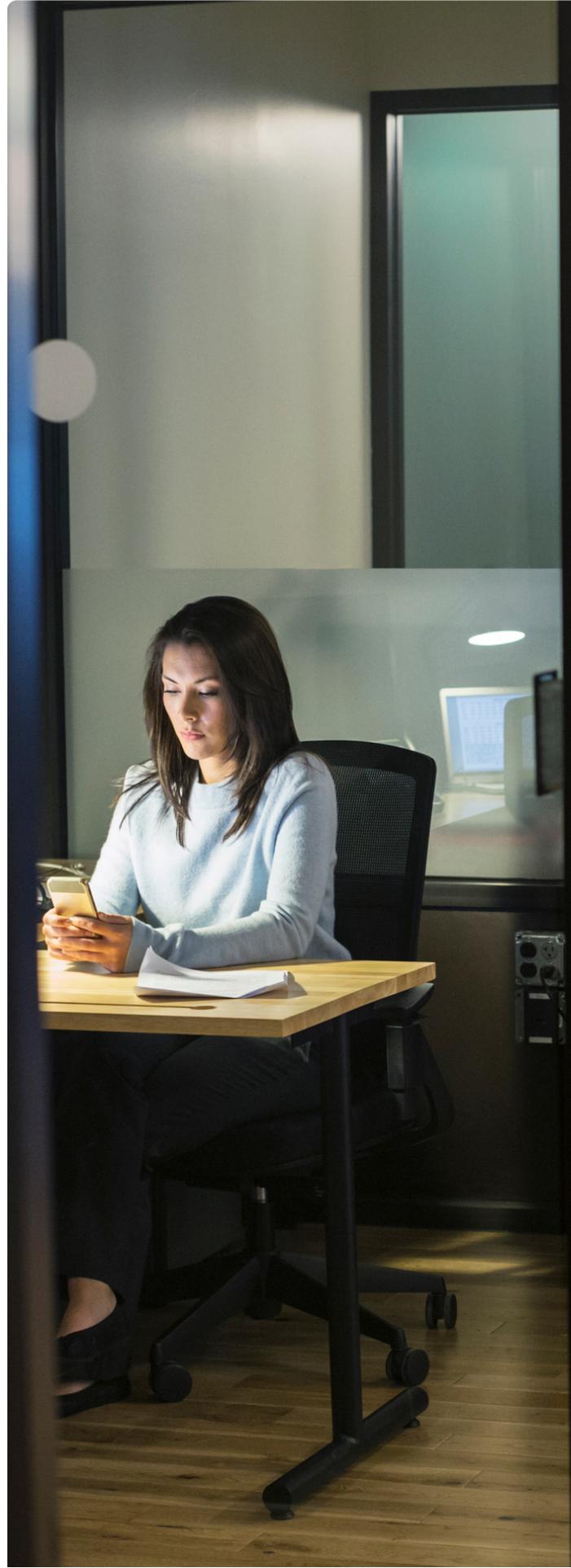
What's wrong with traditional expense management processes?

Employee Expenses can be frustrating for staff

Traditional business expense management has employees carrying around a wallet full of receipts – and losing a receipt means losing the cash.

People lose an average of £142 in unclaimed expenses on every business trip.

Meanwhile, finance and accounting staff have to manually check receipts against the amounts entered on a spreadsheet, review claims against company spending policy, check receipts against credit card statements, and so on. If anyone spots an error, the whole process begins again. Soldo's [ROI calculator](#) can help you find out exactly how much – time and money – you could be saving if you weren't doing expense reporting manually.





Business expenses can be inefficient and frustrating for finance teams

Submitting and managing expense claims is a chore for finance staff and general employees alike. Details are typed into an expense management spreadsheet, where they are reconciled, reviewed, and approved.

Each individual expense must be manually checked. It's a long-winded process, and prone to error. Receipts go missing, mistakes (such as by category or with VAT treatment) are made, and figures often don't add up.

Over a third of finance directors say they spend valuable time every month doing financial detective work to find out who spent what, and when.

Not only is this a waste of time, it means that financial directors lose some visibility over their business expenses. They are stuck with management data that can be several weeks out of date. This can also be damaging to staff relations, with the morale of finance staff being particularly affected.

Expense fraud is hidden

On top of everything, paper-only trails make fraud easier.

Let's say an employee who regularly travels for work buys a train ticket costing £100. On the day of the conference the train is delayed by three hours and he claims most of the money back from the train company online, with the funds going back to his personal bank account. Three weeks later, he enters an expense claim using the original £100 purchase receipt, which is quickly approved by a hard-pressed line manager with neither the time nor inclination to make in-depth checks.

Far-fetched? **Expense reimbursement fraud accounts for 15% to 17% of all business fraud.**



Making Tax Digital and expense management

You've probably heard of **MTD** (a government initiative to take the entire process of tax for businesses online; but you may not be prepared for it. If that's the case, you are not alone.

The first part of the initiative – [MTD for VAT](#) – came into force in April 2019.

MTD for Income Tax and Self Assessment (ITSA) is due to be introduced in 2024 and MTD for corporation tax is likely to be rolled out from 2026. Digital record keeping across enterprises is clearly the direction of travel for UK businesses and this is fast becoming standard.

MTD can't be avoided, and it's likely going to involve changing the way you work. However, it will result in many efficiencies for businesses including easier record keeping, and higher integrity closer to real time data enabling finance teams to move up the value chain and generate value adding insights for their employers rather than just crunching numbers and reporting. Investing in cloud accounting software today, as well as a directly integrated digital expense management system, will save valuable time and money, as well as making it easier for companies to meet their growth objectives.

Implement expense management policies that cut out the extra work

Implementing a new spend policy

Only with a clear policy can staff have confidence when spending money on the company's behalf. In addition, your finance team gets a clear template for accepting or rejecting claims.

You need to house your [company expense policy](#) somewhere and publicise it to employees. It should be clearly signposted on the company intranet, included in any HRMS (Human Resources Management System) software (e.g. CharlieHR), and emailed to all staff.

Automated processes

Leading employee [expense management software](#) allows managers to set spending rules and limits based on individuals, departments and categories; and they help enforce these expense restrictions automatically. Soldo's end-to-end spend management software with accompanying [prepaid cards](#) allow you to predetermine how much every employee is allowed to spend – and on what.



Benefits of automated processes:

Visibility and control across whole teams

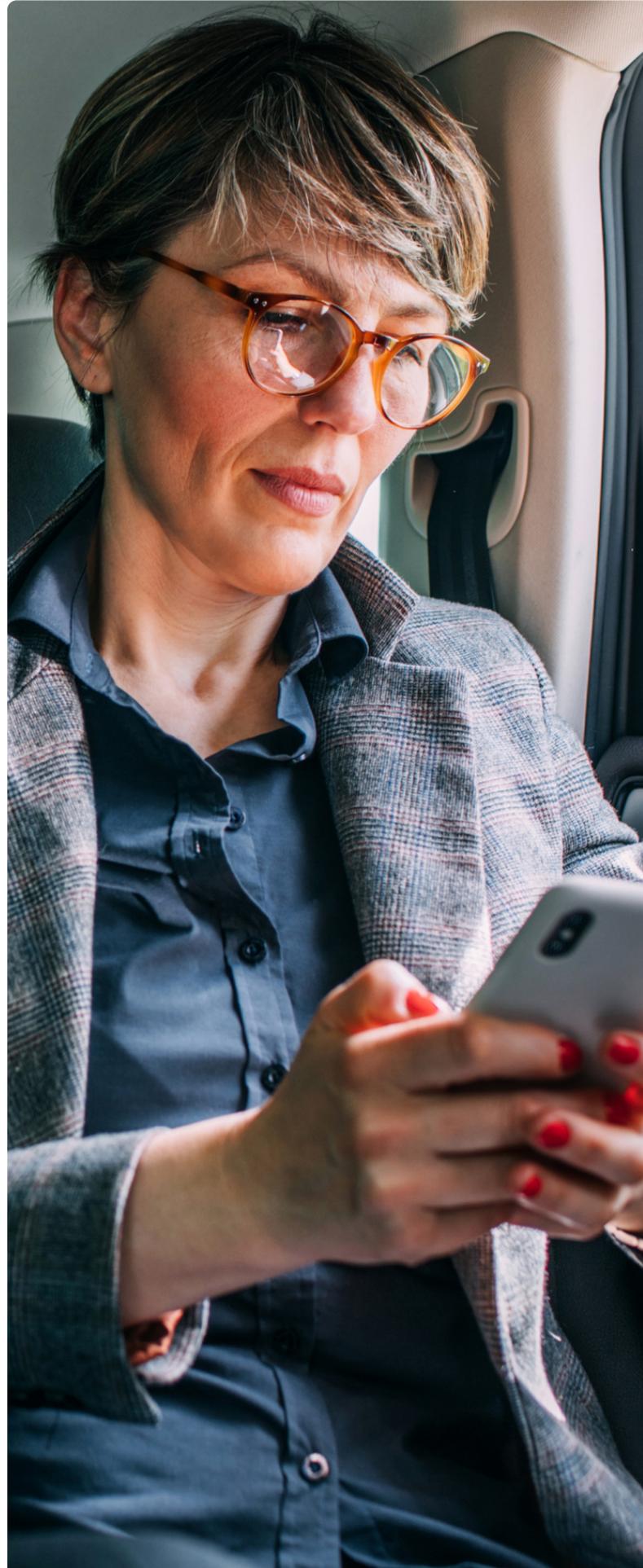
Digitisation of [business expense](#) management puts you in control. With a solution like Soldo's [prepaid business cards](#), you can reduce the possibility of overspend by enabling or disabling cash withdrawals, and limiting spend by amount, category and geography.

For example, an employee attending a conference needs to spend sensibly on accommodation, food, and travel. Enable these categories and set appropriate daily spending limits, while disabling all others, and thus keep control of company spending.

Digital expense management tools are suitable for hybrid working as they integrate with your accounting software, helping ensure that expenses incurred are categorised correctly for tax purposes.

Data-driven decisions with expense reporting software

Employees pay for services – online or in-person – with company credit or prepaid cards, which automatically enforce company spending rules and prevent leaving them out of pocket. Reimbursement payments should be made within a few days of employees submitting an expense report. Failure to do so creates the risk of staff being put off from making necessary purchases in the future – spend management mobile apps let employees capture receipts at point of purchase and create expense reports with a click.



Track spending in real time

With manual expense management systems, data is usually weeks out of date before anyone checks it. With digital expense management, you can see what staff are spending in real time, quickly alerting you to costs that are unnecessary or extravagant.

You can take care of reconciliation throughout the month, too, so you don't have to worry about getting it all down at month-end. For example it's a good habit to do this on a weekly or fortnightly basis and doing so will minimise bottlenecks at month end such as chasing for outstanding reports or missing receipts.



Link expense data to business decision-making

Digital business expense management solutions allow you to collect and analyse useful data on the who, what, when and where of your company spending.

With basic filters, you can create reports that show trends, highlight exceptions and identify problems – helping you make better decisions as well as:

Manage employee policies better

Not only for patterns of suspicious activity, but also to identify unnecessary spending or areas where more cost-effective alternatives might exist.

Monitor business performance

Set targets to reduce expense spending and track progress. Identify departments or individuals who regularly overspend and set limits. Equally, use experience to spot where you've been too overzealous.

Identify better spending opportunities

Data might suggest that certain activities, individuals or events justify increased spending, because the return on investment is higher. At the other end of the scale, others will need to be discarded.

Allow staff to move higher up the chain

Automating expense management enables finance staff to spend their time on higher-value tasks such as contributing to the company strategy, fundraising or cash flow management. This more rewarding work will increase their satisfaction levels and reduce the likelihood of them leaving.

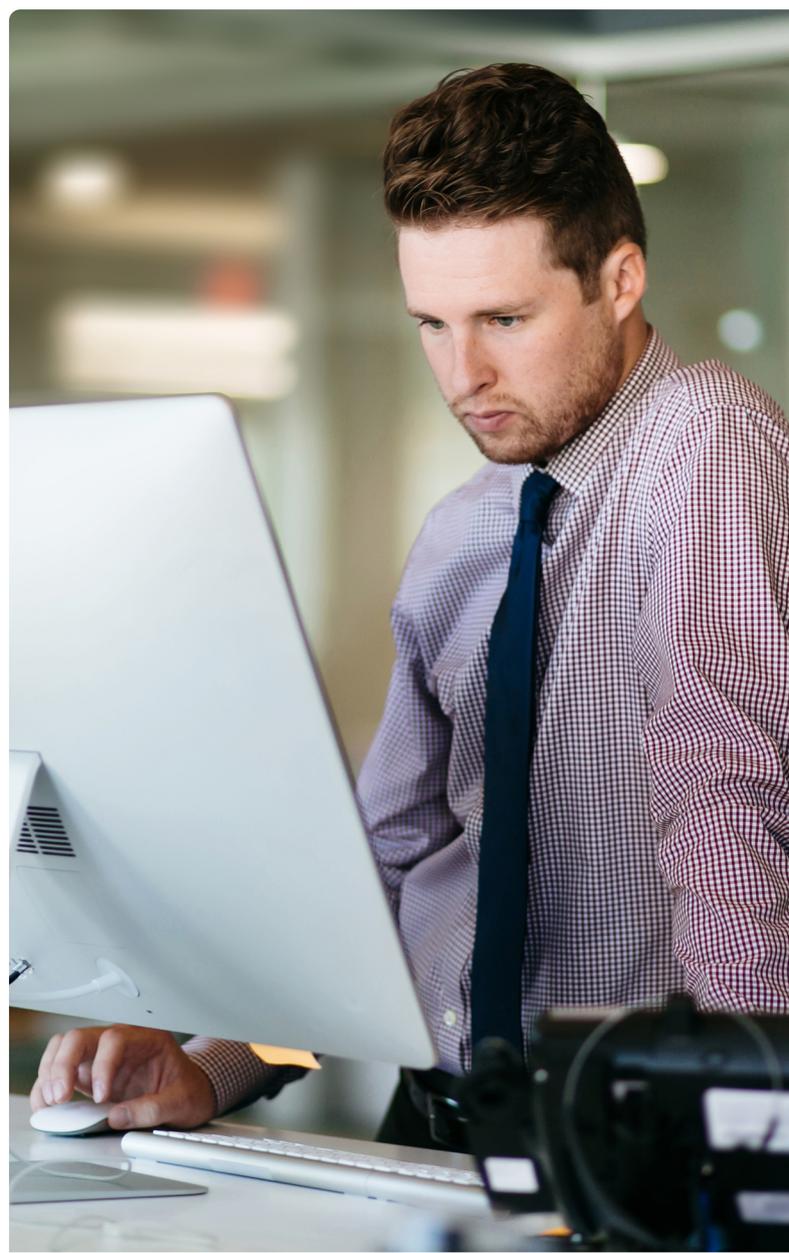


How to choose the best expense management software for your business

Ask the right questions:

You know what expense management solutions can do, but what do you need from them? Here are some questions to ask yourself:

- ✓ **How do employees submit expenses?**
If they spend their own money, it could be a source of frustration or resentment. If they then submit paper receipts connected to manual expense reports, even more so.
- ✓ **Where are receipts stored and accounted for?**
By law, receipts need to be kept for at least six years. Do you store them securely, and are they easy to access?



✔ **What problems do you need to fix?**

Admins spend large amounts of time – up to 100 hours a year – chasing incomplete expense forms. At the same time, getting full visibility over spending gives management the insight it needs to target spending more effectively and identify potential savings.

✔ **Do you automate expense reports?**

Expense management tools should aim to minimize manual entry by capturing receipt data and auto-categorising suppliers.



✔ **Does your current expense management solution (if you have one) integrate with other solutions?**

Can you connect it to your accountancy or payroll software, for example, or credit and prepaid business cards?

✔ **How long do reimbursements take?**

Ideally expense management tools should not require employees to spend out of pocket. However, if staff are required to use their own funds they should be paid back within one week of having their expenses approved.

Rules and control

Spending limits:

Can you limit by category, individual or group/department? How about time limits, like daily, weekly or monthly budgets?

Rules:

Can you customise rules, forbidding spending on weekends, for instance, or outside geographical limits? Can you ban – or allow – cash withdrawals or online purchases?

Categories:

Do pre-set categories meet your needs? If not, can you add custom categories and import the chart of accounts from accounting software?

Mileage:

Does the software support entering mileage tracking for car journeys?

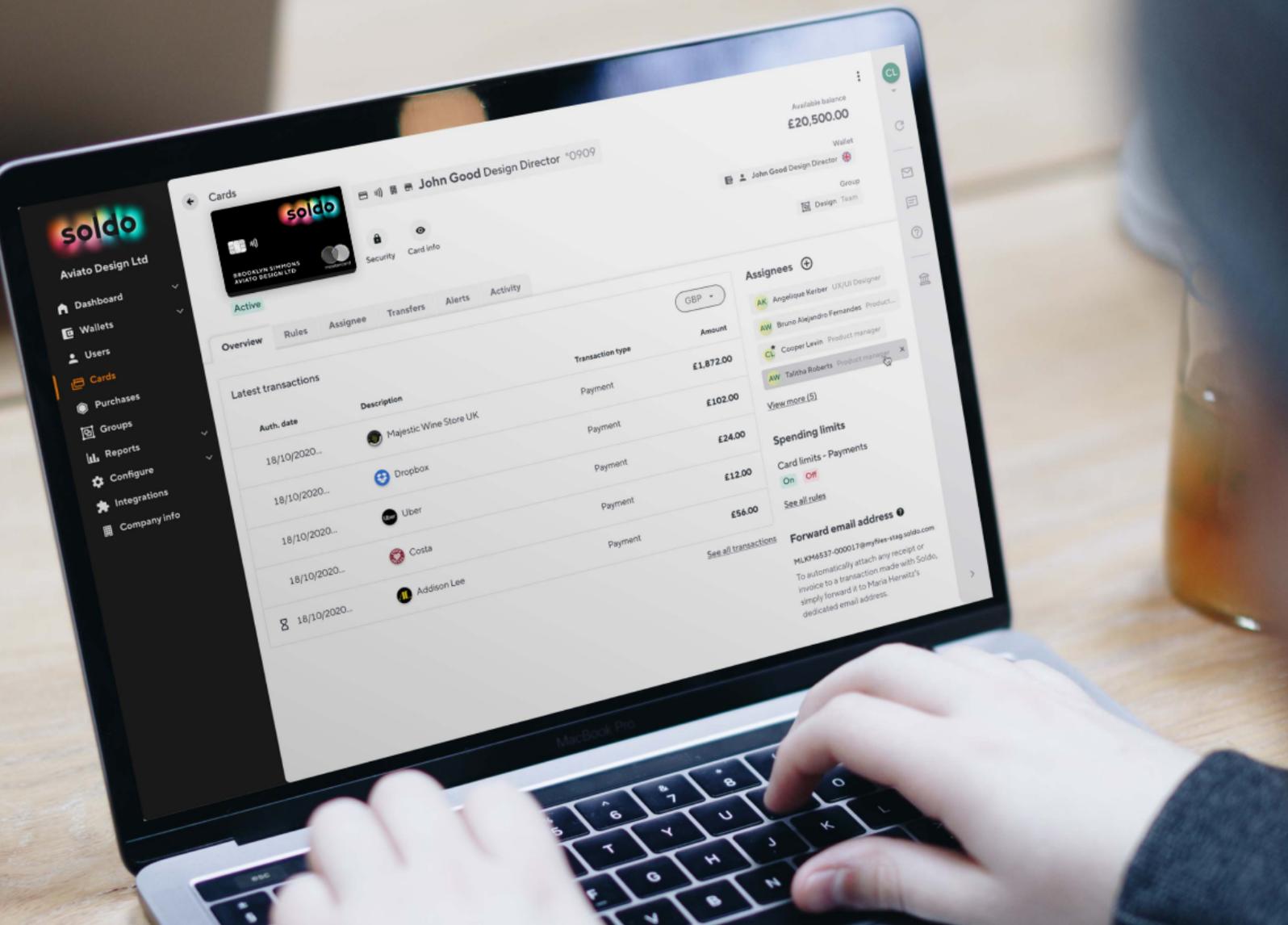
Approval:

Does it allow for an automated approval flow (from your finance team or line managers)?

Payments:

Does it come with integrated payment cards and virtual prepaid cards? If not, can you add them as a method of payment?





Submitting expenses

Submitting expenses:

How is it done, and is it straightforward?

Mobile app:

Is the app useful for more than just receipt capture? Can employees edit claims from their smartphones?

Reporting:

Can you send expense reports directly from the app? Can you add notes and assign receipts to categories?

Missing information:

Does the app notify you when information is missing from a receipt or report?

Multi-currency:

Does it support multi-currency reports (if you need it to)?

Exporting and reporting

Exporting tools:

Does the solution make it easy to export information in multiple formats – for example, pdf and csv?

Accounting integration:

Does it integrate with accounting packages like NetSuite, [Xero](#) and [QuickBooks](#)?

Other integrations:

Does the app integrate with HR software? Does it have an open API for further connections?

Reporting: Does it allow for detailed management reporting, including filtering for time periods, expense types and users?

How Soldo takes the hassle out of expense management

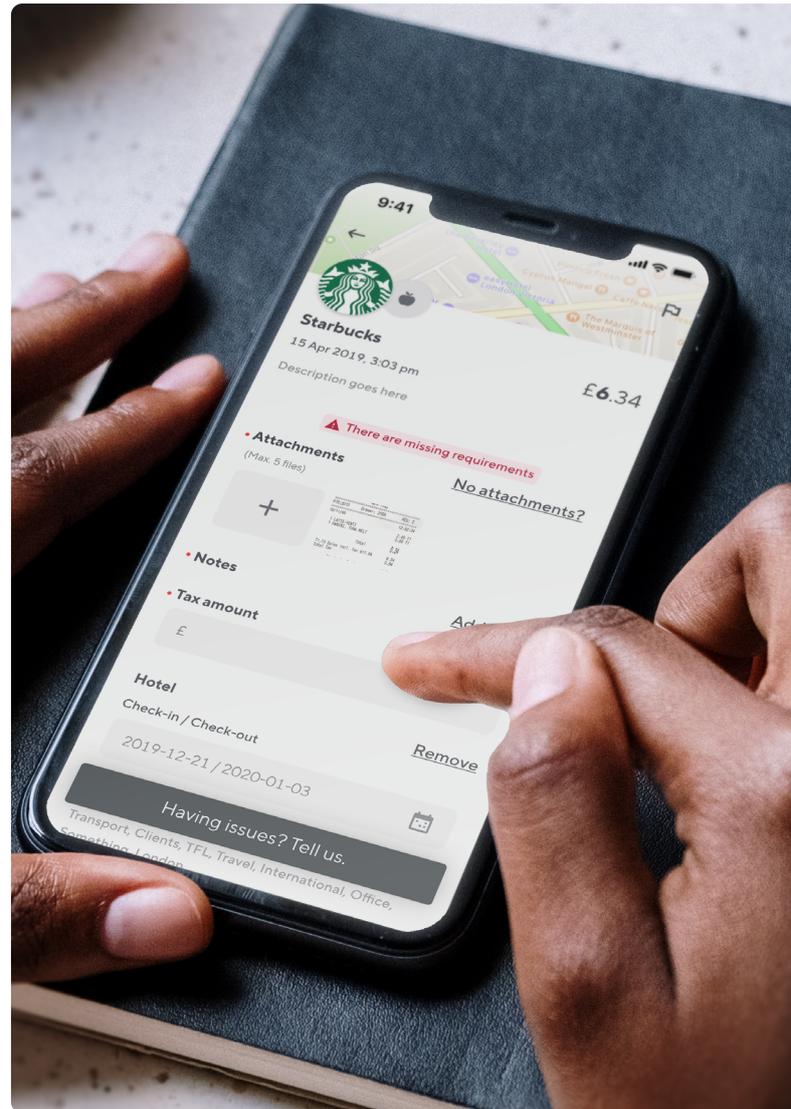
Soldo's solution is an [expense management software](#) that combines with [prepaid cards](#) for a complete spending solution with tight spend controls and increased employee autonomy.

Key features of Soldo:

- Set rules and limits with assigned cards.
- View transactions in real-time.
- Capture receipts digitally.
- Integrates with leading accounting software.

1. Reconcile transactions in seconds

No more poring over bank statements to match transactions – or missing VAT deadlines due to incomplete paperwork or misclassified expenses. You can export your expense reports to your accounting software in just two clicks. If you use Xero to manage your accounts, then you'll benefit from a seamless integration with an automatic feed.



2. Manage travel expenses effortlessly

Set separate daily budgets for fuel, food and more – and allocate funds for entertaining customers. When a trip's over, disabling the card takes a single click.

Plus, with Soldo's [integrated expenses app](#), your staff can track their spending and record receipts with no fuss. They get an instant prompt asking them to submit them as soon as they spend. Need to travel overseas? Soldo works as an [FX currency card](#) too – with conversion fees set at just 1%.

3. Control spending before it happens

Soldo doesn't just help you track business spending – it comes with all the limits, rules and budgets you need in order to set out precisely how each card is used. It's completely free to add funds to any account, and the money will be available to spend instantly.

Our management dashboard gives you complete control over each card. As well as deciding its daily, weekly or monthly limit, you'll be able to set rules on where and when it's used. You can even enable or disable contactless payments. Plus, you can create virtual business cards for online transactions (e.g. software subscriptions, Amazon purchases) as and when you need them.

4. Track all spending in one intuitive app

Soldo's integrated [expense app](#) is designed to make processing expenses as simple as possible. It saves your staff time, eliminates unnecessary paperwork and puts an end to incorrect expense claims.

5. Empower your staff

A complete expense management system is good for your business, but it's also good for your staff.

With [prepaid business cards](#), employees never have to spend their own money, fill in forms and wait weeks for reimbursement, or carry around a wallet stuffed with paper receipts. It's win-win for finance teams and the wider company.

6. Delegate expense reviews

Post-approval of expenses can be easily delegated to managers - who can request further information about expenses that require further documentation or explanation. Reminders can be sent for missing attachments, ensuring that managers are receiving Soldo expense reports in the best possible state.

7. Lighten the load at month-end

Soldo makes it easy and efficient to close the books at month-end. Rather than waiting until the end of the month approvers can digitally review and approve all expenses within the platform right away. Instant visibility allows finance teams to see which expenses have been approved, making it easier to remove bottlenecks before month end.



There are no credit checks or hidden fees, and you can get started with Soldo in minutes.

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