DocTech Whitepaper

Understanding A Purchase Order Process



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Introduction

Organisations that manage purchases centrally and uniformly have a greater level of control over the entire procurement process. They can reduce costly errors, avoid mistakes and enhance processes.

Without a Purchase Order Process in place:

- How does your organisation currently manage and approve purchases?
- Can anyone place an order?
- Are purchases tracked?
- How are documents managed?
- Can you ensure your team orders from approved supplier?
- If the answers to these questions present more problems than solutions, look at implementing an automated Purchase Order Process.

What is a Purchase Order Process?

Purchase Order Process is a way of ensuring goods are ordered, approved, received and paid for in set way, as required by the business.

Having a process in place not only ensures employees know how to order what they require, but it also stops them from making an incorrect order.

Purchase Order Requisitions

The process should start with a Purchase Order Requisition, which is an internal document used by an employee to request goods or services.



This document may go through a number of approvals with the purchasing or accounts department to check accuracy. It could be approved, rejected or adjusted.

An approved purchase requisition then gives the go ahead to create a Purchase Order.

Purchase Orders

A Purchase Order acts as a binding contact between a customer and a supplier. It agrees the price and the quantity of a product or service and is sent out by the customer. It is accepted by the supplier who is now obliged to deliver the goods.

Need to understand more? Read our blog on **Purchase Requisitions vs Purchase Orders.**

Invoices

When the invoice is received it should match what's listed on the Purchase Order and the two documents are linked by the same reference or PO number. Once the **invoice is approved** and / or delivery note confirmed, the supplier is paid.

All the steps of a Purchase Order Process are important, but they don't need to be manual, time consuming or documented on paper. Automating the entire process will make it quicker, streamlined and more efficient.

Purchase Order Automation

Implementing a Purchase Order Process will only succeed as long as the work required doesn't become a burden to staff.



With our automation software the administration of scanning, manually filing paper or entering data by hand is removed and replaced with digital workflows.

A Purchase Order Requisition form can be created in the **Purchase Order System** eliminating the need for a physical piece of paper. Information such as suppliers, price, reason for purchase, department required, budget etc. is readily available to select from, as the information can be pulled from a separate database into the system.

This starts the process digitally, saves time and reduces the chance for errors. Documents don't need to be emailed and paper doesn't need to be passed around.

At this point a notification will be sent to a manager in purchasing or finance who can approve or reject the request from anywhere with an internet connection. When approved the Purchase Order is automatically sent to the supplier.

Once the goods are received and the invoice stored in the software, it will be matched to the corresponding PO and if all details correlate, authorised for payment.

Any discrepancies will be flagged to the appropriate person, with all documents linked together and **stored digitally.** A fully automated **Purchase to Pay** system manages the entire process, reducing the chance of errors and making it easier to manage approvals.

With an ever growing number of business transactions, digitally managing your Purchase Order Process is more important than ever.

The Benefits of a Purchase Order Process

- Complete visibility from order request through to delivery
- Better collaboration and communication as all information is centrally available
- A more efficient and structured ordering process
- Greater control over what can be ordered and by who
- No more reliance on paper, emailed documents or spreadsheets
- Integration with existing finance systems
- Set limits on spending according to departmental budgets
- Improved inventory management
- A full audit trail

- Remove errors, order duplication or overspend

Purchase Requisition Vs Purchase Order

Here we explain the basics around Purchase Requisitions vs Purchase Orders for any organisation looking to implement a full Purchase Order Process, or for those struggling to control costs.

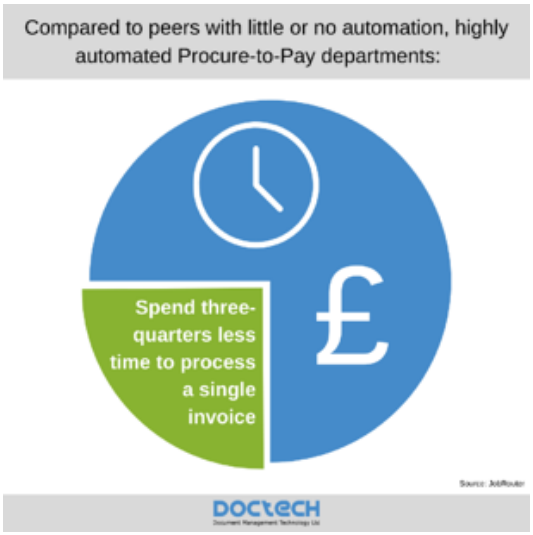
All businesses buy goods and services in some shape or form. Adopting a standardised approach and putting rules in place not only provides an audit trail, but avoids overspend and in extreme cases, instances of fraud.

But where to start and what's the difference between a Purchase Requisition and a Purchase Order?

What's The Difference: Purchase Requisition Vs Purchase Order

The main difference between a Purchase Requisition and a Purchase Order is that a Purchase Requisition is an internal document created and submitted within the organisation to request goods. A Purchase Order is an external document sent to a supplier to buy the goods.

Purchase Requisition



A Purchase Requisition is created by an employee and is sent to the Finance or Purchasing Department where it will be approved, adjusted or rejected.

Each Purchase Requisition should be given a unique number so it can be tracked throughout the entire process, and additionally, **provide an audit trail for procurement.** At this stage you are not yet buying anything, but starting the process.

For some organisations, Purchase Requisitions are only needed when the value of goods required is above a certain threshold, for others it will be required for every purchase.

A Purchase Requisition document will contain standard information such as the purchasers name, their department, description and quantity of items, name of intended supplier and the expected price.

Purchase Order

A Purchase Order is the next step in the process and is produced once a requisition has been internally approved. This document is **sent out to a supplier and acts as a binding contract for all parties.**

A Purchase Order will often be assigned the same reference number as the Purchase Requisition so they can be filed together.

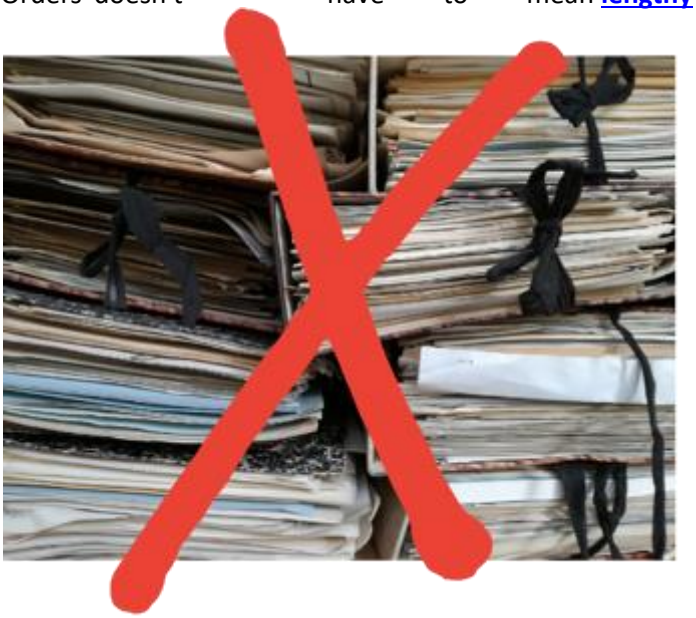
A Purchase Order will consist of very similar information to the requisition document but with the addition of the purchasing company's contact details, payment terms, invoice instructions, delivery address and PO number.

Having both documents in place **stops employees placing orders directly with a supplier, ensuring all purchases are agreed by the business and bought from an approved supplier.**

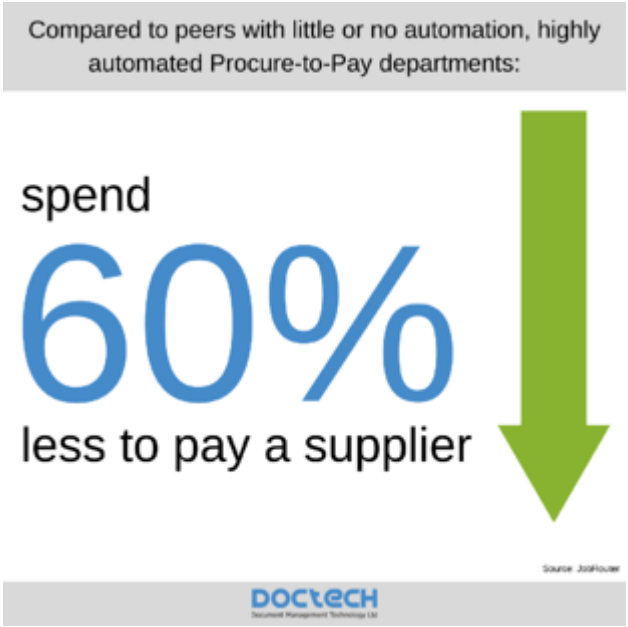
It also greatly **improves record keeping** and provides evidence of all purchases for tax purposes. A verbal commitment to buy or sell should never be enough and proof of the entire ordering process is always a better option.

What About the Extra Admin?

Implementing Purchase Requisition forms and Purchase Orders doesn't have to mean **lengthy paperwork**, excessive time wasted or documents **emailed back and forth**. Employees are never going to be happy about extra administration work, but when it comes to spending company money, there has to be a level of control and with an easy to use system, the work involved can be minimal.



Purchase Order Process



A digital **Purchase Order Process** uses **digital forms and automated workflows** to simplify the procurement process. It eliminates human error, provides better visibility over the entire process and gives the ability to track deliveries and payments.

Requisition forms are **created by the requesting employee within the software,** and when submitted, a notification sent to Finance or purchasing for approval. All details including agreed costs, approved suppliers and budget codes etc. are available to select from ensuring purchases are correct from the start.

This initial form will go on to create the Purchase Order, maintaining all the same information and once again, reducing the chance for error. It can then be sent out to the supplier to order the goods.

Purchase to Pay Automation

Digital and **automated** procurement processes provide a better system to facilitate **hybrid working**, create a faster turnaround on purchases and improve the management of supply chains.

In summary, **we don't really think it's a question of Purchase Requisition vs Purchase Order, but more about procurement control vs purchasing chaos.**

Can your business afford to put off making changes any longer?

Stay competitive in a digital age and book a free process assessment with us.

Book a FREE Process Assessment

The 10 Benefits of a Purchase Order System

A Purchase Order System enables organisations to digitally create, track, manage and approve Purchase Orders. Our software simplifies and streamlines the entire ordering process, automating tasks and removing the reliance on paper.

Do I Need a Purchase Order System?

If there's little to no control over who can make purchases in your organisation, if you struggle to track an order from start to finish, if you rely on suppliers for your stock or if you're drowning in paper orders and invoices then yes, we'd recommend you implement a Purchase Order System.

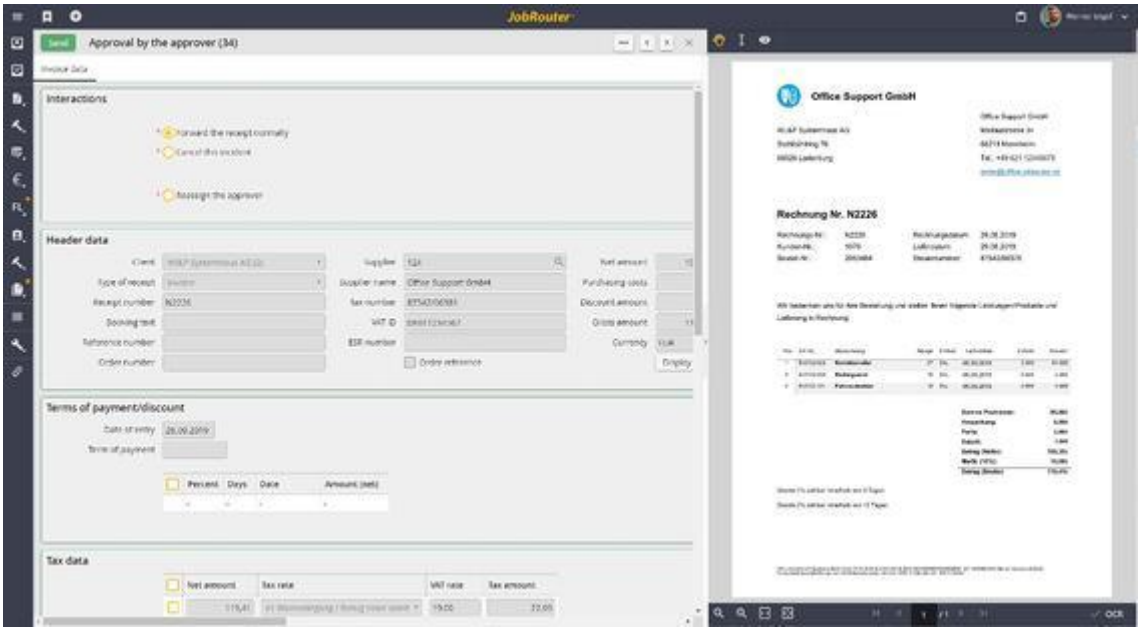
With a growing rate of digital transactions amongst businesses, a **Purchase Order System will save employees time and streamline the process from order through to delivery**.

With a digital solution there's no need to create paper documents or manage purchases with a spreadsheet. Both of these options are labour intensive, prone to error and create more work than is needed.

The 10 Benefits of a Purchase Order System

There are a variety of benefits to a dedicated Purchase Order System and with our partners at **JobRouter**, we're able to offer **an end to end scalable solution to meet the demands of todays digital businesses**.

The JobRouter platform enables organisations to create a tailored Purchase Order System in line with business rules. It increases profitability and efficiency whilst simultaneously managing supplier relationships.





1. Keep a Track of Costs

Create and send **Purchase Requisitions** and Purchase Orders from within the system, removing the need for paper, spreadsheets or emailed documents.

Employees can select the products they wish to order along with prices from pre-defined fields that have already been approved by the business. Cost centres or department codes can also be included.

This avoids duplication because there are checks in place, two people cannot order the same items.

2. Enables Clear Visibility

A digital system provides clear visibility of what's been purchased and by who. Budgets can easily be checked as all information is available centrally rather than across disjointed systems or worse, on paper lost on a desk.

Organisations know what's being delivered and that it's already been accounted for.

3. Automated Processes

Once a Purchase Requisition is submitted in the system by an employee, a task is automatically sent to Finance or Purchasing to check, approve or reject the request. This speeds up approvals and avoids bottleneck which slow the entire process down.

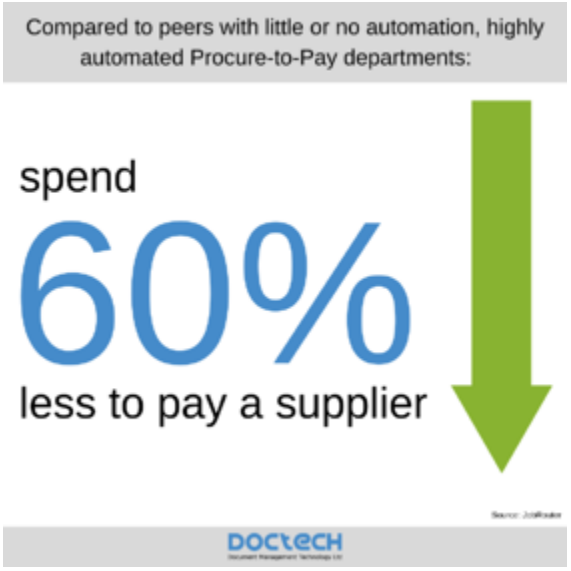
If approved, a Purchase Order can be created using the information already supplied in the requisition document and sent to a supplier for ordering.

A Purchase Order System seamlessly integrates with ERP or Finance Systems to provide further control and visibility. Track supplier deliveries and **automate** payments.

4. Improved Supplier Management

The **software only offers employees approved suppliers to choose from when creating their Purchase Order**. These are added during the system set up and can be managed by purchasing or procurement as more suppliers are added to an approved suppliers list.

Placing repeated orders with the same suppliers builds better relationships, ensuring consistent quality and potential deals on the price.



5. Gives Confidence

When an invoice lands with Finance, they will have already received a PO. This **gives confidence to pay without delay** as the purchase has already been approved.

Without a Purchase Order System in place, Finance would need to find out if it was a legitimate order, understand who placed it, the department it's required in and track down any associated paperwork. This all causes delays and frustration.

6. Make Better Predictions

Knowing when contracts are expected from regular customers, coupled with an easy way to identify what products are arriving means businesses can **ensure stock is available**. This improves inventory and shipping management.

7. Provide an Audit Trail



Some financial or process audits require evidence of what's been purchased. With a Purchase Order System organisations can **track, store and link together all information relating to an order** to provide just that.

8. Offer Protection

Purchase Orders and Invoices are **legal documents** and provide protection should there ever be a disagreement over what was ordered, or the agreed price. Having this information to call upon protects both parties.

9. Enables Remote Working

A digital Purchase Order System can be accessed from anywhere with an internet connection to create Purchase Orders. This enables **hybrid working;** staff at home, in the office or out on the road will still have access. It also means those who manage approvals don't delay the process if they're not at their desk.

For organisations with multiple offices, a **centralised system enables all staff access the same information no matter where they are located.** Documents don't need to be emailed back and forth or physically stored.

10. Reduce Overheads

With a Purchase Order System there is **no need to create a physical document**, saving money on **paper**, printing and postage. Not to mention time wading through piles of paper documents.

With the history of past orders and purchases stored in the system, businesses can compare prices and terms to make sure they're getting the best possible deal going forward.

An efficient and **automated system** will reduce the cost of purchase order requisition and organisations can benefit from early payment discounts.

What is Purchase to Pay?

Purchase to Pay is the full end to end process an organisation will go through from the initial order request of goods or services, through to delivery and payment. It can be called a variety of different things including Procure to Pay, eProcurement or abbreviated to P2P.

Manual Process Challenges

Many organisations that get in touch, talk to us about how their **manual processes can no longer cope with the demands of today's business.** With the volume of transactions increasing, monthly invoice numbers growing and the ever expanding data created, paper based and manual processes are slowing down production, creating **compliance** problems and scalability issues.

Staff waste time cross referencing orders, searching for invoices and chasing approvals. This tedious work can lead to irritated employees who may start look for employment elsewhere.

The Great Resignation was a term coined after the pandemic, with large numbers of employees walking away from their jobs. Citing the way their employer treated them combined with working standards, as the reason for leaving. It is these employees who will look for companies that embrace digital strategies, automated **workflows** and **hybrid working**.

Purchase to Pay Automation

Inadequate Purchase to Pay processes can exacerbate this feeling from staff whilst simultaneously providing



Companies that embrace Purchase to Pay automation process more than 11 times as many invoices per month

management little visibility into spend, performance or supplier relationships. A digital Purchase to Pay system replaces manual and paper processes with automation. Repetitive tasks can be completed faster and more accurately leading to higher quality processes and results.

A fully **automated** system enables the digital management of **Purchase Order Requisitions**, Purchase Orders (PO), **Delivery Notes** and Invoices, which can be linked together by the corresponding PO number.

With a **Purchase Order Process**, a requisition is raised in the system will be automatically routed to the correct person for approval. Once approved, the Purchase to Pay system issues the PO to the supplier. When the goods are received along with an invoice, the system can perform a 3 way match.

Data Capture



Purchase to Pay automation enables accounting and procurement departments to modernise and stay ahead of the competition. **The right system will efficiently capture, store and process information improving invoice processing and approval times.**

Supplier Management

Management can easily handle suppliers with a **back dated history of all purchases** made and goods supplied. This enables informed choices to be made and better future predictions based on accurately recorded stats.

Multi-Location

A standardised and digital approach to Purchase to Pay means the process can be rolled out across different locations, whether at home or in the office. Something that can't be easily achieved with **paper** or spreadsheets.

Traceability

Ensuring everyone follows the same Purchase Order Process makes it possible to easily track orders, payments and deliveries. There are no nasty surprises for Finance when an invoice arrives as they'll have already seen the approved Purchase Order, or will be able to easily find it in the system.

Reporting

With all information housed under one roof, reporting is significantly improved **reducing the effort required at month end**. Improved **data capture** and analytics can be turned into actionable insights to make informed decisions.



Security

With a Purchase to Pay System, information is stored digitally removing paper, chaotic network folders and messy email inboxes. **Data is secure with encrypted files and password protection**. The platform also comes with an ISO 27001 certification making it a better choice for this level of sensitive information.

Why Choose DocTech?



With our Partner's at **JobRouter** we can create a tailor made Purchase to Pay solution that meets organisational needs and follows business rules. It's simple to scale and can grown as the business does, while having the functionality to seamlessly **integrate** with existing applications such as **ERP** or Finance Packages.

Digitised procurement and automated **accounts payable** processes will drive efficiency and profitability. As business needs continue to evolve, it's vital organisations stay ahead of their competition and adopt solutions that reduce risk and deliver higher performance.

If you're looking to **regain control over spending, efficiently manage purchases and increase efficiency across Finance and Procurement**, speak with us about a digital and automated Purchase to Pay system.

3 Way Matching in Accounts Payable

3 way matching in Accounts Payable safeguards businesses against the threat of fraud, over payment and provides control over spending. Automated 3 way matching gives business owners the security they need to ensure only ordered items are paid for.

What Is 3 Way Matching?

There are **three documents integral to 3 way matching; a purchase order, an invoice and a delivery note.** A **purchase order** is the official document sent to a supplier with details of an order, an invoice is the request for payment from the supplier and a delivery note / receipt confirms what has been delivered and the payment method.

Accounts Payable teams will **check that these three documents match exactly to verify what has been delivered** is what was ordered, before authorising payment.

It is at this stage any discrepancies or errors are flagged, such as an incorrect price or missing goods, and if so, payment is put on hold. This will remain the case until the issue is rectified and 3 way matching can be performed again.

The Problems with Manual 3 Way Matching

Manual 3 way matching processes require a lot of time and effort, having to cross reference numerous data points means errors can easily occur.



Locating Documents

With manual 3 way matching processes, paper documents or those saved electronically in network folders first need to be located. This can be a time consuming process, whether it's looking for a purchase order a colleague says they've filed, or trying to access an invoice stored on the server via a poor VPN connection from home.

Delays to Suppliers

Paper documents can be lost or damaged causing delays to suppliers, and preventing organisations from taking early repayment discounts.

Multi-Location Logistics

Organisations with multiple offices can also struggle with logistical challenges. If goods are delivered to a branch, but Finance manages all payments from Head Office, how can checks be easily managed?

Delivery notes posted in bulk cause delays, if documents are saved to a network folder, mistakes can easily happen or there can be access issues, and emailed information relies on timely responses from both sides.

Lack of Visibility

Manual 3 way matching offers very little visibility into how the entire process is performing. There is no single way to understand how many invoices need paying, those that are on hold or which suppliers are offering early repayment discounts.

How Automated 3 Way Matching Works

With an automated solution to manage 3 way matching, all purchase orders, invoices and delivery notes are **stored digitally in a centralised system**. Documents are either scanned in if received on paper, stored directly from email or picked up by the system from a desk top watch folder.

Once they enter the system, **key data** such as reference numbers, dates, company names etc. are **accurately captured and stored** as indexed information. This same data is used when searching for documents, making documents quick and easy to find.

Integration with finance packages or **ERP systems** means this information can be automatically pushed into them, **removing the need for manual data entry** and wasted time copying and pasting.

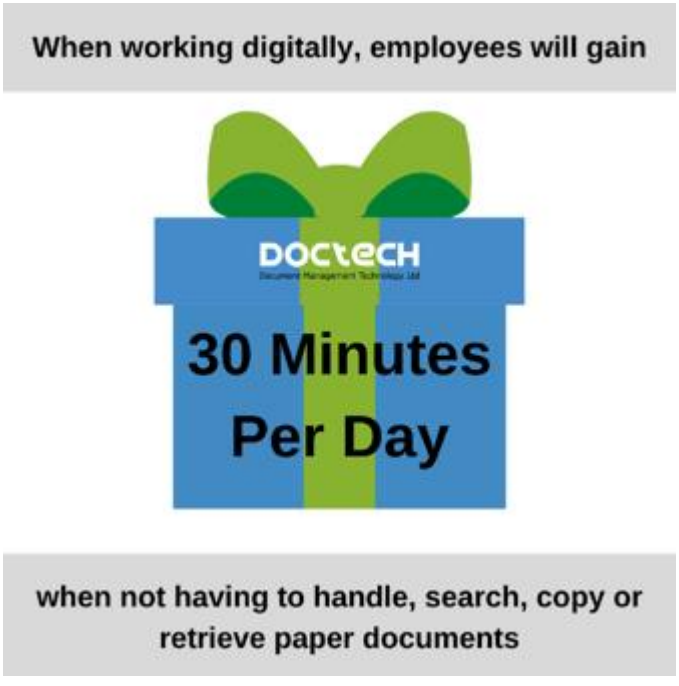
When an invoice enters the digital system, a **workflow** is initiated behind the scenes to look for a **purchase order** and delivery note with a matching reference number. It will also check the invoice total with the amount stated on the purchase order and if all are correct, **the system performs the 3 way match** and moves the invoice through to the completion step.

At this stage, a member of staff adds GL codes to the invoice line items and creates the booking record. For invoices with multiple items that need to be checked quickly, a digital stamp can be used and added as an overlay to the document. The system stores the original alongside any mark upped up invoices.

If the 3 way match is successful, the invoice is marked as approved and sent for payment. The **system can also perform a 'quick match' based on parameters set by the business** - such as any invoice under £1,000 from a trusted supplier can automatically be moved through to payment.

The Benefits of Automated 3 Way Matching

If you're reading this blog it's likely you're facing challenges with your Accounts Payable process, and we want to help. We hear the benefits **our clients** experience once our solutions are up and running and they often wish they'd made the change sooner.



Save Time

We all wish we had more time in our day to complete tasks, and a digital system that automates 3 way matching gives employees just that. It takes less time to locate documents, re-keying data is no longer required and the process of physically matching documents is removed

This gives staff more time to work on other jobs, or get out of the door on time!

Stop Fraud

With an **automated system** purchase orders that haven't been pre-approved cannot be submitted, not can fraudulent invoices be accidently paid. There are **rules in place** to stop this happening, for example a purchase order

can only enter the system if the chosen supplier is on an approved supplier list, or an invoice cannot be paid without a **delivery note**.

Businesses can save money on wasted purchases and overpayments.

Audit Ready

All documents are efficiently stored and indexed in digital filing cabinets making them easy to find. Information within the system cannot be lost or misplaced and so readily available during an audit.

Better Compliance

When 3 way matching is automated, **every step has to be followed before the next can begin**. This provides organisations with **accurate data** which can effectively be used to make important financial decisions. Mistakes are avoided when there are multiple checks in place.

Improved Relationships

A digital system provides better visibility of the full **Accounts Payable** process compared with manual or paper systems. In a matter of clicks, **management can track deliveries and payments with suppliers and customers** and go on to understand ordering patterns. Placing repeated orders with the same suppliers builds better relationships, **ensuring consistent quality** and potential deals on price.

Start Making A Change Today

Why continue with **old processes that are no longer fit for purpose** and consume more employees time than they should. Paper processes may have once worked but as the business grows they will buckle under the pressure.

Don't let the competition move ahead, speak with us about 3 way matching in accounts payable and understand the improvements we can make to your processes. We'd welcome a chat about the problems you're experiencing as well as any bespoke requirements you may have.

Book a time in our diary and **start making a change today.**