



RELIABLE AUDIT TRAIL REFORM



passion teamwork clarity quality integrity



The context



The legal obligation to invoice: an expensive obligation

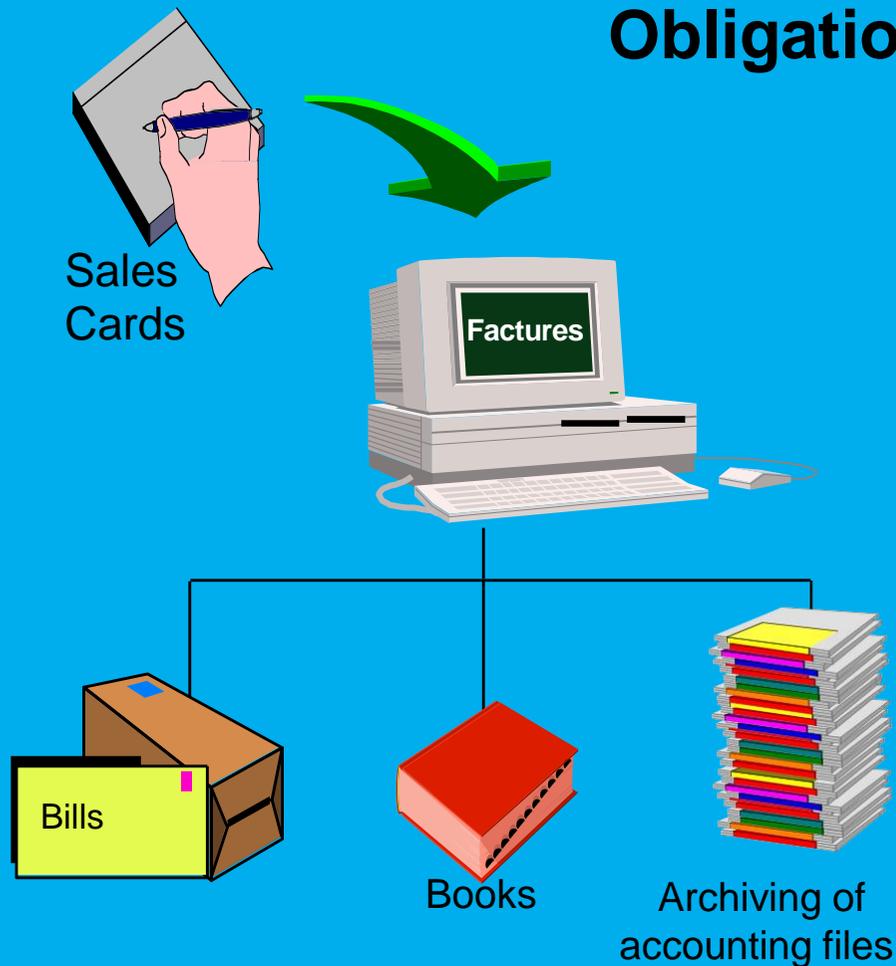


In order to qualify for the deduction, the supporting documents relating to the transactions must be original documents

The taxable person must keep a duplicate of all the documents issued



The Legal Obligation to Invoice: A Costly Obligation (continued)



The accounting books and supporting documents of the transactions carried out by the debtors must be kept in accordance with the procedures laid down in Article L. 102 B, I, of the Book of Tax Procedures



Electronic invoicing

- A legislative breakthrough in line with the economic needs of the company, made mandatory from 1 January 2023.





- **Texte visé : Projet de loi de finances n° 3360 pour 2021**
- **Examiné par : Assemblée nationale (séance publique)**

ADOPTÉ

(vendredi 13 novembre 2020)

Déposé par : Le Gouvernement

APRÈS L'ARTICLE 46, insérer l'article suivant:

I. - Dans les conditions prévues à l'article 38 de la Constitution, le Gouvernement est autorisé à prendre par voie d'ordonnance toute mesure relevant du domaine de la loi nécessaire à l'amélioration et la modernisation de la gestion par les entreprises ainsi que de la collecte et du contrôle par l'administration de la taxe sur la valeur ajoutée en :

1° Généralisant le recours à la facturation électronique et modifiant les conditions et les modalités de ce recours ;

2° Instituant une obligation de transmission dématérialisée à l'administration d'informations relatives aux opérations réalisées par de





- Since 1 January 2014, companies have four e-invoicing options:
 - - "Electronic invoices": invoices in the form of Word, PDF, Excel files... transmitted electronically and not protected by electronic signature (RGS minimum 2 stars) – Request the implementation of paf.
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 - From 1 January 2023, we will probably observe the development of a new method of electronic invoicing: Factur-X (PDF invoice A/3 integrating an XML file) – Require the implementation of a reliable reform of the audit trail



- "Dematerialized invoices": dematerialized invoices transmitted according to a precise protocol (with summary list and partner files) – **Do not require the establishment of a PAF.**
- "Invoices signed with electronic signature": invoices in the form of Word, PDF, Excel files... transmitted electronically and protected by electronic signature (RGS minimum 2 stars) – **Do not require the implementation of PAF.**



Unsigned electronic invoices with a reliable audit trail



What are the steps and documents of a business transaction with order:

The Contract: negotiation and signature by both parties in duplicate. The contract may not exist.

In this case, the quote and the order form must be accompanied **of the General Conditions of Sale.**

The Order gives rise to several documents:

If necessary, a quote, produced and signed by the supplier and transmitted to the customer who stores it.

The quote can take the form of a **Catalogue** (usually part of the contract) in which the customer chooses his purchases.

The Order Form issued (and normally signed) by the customer to the buyer: it can be the acceptance of the quote (in this case, it is preferable to start from a copy of the quote on which the customer affixes his commitment by signing "order form"), or an order placed for example on the basis of a catalog (paper or electronic cart).

Delivery which is divided into 2 documents:

The delivery note, produced by the supplier and transmitted to the customer in general with the delivery, which makes the detail

The Reception Voucher, produced from the customer to the supplier. Often it is a copy of the delivery note signed, or even noted by the customer.



What are the steps and documents of a business transaction with order:

The invoice: produced by the supplier (or its agent), to the customer.

The supplier must keep a faithful and durable copy of the invoices issued.

The supplier may be required to produce credits, especially during the validation phase

Validation of invoices by the customer:

According to the Contract / Purchase Order, Delivery and Invoice If possible, 2 levels of validation are a good practice

In the event of a dispute, a discussion takes place with the supplier, who is part of the transaction and therefore of the audit trail.

Invoice Payment:

An agreement from the client's treasurer (separation of authorisation/payment powers) giving rise to a notice of surgery and a bank statement.

A cycle of "Flow Looping" for the supplier who needs to reconcile payment and invoice paid:

Sound-based **bank statement**

If possible with the help of a **payment notice**, transmitted by your customer and informing him about the details of the payment



To have a track of control in the rules of the art, companies must therefore:

Know how to manage your document database in order to keep all their documents: Contracts, Quotes, Purchase Orders, Catalogs, Delivery Notes, Receipts, Invoices, Bank Account Statements, any exchanges (letters, e-mails).

Know how to find all the documents of a transaction from one of them

This requires a documentary organization in addition to the information system.

What an operational reality today:

And your company: take a test (an industry study?):

Based on a sample of invoices aged 2 to 10 years, recompose the audit trail and measure the associated load.

How companies manage this documentary database and audit trail:

in paper, electronic (after scanning) or mixed format? With their management software or only with internal procedures?

What about SMEs in general?



The existence of a documented and permanent audit that establishes a reliable audit trail is one way to bring significant evidentiary force to an invoice:

Which is based on consistency between the invoice and other business transaction documents retained as part of the audit trail

Which makes it very complicated to produce "fakes", to the extent that it would be necessary that **all documents are modified consistently** of the audit trail of the company (and its counterpart).

Which therefore allows a **reduction of intrinsic means** fixing the document (original paper, computer sealing, ...)

The implementation of reliable audit trails is not uniform in companies and requires an efficient information system:

Who tracks the stages of the commercial transaction, as well as the management software or ERP, **as long as the system's power supply procedures are followed** (including receipt of goods or services).

Which links to the different stages associated supporting documents, either in their original form, or in a transformed form (faithful and durable copy, digitization, ...).



The reform of the reliable audit trail therefore requires the implementation of three cumulative actions to be effective:

- A cartographic component
- The storage pane (parsed with the map pane)
- The "Persistent and Documented Control" component

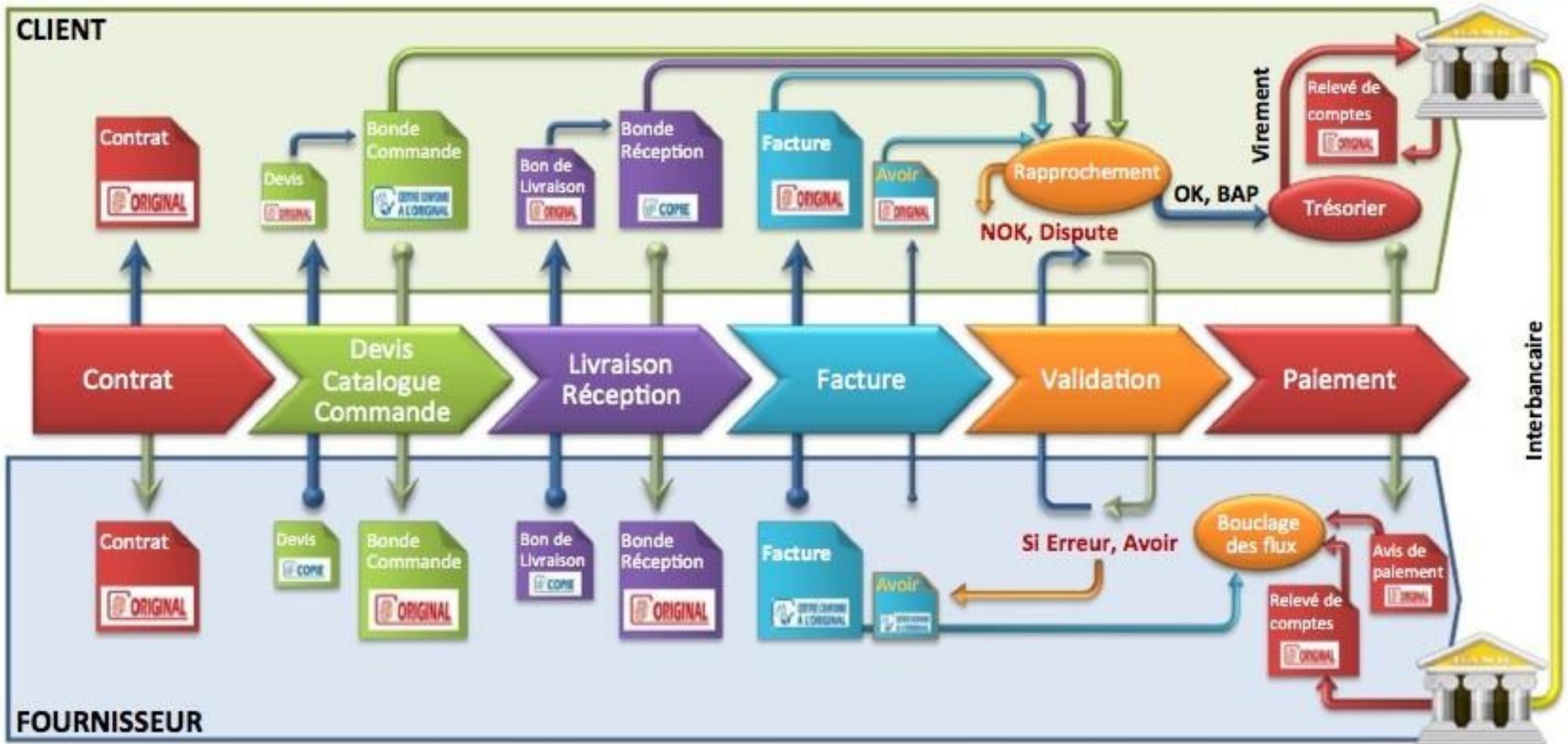
IT IS THESE THREE COMPONENTS THAT CUMULATIVELY ALLOW TO CHARACTERIZE THE EXISTENCE OF A RELIABLE TRACK ADUIT



MAPPING AND STORAGE PANE



Purchase with order



- Contrats signé par les 2 parties
- L'acheteur passe commande
- Le fournisseur livre / L'acheteur réceptionne
- Le fournisseur facture
- L'acheteur valide ou discute ... / Le fournisseur peut émettre un avoir
- L'acheteur paie / Le fournisseur rapproche paiement / facture





COMPONENTE SCP



The "SCP" component is divided into three subcomponents:

- CAF (invoice admission control)
- INF (computer science)
- TEST (CEPAF control)



CAF Controls

Both at the issuer and at the addressee of the invoice, the checks must ensure the reality of the transactions and enable the taxable person who set them up to ensure that:

- That the invoice data are complete and accurate and have not been modified;
- That the invoice is sent to the right person at the right time;
- that the invoice is not subject to double processing or registration;
- whereas the mandatory information appears on the invoice;
- that the invoice corresponds to an actual economic, accounting and financial transaction and that all transactions have been taken into account in chronological order;
- that transactions are processed in compliance with current legislation;
- That significant risks are taken into account, whether they are operational (failure of the computer billing system that issues invoices whose mentions are inaccurate) or financial (computer billing system that generates invoices of incorrect amount), that is, identified and checked.



When checks are carried out in a dematerialized form, the following documents must be submitted to the administration, in particular in a large holding:

- Mapping of the IT applications involved in the billing process and the related security clearances;
- The structures of the files used and how they are fed;
- The tables and data encoding settings used;
- The methods of storage and archiving of data;
- The flow of information and the methods of exchange and validation of information with third parties;
- The procedures for the information in the accounts and the checks carried out to ensure its consistency (periodicity, scope and nature);
- The list of anomalies and error correction processes,



TEST

The requirement of the administration for the description of these controls depends on the size of the companies (turnover achieved, number of employees, etc.), the volume of invoices issued and received and the resources used (human and financial) to carry out such checks. Therefore, summary documentation will be considered sufficient in small and medium-sized enterprises (SMEs), while more detailed documentation will be provided in very large enterprises.

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Example: an oral presentation accompanied by a concrete demonstration will be sufficient to describe the controls established by a very small company (VSE) and carried out by a single actor, consisting of a manual cross-check of invoices with commercial documents.

The procedures for the information in the accounts and the checks carried out to ensure its consistency (periodicity, scope and nature);

List of anomalies and error correction processes.



PLAN OF A PAF DOCUMENTATION (esempio)

- I. Declination of flow mapping
- II. Documentation of the archiving procedure
- III. Continuous and documented controls
 - Procedure for the admission of invoices
 - Computer documentation
 - Test