

# Changing over to paperless accounting (2/41/19)

In the age of digital economy, the business community needs to keep abreast of industry trends. In accounting, the trend is towards a paperless future, but this raises some questions. How do we go about this? What tools do we need? What legislation must we comply with?

## Why is accounting moving towards a paperless future?

Each business owner and each accountant should be striving to adopt paperless accounting because this considerably facilitates their work and opens up opportunities for integrating new technologies into their daily routine. We should also consider the ecological footprint, as minimising the use of paper makes accounting eco-friendlier. Digital documentation opens up countless possibilities, such as robotised processing of documents and preparation of reports, automated sending or filing of documents, and adoption of document management systems.

## Tools for successful transition to digitalised accounting

Before adoption, we should get to know various tools we need for changing over to digitalised accounting. Digital accounting could well be based on a content management system that offers secure exchange and storage of files, facilities for tracking changes and versions, and access control. The most popular solutions are G Suite and Microsoft Sharepoint, both being widely used with a range of third-party add-ins that tailor the service to each customer's needs. We will also need our own eSignature, the only substitute for a physical signature to bind the user and any third party. In general, eSignature serves as a personal ID replacement in the electronic environment, so the creation and use of eSignature is a crucial step towards paperless accounting.

To scan and convert paper documents into an editable file, we need an optical character recognition (OCR) solution. Free OCR solutions are mostly available online, but for data security reasons it is advisable to use an offline solution working locally. Offline means there is no need to send documents to a third party for processing, which mitigates the risk of data leakage.

## The legal framework

Under section 3(1) of the Electronic Documents Act, the written form requirement for an electronic document is satisfied if it has an electronic signature and meets other statutory requirements.

An electronic document should be electronically signed, so we need to know and consider the difference between an electronic signature and a secure electronic signature.

Under EU Regulation No. 910/2014/EU, an electronic signature means any electronic data that is attached to other data the signer uses for signing, i.e. any data allowing the parties to identify each other.

An electronic signature is binding only if the parties have a prior agreement confirmed in writing (or with a secure electronic signature). An alternative electronic signature helps facilitate the process of signing for regular supplies of goods.

eSignature used in Latvia is a secure electronic signature valid in law because it identifies a unique person. A secure electronic signature is always binding.

To minimise a company's archive of paper documents, it is legal to<sup>1</sup> destroy the paper originals of a document as long as the company provides a digital copy that can be opened and read and the converted document is protected against unauthorised access and changes to its content. The original electronic document and its copies are equally valid in law.

The law green-lights an accountant's move towards paperless accounting for efficiency and ecology reasons.

Digitalised accounting provides many benefits, such as faster and more efficient processing of documents, data security, easier data exchange, transparency, and the potential for robotising various processes. Latvian law permits paper documents to be replaced with electronic alternatives, so we encourage you to welcome our paperless future.

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<sup>1</sup> Section 10(6) of the Accounting Act