



## Critical review on the outsourcing of compliance work using 24/7 Beancounter.

### Introduction

Accountants have historically relied on a compliance business model in which they employ a hierarchy of skill sets within an office environment and undertake relatively standard and procedurally simple compliance work to meet the requirements of the Inland Revenue Department and other stakeholders such as the Bank.

In recent years this model has become increasingly difficult to support, principally due to the shortage of skilled labour that has come about due to the historical attractiveness of overseas postings and the lack of trained junior staff coming through our Polytechnics and other tertiary facilities.

With the advent of clever computerisation and data capture systems such as Banlink, Xero, MYOB and Quickbooks, it seems evident that the traditional business model of the accountant offering compliance services needs to change and in doing so needs to clearly identify and develop a new business model under which it will look to operate.

### Outsourcing

One such model being offered by 24/7 Beancounter is contract outsourcing of compliance work to various stages of completion. It would seem advantageous to adopt such a model as it removes some of the clearly identified disadvantages of the traditional model in that it has the ability to access trained and skilled staff.

If when the work is outsourced, and the skill set of the person undertaking the work is high, then as a practitioner we should be willing to adopt and try such new services. And if trust and quality can be obtained and developed with the supply of these services then it would seem that such service should and would take hold in our industry.

## Lack of Uptake

It can be questioned as to why accountants are not flocking to a new service as they would themselves suggest to their clients that any service available that removes risk, maintains trust and quality and finally improves the financial return to the shareholder would certainly be of benefit and worthy of consideration.

As a practitioner in a regional area in the lower North Island, we ourselves have been challenged with the attraction of suitably qualified staff and this has limited our ability to grow and manage the increased supply of work due to retiring practitioners in our area and conversely to match the growth of our current client base in light of the recent economic boom.

It would be my assessment that many practitioners whilst advocating strong and flexible business models for their clients are often not taking time to consider their own business model and how such changes and opportunities that are developing in our own industry can assist them and help them develop their own business.

It would seem that if trust and quality can be resolved and obtained between service provider and the accountant then such a service should be advantageous to us all.

## Systemisation

The other hindrance to adopting such new service developments would be that of systemisation. We are all aware of the senior practitioners of old who would not start or complete a job until such time as they had firstly interviewed the client thoroughly, manually coded the cheque books, reviewed any asset sales or disposals and in turn thoroughly reviewed the client for any changes that have occurred over the previous 12 months.

It is only after this thorough process that any compliance assignment would be started. It was on this basis that I suspect many of these senior practitioners do not have any write offs, indeed probably had write ons and knew intimately the affairs and transactions of their clients.

It is maybe due to the advent of clients undertaking more of their basic transaction work be it MYOB, Quickbooks, Banklink, coding that we have become somewhat divorced from

the intricacies and details of their businesses and tend to rely on the quality of their data input when we come to commence their jobs.

It would be once we had started and only then that we realise we are short of information and enter into the time consuming and write off causing query sheets.

It is then a clear need that we need to resystemise our practices so that we are clear on the information that we hold, clear on the outstanding information and only then look to commence our annual compliance work.

24/7 Beancounter can help us with this process if we choose to use their Online Client Questionnaires. The questionnaires are generated for our clients, at the end of answering a comprehensive and personalised checklist is generated for the client outlining all of the information we require to complete the annual financial statements and tax returns BEFORE commencing the job.

### Further Possible Perceived Barriers

Outsourcing is a shift away from the traditional model where everything is processed in -house, and as such the following may be perceived as barriers

- Client Contact and Confidentiality - the relationship with 24/7 Beancounter is contractual. 24/7 Beancounter is in the business of providing a service to you, NOT your clients. The agreement with 24/7 Beancounter makes it very clear that your clients remain your clients, and that they have no contact with your clients. All data and files received by 24/7 Beancounter to enable them to complete the work remain the property of you/your client.
- Internet Security - obviously this is a concern, we need to have certainty in the security of information and data being transferred between ourselves and the outsourcer. 24/7 Beancounter operate a secure website and hold an International Extended Validation SSL Certificate (24/7 Beancounter have undergone a rigorous validation process in obtaining this Certificate, a process that ensures Certificates are only issued to the most trusted organisations).
- Timeliness - 24/7 Beancounter guarantee a 5 working day turnaround for most jobs (additional time if there are queries on the job, or a number of related entities that require processing at the same time). 5 days is better than we can do in-

house for many jobs, so I see this as a definite benefit and selling point for us and our clients.

- The need to review the jobs thoroughly upon their return - Why?? 24/7 Beancounter only use the services of highly trained/qualified New Zealand based accountants, thus minimising the amount of time required to review each job. It should take no more time to review an outsourced job than one prepared in-house (it should take less time due to the ability level of the 24/7 Beancounter contractors). Quality control is an important aspect of their business. 24/7 Beancounter also offer a separate review outsourcing service, again only utilising highly qualified contractors, in fact only those with a C.A qualification.
- We have our way of doing things - 24/7 Beancounter are well aware that all accountants do things differently. They spend the time with you up front, finding out how you like things done, to ensure their contractors maintain your high standards.

### The Role of Outsourcing

It is now with a systemised and clear compliance workload, that the role of outsourcing and 24/7 Beancounter can be fully considered. Financially, it makes sense when you look at the costs of labour and associated overhead costs that go with developing a growing practice.

But to make the best and most beneficial use of the 24/7 Beancounter outsourcing product, we ourselves need to be systemised so that we can get the information to the outsourcing provider in a clean and efficient manner. Once we have this system in place then we know with some trust and certainty that the quality of the return and product should be second to none.

This then should in turn allow for full recovery of not only the 24/7 Beancounter outsourcing fee, which is currently 25%, but also the current overhead structure of the practice and this will in turn add to the bottom line productivity of the practice.

We have prepared a simple demonstration of how we would undertake an outsourcing evaluation model for our own practice and provide this in a table below. You can see that the benefits of outsourcing theoretically would increase profit from \$308,043 to \$433,621. And we would look to incur zero write offs as a result of this process.

## Transition Plan

We would see the following steps to implementing a transition from a traditional accounting model - into an outsourcing model. The key word here is a transition, rather than the set up of a new structure which could start with the end in mind. In our current situation we would look to transition as follows;

1. Not look to replace any AT staff if staff were to move on.
2. Only look to replace a CA if those skills were necessary to maintain a GP aspect to the practice - i.e. to answer client queries that inevitably crop up.
3. To review the head count when implementing new computer software systems, or network systems. The number of licenses will obviously reduce.
4. Lease arrangements will probably stay current. In the provinces office space is not really a huge factor - location and parking become more important. We would not look to shift with fewer staff. However, we may look to share with a firm that has some synergies: legal / financial planning etc.

## Conclusion

The outsourcing model requires trust between 24/7 Beancounter and the traditional accountant. To make the best use the Accountant needs to revisit some of the older techniques to ensure that the clients of our compliance practice bring in their work in a holistic and completed manner so that the requirement for query sheets and going back to the clients with outstanding information is minimised if not eliminated (which the 24/7 Beancounter Online Client Questionnaires can help with). Once this is achieved then we would be in a position to fully utilise the benefits provided by outsourcing and to achieve the financial rewards that we are due for the risk we take in attending to our clients' compliance requirements.