©shutterstock.com

Cloud reigns supreme in race for modern gold-medal accounting

Alex Bell speaks to technology leaders in the accountancy space about carving a path for the profession to fully enter into and embrace the digital age

The race to embrace tech in accounting is well and truly on.

With multiple moving parts shaping this space it would appear that the Nordic countries already have gold medals.

The question is where North West companies are positioned in the marathon-like contest that undoubtedly requires fast-firm decisions and subsequent short bursts of speed just to keep up.

John Toon is Beever & Struthers' technology strategy lead based in Manchester. Analysing our region and the wider UK, Toon says not enough businesses have made the necessary moves to streamline accounting.

"The Nordic countries, for example, really embrace technology and are super efficient as a result," he says. "So while the US is streets away from us, we are streets away from the best."

Toon reckons the biggest thing kicking off at the moment is around open banking and making payments more streamlined. "There's been a huge amount of innovation in the business payment space which is taking away some of the legwork," he adds.

"Interestingly, in the card payment space, there is payment friction happening particularly for ecommerce businesses, where we are seeing a fair bit of drop-off in the verification process and 'abandoned carts', which isn't good as they don't want to be losing customers at that point.

> "Fully digital working is the way to go regardless of whether you are office-based, home-based or mixed."
>
> **John Toon**
> Beever & Struthers

"Saying that, the technology in use across the payment space is uber cheap because it's running on the latest set of technologies and bypassing old bank systems like Bacs. So, processing costs which have always been a bit of a bugbear, particularly for SMEs [small and medium-sized enterprises], are sometimes even free and that is especially useful if processing in volume."

The next iteration of the open banking payment space is VRPs (variable recurring payments) which is a modern version of direct debits. "Again, it's uber-low costs for businesses and charities for example," says Toon. "It is available to use from July and integrates seamlessly with the latest accounting and website technology."

As Toon points out, back in March 2020, many businesses realised their technology wasn't up to the job. "What we are seeing is that digitisation in accounting is still in an early phase for plenty of companies," he adds. "Fully digital working is the way to go regardless of whether you are office-based, home-based or mixed. Fairly fundamental and simple is picking up Xero, QuickBooks or Sage for example; they've been around for more than a decade. Once in that cloud space you can build on top of that. OCR [optical character recognition] invoice scanning, extraction, automated processing, payments technology, operational technologies, payroll, HR – they are all there for the taking.

"And when on the cloud you can build a fully homogenised consistent system that talks in and out of the business and provides data that you can use to make strategic decisions. A lot of businesses still have silos of information and that feeds into productivity problems."

Codat, an API (application programming interface) providing connectivity to financial software used by small businesses globally, recently published a report which showed that since July 2020 SMEs in ecommerce have grown by 100,000 to 6 million in total – yet 50 per cent use a combination of spreadsheets and manual records.

It suggests the cultural shift towards enhanced digitisation – AI (artificial intelligence), automation, data analytics and apps connected to software – in accountancy needs to quicken. Throwing in April's government policy paper and overview of making tax digital signalled the potential for a pick-up in pace.

Elsewhere, in the executive summary of the 2021 *Nordic Fintech Report*, it states: "The strength of the Nordic fintech scene should come as no surprise – home to one in ten of the fintechs listed on the Global Fintech Index, the region is where some of the biggest names in financial technology first came to prominence: from Klarna and iZettle to Transferwise and Tink, all of which have their roots in northern Europe."

So what steps must be taken to truly enter digitisation? Cliff Orme is cloud accounting and systems manager at DSG, an accountancy and advisory firm based in Liverpool. He says: "It is fundamental that accountants not just enter but embrace the digital age. We're now at a point where young adults have been used to computers and smartphones since birth. Many of those same individuals are already business owners, and the numbers can only grow.

"We're already at a junction where these entrepreneurs can view their books and upload receipts and purchase invoices via

ADVERTISEMENT

How can cloud accounting benefit your business?

The popularity of cloud accounting continues to grow, with many businesses moving away from traditional accounting systems thanks to the flexibility offered by cloud-based solutions.

A major benefit is ease of use. Designed for the end-user rather than for accountants or financial experts, they are relatively straightforward to use and accessible anywhere you have an internet connection.

Another benefit is reduced cost. Where traditional accountancy software packages tend to be more expensive, new cloud-based systems can cost as little as around £20 per month.

A cloud-based system will also save you time. Cloud accounting systems can link directly to your business bank account, automatically downloading transactional detail and reconciling transactions, meaning that data input time is significantly reduced, as well as the risk of error. Data is also automatically backed up in the cloud and business owners get the great benefit of seeing real time information.

While there may be initial concerns around security, the data does not travel on any computer/storage device, nor can it be lost or corrupted. Whilst no system can be completely safe from cyber criminals, cloud accounting providers offer some of the highest levels of encryption and protection.

Additionally, the ability to integrate other software and apps can bring other significant benefits.

Cloud accounting products can greatly assist business owners on many levels. We can advise on the costs and advantages to businesses and provide support and advice on implementing the appropriate solution.

Martyn Dobinson
Partner, Saffery Champness

T: +44 (0)161 200 8392
E: martyn.dobinson@saffery.com
www.saffery.com

Saffery Champness
CHARTERED ACCOUNTANTS

an app. Given the service received in other sectors, their expectations may be that any reports they view are up to date. I don't believe we're at the point in automation where this information is in real time, but I do believe we're at a point where manual processing alone would be unable to meet their expectations."

This really goes hand in hand with the change in the role of an accountant which has been discussed a lot in recent years. Orme adds: "As the accounting data is kept current, with the help of cloud accounting, we can view it more often. We're able to see potential issues and resolve them like never before. It's this kind of proactive accounting clients value most.

"To give real world examples of this, we also partner with an advisory platform called Capitalise, which links with our clients' core bookkeeping software. During lockdown we were able to identify which clients would benefit from various elements of support funding, and advise them accordingly. In a traditional role we would have spoken to those clients once a year and quite likely missed the funding application deadline."

Lee Murphy, managing director at Wirral-based The Accountancy Partnership, talks about another great feature of digital accounting in expenses management. He says: "Research into expenses by The Accountancy Partnership found that more than two fifths – 43 per cent – of small business owners fail to claim expenses due to lost receipts and invoices. OCR technology that plugs directly into software allows images of receipts to be uploaded and entered into expense records as soon as the expense occurs, minimising lost tax breaks as a result of missing receipts."

"Small business owners fail to claim expenses due to lost receipts."

Lee Murphy
The Accountancy Partnership

SPOTLIGHT ON THE STEPS TO INNOVATION

with DSG's Cliff Orme

The top four automation tools we have in our practice include the following:

- Purchase invoice processing via a tool such as Dext or Hubdoc.
- Bank feeds combined with rules to automate bank transaction processing is something that comes as a standard feature in all the cloud-based bookkeeping packages I have seen. Most of our clients have been moved over to either Quickbooks or Xero, with a smaller number on Sage Business Cloud, Kashflow and Free Agent.
- Two-way integration between the clients' core book platform and our own accounts production software. I'm a believer that nothing should be keyed into a computer twice, so the two-way integration offered using CCH's Open Integration is invaluable. It ensures that year-end adjustments are posted back into the clients' core system.
- SYFT, a financial reporting software, allows us to produce management accounts – including an automated executive summary – from a direct link to the clients' core system.