How to automate

Your in-depth guide to embedding automation in your firm or finance function

Issued July 2020

How to automate

Your in-depth guide to embedding automation in your firm or finance function

Automation, the digital revolution and the advent of cloud accounting have been talked about in ambitious and excited tones for well over a decade. Yet, even the most generous estimations suggest only around 20% of the UK's businesses have adopted automation and the cloud.

While many may be happy to operate as they always have, inertia can leave businesses vulnerable. We looked at what accountants should consider when weighing up automation.

1. What to automate

In short, anything that does not generally require human decision-making can be automated. In the context of accountancy, this is most often day-to-day bookkeeping, but can also be more sophisticated.

"Bookkeeping and processing data is somewhere you can make a lot of gains," says Stuart Hurst, regional director at Accounts and Legal. "Specifically with bookkeeping, purchase ledger entry and bank reconciliation are areas that are often the first to be automated and that's because you see the same thing time and time again. You can tell a computer the rule one time and it's done. You can tell it 'that's an invoice', 'that's an accounts code', and what the VAT is and link it to the right supplier postings and once it's paid it can match it automatically."

2. The benefits

A significant reduction in errors is one of the clearest benefits of introducing automation to your accounting processes. The level of accuracy of machines compared to humans in bookkeeping is orders of magnitude greater, perhaps misreading one data point per thousand, compared to between five and 10 human errors per thousand data points. Not only that, the time saved is huge.

"Before we brought in automation, my wife used to match off all our direct debits," says Paul Donno, founder and director at 1 Accounts. "That used to be at least two days a month and our business was a third of the size it is now."

Introducing automation to your accounts department or firm can greatly improve your adaptability and resilience to sudden changes, too.

"Our practice is 100% online, so when you're asked by the banks for information, we can do a forecast quickly and accurately. As a result, it's been very successful. A lot of the traditional firms haven't been able to do that in a timely fashion."

A significant reduction in errors is one of the clearest benefits of introducing automation to your accounting processes.

3. Be specific

It's vital to understand your organisation's needs and how automation might help.

"Xero has around 800 apps on its ecosystem now, QuickBooks in the UK has 350 at the last count, so naturally there's a minefield there," notes Will Farnell, founder and director at Farnell Clarke and App Advisory Plus. "Most accountants are still struggling to understand how Receipt Bank and Xero work together, so when you start throwing in all this other stuff, it becomes quite overwhelming."

It's important to bear in mind, he adds, that programmes won't always work across the board for everyone and it's crucial to have a full picture of what your business needs.

"Every client will have different requirements, so you have to understand the concept of mapping processes and identifying the core features you need," Farnell says.

4 Integration

Many of the automation products available easily and readily integrate with the mainstream accounting software products, and that forms the basis of an effective app stack.

"You'll generally have one piece of software that's the one source of truth and things will split from there and send data," explains Hurst. "You'll build a best-in-class app stack that may be anywhere from five to 20 or 30 apps at the larger end of the scale."

There is a danger, though, they may not speak so well to each other, and this can lead to complexities and potential problems unless it's implemented carefully.

"It does depend on what you're doing, but you can end up with multi-level integrations that may not be out-of-the-box," explains Farnell. "It's got to be very carefully planned and you have to be careful not to create steps in the process that are not delivering value."

You'll generally have one piece of software that's the one source of truth and things will split from there and send data
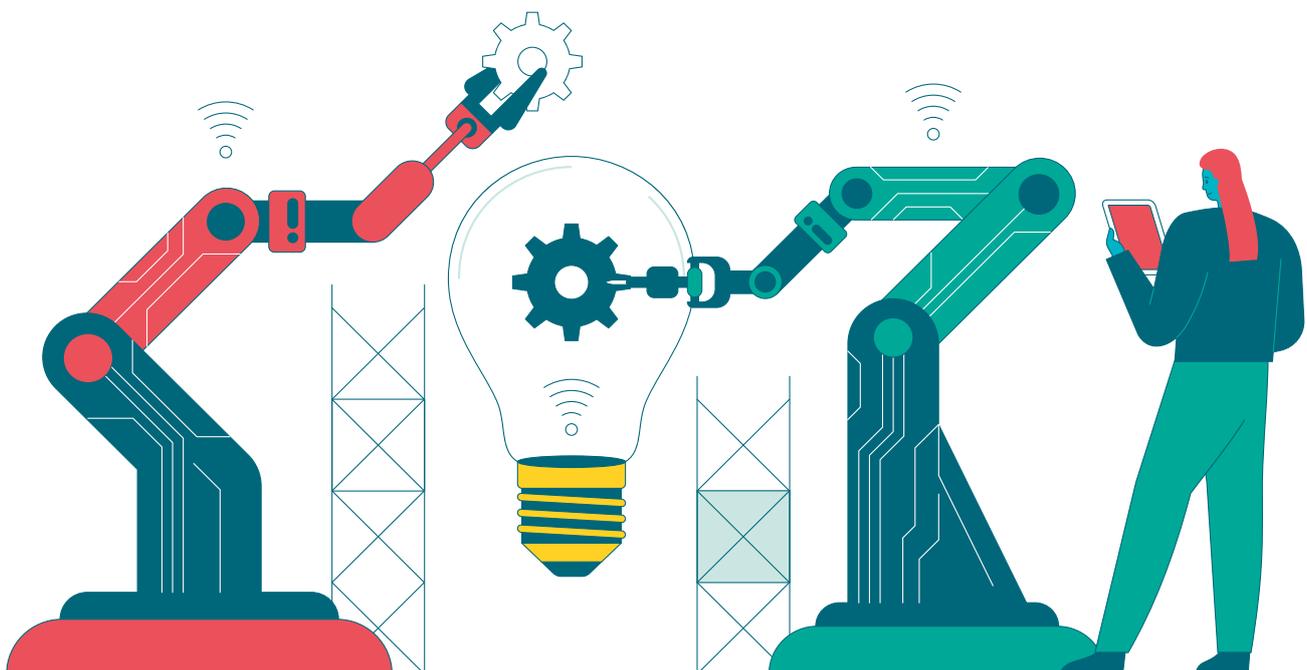
Build your app stack

Assembling your automated app stack is a painstaking process, particularly given the large number of options on the market. Here are our top five picks.

Xero

Xero is the most commonly used accounting software in the UK, and as such, it's often the basis on which automated processes are based. More than 800 other apps integrate with Xero at last count, enabling those automated processes to be reflected in your accounts. Whether it's Xero or one of its competitors, there are three clear reasons to adopt online accounting software – efficiency, accuracy and its ability to work effectively and automatically in tandem with the other digital tools on this list and more besides.

Costs: Starts at £10 per month.

Installation requirements: None.

Alternatives: QuickBooks, Sage, FreeAgent, Iris.

Receipt Bank

Like Xero, Receipt Bank is one of the most widely-used digital tools among the UK's accountants. Clients take photographs of their receipts and upload them to Receipt Bank via its app. The data is then automatically scraped from the image and relayed to the accounting software, where it is tagged, logged and reconciled as appropriate, allowing users to keep accurate, secure records in real time.

Costs: Prices start at £10 per month.

Installation requirements: Integrates with all major accounting software providers.

Alternatives: HubDoc, Expensify, Concur.

Chaser

Chaser is a credit-control app that automates chasing customers to pay their invoices. It sends out polite, consistent emails to clients, reminding them of their unpaid invoices, without the need for intervention from you, the user. It claims to save, on average, 7.3 hours a week and works as a partner app with Xero, QuickBooks Online and Sage.

Costs: Prices start at £25 per month for up to 50 invoices a month with two users.

Installation requirements: You must have either Xero, QuickBooks Online or Sage.

Alternatives: Credica, Onguard, Advantage.

GoCardless

GoCardless is an automated, recurring and ad hoc payments collection programme. Customers only need to set up their payment details once using a secure online form. They don't need to remember to pay and they will be notified before payments are collected automatically on agreed due dates and, in turn, reflected in the accounts.

Costs: 1% per transaction, plus £0.20 or €0.20 within the eurozone (worldwide, it's 2% plus £0.20).

Installation requirements: You must have cloud accounting software such as Xero, QuickBooks, Sage or FreeAgent.

Alternatives: Stripe, iZettle.

Fluidly

Fluidly is a real-time cash flow management programme that helps businesses forecast and optimise their finances. It uses artificial intelligence to automatically build a detailed baseline cash flow forecast using your financial data. Users benefit from a clear projection of revenues, which respond in real time as the input data changes.

Costs: Starts at £10+VAT per month.

Installation requirements: Like many other apps, it integrates with accounting software including Xero, QuickBooks and Sage.

Alternatives: Futrli, Float.

Case study

# "Automation stabilised our business"

Automating processes as part of a digital overhaul brought success to an air conditioning manufacturer in Warrington, Cheshire.

In 2016, the firm's profitability was volatile, with management busy focussing on operating the business without regard for its numbers. Before it opted for automation, its numbers "were always very behind", according to Accounts and Legal regional director, Stuart Hurst.

"Its year end was 31 December, which meant a filing deadline of September and it was always 30 September when the accounts were signed off."

"They didn't have time to process its financial performance," Hurst says. "They had a bookkeeper, but the sheer volume of parts shipped from China meant a huge amount of invoices that were hard to track." The company moved to Xero at the beginning of 2018 and saw an immediate improvement — time saved and increased visibility over invoices and expenses allowed it to move to quarterly reporting.

"It gave them a clearer idea of where they were up to," Hurst explains. The company's next step was to understand its stock better. So it set up stock management software, Unleashed. "That took a good three months to get up to speed and get working," Hurst notes. Doing so, though, allowed the business to change the products it bought and re-evaluate its suppliers.
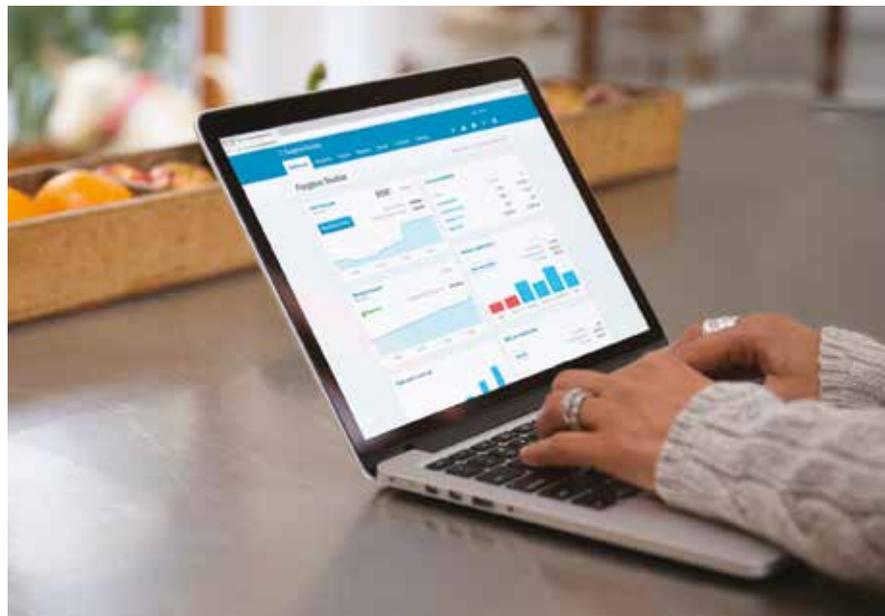
"It helped them come to a decision that they didn't need to buy in parts from China. They bought an additional plant and got production up to a level where it was cheaper. It meant the products were more customisable and it won them some NHS contracts as a result.

"That wouldn't have happened without the move to digital. They were working really hard and just standing still. They're working smarter rather than harder now."

They were working really hard and just standing still.
They're working smarter rather than harder now.

<div style="background:#e0e0e0;display:inline-block;padding:4px 12px;">**Case study**</div>

How automation freed up a client's Fridays

Introducing automated processes to help run her nursery allowed nursery owner Summer to save so much time that she was able to take Fridays off each week.

Sharon Pocock, managing director at Kinder Pocock, had been encouraging Summer to move to Xero for a few years, but "it never seemed to be the right time".

"We finally caught up with Summer to really dig into her invoicing and payment collection processes, and managed to give her a day a week back," Pocock explains.

The previous situation

- Every Friday, about 80 weekly invoices were raised in Microsoft Word

- These were printed twice and driven to Summer to check

- Any errors or extra charges were handwritten onto the invoices

- Invoices were updated in Microsoft Word at a later date

- Invoices were filed in a customer's file

- Any changes to the weekly amounts were given to customers on a post-it note

- Customers could pay cash, cheque or online, and given a copy of the invoice on payment

- The other invoice copy is saved in a "paid invoices" folder

- Customer payments were manually matched to customer invoices

- Outgoings were handwritten into a red book once a month

- Bank reconciliation was updated manually, once a month

The new way

Pocock explained that she and her team removed some processes altogether, and automated many more. Summer's processes now look like this:

- Automated: Xero repeating invoices are created every Friday and saved as draft

- Summer checks and updates any invoices

- She then bulk approves the invoices (all 80) and bulk emails the invoices to customers – No printing of invoices

- Automated: GoCardless collects payment of invoices on their due date and notifies customers

- Automated: When the Xero invoice is paid, Chaser sends the customer a thank you

- Automated: Supplier invoices and receipts are sent to Receipt Bank and pushed to Xero

- Automated: Direct bank feeds are set up in Xero, pushing daily transactions into Xero

- Bank reconciliation is now processed daily

The result

Summer can now have Fridays off, as she can manage all of this from anywhere, and there is very little to do. Most of the invoicing and payment collection is done automatically.

Summer's team has been taught how to check and update the repeating invoices and bulk approve and send to clients.

She has more visibility of how her business is doing, and can manage this on a daily basis, and has reassurance and peace of mind that these processes are happening automatically.

The next step

Having established this process, Summer will introduce further time saving apps and solutions.

These could include Practice Ignition for customer contracts and direct debits, Capsule or Insightly for customer contact info and other data, Soldo prepaid credit card for staff expenses, Capitalise for funding needs.

Pocock also explains that tools like Spotlight and The Gap could be used to help Summer to grow her business, with a strategy, forecast and one-page business plan.

Introducing automated processes to help run her nursery allowed nursery owner Summer to save so much time that she was able to take Fridays off each week.

Case study

Seven poor practices that automated processes could fix

As your accountant we're here to make your life simpler not harder. But what does that look like?

The following are seven working practices that persist which are making life harder, not easier, for clients, when automated cloud accounting software could make all the difference.

1. Your client drives a distance to drop off your records

No, no, and no again. We have a new client who was making a monthly round trip of 74 miles every month to drop records off. That is an hour of your life you're never getting back.

With our online world, and the amazing accounting tools out there, you clients shouldn't be taking piles of paper to you at all, wherever they are.

Instead, use accounting software, and Receipt Bank to snap receipts, and forward emailed invoices to Receipt Bank. A digital copy of the receipt/invoice is then stored against the transaction – a VAT inspector's dream.

2. You don't ask for access to your client's accounting software account

This means a few different things, which we'll cover in the next points. How can you be interested in how your client's business is doing if they don't have access to real-time data?

This also means you'll be asking your client for reports from the accounting software. All the accounting software options have so many cool features for accountants and bookkeepers that save us time, time that your is NOT saved if you're asking for printed reports.

3. You give your client adjustments to enter into their software

The beauty of cloud accounting software is it's single ledger, which means that you and I are looking at the same data, all the time. So any adjustments we make in the software, the client will see immediately, and vice versa.

We just lock the transactions up to the date we're working on, so you can continue with your work.

4. You DON'T give adjustments to enter into their accounting software

We're assuming in this instance that you're putting their accounts together from reports that have been printed off. This is wrong in itself, but if this is what is happening, then you have different data to your client. The accounting software data now doesn't agree to the final accounts that the tax office has.

This also means you don't have accurate data in the software.

5. You charge for manually entering data into accounting software

Not only has your client taken time out to take their records to you, they are now waiting for you to manually enter every single transaction into the accounting software, and paying for it.

6. You tell your client that things can't be corrected in the accounting software

One of the great time savers for accountants and bookkeepers using accounting software is how easy it is for us to correct mistakes. This helps when we're training and supporting you, and also when we come to complete accounts, VAT returns etc on your behalf. So if you say you can't change things, it means you don't know the software's time saving tools.

7. You don't mention accounting software on your website

You're already costing you money if this is the case. As soon as we were Xero-certified, we wanted to shout it from the rooftops, as we knew we could pass on all the massive benefits of Xero to our clients.

Sharon Pocock *is managing director and founder at Kinder Pocock*

One of the great time savers for accountants and bookkeepers using accounting software is how easy it is for us to correct mistakes.

aat

Automation in a nutshell

1. Greater flexibility

Automating many of your basic accounting processes, such as bookkeeping, will provide your firm or finance team with far greater flexibility than previously. It will enable faster adaptation to new conditions, such as remote working, and allow closer monitoring of up-to-date financial information. Not only that, it will be able to deal with growth and expansion in your business, with little or no change in the processing performance.

2. Plan your automation

Key to the process of adopting automation is identifying which processes your organisation needs to automate and for what purposes. This will greatly help you in identifying which vendors and products you will ultimately choose, and will help maximise the eventual impact of the exercise.

3. Be informed

Educating yourself on the market and the options available will allow you to make better choices when choosing your suppliers and assembling your app stack.

4. Save time

Saving time and removing pain points must be accompanied by increased productivity. Will you use the time saved on process work to expand, or improve your service to clients? It's important to have a clear idea of how this extra time will be used to get the best results from introducing automation.

5. Have reasonable expectations

Automation can augment and improve your organisation's performance and it can provide efficiencies and adaptations to your finances and business model — but it is a catalyst rather than a panacea.
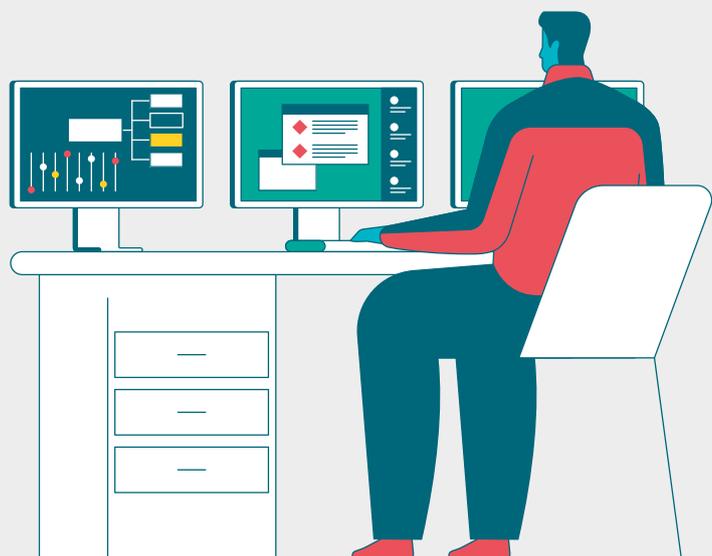
Any questions?

We hope you've enjoyed our overview of automation.
Please get in touch if you have any questions or feedback.

Call us on **+44 (0)20 3735 2400**.
Lines are open 09.00 to 17.00 (UK time), Monday to Friday.

Email us at **contentteam@aat.org.uk**

/YourAAT

/YourAAT

@YourAAT

forums.aat.org.uk

/AAT

/AATcpd