Digital Transformation in Accounting
Introduction

Beaming is not an accounting practice, but we attract lots of business from accountancy firms because they tend to have very specific needs which we feel we can meet very well: accountancy practices need to secure the data, they like to operate in a safe and reliable way and their concern is for their end clients.

In 2017, we started looking in depth at why it was that we attracted so many firms from the sector. We discovered that the use of digital technology in the accountancy sector was soaring, in part because forward thinking firms recognise the benefits to clients, and because clients see the whole adoption of digital as being a way to make things more productive in their own businesses.

This report details how accountancy practices are adapting to the new realities of today’s increasingly digital business environment. It details the technologies accountancy practices are adopting, the experiences that firms in the sector have had in adopting new ways of working and introducing new digital services to clients, and looks at what might be next in those journeys.

Accountancy firms are changing how they do business to capitalise on the possibilities created by new technologies and the demands of their clients. To deliver on the opportunities presented by digital transformation, accountancy practices need connectivity that is fast, secure and reliable, and support to ensure their businesses and networks can take the strain. We are well placed to provide that.

*Sonia Blizzard, managing director, Beaming*

**About Beaming - beaming.co.uk**

Established in 2004 and based in Hastings, East Sussex, Beaming is a specialist business Internet Service Provider offering fast, reliable and secure voice and data connectivity to thousands of organisations across the UK. Beaming works primarily with multi-site SMEs, schools and security companies that rely on the internet and need an ISP partner that can ensure they are always online.
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Drivers for change in accounting

The world of business is currently in the throes of a digital revolution, the accountancy sector is no exception. Change is coming, and firms need to be ready.

It seems, in principle at least, that many are heeding this call. Beaming’s research shows that more than two thirds (68%) of UK-based accounting firms are planning to make more use of digital technologies over the course of the next 12 months.

Shorts Chartered Accountants, a firm of more than 100 people in Chesterfield and Sheffield, began its digital journey almost a decade ago. Its faith in technology has been rewarded with rapid growth.

“We first came across an automated management reporting pack in about 2009, we tried it with a few clients we knew well and it was warmly received,” explains Shorts partner Malcolm Pope. “We’ve grown at about 25 per cent year-on-year for the last five years and a lot of that has come through how we’ve embraced digital technology. There is greater awareness in terms of the information businesses want to see. More people want to understand how their business is growing and how, or if it isn’t growing, why.”

While Pope credits TV shows like Dragons’ Den for stimulating a greater level of interest in the level of information Shorts’ clients want to see, a large element of the change that is happening in the accounting industry stems from HMRC’s Making Tax Digital drive. This, it seems, will bring opportunities for UK accountancy firms willing to stay ahead of the curve.

“HMRC has shaken up the industry, both for accountants and clients,” says Matthew Perry, digital brand manager at London-based Rodliffe Accounting. “Making Tax Digital will arrive at some point and [we are] fortunate to already be prepared for it. All of our clients are using cloud accounting software compatible with HMRC’s online filing requirements and we use comprehensive accounting software that ensures our clients are up to date on tax and compliance.”

Mark Weeks-Pearson, director at Hasting’s-based Ashdown Hurrey, points to the frequency of filing under Making Tax Digital, but says the need for transformation goes beyond new HMRC requirements: “We are having to put these practices in place because, under the new [Making Tax Digital] regime, there’s potential that quarterly returns will need to be made. In addition, there are new GDPR rules which will govern how we communicate with our clients, so we are looking to avoid having to use email to send confidential data.”

Neil Relph, managing partner at Rouse Partners in Buckinghamshire also sees the importance of making sure the transition will be seamless for clients. “We have introduced new service lines to help clients to cope with the changes. For example, we offer an iXBRL electronic tagging service to help businesses send their accounts and tax computations to HMRC in the required electronic format.”
Developing the talent for digital

So how should accounting firms be going about the business of digitisation? First and foremost, any new technology must offer a tangible benefit to the client or the firm internally. Beyond this, however, is the need to ensure that the right talent is available to use it.

Skills gaps are on the minds of accounting firms. Beaming’s research indicates that 40% plan to recruit software developers and other technologists, while 14% are planning to appoint a digital strategist to their senior teams. Shorts initially addressed its need for new skills by hiring more trainees and developing them internally. More recently, however, it started offering its own in-house IT resource to clients.

“We were one of the first firms in our area to move into this space. As we were expanding rapidly it did provide us with the challenge of finding the right skill set out in the market. It meant that we took on a lot more trainees and starting from scratch with them,” explained Malcolm Pope. “We do a lot now integrating different pieces of software for clients, we’ve involved our IT team, the development capacity they have, and brought that into the accounting world.”

For Neil Relph at Rouse Partners, having people on board with a solid technological understanding, is one of the key ways in which a firm can build a leading strategy.

“It is important to build an internal culture that accepts change and which is always questioning the norm and without barriers to communicating ideas and feedback to top-level management. It is also important that this should drive recruitment policies. We now assess IT skills for all new recruits and are specifically recruiting for a data analytics manager, which is a new role created to meet evolving client needs.”

For Ashdown Hurrey, recruitment initiatives have already provided many of the skills the firm needed to embark on its own digital transformation journey. “With our recruitment intakes over the last decade or so, school leavers are that much better with IT and digital processes,” explains Mark Weeks-Pearson. “For those of us who are more established in the business, yes that has required some training with IT.”

While Rodcliffe’s Matthew Perry readily identifies technology as something to consider in the hiring process, accounting rather than technology remains at the core of his firm’s decisions: “When looking for new talent, ensure they are interested in technology. They don’t have to be computer programming wizards, just somebody who appreciates a smooth business process and understands how new technology can often be the best opportunity to improve said process. This, coupled with a proactively analytical mind, can be invaluable when the time comes to decide what the next innovation should be in your business.”
Looking to the future

Some firms may be concerned that certain aspects of digital transformation will threaten their business model. It’s not a completely groundless risk, as technology can certainly take care of many of the functional bookkeeping tasks of an accountant, even reducing the risk of any human error.

With this noted, there is a certain resonance between the responses of our interviewees when asked how they believe the firm of the future will look. “The accountancy firm of the future will be very different,” says Alan Woods. “Compliance and tax work, payroll, accounts; software and tech will deal with this for businesses already. They’re not going to want to pay accountants for traditional services.”

Mark Weeks-Pearson is more upbeat: “From a bookkeeping side, some big changes have already happened at the initial level of getting the entries into a system. You can definitely see time savings there. Clients are busy running their own businesses, they don’t want to have to spend time doing the bookkeeping, so they’re still reliant on accountants. It might just be that we can offer a more efficient service.”

“All they still want business advice, and even though there’s a lot of information out there on the Internet, to have an adviser that knows your business and knows you is still very important. We’re confident that as accountants and business advisors, we’re still in a growing industry.”

“It’s an odd situation when you are faced with something you need to be wary of yet embrace at the same time,” says Matthew Perry. “There is a strong possibility that technology will replace the record-keeping role of the accountant, but with this comes the opportunity for accountants to increase the value of something that software can’t provide – knowledge.”

“I think it provides a real opportunity for our industry to redefine what we do, moving into this added value or advisory model means that you’re making best use of the years of training and experience that you have,” agrees Malcolm Pope. “There is increasing demand from our clients and we are seeing more new clients come to us, who are already on this journey, and we can then take them to the next level.”
Accounting in the cloud

From using cloud based accounting packages such as Sage and Quickbooks online, to more wholesale hosting of office infrastructure in dedicated colocation facilities, accounting firms have become more accustomed to using the cloud over recent years.

The cloud has lots to offer businesses looking for greater convenience and flexibility. Accounting firms recognise this. Our research shows that two thirds (62%) of accounting firms are planning to invest in cloud-based infrastructure this year.

Crucially, these investments are being planned with security and compliance in mind. The majority of the firms planning to make greater use of cloud technologies this year will choose to use private clouds or colocation services, dedicated IT assets owned by the practice and hosted in their own dedicated data centre or one of a trusted third party. These kinds of services are vital for accounting practices, which are responsible for highly sensitive data and need to be certain about where it is being held.

“We have been leveraging cloud-based technology since being founded and will continue to do so. Cloud-based services enable more efficient communication between all parties involved as data is kept in sync without the need for multiple data files. This results in the increase in the amount of advice that accountants are able to provide and ensures businesses can stay up to date more consistently throughout the tax year,” says Matthew Perry.

“More recently, we introduced IRIS OpenSpace to our services list. This is a secure, cloud document-exchange platform which enables us to provide a slick on-boarding experience when new clients join us. We use this cloud platform to enable online approval of our terms of business through the use of a digital signature, which saves us time and makes it easier for our clients to access and view the information on a mobile or desktop.”
For Alan Woods too, cloud-based innovations are those which have had the greatest impact. “All the technology and software we use, Xero to payroll, are all cloud based. As long as we have an internet connection, we can provide a service. 65 out of 91 of our clients use Xero or cloud accounting.”

“Cloud accounting,” he continues, “almost becomes the conduit to encourage businesses do more online and use digital innovation much more. It was the same with banking online, people got comfortable with that, people put their accounts online, then anything is possible. It’s a valid and important stepping stone for businesses.”

“The cloud excites me, it means we can work that much quicker with clients and have more real-time information,” says Mark Weeks-Pearson. “I think a frustration for us as accountants has always been getting the information from our clients. So if they needed some work done, they would in the past have to bring a lot of paperwork to us by hand or they do have to use email. Now it’s brilliant, we can log in straight away, transactions appear every day so the information is a lot more readily available.”

“The advantage the cloud gives you is that you know it’s the same information all the time. Irrespective of which service line, there are lots of opportunities for us to have lots of information in a more understandable way and in a shorter space of time,” says Malcolm Pope. “However that’s delivered, and its different pieces of software and different ways for different clients, it’s having that ability to access that data and do something with it that gives us great benefits.”

A final consideration for organisations moving data and mission critical applications to the cloud is connectivity. Firms need to plan for the extra demand on their internet connectivity these services require.

Beaming’s research shows that a third (32%) of accounting practices intend investing in specialist broadband technologies such as fibre ethernet leased lines that extend fibre optic connectivity into the heart of their organisations (as opposed to connecting to the internet over traditional copper wires), to improve the resilience of their connectivity and ensure they can access their data and deliver services to clients at all times.
Data analytics

Beaming’s research revealed that 14% of accounting practices plan to invest in data analytics as part of their digital transformation journeys this year.

Rouse Partners is already making productive use of this technology to improve its approach to auditing clients. “An example of utilising information to improve our service is our audits. Using big data techniques, we are able to deliver a more risk-based audit and with a higher productivity we can spend more time using our professional expertise and judgement on high risk areas, which has been very well received by the clients,” says Neil Relph.

“We recently implemented an advanced analytics tool which allows us to carry out various tests on whole populations of data for the client being audited, where previously audits had been based on a random sample. This allows us to identify unusual patterns, gaps in data and to search for anomalies.”

Virtual networks & remote office applications

One of the major areas of investment for accountancy firms in 2018 is in Virtual Private Networks. A quarter (26%) of firms plan on using this technology to link multiple business sites together securely.

A further 14% of accounting firms will make greater use of remote office applications to allow staff to work from home and client premises. They have already delivered substantial benefit at Ashdown Hurrey.

“Remote office applications have been a big game changer for us, it definitely makes it easier to work from clients,” says Mark Weeks-Pearson. “If a client needs to see us tomorrow all we need to know is that we've got access to a computer and we can log on to our server. It helps us deliver a better service to our clients, and stay in touch with the office, colleagues and other clients while out and about.”

For Shorts, these technologies boost productivity and support family friendly working. “All our staff have phones and laptops, they can connect to each other wherever they are and are no longer walking around with big boxes of files to do the job they need to,” says Malcolm Pope. “We’re using remote office locations a lot, and one of the big things for us over the next 12 months is becoming more agile in the way that we work. I spend the first couple of hours of each day working from home, it means I can get more done and it works with the work/life balance we promoted here.”
Fibre connectivity

With accounting firms trusting more data to the cloud doing more business online, Beaming advises firms to consider the extra requirements digital transformation places on their connectivity.

A third (32%) of firms plan to invest in fibre ethernet connectivity this year and a further one in five (16%) will adopt new superfast fibre broadband services, which connect businesses to the national fibre network using copper telephone lines.

“As the digitisation and transformation piece is planned, connectivity must be part of that,” advises Sonia Blizzard. “Traditional broadband delivered into the premises over a copper wire is fine for small firms, but for accountants with upwards of 30 people that transmit quite large amounts of data, makes sense to invest in fibre ethernet leased lines to get the extra speed, capacity and service resilience that provides.”

Applications

There’s also the battle for screen space, which Daniel Priestley, the co-founder of technology advisory firm Dent Capital and author of the book 24 Assets, calls the most-valuable real estate in the world. Around a fifth (18 percent) of accounting firms told Beaming’s researchers they plan to deliver new services over the web or via an app.

Joel Oliver, the CEO of MyFirmsApp, quotes Priestley when explaining the logic behind his service, which creates bespoke apps, through which accounting firms can work with their clients. “The accountant doesn’t even realise it, but they’re in a position where their clients have 10 or 15 apps on their smartphones, none of which are in their branding, taking control away. Large software companies have the data, HMRC wants access, if accountants aren’t controlling the data flow, what’s their relevance?”

While the technology Oliver brings to the market could indeed potentially supplant some of the traditional roles of the accountant, it is designed very much in the accountant’s favour, building a different relationship between firm and client. “Our app collects all the basic data: income, mileage, expenses, and chucks it into the accounts platform. The end user wants some key data out. How am I doing this month, how does this month compare to last? Once that’s happening via mobile technology, the accountant can comment with real credibility.”
Blockchain

Blockchain generated plenty of headlines last year and various industries began considering what it could deliver. It is viewed as having potential in accounting in the long term, although just 2% of the firms Beaming’s researchers spoke to intended adopting the technology during 2018.

“Blockchain is one area I don’t think our industry has paid much attention to,” adds Malcolm Pope. “A lot of the information I’ve read around it suggests it could, ultimately, replace auditing because really if you’ve got an approval process almost at the time of purchase or transaction then we don’t need someone to come along and check it later.”

“Blockchain is a really exciting possibility,” says Alan Woods. “If you were able to get a blockchain that worked for a particular sector, that’s a really exciting opportunity because you’ll have one way of doing everything then. It will really streamline the process and allow you to focus on delivering value rather than checking if something is right or wrong. You’ll know it is right because it is in the blockchain.”

Artificial intelligence

One in ten (10%) of the accounting firms that Beaming’s researchers spoke to plan to invest in Artificial Intelligence or cognitive computing during 2018, so that they can automate some of the tasks and decision making normally performed by humans.

“AI gives us more time to spend advising rather than doing,” agrees Malcolm Pope. “Whether it’s reading invoices, or predicting that because you’ve typed in ‘nails’ and you’re a wholesaler so you know that’s stock, it’s just making that job easier. You’re bringing the time to do the routine elements down.”

“I think artificial intelligence will definitely help with taking away a lot of the manual labour time involved in making entries,” says Mark Weeks-Pearson. “In terms of interpreting their business performance, it’ll be interesting to see how it pans out in terms of delivering really good results for clients. I’m sceptical of that, I think you still will need an accountant or business advisor to make that data useful.”

For inspiration as to firms that do it well, Matthew Perry suggests looking to cloud-based SaaS called FloFunder. “Their online invoice-finance platform uses artificial intelligence, coupled with API links to cloud Accounting platforms, banking and Companies House. This collectively allows the system to match qualified and verified sellers with funders. The work they are doing with invoice trading is truly innovative.”
Cybersecurity for accounting firms

One of the greatest challenges of digitisation, particularly when it comes to money matters, is cyber security. If you’re handing a huge amount of private information, certainly you will need reassurances before committing to any kind of technological solution.

Security is an urgent priority to which firms must pay more than lip service. More than half (56%) of accountancy practices plan to upgrade their cybersecurity defences in 2018, following a 12 month period during which time two thirds (62%) fell victim to some form of cybercrime.

Across the UK, Beaming calculates that almost 14,000 accounting firms fell victim to some form of cybercrime in 2017, at a combined cost of just over £341 million. Malware and data breaches were the most commonly cited threats, each affecting almost a fifth of the firms questioned.

### Cybercrime in accountancy sector 2017

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<th>Victims</th>
<th>Estimated cost</th>
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<td>Social engineering</td>
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<td>All</td>
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Source: Beaming & Opinium
“Accountants are a target from cyber security perspective and they are aware of that,” says Sonia Blizzard. “Data security has to be foremost in their minds and actually I think it is, most accountants have a very good understanding of the importance of their clients data. From that point it’s working out the rules around it, if you’re going to use Cloud applications it’s an understanding of where that data is then stored, how it’s backed up and how it’s managed.”

“For us it’s making sure that you trust who you’re dealing with,” advises Malcolm Pope. “With Xero, one of the first concerns, rightly, was ‘what is the security like?’ For them that’s absolutely paramount, because if any of the online accounting software providers have any form of data breach they’ve no longer got a business.”

“Client confidentiality is one of the key ethical principles set by our professional body the ICAEW. Therefore, data security is fundamental to our business and our clients’ trust in us,” asserts Neil Relph. “To protect our data we ensure that all team members are trained on best practice and that we have robust systems and permission policies in place to protect and ring-fence data. Examples of systems that we use include email filtering software and file sending encryption. We also have offsite backups to ensure continually of data should there be a failure of the physical server.”

Matthew Perry believes that lawmakers have the subject of security well in hand. “GDPR (General Data Protection Regulation) is a good example of a disruptive legislative update that, while many are worried it will increase complication, will actually improve the quality of client data stored by companies and client-service provider relationships.”

“We’re already using a comprehensive IT support service which ensures we stay up to date with new regulation and constantly updates to protect against new cyber threats. Our client data is sensitive, so we make sure our IT systems are constantly protected by the highest standard of cyber security and have systems in place to ensure we don’t hold on to client data for any longer than is necessary.”
Contributors to this report

Mark Weeks-Pearson
Partner, Ashdown Hurrey Accountants
Founded in 1981, Hastings-based Ashdown Hurrey provides accounting and taxation support to local, national and international businesses. Mark joined the practice as a graduate in 2001 and, in addition to a busy client portfolio, is responsible for the firm’s digital transformation activities and marketing initiatives.

Alan Woods
Director, Woods Squared
Woods Squared was founded in 2007 to serve businesses in and around the Wirral. It has been recognised by several awarding bodies, including the British Accountancy Awards (highly commended in the ‘most innovative practice’ and ‘firm of the year (north England)’ categories in 2016) and Acquisition Magazine (‘most outstanding business growth accountant’ and ‘most innovative accountancy firm’ 2016).

Malcolm Pope
Partner, Shorts Chartered Accountants
Malcolm Pope is responsible for management information and cloud services at Shorts, a mid-tier accounting firm located in Chesterfield and Sheffield. Shorts is a platinum Xero partner supporting more than 500 clients in their use of the software, Shorts has grown since it began its digital transformation and was recognised as a mid-tier firm of the year finalist at the 2016 British Accountancy Awards.

Matthew Perry
Digital brand & communications manager, Rodliffe Accounting
London-based Rodliffe Accounting offers specialty services for contractors, small businesses, the public sector and tax planning. Wealth & Finance INTL selected Rodliffe Accounting as their ‘most innovative accounting firm 2016’, while subsidiary Accountants 4 Contractors was awarded the ‘sustained excellence in small business accounting – UK & recognised leader in online VAT returns’ prize at the 2016 Global Accountancy Awards.

Neil Relph
Managing partner, Rouse Partners
Based in Buckinghamshire, Rouse Partners advises, supports and helps businesses and individuals to grow. It was a finalist in the ‘most innovative practice – mid-tier firm’ category at the 2016 British Accountancy Awards, and shortlisted for ‘national tax practice of the year’ at AccountingWEB’s 2017 Practice Excellence Awards.

Joel Oliver
CEO, MyFirmsApp
Joel Oliver is the CEO and founder of MyFirmsApp, which offers accountancy practices the opportunity to reclaim precious smartphone screen space from software and technology provider, making sure that every interaction between the client and firm take place in the firm’s space, on a branded app. MyFirmsApp is a finalist in the 2017 British Accountancy Awards ‘practice software product’ category.

Sonia Blizzard
Managing Director, Beaming
Beaming, a specialist Internet Service Provider that works with thousands of businesses and increasing numbers of accounting firms across the UK. Beaming provides highly secure and resilient networks, as well as personalised support to ensure that its customers are always online and ready to embrace new technologies.