

# ACCOUNTING FOR EVOLVING TECHNOLOGY



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Our processing, interaction and communication with clients is changing, largely due to advances in technology. We'll look at how that affects our client relationships, and what further changes we can expect to see in the future.

**C**OMPARED TO A DECADE AGO, innovations in both software and technology have resulted in significant improvements in how financial statements and tax returns are now prepared. The move towards online accounting software, such as Xero, allows us to maintain a single ledger and process financials in real time. Storing copies of invoices in accounting software enables us to view the details that we need immediately, allowing us to prepare financial statements more quickly. Instead of February and March being hectic months, we're now finding that May to July are our busiest months, as we strive to present timely annual accounts.

The year-round access to accounting software makes it easier for us to help with regular management accounts during the year, or with forecasting, adding true value to our relationship with clients instead of simply helping them comply with reporting requirements. One risk of wide access to online accounting software is that results can be taken at face value, whereas there is still a need for regular checks and reconciliations to be in place to ensure that the results correctly reflect what's happening in a business. Essentially, we are doing more review and analysis instead of processing, helping to understand and interpret results.

From a governance perspective, that enables us to gain a better understanding of the business and highlight potential risk management issues or the need to review goals and strategies. For example, preparing a financial forecast with one of our clients signalled that their banking covenants were likely to be breached in the following year. Knowing this in advance, we were able to work with them to restructure the business and improve the strength of the balance sheet.

It's not just how we are processing accounts that has changed, but also how we communicate. We are now rarely using postal services, more often exchanging information via phone calls, email, texts or directly via client portals. Whatever mode of communication is preferred, ensuring that we keep in touch regularly can help us to maintain a collaborative approach. If we know what changes are planned for a business, we can advise on appropriate structures and avoid the issues faced when trying to unwind a transaction retrospectively. For example, if a business is looking to expand overseas, talking upfront will highlight potential tax issues and how they can be minimised.

As a business, we are heavily focussed on people skills for our relationships with clients, our staff and fellow professionals such as lawyers and bankers. Our 'great service' ethos already puts standards in place for prompt communication, and technology helps us to deliver, with smartphones, laptops and tablets. Remote access to our systems means that we can respond from the office, from home, or halfway up a mountain (I do recall emailing a client from 4000m up Mount Kilimanjaro!). Flexible working practices means that some of our staff are in the office from 6am, and others until 10pm. We would like clients to view us as a partner to grow their business, and that includes us recognising that a working day isn't necessarily nine to five.

The ability to work remotely means that we can also explore other ways of delivering efficiency, including outsourcing work to other geographic areas. With continued skill shortages in New Zealand, we could use our links through the Baker Tilly network to access highly qualified resources. The key drivers will be whether we can maintain our high standards of service and ensure that any security risks are addressed.

Robotic process automation is now commonly used to deal with routine tasks in banking, and there is potential for greater use in accounting too. Online accounting software can already automatically reconcile and post bank transactions according to set rules. This could be extended to automating the year end close by gathering, consolidating and reconciling transactions. Further, aggregation and analysis of financial data could be automated, enabling fast and accurate delivery of reports.

Regardless of whether we use outsourcing or robotic process automation to help with data processing, the end results still need to be understood by our clients. We need to react rapidly to change and be comfortable with technology, but not lose sight that we are dealing with people. Above all, our role is to support decision making by providing information and advice. While technology can make that process easier and more efficient, the flexibility, accountability and tailored nature of services provide your human advisor with a distinct advantage.

*If you would like to talk to us about how we can help address issues in your business with improved technology, whether that be with management reports, forecasts, or structuring advice, please call your usual advisor or contact Tracy Hickman.*