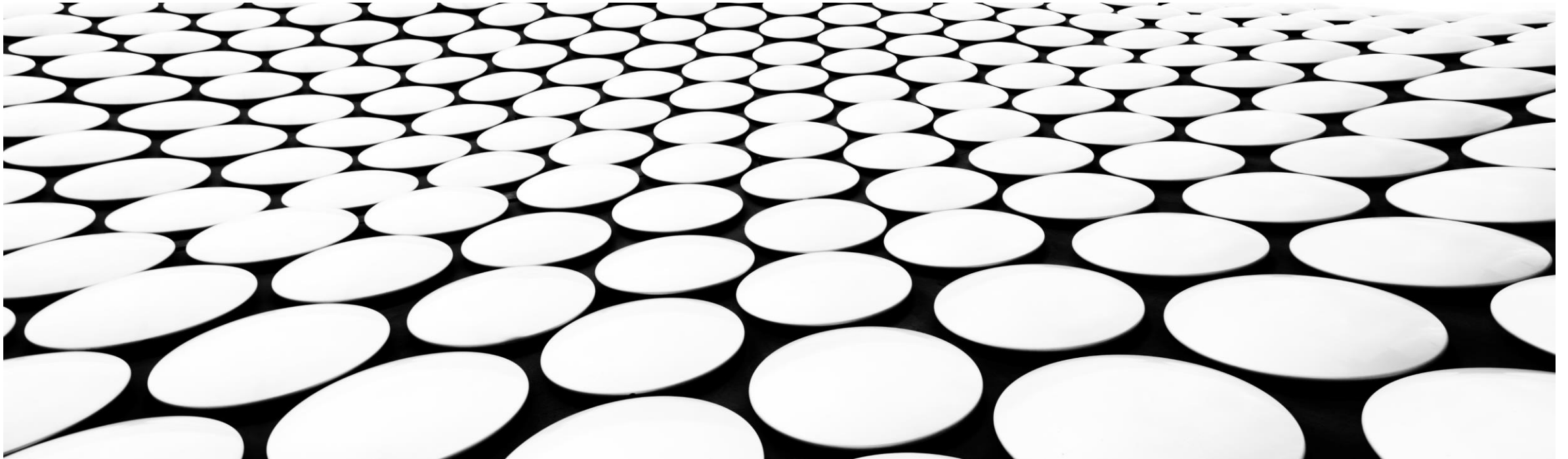

HOW TO IMPROVE TIME MANAGEMENT AND CLIENT BILLING TO INCREASE PROFIT

BEKITHEMBA NDEBELE ACCA

18 MAY 2022





BEKITHEMBA NDEBELE ACCA

- ✓ Director/Partner at Zuva Financial Services & Zuva Capital
- ✓ More than five years of audit experience
- ✓ Five years private sector Senior Management


Bekithemba Ndebele is an Associate of the Chartered Certified Accountants (ACCA). He completed his articles with PNA Chartered Accountants in 2015 after which he worked in the private sector as Group Finance Manager at Shearwater Adventures (Pvt) Ltd until December 2020.

Bekithemba is currently a Director at Zuva Financial Services (Pty) Ltd where he is responsible for tax advisory, assurance, business valuations, accounting, and business mentorship and acceleration.



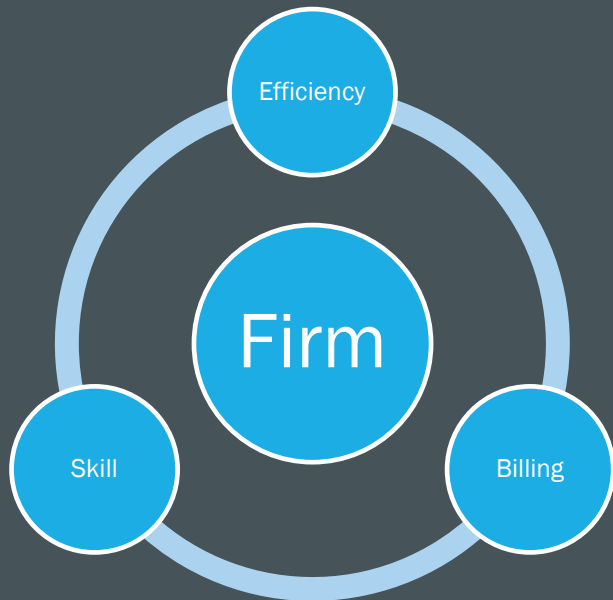
WHAT TO EXPECT FROM THIS WEBINAR

- Develop the ability to organise and coordinate colleagues and their activities to achieve organisational goals.
- Have clear methods to improve revenue and/or reduce costs through effective time management and client billing.
- Have practical time management techniques for all engagements.
- Manage processes that involve the calculation and monitoring of fees.
- Learn how to reduce engagement budget overruns and to effectively communicate budget overruns with client.



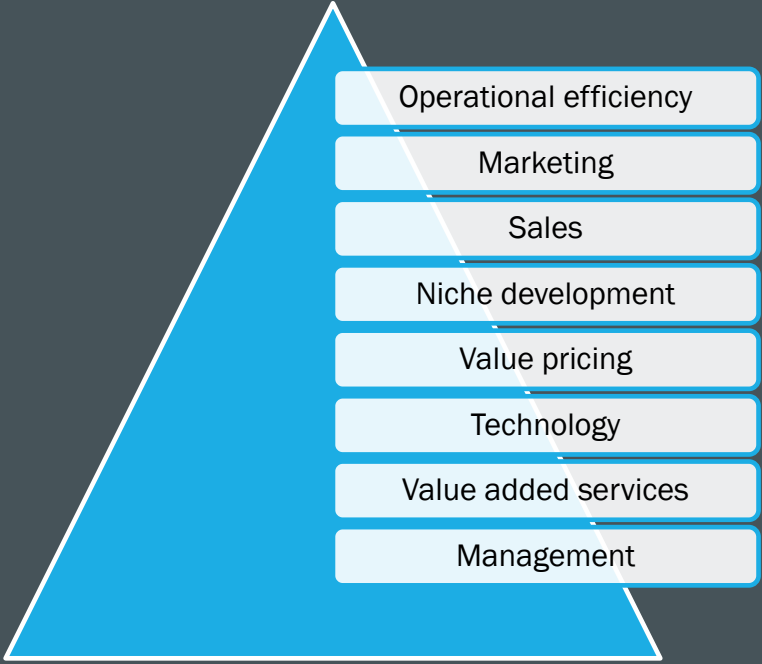
Research has shown that by working smarter, Accounting Firms can maintain—and even improve—quality while enhancing profits by cutting back on the hours they invest in audit engagements.

BILLING VARIABLES



- For any business offering a service, it can be said that client billing is a function of mainly two things – **Time** and **Charge out rate**.
- The charge out rate may often be capped – In South Africa, I believe most firms generally use the **Guidelines on Fees for Audits Performed on Behalf of the Auditor General of South Africa**.
- For some engagements, firms, may even use a fraction of the AGSA rates.
- This leaves **time** as the only variable factor. It would be nice to get paid for every hour we spend on a client, but the reality is that it is not possible.
- As a result, Accountants must improve engagement efficiency and render a quality service within the confines of the client's budget.

BILLING VARIABLES



Operational efficiency

Marketing

Sales

Niche development

Value pricing

Technology

Value added services

Management

- The time you spend on an engagement will be affected by your skill which in turn is a function of the personnel you have.
- Your team will influence both your efficiency and quality of your service.
- Your overall profitability will be influenced by these eight factors.
- Simply put, for an accounting firm, the most important things are the amount of time available, how much the firm charges for that time and the quality and quantity of the staff the firm has available.
- As we will see in this webinar, there are linkages among these three factors



THE TIME FACTOR

AN ACCOUNTANT'S TIME AND SKILL IS THEIR STOCK IN TRADE...

YOU CANNOT THROW AWAY STOCK AND EXPECT YOUR BUSINESS TO SUCCEED.

PARKINSON'S LAW

“Work expands so as to fill the time available for its completion.”

If you have one month to complete a task, you're likely not to finish the task until the end of the month, barring time management techniques that protect your time boundaries from procrastination. If you're only given an hour to do it, and you have respect for this deadline, then you're likely to complete as much as possible within that one hour.



TIME MANAGEMENT ...IS IT REALLY IMPORTANT?

Time management is the process of organizing and planning how to divide your time between specific activities and priorities.

Time management benefits you in every area of your life. Time management is important to help you prioritize better and increase your productivity.

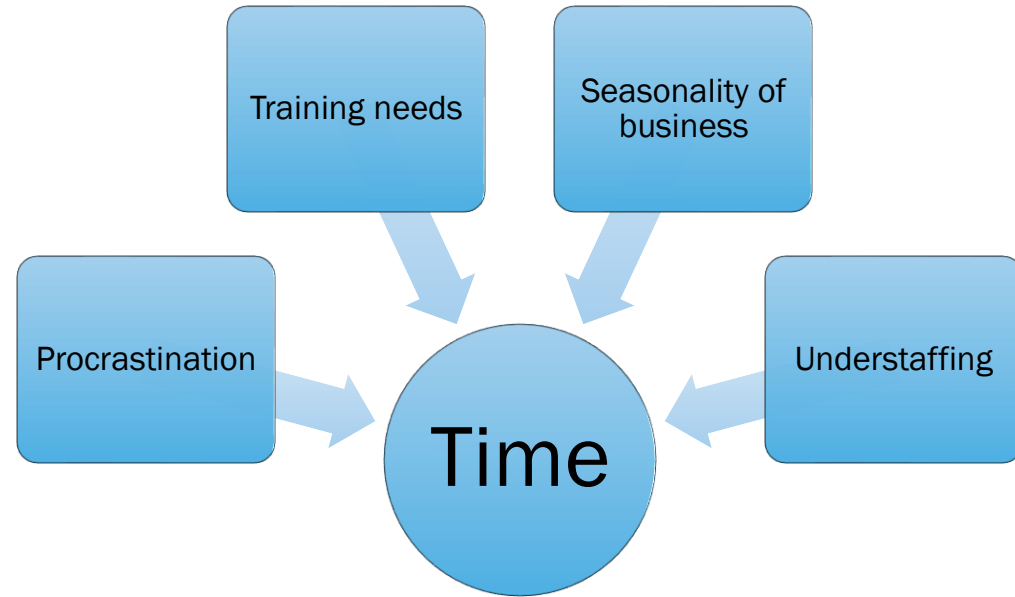
(A To-do list is not time management but it is a good starting point)

Taking control of your time resources can make all the difference in whether your business is efficient and profitable or not.

The importance of time management is found in how it allows you to meet important deadlines and make time for more billable work.

By learning to efficiently manage your schedule, firms can maximize profits and maintain a healthy work-life balance without burnout.

WHY THERE ALWAYS SEEMS TO BE INADEQUATE TIME

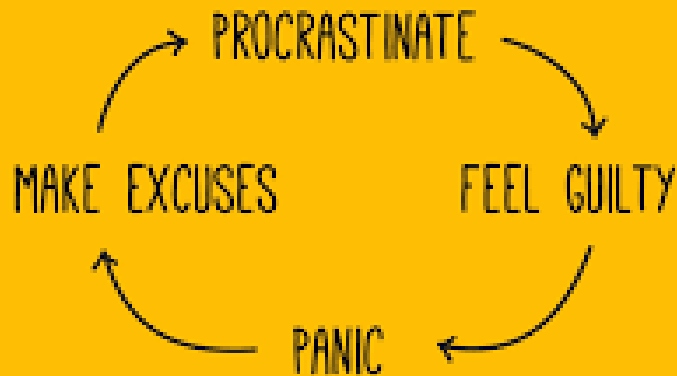


If you are feeling like you do not have adequate time in your day, it could be a result of any one or a combination of the above.

WHY WE CAN NOT GET ENOUGH DONE TODAY

Procrastination

THE PROCRASTINATION CYCLE



Procrastination is the action of unnecessarily and voluntarily delaying or postponing something despite knowing that there will be negative consequences for doing so.

This is a disease and possibly the biggest time thief known to men.

The advice here would be the very common saying:

“Don’t put off till tomorrow what you can do today”

WHY WE CAN NOT GET ENOUGH DONE TODAY

Training needs



The Graduate in Training Programme requires trainees to train on the job and the structure of the job must be rotational. This means that Clerks are always exposed to new sections/cycles and new types of engagements.

The biggest challenge here is how to balance efficiency obtained from assigning already experienced team members with the need to enable inexperienced team members to gain the necessary experience?



WHY WE CAN NOT GET ENOUGH DONE TODAY

Seasonality of business

Some firms' businesses are very cyclical in that they have extremely busy periods and periods where they have very little to do.

This could be a result of targeting a specific niche market e.g. if your business audits schools, then you know you may be busy during May.

In this case, there are several questions that come:

- How should you staff your business? Accounting firms usually use Articled Clerks who should be on a 3-year training programme at least, meaning you cannot get them for the busy period and let them go there after (Assuming you are a training office).
- If you hire more staff during the busy period, what do you do with them during down times and how do you keep the staff turnover costs low?
- Absorbing the pressure with a small team may not be ideal as it compromises work quality.



WHY WE CAN NOT GET ENOUGH DONE TODAY

Understaffing

- Firms usually operate with a below optimal staff complement to keep costs low, this may not be a good long-term strategy as it compromises engagement quality.
- At times, firms take clients with a lot of problems and a very small budget for fees.
- This may mean, as a firm, you neither have enough manpower to perform the assignment nor enough funds to get more resources.
- What compounds this problem is that the firm may not be able to drag engagements for long since resources may need to be allocated to other projects.



GENERAL PRINCIPLES TO INCREASE ENGAGEMENT EFFICIENCY

We will discuss some general principles that can be applied on any engagement that can increase engagement efficiency.

As will be seen, most of these principles appear to be obvious in theory but a lot more difficult to apply in practice.

1. Manage and train the client
2. Retain both your clients and your staff
3. Plan all your engagements properly
4. Correlate audit effort to levels of risk and materiality



MANAGING AND TRAINING YOUR CLIENT

Accountants work best when clients provide them with the data they need. As a firm, you have to develop strategies of educating your clients on what information you require and in what format.

If an Auditor's staff has to spend time doing catch-up bookkeeping work or locating and copying needed files, the length of the audit probably will increase and the firm is much less likely to realize 100% of the value of its fees.

A good habit is to separate **Client Assistance** from **Auditing**.



STRATEGIES TO MANAGE AND TRAIN YOUR CLIENT

There are a few strategies that can be employed to ensure clients are prepared, especially for assurance engagements:

1. Ask Senior Management to communicate audit value to organization staff members and urge them to cooperate in engagement preparation.
2. Make it as easy as possible - provide explicit lists of what is needed with clear examples and due dates.
3. Rescheduling fieldwork if the client is not ready.
4. Developing realistic expectations. Firms know clients won't complete all the preparation work needed at first, but once they start with basic expectations, they can add more responsibilities each year.



RETAINING BOTH CLIENTS AND STAFF

Staff Retention Strategies
— *for the 21st Century*



Greater familiarity with an engagement area and a client can enable firms to streamline their audit approaches and make the most of the time spent on each engagement. This also allows them to offer clients valuable advice on best industry practices.

Staff retention is also very important because it enhances both client-specific and industry experience.

Firm strategies for achieving low employee turnover include:

1. Explicit and enforced anti-overtime policies.
2. A growth plan that offers opportunities for recognition and advancement to partner level.
3. Flexible hours and casual dress policies.
4. Competitive compensation and benefits.
5. Keeping the work interesting, which can involve granting responsibility and including staff in the planning process.

PROPER ENGAGEMENT PLANNING

This can never be over emphasized. Engagements hardly ever go according to plan, especially first time engagements, but it sets you up for success. Planning forces the team to ask pertinent questions thus allowing it to foresee some possible challenges and map a way out. It is always said that 60% of audit engagements is spent on planning and risk assessment.

Your firm should spend time getting to know the client and its systems in advance. Understand its entire operation, as opposed to understanding a bunch of procedures that your auditing system loads. Over time, this approach will help you reduce audit hours.

For recurring engagements, as part of the planning process, you should review the prior year's workpapers to familiarize yourself with client issues and to seek out possible past inefficiencies in your work own work and possible improvements.

Audit strategy and audit plan

Audit Strategy (Overall approach to audit)	Audit Plan (Detailed implementation of strategy)
a) Understanding the client <i>Learn!</i>	a) Description of risk assessment procedures
b) Audit Risk \Rightarrow Tech. + Cotic	b) Description of further audit procedures
c) Materiality \leftarrow By amount By nat- By mat	
d) <u>Scope, timing, direction</u>	

A critical part of planning an engagement is allocating adequate time to the project.

To do this, one will need to prepare a detailed outline of procedures that should be done on an engagement and how long each procedure should take.

- Audit and other assurance engagements generally have known procedures that would be performed, the work would be on coming up with the amount of time it will take to perform the procedure on this client.
- For other engagements like Agreed-upon procedures and Non-Assurance Engagements, a detailed Client Needs Assessment may need to be carried out in the scoping process.

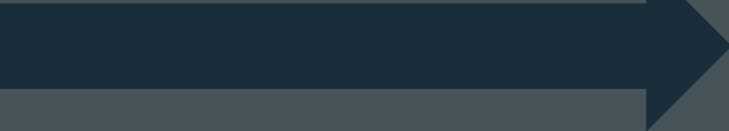
ASSESS RISK AND CORRELATE EFFORT TO LEVELS OF RISK

This may come across as something we all learnt on Auditing 101- An audit based on ISAS is risk based. But again, this is something that most small firms find to be difficult to implement.

Correlating audit efforts to the levels of risk and materiality is inherently a more efficient approach to audit.

The logic is simple - If you assess risk, it should affect your procedures. You should strive actively to cut out procedures in the low-risk areas and focus instead on the problem spots.





INVEST ON SYSTEMS AND PROCESSES THAT INCREASE EFFICIENCY

Invest in systems and processes that make you efficient. This may mean employing technology that enable you to be efficient e.g. an auditing software or software for preparing financial statements or learning new skills like improving your knowledge of MS Excel. The process of investing is always painful.

Sometimes a lot of time is spent on non-value adding processes that could easily be replaced by a piece of software.

Simplification – This also relates to efficiency. Always seek to simplify your systems and processes and try to automate as much as you can. Also have clear systems that are easy to replicate.



AVOID PROCRASTINATION

STRESS
LEVEL



END OF SEMESTER

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Procrastination is usually a personal problem. If you have this problem at firm level, then your firm is in trouble. There is a lot of research on the subject of procrastination and how one can help themselves out of it. But the idea is you must stop procrastinating.

Some tips to help include:

1. Get organized - You are more likely to procrastinate if you don't have a set plan or idea for completing your work.
2. Eliminate distractions - By limiting the number of distractions around you, you're more likely to get done what you need to do.
3. Prioritize - Every week or so, make a list of what needs to be completed. Make sure you address the most critical or time-sensitive assignments first. Then work your way down the list. Get the hard stuff out of the way first, so that everything that comes after it will seem more manageable.
4. Set goals - Part of the reason you might procrastinate is because what you have to do seems overwhelming. It's a lot easier to get started on a project when you establish simple, reachable goals rather than face a big, vague plan.
5. Set deadlines - Most people get stuck in the "I'll do it tomorrow or eventually" cycle when in truth that day or eventually never comes. It's important to set a specific date for when you want a project or assignment to be completed.

COLLABORATION WITH OTHER FIRMS



This is particularly useful when dealing with seasonal business or once off clients that are too big for the staff complement the firm has and the engagement does not justify hiring more staff members. This has challenges where work cultures clash or operational systems differ significantly.

Use consultants - Also linked to collaboration in joint engagements, for a firm that has seasonal business, it may be good to have a pool of insourced accountants that can be used during high pressure seasons. But it may be difficult to have a pool of people that are already familiar with your internal quality control procedures. Also insourced accountants may have a high charge-out rates that may be difficult to pass-on to clients.



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**CLIENT
BILLING**

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CLIENT BILLING

Dealing with competition



One role of the ethic code is to help Accountants identify pitfalls and thereby avoid unethical behavior. When making a decision about engagement acceptance and continuance, the level of fees or anticipated profits may pose a threat to compliance with ethical behavior. A threat may result when fees are too low to reasonably perform an engagement and comply with standards.

At times, I bid to win tenders, Accountants use a “lowballing” strategy. ‘Lowballing’ is the ‘loss-leading’ practice in which auditors compete for clients by reducing their fees for statutory audits.

In current ethical guidance, the fact that an accountancy firm quotes a lower fee than other tendering firms is not improper, providing that the prospective client is not misled about:

- the precise range of services that the quoted fee is intended to cover; and
- the likely level of fees for any other work undertaken.

SOME IDEAS ON EFFECTIVE CLIENT BILLING

Detailed client needs assessment and/or scoping – As a firm, you should have clear procedures on how you determine client needs. This helps in determining the engagement scope and setting parameters. You will need this if the scope changes and you need to bill more for the increased scope.

Drafting detailed, specific engagement letters – I know most of us hate drafting detailed Engagement Letters. We prefer to use the generic ones we pull out of the internet. If the engagement letter, which is essentially a contract is too general, it makes it difficult to determine if the scope has increased.

Preparing detailed engagement budgets or financial proposals supporting the technical proposal – Outline in detail the procedure you will need to perform, and the amount of time budgeted for each procedure. This will prove invaluable when you need to justify a budget overrun especially where significantly more procedures than planned had to be performed.

Prepare and share a planning document with your client – The idea is not to attempt to squeeze more fees from your client but to ensure that you are fairly remunerated. Where the situation allows, ensure that the client is kept up-to-date with challenges being experienced with the engagement. In some cases, the client already anticipates those challenges and is willing to pay for an overrun.

SOME IDEAS ON EFFECTIVE CLIENT BILLING

Engagement time sheets – I am yet to come across an accountant who enjoys preparing time sheets and yet this is an invaluable tool, not only for justifying a budget overrun but also as a tool for effective time management. Once one starts tracking their every second, then every second will start to count.



THE PEOPLE FACTOR

"I AM CONVINCED THAT NOTHING WE DO IS MORE IMPORTANT THAN HIRING AND DEVELOPING PEOPLE. AT THE END OF THE DAY, YOU BET ON PEOPLE NOT ON STRATEGIES."

- LAWRENCE BOSSIDY

HUMAN RESOURCES CONSIDERATIONS FOR ACCOUNTING FIRMS

The importance of Human Capital

HUMAN CAPITAL & DECISIONS



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Human Resources is the third variable to consider as it affects efficiency in engagements.

- High competing auditors for promotion can lead to inconvenient staff behavior and low audit quality.
- High staff turnover and assigning inexperienced staff to do the audit work can lead to the frustration of clients and lower audit quality

As a firm, you should endeavor to put together a “great team”. A great team is about more than simply finding great talent— it requires work throughout the lifecycle of every staff member.

You need to:

- Find people who fit your culture
- Develop and grow the skills of every staff member
- Help them stay up-to-date on latest industry and tech trends
- Keep your team engaged and motivated

This is a continuous process.

HUMAN RESOURCES CONSIDERATIONS FOR ACCOUNTING FIRMS

Getting the best out of you team



To increase firm's team efficiency, the firm should have a structured training program. Training should be more than technical training. This is a challenge for small firms as they hardly have time to set aside for training.

Technical training - Generally, most firms are good at developing a technical training plan for their staff that includes technology and legislative changes.

Non-technical - Non-technical training includes soft skills, which typically, are given far less attention than technical training – especially in the accounting world. Unfortunately, in today's world, flourishing in accounting requires more than technical expertise and number crunching, it is more about whether you can handle systems, communicate well, innovate, solve problems and build rapport with your clients.

On addition to training. The firm should aim at recruiting and retaining staff by giving them a fulfilling career with for work-life balance.



Thank you

The end....