



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

**VIRTUAL ACCOUNTANCY
PRACTICE**

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ABOUT ICPAU

The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by the Accountants Act, Cap 266. This has now been repealed and replaced by the Accountants Act, 2013.

The functions of the Institute as prescribed by the Act are: to regulate and maintain the Standard of Accountancy in Uganda; and to prescribe and regulate the conduct of accountants and practising accountants in Uganda. Under its legal mandate, the Institute prescribes professional standards to be applied in the preparation and auditing of financial reports in Uganda.

Vision

To be a world class professional accountancy institute.

Mission

To develop and promote the accountancy profession in Uganda and beyond.

Core Values

- 1) Professional Excellence
- 2) Accountability
- 3) Integrity
- 4) Innovation

International Affiliations

The Institute is a member of the International Federation of Accountants (IFAC) and the Pan African Federation of Accountants (PAFA).

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Disclaimer

This paper was developed to serve as a guide for practitioners in their efforts to embrace available technology to run their practices and manage their teams virtually. The paper should be utilized in light of the facts and circumstances involved in the accounting firms.

ICPAU disclaims any responsibility or liability that may occur, directly or indirectly, as a consequence of the use and application of this paper.

1.0 INTRODUCTION

ICPAU (2013)¹ defines accountancy practice or practice of accountancy to mean offering to perform or performing accountancy services, for a client or potential client. Such services include audit, assurance, accounting, taxation, forensic or fraud services, advisory and risk management services. A virtual accountancy practice is one with little or no physical presence and relies on the internet and telecommunications to achieve the desired business goals.

The concept of virtual accountancy practice is not new. Many firms had remote capabilities dating as far back as the 1970s, with modems dialling directly into office networks. These firms relied on centralised systems housed in LAN rooms at their firm offices with work backed up to storage tapes. As time progressed, the technologies allowing remote work matured.

The early 2000s witnessed an introduction of cloud storage and remote hosting, the proliferation of virtual desktops and the end of local hosting. Today nearly all professional software vendors in the space sell fully cloud-based solutions for CPAs and their firms eliminating any need for centralised servers or storage. As such firms can now use these technologies to provide virtual accounting services as a primary service to businesses that cannot afford or do not want to have local in-office accounting staff.

Automation and other data-driven technologies along with the ongoing coronavirus pandemic have changed the business landscape significantly and led to many businesses, including accounting practices to adopt virtual operations and remote working. The accounting practice of the future therefore is one that has the ability to flourish in a remote environment.

2.0 MOTIVATION

Every industry and every profession is being transformed by the rapid evolution in information technology, particularly with cloud computing. The accounting profession is no exception. Many accounting firms, which were once reluctant to allow employees to work from home or other locations, now realise the value of a remote workforce and remote operations.

While the concept of virtual accountancy practice has been around for a number of years, many firms have struggled to make the change in their business model for a number of reasons. Over the last few months, however, a number of accounting firms had to make the transition to working virtually and remotely due to COVID-19.

¹ Institute of Certified Public Accountants of Uganda (ICPAU), Position Paper on Practice of Accountancy, 2013.

Setting up a virtual accountancy practice requires investments in people, technology, processes and policies for a virtual working environment. This paper is developed to inform and guide accountancy professionals about the considerations for transitioning to or setting up a virtual accountancy practice.

3.0 CHARACTERISTICS OF A VIRTUAL ACCOUNTANCY PRACTICE

3.1 Non-geographic based

Unlike the traditional accountancy firm, a virtual accountancy practice does not have a fixed geographic location. This means the firm is not bound by geographic location and can therefore service clients wherever they may be based.

3.2 Cloud-based technology

A virtual accountancy practice tends to rely at its core on cloud-based technology. This means that staff, wherever located, can easily access information from a cloud-based server. This also gives the firm scalability in terms of technology without prohibitive costs.

3.3 Remote based workforce

A virtual accountancy practice depends on remote-based workforce, usually staff working from home or sometimes at a shared office facility.

3.4 Niche client or service offering

Virtual accountancy firms usually have niche client and serving offering. This allows the firm to develop a specialised workforce to provide a specific service offering. A virtual firm therefore needs a clear marketing strategy.

3.5 Highly organised

Being virtual requires that the firm is highly organised by having central and accessible location for client files and documents, documented workflows and structured processes and systems.

4.0 BENEFITS OF A VIRTUAL ACCOUNTANCY PRACTICE

Today's technology allows accounting firms to deliver excellent service efficiently and profitably. A virtual accountancy practice has the following benefits:

4.1 Saving on office overhead expenses

With employees working from home, it is less expensive to set and run a virtual practice. Having a virtual office also means that you will not be spending a lot of money on rent, office supplies, paper and other overhead expenses.

4.2 Expanding your client base

For a location-based firm, its service area is partly restricted by how far employees or your clients can travel. With a virtual accountancy office, there is no limit to whom services can be provided.

4.3 Providing modern, convenient services to clients

Running an online firm requires the right tools to not only improve convenience and efficiency, but it also enhance the quality of service provided to clients.

4.4 Improving work-life balance

As long as work gets done by certain deadlines and deliverables are met, virtual employees can enjoy the flexibility of managing their own time. Employees who work from home do not have to factor in long daily commutes and other time associated with traveling to and from a physical office.

4.5 Managing growth

A virtual practice is able to expand or reduce the size of the business with more ease than would a physical office. Growth simply means adding more at-home workers without renting out a bigger space.

5.0 INFRASTRUCTURE

Automation is a cornerstone of any virtual accounting firm strategy. A virtual accountancy firm is built on smart technology, effective communication, and agility. Some specific areas to consider are hardware, secure connectivity, and operations solutions or applications. There is a lot of back-office work that goes into running a successful accounting firm. Going virtual also means communicating virtual, and that sometimes requires a bit more thought and planning.

5.1 Processes

Working virtually and remotely will change the firm's processes and how work is done. This may mean experimentation with various processes to identify one that works best. There were many firms who never thought they could work virtually, but had to because COVID-19 forced the change. It is useful to think through whether there is a better way to work and make the changes to those processes, so that the work is done more effectively in the future.

5.2 Home office set up

In a virtual set up, everyone works differently. As such, it is imperative that each employee in the firm figures out what works best within their home, given their job responsibilities. Creating a work environment that fosters productivity is essential as

well as a lockable room where employees can be alone during periods of deep work or for meetings.

6.0 PRACTICE MANAGEMENT IN A VIRTUAL FIRM

Managing (or starting) an accounting firm is one thing, but the process of evaluating firm structure and ensuring that it is continually manageable from a remote environment, can be challenging especially with team members working remotely.

6.1 Understanding the market for virtual accounting services

Virtual accountancy services include more than preparing and filing tax returns. There is demand for many flexible and online accounting services like auditing and taxation. Organisations that are likely to demand virtual accountancy services range from large entities to smaller businesses. Accounting work is increasingly becoming digitised which means it can be done online, often from anywhere and as such clients expect their accountants to offer automated services and quick turnaround of work.

6.2 Cash flow and payments

One of the most important factors in running your virtual accountancy firm is to ensure that there is sufficient cash flow needed to pay employees and keep the virtual lights on. This means making sure the firm is getting paid for services on a regular basis. Getting paid electronically allows the firm to have the cash flow in a predictable manner.

6.3 Pricing virtual accountancy services

For the case of virtual firms, pricing models based on time sheets and billable time may not be appropriate. Since virtual firms use cloud technology to run their operations online and in the cloud, most of their services are automated which allows the accountants to offer services in less time, with less operational overheads. Therefore, it becomes more appropriate for them to adopt flexible pricing of services according to clients on a case-by-case basis as shown below:

6.3.1 Fixed fee

Fixed fees are ideal for one-off or annual services such as auditing or consultancy services. This type of pricing is the most popular among small accountancy practices where fixed fees are used for every service provided.

6.3.2 Monthly retainer

Monthly retainers should typically cover ongoing services related to bookkeeping and compliance. Spreading out the associated client cost of these services over a 12-month

period creates predictability around recurring revenues and certainty around cash flows. Offering associated services in three distinct monthly packages (i.e. basic, standard and premium), each with its hierarchical price, may make it easier for prospective clients to choose the accounting and tax services package most appropriate to them.

6.3.3 Value based

A value-based approach is appropriate for advisory- led services where clients may be prepared to pay a premium for working with professionals who have expertise within their industry, or for activities such as raising finance. This approach results in setting the price for services based on what the client is prepared to pay, for example, the price that one client would be prepared to pay for their client for their tax return may be different to another.

6.3.4 Contingent fees

Contingent fees are based on taking a percentage of funds for a particular outcome such as research and development tax credits, access to capital or debt finance. This can result in higher fee collection than by charging for time or a set cost. Pricing this way requires the engagement to be scoped out in more detail to achieve a high degree of confidence in the fee potential.

Irrespective of the pricing method used, it is advisable that clients are billed a proportion or all fees upfront as opposed to collecting in arrears. This will promote certainty about fee collection and ease cash flow within the firm.

7.0 HUMAN RESOURCE MANAGEMENT IN A VIRTUAL FIRM

7.1 Staffing issues in a virtual accounting firm

Staff are the most valuable asset of any accounting firm. In virtual accounting firms however, hiring and retaining staff is likely to be one of the top challenges since all related activities are handled virtually. Branding and brand awareness are essential in attracting talent in virtual firms since the brand reflects on the firm's reputation, core values and reasons why staff enjoy working there.

7.2 Recruitment

Once the staff has been attracted, virtual recruitment is also likely to be challenging in a virtual firm as access and connectivity issues make the process cumbersome. Hiring managers need to be trained on how to conduct virtual interviews, which should be done to screen candidates for qualities, and skill sets that will make them successful in a remote environment, such as resourcefulness, ability to work independently,

proactive collaboration and strong verbal and written communication skills. It may also be more appropriate to conduct group interviews, as these tend to work well virtually.

In virtual practices, there is likely to be a need for recruitment of more data scientists. While technical competence remains critical, technological and communication skills are equally important in a virtual practice.

7.3 Communication and Personal Connection

When it comes to staff retention in a virtual accountancy firm, the importance of communication cannot be understated. Virtual firms must use multiple modes of communication and be as transparent with staff as possible. Decisive communication increases employee confidence in a virtual setup.

Virtual firms should also have their staff stay connected to avoid social isolation, which may affect their morale and mental wellness. Leadership at the firms should be proactive in finding ways for their teams to connect and socially interact. Emails should not be used as the primary mode of communication. Instead, other avenues such as daily zoom meetings, chatrooms and virtual social activities like happy hours maybe considered.

7.4 Professional Development

The success of any virtual firm's staff retention efforts will depend on its avenues to have staff exposed to new roles and responsibilities. Virtual firms should invest in their staff and emphasize the importance of both professional and personal growth. In addition to their daily responsibilities, staff should be encouraged to carve out time for development by investing time regularly to remain current with digital skills such as leveraging new technology to complete certain tasks.

7.5 Work ethics

Ethical behaviour is a core attribute for professional accountants. Strong ethical principles and behaviour become even more important in virtual accountancy practices as there is potential for an increased range of threats such as cybersecurity and data privacy threats in a virtual setup. Accountants in virtual practices need to have a thorough understanding of the depth and context of working virtually as a lack of knowledge will create the risk of compromising professional competence and due care.

7.6 Performance Evaluation

Performance evaluation is considered a challenging task in many organisations. It becomes even more daunting in the case of a virtual workplace where employees work in different locations. It is important that all the employees perceive the evaluation method that is eventually selected as fair and upright. The virtual team leader should set clear and precise 100% result- oriented goals that will be used to explicitly define

all the success criteria. The goals have to take into account team accountability as well as individual performance. Team accountability goals will promote group interaction, team cohesion and collaborative efforts.

Team leaders should then monitor the performance of their virtual team members by using a combination of traditional methods like daily/ weekly reports, frequent review meetings and keeping specific time for weekly informal feedback sessions. Additionally, more innovative monitoring methods like tracking web activity and computer usage may be explored in the circumstances.

8.0 MARKETING VIRTUAL ACCOUNTANCY SERVICES

The most effective way for virtual accounting firms to showcase their services is through their website². This requires having a marketing plan that includes a digital strategy. In a digital world, the first impress of a firm is their website. This means potential clients are primarily basing their decisions to work with an accounting firm or not based on its digital footprint. It is critical for firms to utilise the right tools to project a captivating online image.

In order to effectively distinguish themselves from other firms, virtual accounting firms ought to have a digital marketing strategy through which they expand their clientele by optimising content, communicating or interacting with clients and having the ability to analyse each step. These following five steps on digital marketing can help promote accounting firms, drive new customer acquisition, stay top of mind with current customers and expand services to current customers.

8.1 Branding

Every practice, virtual practices inclusive should have a process of building its reputation in order to increase its visibility in the market. This process should cover aspects such as;

- Messaging that helps people understand what is unique about the firm and how their services will benefit them.
- The logo and all the creative works that help the differentiate the firm in the market.
- Customer experience protocols among others.

The key consideration with virtual practices is the fact that firms need to develop a common approach to branding at least in the eyes of the customers. The use of common colours, backgrounds, logos, etc. should define the firm's uniqueness, Personality and culture.

² Britton, N. (2020): How to market an accounting firm in the digital age, Thomson Reuters Institute.

8.2 Update your website

Take an objective look at your firm's website to determine what updates are required since unattractive content or layout can stop people from engaging with the website. Instead of listing everything the firm offers, the website should highlight only the top performing services. Other services may then be marketed to already established client.

8.3 Get to the top of local search results

Included in updating the firm's website is having key words for Search Engine Optimisation (SEO). SEO is the process of maximising the number of visitors to a website by ensuring that the site appears high on the list of results returned by a search engine. Since it can be challenging to keep up with SEO standards and understand key performance indicators, it may be easier to hand this work off to marketing experts.

8.4 Start (and maintain) a regular blog

Accounting firms can use blogs as an opportunity to become a 'thought leader' and showcase the knowledge and insight of their partners and staff. By focussing on topics relevant to clients, firms will attract readers and develop a reputation as a firm who is an authority on subjects that are top of mind for today's business owners and individuals. A blog also provides regular content to support the firm's social media and email marketing efforts and can even help improve its website's presence in search results if hosted on the same domain as the website.

8.5 Use social media effectively

Social media benefits for businesses are huge, which explains why it is one of the most powerful digital marketing methods that can be used to syndicate content and increase brand visibility and awareness. Effective use of social media in the marketing of accounting firms necessitates having it embedded in the firm's strategy to ensure content is posted frequently and promote regular interaction with followers. Putting the firm in an environment where people are sharing, liking and talking improves the firm's visibility and can increase traffic back to the website.

8.6 Maximise email marketing efforts

While most firms communicate with clients regularly via email, most are not fully capitalising on this opportunity. Virtual accounting firms need to make the most of their email marketing efforts with regular updates and eye-catching content that focuses on business strategy and financial tips as well as accounting matters consistently.

8.7 Abide by the Ethics of the Profession

All marketing ventures for virtual accountancy practices should be compliant with the ICPAU Code of Ethics, which limits professional accountants from using false or

misleading communication about their services. The marketing activities should be honest and truthful. They should not contain;

- Exaggerated claims for services offered, qualifications possessed or experience gained; or
- Disparaging references to unsubstantiated comparisons to the work of other accountants.

If in doubt about the appropriateness of the proposed advertising or marketing, then consultation should be obtained from ICPAU. Further guidance may be viewed under the ICPAU Guidelines on Acceptable Advertising, accessible at the ICPAU website.

9.0 RECOMMENDATIONS

There is no single, authoritative footprint for managing a virtual accounting practice. However, the following basics are recommended for effectively managing an accountancy practice that has gone virtual³:

9.1 Invest in the right software

Automation is a very important step in managing a virtual firm effectively. Heavy investment in the automation of operations will define the success of any virtual accountancy practice. Technologies such as cloud-based software will allow any team member to access documents, notes, etc. at any time from where they have an internet connection. If necessary, permission settings may be used to limit access to information. However, measures should be taken to ensure the software chosen has the proper security measures in place so that sensitive information is not vulnerable to cyber security risks.

In addition to the accounting software, a messaging software should also be chosen to allow team members keep in communication. This will help the teams to collaborate and stay connected in real time. A video chat software might also become necessary for conducting meetings with clients. Zoom and Google Meet are both popular options.

9.2 Embrace paperless operations completely

Related to using cloud- based software, it will be important to go ‘paperless’. This will necessitate storing and managing all files, documents and records in the cloud for easy access. Even engagement or client notes should be kept in the cloud. Because going

³ Micala (2021): Guide to Starting and Running a Virtual Accounting Firm, Canopy, <https://www.getcanopy.com/virtual-accounting-firm-guide>

paperless is arguably the most time consuming part of switching to a virtual accounting firm, the system for digitising documents should be planned out beforehand.

9.3 Document your processes

Think about which processes in your firm happen on a regular basis and document them clearly. Processes keep team members on the same page and allows efficient operations especially for a remote team. Therefore, it is important that all the processes for the different tasks should be documented. This can be achieved using simple cloud based methods that outline the process steps or more advanced functional methods such as workflow software (sometimes included in the practice management software). Documenting processes for team members will initially require a lot of input, but will require less input as team members learn and improve.

9.4 Implement rhythms

Rhythms are a key component of managing firms. Growing a firm can be chaotic and rhythms bring security and comfort to the team. Rhythms help everyone on the team to know what to expect, and rhythms eventually become habits. Habits then turn into culture. One has to be intentional about implementing rhythms, as they do not develop on their own. Examples of rhythms that may be implemented include:

- Weekly team meetings held at the same time each week.
- Adding strategy planning to the firm's calendar
- Reading a book to expand creativity every Friday
- Meeting with new team members once a month for six months
- Having quarterly conversations with established team members
- Working from 8-5 pm each day.

The number of rhythms needed to keep everyone in the firm on track will depend on the size of the firm.

9.5 Follow work-from-home best practices

In order to effectively manage a virtual accounting firm, practicing healthy work-from-home disciplines is key for all team members. This includes:

- Waking up and going to bed at a consistent time.
- Identifying and sticking to a routine such that family life does not interfere with work.
- Getting dressed for work as if going to a physical location.
- Designating a space at home to serve as a workplace.

Following such practices has been shown to reduce the effects of burnout, create a sense a normalcy in a work from home situation and can help to increase efficiency.

9.6 Allow for schedule flexibility

One of the appeals to being a virtual accountant is being able to enjoy a better work-life balance. The process of establishing a virtual firm will require you to talk to your team about schedule expectations. Everyone should be on the same page with deadlines and the time clients can contact them. Schedule expectations should be set around case deadlines.

10.0 CONCLUSION

Virtual accountancy practices are the future of the accountancy profession. Many firms are exploring how they can adopt a more virtual business model to support a shift to remote work while also ensuring customers are cared for and have a positive experience. As accountants move forward with building virtual practices, it is important that they have a clear vision of the type of practice they desire to keep them on track. As with any transformative process, there are some key factors to consider, including technology, people, client management, processes, and more as discussed in this Paper.

The Accounting (Practice) Regulations 2019 requires all accounting firms to maintain physical premises that are well maintained and have a professional appearance. However, this should not prevent practising accountants from embarking on the transformative journey towards a virtual accountancy practice. Transitioning to a virtual environment may take some time, but you do not have to have every aspect in its ideal state before you begin.

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