

SMP Practice Management

Presentation by:

CPA Francis K. Lang'at

**Merica Hotel
Audit Quality Assurance Workshop
20th – 21st February, 2020**



What are your expectations?

Presentation Outline



- Procedure on coming up with charge out rates
- Overview of ICPAK Software
- Planning for your firm
- Practice models & networks
- Technology & e-business

Introduction - Background



- International Federation of Accountants (IFAC) developed and commissioned a Guide to Practice Management for Small- and Medium-Sized Practices (SMPs) in 2010.
- to provide guidance to SMPs on how to better manage their practice and achieve greater proficiency and professionalism.

Guide to SMPs



The guide provides best practices on a broad range of topics, from;

1. Strategic planning – Planning for Your Firm.
2. Practice models – Practice Manual Associations & Networks.
3. Firm expansion – Building & Growing Your Firm.
4. Managing staff – People Power- Developing a People Strategy.
5. Leveraging technology.

Guide to SMPs Cont'd



6. Client relationship management
7. Risk management
8. Succession planning

☐ The above topical areas are each covered and packaged in a separate module.

Module 1: Planning for Your Firm



- ❑ An accounting firm despite its size requires a strategic plan;
- As the environment changes, it is important to review your strategy on a regular basis to ensure it is still appropriate, or consider if there are some elements that need to be refined.

Module 1: Planning for Your Firm Cont'd



- ❑ Planning is categorised by IFAC in Module 1 into;
 1. The Need for Business Planning.
 2. Planning for Effective Relations with Clients and Employees.
 3. Developing Plans for Your Firm's Various Functions.
 4. Building a Risk Management Mind-Set into Your Firm
 5. Implementing a Practice Manual and Systems.

Module 1: Planning for Your Firm Cont'd



6. Using Benchmarks to Drive Performance and Improvement.
7. The Business of Running Your Firm.
 - ✓ Find a new client, tailor a service, agree on terms, Engagement letter, Gather info, Deliver the service, Communicate the outcomes, Bill & Collect.
8. Monitoring External Forces.
9. Business Continuity: The Short-Term and Long-Term Imperative.

Module 2: Practice Models & Networks



This module looks at a number of structural considerations inherent in owning or running an accounting firm:

- The various models available: sole practitioner, partnership, and corporate structures;
- The major approaches to profit-sharing and to decision-making within a firm; and
- The use of networks and associations to multiply the power of your own advice.

Module 2: Practice Models & Networks cont'd



- Networks, alliances, or the generic term associations are often used to describe associations in which a firm may enter for branding purposes, to gain clients via referral, and to share in training or development initiatives, including practice tools and quality review processes.

Module 2: Practice Models & Networks cont'd



- Different types of network that an accounting firm could use:
 - ✓ A referral network;
 - ✓ A network to assist in delivery of professional services;
 - ✓ A network to benefit the management of the firm; and
 - ✓ A network that shares knowledge

Module 5: Leveraging Technology



- ❑ The Module covers the following aspects;
 - Guide to introducing a paperless office
 - Guide to introducing a firm portal
 - Guide to introducing an e-business strategy for your firm
 - Cloud computing evaluation checklist
 - Checklist to creating a virtual office
 - Guide to developing a technology strategy for your firm.

Conclusion



- ❑ SMPs should take advantage of the IFAC Global Knowledge Gateway which is an example of a tool developed to encourage knowledge sharing by bringing together news, views, resources, and thought leadership for the worldwide accountancy profession, with tailored content for different audiences such as SMPs

Procedure on coming up with charge out rates



- ❑ Audit fee is the economic remuneration for auditors who provide audit services, which are an agency fee.
- ❑ During the actual audit work, the audit fee influences not only audit quality, but also the development of accounting firms.

How are audit fees charged?

- ❑ There are two ways of computing professional fees.
 1. The Value – based
 - considers the skills of the audit team.
 - Professional judgment that needs to be made.
 - considering complexity of the assignment.
 2. The time –based.
 - Time taken to carry out each activity. Therefore calls for proper keeping of time sheets.
 - Size of client.

How are audit fees charged?

Cont'd



3. Inherent Risk

- Consider the risk associated with the client or the industry.
- The complexity of the business and asset size affect the level of audit fees.

4. Disbursements

- Travel & Accommodation,
- Postage & Communication costs.
- Publishing/Printing . Charge per page.

How are audit fees charged?

Cont'd



- ❑ Audit fees should be within recommended rates.
- ❑ where the client insists on being charged lower than the recommended rate – Decline.
- ❑ Each audit service is billed separately.
 - Assurance,
 - Financial,
 - Special – Investigative,
 - Consultancy.

Overview of ICPAK Software



- ❑ The software was developed by the Institute in consultation with SMPs is intended to;
 1. improve on quality of work by practitioners.
 2. Compliance with the requirement of auditing standards.
 3. Take advantage of technology.
 4. Align to changes in business environment.

Overview of ICPAK Software

Cont'd



- ❑ The Audit Software “Software as a Service” (SaaS) has the following key functionalities:
 - User management
 - Clients Management
 - Client Files Management
 - Lead Schedules and Audit Programmes
 - Financial Reporting

Overview of ICPAK Software

Cont'd



- ❑ Software Requirements
 - You will need the following requirements to access the Audit Software:
 - Latest Web Browser: (Google Chrome, Mozilla Firefox or Microsoft Edge). Internet Explorer is not supported.
 - Internet Access

Overview of ICPAK Software

Cont'd



- ❑ The roll out plan will be as follows:
 - Send software registration link to practicing members
 - Those who will be interested will register and purchase the software licence
 - Once they have purchased the license, they will be given access to use the audit software.
 - Provide technical support as and when required to our subscribers.

Pricing



Product	Yearly Price (Ksh)
Single User	7,500
1-3 User License	21,000
4-8 User License	55,000
9-15 User License	105,000
16-25 User License Price	175,000

THE END



THANK YOU