



Planning for Your Firm



Module
1

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1.1 Introduction

Just as every accountant is different, so too will every accounting practice be different. The good news is there is not necessarily a single right or wrong direction for a public accounting firm to take. Firms can be highly specialized, or general. They can focus on transactional or compliance services, or on high-end advisory work. They can comprise large numbers of employees with few partners, or they can have a high proportion of partners with few employees.

The essential ingredient for success is for every firm to know its own strategy and stick to the plan to achieve it. This is the path that principals and employees travel so that the firm meets the needs of its owners. It starts with your strategic plan. This describes where the firm is headed and the way you and your partners want to see the firm develop. Good management will keep the firm commercially viable and professionally competent. Only in this way can your business satisfy your needs and the needs of your employees, clients and stakeholders.

Strategic thinking is an essential attitude to manage a firm. 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. Regular review of the strategic plan is a good way to engage with partner and key staff on the future direction of the practice.

This module describes business and strategic planning processes, and the more detailed policies that govern the implementation of these plans.

1.2 To Specialize or To Generalize? Your Competitive Strategy

A successful accounting firm—indeed, any successful business—is one which delivers a service its customers want, at a price customers consider to be “fair value.” The services may differ and the “value” perceived by your clients will depend on the benefits that you deliver. This is based on accuracy, competence, the feeling of confidence and dependability that your people engender, and of course the actual cost to your client, when they compare it with the value perceived.

Some marketing specialists argue that firms can choose from three possible positions in presenting their services. Sometimes a combination of two is possible. This is an important concept to understand early in the life of an accounting firm. It is also an approach you can bring to the attention of your clients during consulting assignments for them. The publication titled *How You Can Market Your Business to Success* provides background on the concept of market positioning. Other textbooks on marketing will also deal with this concept.

The three possible “market strategies” are:

- Overall cost leadership
- Differentiation
- Focus.

The key achievement is for the market to recognize that your firm is as unique as possible, offering something more valuable for clients than its competitors.

Overall cost leadership

The “**Overall cost leadership**” strategy is based on delivering your services with a low cost-base. This allows you to sell your service at a lower price yet still be profitable. A strong focus on cost reduction is required. This can be achieved, for example, by reducing your costs of production, by eliminating loss-making services/products or clients, or by adopting a “no frills” approach to all of your procedures and actions.

The benefit of “low cost” is that you can undercut the prices which competitors charge, and in doing so gain market share from them. But cutting your prices is the easy part to achieve. Doing it at “low cost” within your own firm represents the tough and ongoing challenge.

Differentiation

A “**Differentiation**” strategy requires you to take a different path in delivering your service from most of your competitors. Success with this strategy requires you to know your competitors well. This can be difficult in a typical “market” for accounting services which has many competitors, and whose strategies are not easily visible from the outside. “Differentiation” is easier to adopt if you have few competitors, and if their own position is clearly marketed to the target demographic. The challenge is to look at the services you deliver and decide how to offer them differently to others in the market.

For example, you may choose to “bring your service to your client” by sending your people directly to the client’s premises to gather data, process some information and interact with their key personnel. If your firm is the only one taking this approach, then “differentiation” is at work. However, once other firms start to copy your approach, your marketing advantage is gone.

A “differentiation strategy” must be continually reinforced through promotion, and through continual focus on your differentiating factor. All the other actions and procedures within your firm should continually contribute to or reinforce the differentiating factor.

Focus

The third possible market strategy revolves around “**focus.**” For example, your firm might focus on one industry or a very small number of industries. By doing this, your people can legitimately claim expertise in dealing with those industries. For example, professional practices, or doctors, or the mining industry, or the arts community. Your people would come to learn the specific needs and activities of a few sectors and be able to ensure that all clients benefit from that knowledge. This means they do not need a “learning curve” or extensive research, or by understanding industry-specific taxation or legal issues faced. If your strategy is based on “focus,” word-of-mouth referrals or highly targeted promotional strategies become especially powerful. At the same time client confidentiality becomes paramount in order to prevent inadvertently revealing information. A focus strategy is a good way to achieve recognition for a small- and medium-sized practice (SMP).

If “focus” is your key marketing strategy, you will become known in the market as experts in that area. This typically means you can charge higher rates for your work. Be careful not to overprice your work however, as the market segment must still be able to afford your services

As you approach the topic of “strategic planning,” you should review the current market for accounting services and the actions of the firms already in that market. By doing this, you will come to identify any gap in the way your competitors are supporting their clients, and start to define which of the three key strategies is the best one to follow.

More detail is given below to help you identify the best approach for your own firm. As you read through the remainder of this section, bear in mind that not all the matters raised are relevant in each country. Examine the list of services to see which ones your team is qualified to deliver, those likely to be required by your target clients, and any restrictions imposed by your professional association. The [*Code of Ethics for Professional Accountants*](#) (the IESBA Code) issued by the International Ethics Standards Board of Accountants (IESBA) can guide your decisions about services you offer, and the clients for whom you choose to act. The Code is available at www.ethicsboard.org.

A small number of firms have a specialist niche position for their service offering: they deliver only a narrow range of services. This is a good strategy where a principal or partners have some unique expertise

(for example, in a particular tax) or a unique analytical skill. However, most firms provide a range of accounting services, such as processing transactions, lodging tax, and corporate forms, giving broad-based business advice, and possibly some audit/assurance work.

Increasingly, the bulk of these general practice firms are coming under pressure from clients to cover the full range of commercial issues. So, if your current or proposed firm is positioned as a broad-based service, be prepared to respond to client demand by progressively increasing your range of services in future years.

If you are joining an existing firm, many of the decisions will already have been made. If so, use this material to identify gaps in your current service offering. Then you and your partners can bridge those gaps with new services, new clients, or new approaches to delivering existing services.

1.2.1 Market Strategy and Technology

As you consider and develop your services strategy, remember that technology can enable great flexibility in the way services are delivered. [Module 3](#) explores the benefits of developing a market competitive strategy and the use of a SWOT analysis as part of your business planning process. See [Module 5](#) for details about leveraging technology in your firm.

Mobile technology—especially mobile phones and Internet-based wireless communications—enables a “virtual office” to be operated. This in turn allows accounting personnel to move seamlessly between the offices, a client’s premises, and even the accountant’s home, all the while being connected, or at least accessible to accounting applications. The “cloud” allows the accountant and client to operate on the business records at the same time enabling real-time interaction with the client. This opens up the opportunity for the client to outsource much of their finance function to the external accountant, who effectively becomes the internal accountant.

When using these technologies, firms must adopt best-practice data security standards. If your applications enable clients to access their information as it is being processed, you will not want clients changing that data or, even worse, accidentally accessing another client’s data. Other technical challenges revolve around data synchronization (feeding information to and from the mobile device to the central, master data location), back-ups to minimize the risk of loss of data, and the creation of secure barriers to prevent identity theft or malware. Those applications are increasingly being software-controlled to remove the “human factor” from the control process. Passwords are crucial to data security: they need to be regularly changed, sufficiently strong, and their access restricted.

Using a specialist IT consultant is a good idea, since they (and not you) will remain totally current in their knowledge about ever-changing risks and potential applications. The consultant can act as high-level adviser to the partnership as a whole or to the management team; the firm then ensures it has internal employees capable of implementing the recommendations and managing the system day to day.

Increasingly the accountant is accessing the client’s data rather than the client accessing the accountant’s data. This trend is likely to continue as cloud-based applications become more fully adopted. Accordingly, clients also need to be alert to data security and synchronization issues.

Do not underestimate the risk that the loss of the physical equipment poses: theft of a laptop or smartphone or a memory stick may be as big a risk to the firm’s computer security as any hacker. For that reason, all aspects of technology security must be addressed in assessing the implications of IT use in delivering your services.

Like any aspect of the firm’s operations, a plan and a budget must be prepared for its technology. The IT plan should also have a disaster-recovery process that is tested regularly.

1.2.2 Specializing

If you choose to specialize in a niche accounting service or client base, be aware that you are consciously choosing to focus on a narrow range of services. This means you are turning your back on the other services provided by competitors. It means your revenue will come from services that few competitors can provide and provides you with the opportunity to be regarded as a specialist, or expert in your area. As you will be competing with other firms offering more services than your firm, to more clients, it is very important that the market recognizes you are offering greater value for it than competitors.

To make this strategy work financially:

- You must have highly skilled team members. They might have intellectual knowledge (for example, a deep and detailed knowledge of a specific type of tax or financial planning or knowledge about a process, such as a quick, accurate and reliable process for handling income tax returns).
- You must promote your service within a sufficiently large market to generate enough clients. This does not mean that your office must be located in a big city, but you must promote your service to a large number of potential clients. In this way, the firm can generate enough revenue to support its costs and deliver profit to the firm owners.
- You must select a suitable pricing policy. The approach here can vary, depending on the particular niche you are servicing. To illustrate, if your service is based on an unusual knowledge base, if there is a high risk in delivering the advice, or if there is a high payoff for your clients from using your advice, then a premium pricing approach is likely to be the right one. The high price compensates you for scarcity and risk, and rewards you for your specialized skills. If, on the other hand, your niche is providing fast turnaround and accurate personal income tax returns, then a low price approach may be the most suitable strategy. In this case, the efficiency of your service must enable you to perform the service at a lower cost than your competitors, thus making it possible for you to charge a lower fee.

1.2.3 Generalizing

In this situation, your firm offers a broad range of accounting services (not necessarily *all* the available services, but a reasonable spread) to clients in your marketplace. Once again, skill and knowledge are important, but a key challenge is to keep up to date with changes across all the areas of service.

One tactic is to appoint a number of internal specialists, each of whom keeps current in an aspect of your service. In this way, a firm can promote, say, an expert on direct tax such as personal income tax or corporation taxes, an expert in financial planning or wealth management services, an expert in business management issues, and so on. Each person can back up the other personnel in the firm and create more points of contact with each client. This approach works very well in medium-sized and larger firms, but in smaller firms there are not enough people to support the load. Very small firms can find it very difficult to keep fully up to date with the many changes to legislation, making the general firm approach harder to implement.

The generalist firm model requires considerable amounts of study and professional development; practitioners may need to subscribe to many publications or technical resources to access the full range of detailed information.

It is impossible, in a marketing sense, to be both “specialist” and “generalist.” Nevertheless you can be a specialist in a particular sector of industry and at the same time be a generalist by still offering them the services they need, or vice versa.

Also be wary of trying *simultaneously* to be “low-cost” and “differentiated” and “focused,” as these three approaches can contradict. For example, a “focused” strategy might require substantial investment in learning about a particular industry segment; some of this can be learned from your interactions with

clients, but some knowledge will need to be generated from (for example) research, training and other “investments.” These are contradictory to the notion of being “low cost” at the same time.

Making your firm “client-centric”

It is very important that you consider your main strength is to offer real value to your clients and potential clients. You may consider what services and what client mix will let your excel. Then develop a strategy that can expand your service offer, allowing you to offer more services to existing clients. This strategy recognizes that it is much easier to retain existing clients than attract new clients.

Making your firm and your marketing “client-centric” is the fundamental mind-set to adopt. When deciding on the best possible approach for your own firm, put yourself in the position of a client, and ask yourself questions such as:

- **What will be the primary focus of the firm?** This may be tax and compliance work, business advisory services, or perhaps a particular specialty, such as insolvency.
- **What services will your target market want or need?** This shouldn't be limited to a review of what you currently know or what you currently do. For example, you might be professionally capable of offering audit services, but that might be an area that you particularly dislike and have avoided at every opportunity. Simply because you don't like it is no reason to deny your market that service, but there are several ways of providing it.
- **How many of those services can you provide at present, with the current personnel?**
- **Will you deliver services in client's premises?** How much of your service can best be delivered directly at the client's premises, and how much is best delivered at your office? If, for example, your firm is heavily involved in transaction processing, or regular monthly management activities for a client, or other business advisory work then it makes sense for your team to spend time at the client's premises. This ensures ready access to key people and documents, minimizing delays for you and client alike. If, however, your service demands a lot of research or complex calculations, your own office will give better access to the necessary resources.
- **How will you price your services?** Will you adopt a time-based billing or a value pricing model? The traditional time for service-pricing model looks at service, cost, price, and client (in terms of their type, size, complexity, risk, etc.) and excludes any judgement of value delivered. Traditional time-based pricing may devalue the services you are providing. While the time-based model helps ensure you recover the costs of providing the service, it may leave the client unsatisfied and not able to appreciate the true value from the engagement. Clients sometimes believe the accountant has been inefficient and/or that they have little or no incentive to provide a quick answer. This can undermine trust between the accountant and client. Value pricing may be the answer. This is where prices are set primarily, but not exclusively, on the value, perceived or estimated, to the client. Value pricing, however, is not without its problems. Value is from the clients' perspective and this is often difficult to determine. In addition, value-based fees with an element of contingent fee may need to be avoided where there are potential independence or conflict of interest issues with the engagement.
- **What is the most suitable location for your office?** Does one need an office? The choice of location is in itself a statement about your firm, the image you want to create and your client base, for example:
 - If you target high-net-worth individuals, then your premises will need to make that type of client feel at home by virtue of its location and fit-out (the standard of fit-out also impacts employee morale);

- If your client base largely comprises small business clients, contractors, and small service providers, you might be best served by an office located close to those clients, such as a business park or a nearby suburban area. The fit-out should be of good quality without being ostentatious; and
- The location and standard of fit-out will impact your cost structure, which in turn will flow into your fee structure, so they should suit the type of client you predominantly attract. Having said that, your firm should also be seen as a special place to visit, which can be achieved through the type of reception that you provide, the care that your team takes of each client (such as offering refreshments while they are waiting), and so on.
- Establishing a virtual practice by conducting all business over the Internet is a completely alternate model and may suit some SMPs. A virtual firm is a practice that does not have a physical office but operates from the homes or satellite offices of its practitioners usually delivering services to clients at a distance using technology. Typically only a small percentage of clients ever visit a practice office, the majority of client interaction being via mail, email, fax, and telephone. Lower overheads mean you can reduce costs, have greater flexibility in determining fees, and invest in services that benefit your practice like training and research. By not having to run an office, you may be able to visit your clients more regularly and have more billable time. However, if your firm has several partners and staff you may need some place to meet and focus on team collaboration.
- **How will you bridge any gaps in the range of services over the next twelve months as well as in the longer term?** For example, will you refer clients to a recommended list of other firms? Will you leave clients to find their own provider of that service? Or will you employ or train employees or partners to provide that service in your own firm? If you can refer the client to a trusted, competent firm that specializes in that service, the client's trust in you is reinforced. Then, in the future, when you recommend another specialist or when you tell the client that the equivalent service is now available in-house, the client should be predisposed to accept your recommendation.

Offering new services

Each new or additional service offered by your firm will demand a certain minimum commitment to it, for example:

- A senior person who will gain and maintain the required skills;
- An in-house training system that allows employees working in that area (whether on a full-time or a part-time basis) to also access relevant technical knowledge and understanding;
- Some level of technical resource such as subscriptions or access to a specialist provider outside your firm (refer to the material dealing with the various types of networks that can support a firm, or a practitioner);
- Possibly some specialized piece of computer software to assist you in the service delivery and detailed calculations. The use of relevant computer systems can speed up the process; can ensure that a particular process is followed, or prompt you to ask the critical questions along the way; and can increase your confidence in the ultimate outcome; and
- Regular reminders sent to all other employees concerning new services. This could include, for example, telling the firm's receptionist a few key facts about the service, so that he or she is aware of it and knows how to direct clients asking about such a service; and telling other professional personnel about the service, so that they can identify and refer any on-selling possibilities that they might come across in the course of their other work.

Adding a new service requires an investment of time and other outlays that will not be fully productive in the short term.

“Developing a niche [service] means resolving a lot of issues such as what and how to invest in employees, how to service clients and what risks to take to make money tomorrow vs. making money today.”

Hayes 2006¹

The partners must commit wholeheartedly to each new service. They should determine performance targets (such as fee levels to be achieved within particular time frames) to ensure that the investment delivers the expected payoff for the entire firm. As a practical guideline, any new service added by a firm should be able to deliver around double the wages cost of people involved in it, by the eighth quarter after its initial commencement (that is, in Quarter 8, fee income should be around twice that quarter’s salary cost for partners’ and other employees’ time devoted to it). This is by no means a stunning or a rapid return, but it would give comfort that the service is establishing itself and being accepted by clients. Clearly, a faster increase in revenue would be desirable.

After identifying your range of services, consider how you will tell clients and potential clients about it. It is possible to do this in several low-cost ways; for example,

- you can print the service list on the inside cover, or some other prominent position on your accounts covers, or inside a bound set of accounts;
- use anonymous case studies to demonstrate the practical benefit from each service;
- use newsletters or other media as an attachment to your engagement letters on any information checklists given to clients at the commencement of your work with them each year,
- brought up in the course of discussions with clients as you conclude each piece of work; and so on.

These are low-cost yet direct methods for communicating your full range of services. Good promotion does not need to be expensive, just clear and focused on the benefits that you can deliver.

Typical accounting services can include audit, reviews, agreed on procedures, and compilations. To assist you in explaining these services to your clients the IFAC SMP Committee has developed a customizable brochure, [*Choosing the Right Service: Comparing Audit, Review, Compilation, and Agreed-Upon Procedures Services*](#).

Your list of services might contain some of these (check whether there are any professional guidelines from your professional association which might prevent you from providing some services):

- **Accounts processing and reporting:** For statutory or management purposes, lodgment of essential information to comply with corporations law or similar requirements;
- **Audit:** Statutory/external audit, internal audit or management review;
- **Business advisory:** Including providing business management and profit improvement strategies to clients and merger and acquisition advice, in addition to many other services, which are described in more detail in [Module 3](#) (some define business advisory in the broadest possible terms so as to include many of the services listed below);

¹ Hayes, Michael, “Be an HR resource for your clients.” *Journal of Accountancy*, November 2006. www.journalofaccountancy.com/Issues/2006/Nov/BeAnHrResourceForYourClients.htm.

- **Insolvency and reconstruction:** Liquidations, receivership, bankruptcy, restructure, sale or closure of businesses;
- **Financial planning:** Creating savings or investment plans, reviewing investment performance, retirement planning, advice on pension and related entitlements, use of pension plan funds, advice on retirement issues and timing of retirement from employment, ongoing operation and reporting for pension plan funds or other investment entities, portfolio management, sourcing finance for a client or assisting in the preparation of applications for finance;
- **Taxation:** Income taxes, a range of business taxes (value-added tax [VAT] or similar), land taxes, inheritance taxes, wealth taxes, representing your client during a taxation audit, tax planning and choice of structures;
- **Public Sector and Not for Profit:** Increasing your understanding of public sector and not for profit can allow you to tailor your services to their specific needs; and
- **Other services:** These emerging services are centered on business coaching and mentoring; business planning and external chairmanship; forensic accounting or appointment as expert witness in cases of financial loss; human resources consulting: job descriptions, pay structures, design of incentive schemes, advice concerning termination of employment; mediation and/or arbitration; technology consulting: choice of (especially) accounting software packages or cloud-based solutions used by clients; implementation of IT systems within client firms, implementing e-commerce applications or principles within the client firm (and your own).

Recent [IFAC Global SMP Surveys](#) acknowledge that the IFAC SMP Committee has long recognized the growth potential of this [advisory and consulting] service line and actively encouraged the global SMP constituency to seriously consider stepping up their business advisory activities. Furthermore, there is mounting evidence that SMP revenues sourced from advisory and consulting services are rising faster than revenues from practice areas centered on compliance services such as audit and accounting. Increasingly SMPs, like their larger counterparts, are establishing or expanding their existing advisory and consulting services.

Ensuring the firm has adequate resources

Having identified the type of firm you are going to have and its range of services, you need to identify your target clients and put in place all of the resources necessary to deliver those services professionally and efficiently:

- The type and number of employees;
- The skill levels of those employees;
- Ongoing professional development and training required;
- Information resources, manuals, publications, subscriptions;
- Software programs;
- Skill support networks that should be developed;
- Infrastructure requirements; and
- Importantly, the amount of capital you will require to achieve your goals.

These resources will need to be included in your overall budget for the firm, so be conscious of the financial impact of adding each new service. A key principle is to deliver all of your firm's core services with resources available within the firm. This lets you keep good control over client management and satisfaction as well as quality of work and, if necessary, you can adapt your plan as to consider accessing other services which are

explored in more depth in [Module 5](#). It also maximizes your return on investments in firm infrastructure and other resources. Then, if a client requires a service that you consider as “non-core,” you have the option of using a specialist provider from outside your firm, either by subcontracting that provider or by referring your client on to that specialist provider.

“Ask questions. Get them to talk. Listen for what is said as well as what is not. Our best resources have been good communication and our clients’ trust. Do a good job, and growth will take care of itself.”

Hayes 2006

“Make intelligent, clear-cut decisions about which services they wish to offer to a clearly-defined client base and then set out to make them ‘easy to buy.’”

Monks 2007²

1.3 The Need for Business Planning

A business plan is one of the ingredients that make a business successful. Too many professionals see their firms as something other than a business, perhaps as an extension of their professional development or calling. Often the business can become no more than a job, and instead of creating freedom for the partners, they end up losing their lives to the business. Where they neglect the business issues of their firm, it shows quickly. The results can include:

- Low profitability and/or poor liquidity;
- Poor efficiency;
- Lack of risk management;
- The absence of necessary quality control;
- High employee turnover;
- Loss of clients;
- Loss of professional reputation; or
- Not achieving work–lifestyle balance.

Developing a business plan encourages a firm to consider different options, to act and control evolution, and share points among partner and staff. A sound plan will identify the critical issues for the business and identify the indicators that will demonstrate its success. It will also highlight if the firm is straying from its intended path, so you can redirect it once again.

There is a second benefit derived from a business plan. The fact that you are a good accountant does not automatically mean that you are good at running an accounting business. Running a business requires its own set of skills and disciplines that are quite separate from the skills of the profession itself.

Once your firm is operating, much of your time each day will be spent delivering accounting services. You will most likely be under time pressures, at least some of the time. So a key challenge throughout your professional life will be to balance your *professional* work and the *management* needs of your business. A business plan is the roadmap that shows whether you are on course.

² Monks, John and Tovey, David. “In search of greatness.” *Accountancy*, March and April 2007.

Think strategically

Besides the preparation of a strategic plan, it is important to maintain an attitude of strategic thinking. Economies and societal needs evolve, so to embrace opportunity it is necessary to pay attention to these changes. Changes in regulations, market place competition, globalization, technology, and client demographics deliver both challenges and opportunities.

The key elements of strategic planning normally include:

- Developing a competitive strategy;
- A brief statement of the mission, vision and values that underpin the firm's reason for existence and its broad aims (in other words, the firm's culture);
- A statement that outlines the technical services the firm will deliver to achieve its mission and vision (its products and markets);
- Human relations—the people and skills required;
- A series of more detailed business plans, which govern the way that each unit or function of the firm will contribute to the overall strategic plan (its operations and delivery);
- Budgets, which support the components mentioned above; and
- Policies and procedures that guide the actions of individuals in achieving budgets and in acting consistently with the organization's values (its management and control).

The plan should set the overall tone of the firm, and confirm that your practice has the resources to achieve the goals of your firm. Planning is an ongoing process that moves through a cycle of activities; this applies to the creation of the strategic plan itself and the budgets that are created later. The plan that you devise today will need to be refined and adjusted in response to changing circumstances.

The strategic plan should have defined milestones and action plans describing target results. This will allow you to follow the results achieved and to compare them against your plan. [Module 3](#) explores in more depth strategies to build and grow your firm.

Remember that the vision and mission that form the foundation of your strategic plan should stay reasonably stable over many years. The “values” of a firm are the cultural or behavioral philosophies that set the tone for the firm's behavior and that of its personnel. The “vision” is an aspirational statement of what the firm should look like. The “mission” outlines the broad strategic goal of the firm and gives a strong and concise statement about the way that the vision is to be achieved.

There are many texts that look at these fundamental components of the planning process; refer to those if you wish to gain greater understanding than this module can cover. Your strategic plan is built on essential aspects of who you are and what you are trying to achieve. These are embedded in the mission, the vision and the values of the firm. The same applies to your personal goals, which you might express along the following lines:

“I want to have a substantial business that dominates its market area due to a reputation for providing proactive, practical accounting services,” or

“I want to be able to afford to retire by my fiftieth birthday.”

As you can see, not all personal goals will have an accounting focus.

1.3.1 The Strategic Planning Process

Your strategic plan is based on the assumption that you really do want to be in business and that your range of services is suitable for your client base. Your strategic plan should demonstrate that the firm can provide

the income needed to support your family and give you the work–life balance that you desire. Otherwise, your plan will not be achievable. The key principles at the base of your plan should not change much over a ten-year time frame.

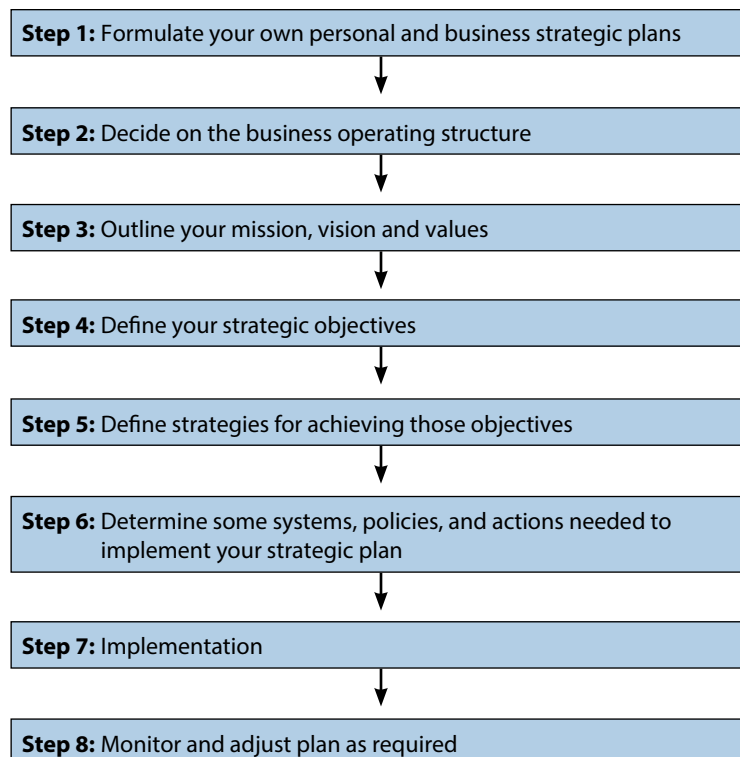
You will see many commercial and professional changes over that same ten-year period. So your strategic plan must incorporate some shorter-term action plans for each part of your firm. Some plans (such as the budget) might look twelve months ahead; other plans, such as your staffing or marketing plan, might look ahead two to three years. Each unit would normally develop its own plan, which in turn would show how that unit contributes to the overall strategic plan.

While [Figure 1.1](#) suggests a sequential process, some steps may occur simultaneously. Decisions made later in the process might cause earlier work to be re-adjusted. Changes in professional or commercial activity may lead to revisions of budgets and some of the lower-level plans. Occasionally, you might need to change a fundamental strategy: for example, you might decide that a new service line is needed, or that partnership might be a better way to achieve other aspects of your mission than remaining a sole practitioner. This is why your plan is called a “living document,” which evolves to guide your future decisions. Having a documented plan puts a discipline behind every decision you make: that is, “Will this decision take us in the direction we want to go?”

Approach your plan in a structured way. Too many small business operators do not have a clear plan. The simple discipline of writing down a goal can often make it easier to achieve. It also makes it a more prominent focus for your energy and action.

1.3.2 Steps in the Process

Figure 1.1 The eight strategic business planning steps



As you read through the eight-step process described here, keep developing and recording your own strategic plan. Your strategic plan provides a framework that helps you evaluate any new ideas or

opportunities. Ask, “Does this idea or opportunity complement the firm’s mission statement and objectives?” A good idea that does not fit the mission and objectives of your firm could still be pursued by some or all the partners, but outside the firm. For example, a client might come to your firm looking for funding to get a new product ready for commercial production. You might be asked to help source funding from banks or private investors. Should you decide to contribute directly to that venture, do it outside the firm, and trade on normal commercial terms with the venture once it is established. This discipline makes it easier to run both ventures and know how each is performing.

Step 1: Formulate your own personal and business strategic plans

Are you going through this process on your own, or will you involve other people? A sole practitioner with no family can base their strategic plan on their own preferences, beliefs and desires. However, a sole practitioner who is in a relationship and/or has children will more than likely set personal goals in conjunction with their partner.

Where there are several business partners with different views about important challenges facing the firm, the planning process must create a single direction that reconciles and coordinates these attitudes.

If a firm has a second or third office location, then each one might have its own partner in charge and possibly its own culture, in which case the process becomes more complicated.

Generally, small numbers of people in the establishment phase of a new firm are likely to share common views and backgrounds; agreement about firm direction should be relatively easy to achieve. In this situation, a structured, do-it-yourself approach should deliver a good result. Where there are more partners, a wider range of ages, and perhaps several offices in different locations, there might be merit in using a skilled facilitator or consultant. The consultant can guide the partners through the planning process and achieve wide-ranging support for the eventual plan so that it can be acceptable to all.

Planning exercise: Are you ready?

Write down your responses to the following questions:

- What do you want?
- What are your personal goals?
- What do you want to achieve in ten and twenty years’ time?
- What do you want to achieve in your personal life and in your professional life?

The checklist at [Appendix 1.1](#) will help you to evaluate your personality and objectives.

Your answers are important in shaping your own strategic plan and to share it as appropriate. This in turn shapes your approach to professional life. For example, if you believe that you are a business builder and want to do things on a large scale, will you be happy owning a firm that runs with yourself as principal, plus an assistant and a receptionist/secretary? Your plan should have a strong growth focus, possibly involving mergers, purchases of fees, geographic spread of clients and cross-selling services to your client base.

You might use work and income to fund other activities outside the work environment. Your firm should focus on training, delegation and ways of operating during the times you are away pursuing these activities. Transparency on other activities outside the work environment will assist to avoid uncomfortable circumstances or potential conflicts of interest.

Use this exercise to summarize the things that you want to achieve in life. Your goals might fall into the following categories:

- **Personal:** A lifelong partnership, children, strong group of friends, etc.

- **Professional:** How important is work in your life? What career choices have you made so far, and what new choices or directions might you pursue? How will you maintain and/or upgrade your qualifications? What experience do you need?

Know and understand your personal objectives. If your firm stops you from achieving your personal goals, you will start to experience personal dissatisfaction with your work. You may start to resent the time or effort that you need to contribute to the practice. This might lead to stress and have you feel less able to cope in your work life. Your work goals and personal goals must complement each other.

The aim of this exercise is to show how your firm will support your personal, professional, and financial objectives. Ensure that, as the plan emerges through the rest of this module (and the rest of your career), it keeps contributing toward your goals. For example, if you have a significant deficiency in some aspect of your professional skills, you can seek training in that area. This could be through a formal course of study, or perhaps some on-the-job experience in your current employment. Perhaps you need to find a suitably skilled colleague as either a partner or an employee. In most cases, a weakness in a professional skill can be compensated for in one of many ways.

If you remain confident in your abilities, keep working on your plans to grow and develop. If you have revealed some major weaknesses, the next step is to identify a clear plan to address them.

Step 2: Decide on the business operating structure

If you plan to form a partnership, whatever the legal entity chosen as the operational vehicle, you'll need to determine whether the potential partners are compatible ethically and professionally. If you have a firm already and are considering a merger, similar considerations apply.

Partnerships have often been compared to marriage. Both involve more than just "me." Both thrive when effective communication occurs. Both involve sharing resources, sometimes with one partner agreeing to forgo something for the sake of the other partner's goals; there needs to be some give and take. Both should be seen as long-term commitments. Both are messy, time-consuming, and often costly to unwind (and sometimes acrimonious). But by combining the strengths and skill sets of different people, more challenging goals can be achieved and shared risks reduced.

Because unwinding a partnership can be difficult and messy, both parties should make sure that its right from the outset. If you feel that you cannot raise an issue with potential partners beforehand, it is unlikely you will feel any better placed to raise it after becoming partners. If you disagree over an issue that underpins the workings of the whole firm (for example, the range of services provided, professional standards or the approach to profit retention in the firm), friction will emerge in the longer term.

Take your time picking your partners. Once you have decided to work with a group of partners, work hard, and communicate often and directly. Always base your decisions and actions on one criterion: the best interests of the firm and its clients. If a merger with another firm is under consideration, it is critical to agree on shared values and culture before moving ahead.

Step 3: Outline your mission, vision, and values

This is where many texts start their strategic planning process. However, a firm's strategic plan must be built on the foundations in Steps 1 and 2.

This section is especially important to those about to start a new firm, either on your own or in partnership. There is no better time to set or influence the type of firm than at its commencement.

Firms start with a vision statement: a concise statement about the overall benefit they expect to deliver to the clients and other stakeholders who interact with the firm. The vision statement touches on the impact of the firm, rather than on its services or potential markets.

Once the overall vision is outlined, it can be turned into a more practical outline of the way that the firm will go about making its impact. A mission statement is the next document to prepare.

If, on the other hand, you are buying into a firm, you should examine the firm's mission statement, vision and values and ensure the partners live these as part of your due diligence process. One of the main reasons partnerships and mergers fail is because of a lack of shared culture and values.

“An organization's mission is the purpose or reason for the organization's existence. It tells what the company is providing to society. A well-conceived mission statement defines the fundamental, unique purpose that sets a company apart from other firms of its type and identifies the scope of the company's operations in terms of products (including services) offered and markets served.”

Wheelen & Hunger 2000³

The mission statement for your firm might make reference to:

- The benefit that you deliver to your clients;
- A brief list of services to be offered by your firm;
- A brief description of the clients that you plan to target; or
- A brief description of your prime market area. This could be limited to some physical boundary, such as a suburb, town, or region; or it could be a vertical market, such as a particular sector or type of client.

The mission statement should be short and simple enough that it can be easily remembered by both you and your employees.

Once the vision and mission are described, the practice can focus on outlining the key behaviors or attitudes it believes are necessary in achieving those standards. This is the function of a values statement. Values go beyond the technical factors (such as “independence,” “integrity,” and/or “professionalism”) expected as part of the accounting service. Instead, they describe the underlying attitudes and beliefs that the owners and employees of the firm will use to govern their approach to issues as they arise in the future.

If the people working in the firm share similar values, then resolving conflicts or ethical dilemmas becomes not only easier but also more predictable. Typical words used in a values statement for a public accounting firm might include:

- Respect
- Courtesy
- Equality
- Responsiveness
- Client-focus
- Innovation.

³ Wheelen, Thomas L. and Hunger, David J. *Strategic Management and Business Policy*, Englewood Cliffs, New Jersey: Prentice Hall, 2000.

Step 4: Define your strategic objectives

Clearly state several “big picture” targets that flow from your mission statement. These targets are used to evaluate your success in achieving the mission statement; they are generally internal targets, not for disclosure outside the firm.

“Objectives are the end results of planned activity. They state what is to be achieved by when and should be quantified if possible. The achievement of corporate objectives should result in the fulfillment of a corporation’s mission.”

Wheelen & Hunger 2000

In an accounting firm context, your objectives might look like these:

- To achieve an internally generated fee growth of (XX)% per year for the next five years;
- To increase net earnings per partner by \$(XXXX) per year;
- To reinvest (XX)% of annual profits into capital enhancement of the firm (for example, equipment for enhanced productivity, system development or major personal development projects).

Your objectives should not all be financial. A profitable and growing business results from supplying a service that is in demand, and providing it at a value-for-money price from the perspective of the client. A “balanced scorecard” evaluates a business not purely on its financial performance, but on other indicators as well; for example, client satisfaction, development of the skills base of the firm’s team, and expenditure on development of new products or services.

Your objectives will most likely need to address:

- The training and development of your people;
- The reputation of your firm within its prime market area;
- The quality and relevance of your services; and
- Client satisfaction.

You might need to develop some tools or indicators to track trends in your performance for each of the aspects listed above. You might focus some of those on your key clients or conduct a regular satisfaction poll among your employees.

Step 5: Define strategies for achieving those objectives

Having set some specific, measurable objectives, the next step is to look at ways of achieving them. Refer to the checklist at [Appendix 1.2](#) for help with this step.

This element focuses on the way that each service—such as bookkeeping, tax advice and lodgments, audit, financial planning, and business development advice, etc.—will deliver profits, achieve its share of the targeted fee growth, or contribute toward the strategic objectives.

This is where the work starts to expand almost exponentially. In this way, you can easily communicate with key people—such as current and potential employees, and external financiers—about the overall direction of the firm. You can also start thinking about how to resource your strategic plan as it emerges. Extravagant ambitions can be held in check by a healthy dose of (financial) reality along the way. Accountants know financial feasibility.

The aim of the detailed operational objectives is to give each person in each unit guidance and reassurance that they are genuinely contributing to achieving the overall target of the firm.

Step 6: Determine some systems, policies, and actions necessary to implement your strategic plan

“A policy is a broad guideline for decision-making that links the formulation of strategy with its implementation. Companies use policies to make sure that employees throughout the firm make decisions and take actions that support the corporation’s mission, objectives and strategy.”

Wheelen & Hunger 2000

Policies are prescriptive statements that simultaneously enable yet constrain the actions of employees. As an example, consider a range of finance policies that might apply in a start-up firm:

- To use a mix of outright purchase and lease/hire-purchase/rental products when purchasing capital equipment. This aims to keep approximately a 50% gearing in the acquisition of fixed assets.
- To pay a monthly salary of \$(XXXX) to the principal/partners in the initial twelve months, then apply the remaining profits toward funding the growing levels of work in progress and debtors of the firm. The balance of cash requirement is to be funded via bank sources.
- To grow, via internally generated, organic means of adding clients through the firm’s own efforts and referrals from current clients.

If a firm adopted all three of the sample policies above, it would neither contemplate nor be in a position to buy a parcel of fees, if that opportunity arose. If the firm had a different set of policies (for example, if the third point targeted rapid growth in client numbers and fee levels), then a merger with another firm would certainly be an option in addition to self-generated growth.

Step 7: Implementation

The next step is to think about the implementation of your policies. This also generates a rapid increase in the size of your lists and notes. Wheelen and Hunger (2000) identify three aspects:

- Programs: the activities and steps needed;
- Budget: a financial summary of costs, and expected income, associated with each program; and
- Procedures: the specific actions to be completed.

Step 8: Monitor and adjust plan as required

A critical element of the planning process is to set up some key performance indicators (KPIs) to summarize the actions taken within the firm and measure the outcomes from those actions. You would need KPIs for strategic objectives as well as other yearly plans. Some KPIs might be actual versus budgets; others might be your own standards, such as, “We always want to have a minimum cash buffer of \$10,000 in the firm’s checking account.” Other KPIs might come from external sources, such as the financial benchmarking provided by specialist research groups, or from firm support networks. Later in this module is a list of the important KPIs that a firm can use to control and measure its performance.

If actual performance does not meet the budget or the benchmark, you need to examine the reasons, then go back into the planning process to identify the cause of the problem. Once you have considered the reasons, make any necessary changes to the plan.

Where to now?

By thinking through the issues in this way, you will achieve three things:

- First, you will be more committed to your plan if it is in writing. The mere presence of this type of document can often encourage you to achieve more goals than you might otherwise have achieved.
- Second, by thinking through some of the potential problems and having undertaken some scenario planning, you can often sidestep problems in the first place. One of the benefits listed in the risk management section (discussed fully in [Module 7](#)) is that knowing in advance about a potential problem can often help you sidestep it altogether.
- Third, by sharing and reviewing your plan with partner(s) or team members you will create shared goals and encourage collaboration and innovation.

Earlier in this module, the point was made that the planning process often requires you to revisit earlier decisions in the light of subsequent information. You should keep going through the process and the series of steps, refining and updating as you go.

This does *not* mean that you never actually get any real work done! It means that in about six to twelve months' time, you will need to go through the plan again and update it to reflect your new starting point. Hopefully that starting point will be six months closer to achieving your objectives! And hopefully you will not need to rethink all your personal ambitions and goals, or rewrite the mission statement or the firm's policies. Instead, you will spend time improving systems and refining the budgets that govern your actions over the next six to twelve months. All the time, you will know that every action moves you closer to achieving your objectives and your mission. That's what is meant by the term "living document" in relation to a strategic plan or a business plan.

1.4 Planning for Effective Relations with Clients and Employees

Firms deliver a largely intangible product by harnessing skills and time and then communicating the outcomes and benefits to clients. Clearly, dealing effectively with other people is a core skill in an accounting firm. This section looks at factors that combine to build quality relationships with those you encounter in your professional life.

1.4.1 The Challenges of Generational Diversity

Social commentators note that certain groups of people have vastly different aspirations and motivators. For that reason, effective communication demands that you learn how to tailor a particular message to address the key motivating factors for each generation. It is important for public practitioners to be aware of these differences: your clients and your personnel are drawn from several generations. Using a single communication or management style will not deliver a truly contented workforce, nor will it guarantee effective communication with all clients. Generational diversity among employees is addressed more fully in [Module 4](#).

How your employees think differently from you

As individuals, everyone is shaped by their upbringing and the times in which they live. Consider how major stages in a nation's history might shape the views of people at different times: the danger or austerity which might be linked to wartime; the confidence and carefree attitudes resulting from prolonged upswings in economic activity; or possibly the uncertainty which many countries faced during periods of economic downturn, such as that of 2008–2009. Likewise, staff that have grown up in a technology-enabled society with access to global knowledge will think differently. People who live through such times will adopt a particular mind-set consistent with the needs or the opportunities of those times; those mind-sets can last a lifetime and will underpin daily decisions and actions.

“Their top reasons for joining a firm are career growth opportunities, paid personal/vacation time and salary—in that order...A multi-faceted generation.”

Dennis 2006⁴

“The firm has a low attrition rate compared with many of the UK’s top 60 accountancy firms, at around 10%.”

Perry 2008⁵

“New hires generally last less than two years, and small firms lose about a tenth of their workforce annually...Other recruiters acknowledge they no longer even try to get accountants for small CPA firms.”

Tarasco & Damato 2006⁶

One important element for the sustainability and progress of your firm is to think about a human resources strategy. You need to attract and retain the people you need now and in the future. Talented people having the competencies you need may be essential for the future, and if your firm is not attractive enough, you may not be able to recruit who you need, and you could lose those you would like to retain. Depending on your global strategy, and the people you need, your offer of a career plan, training facilities, work–life balance, technology access, etc., will be essential to capture and retain talent. To offer the right quality services to your clients, you need the right people, and if you are not attractive enough for them, they will choose another alternative or they will leave. Your policy needs to include plans for them, taking into account their values.

Employee turnover is a significant issue for accounting firms; this subject, and understanding the employee mind-set, is covered in [Module 4](#).

Core values

A “best practice” approach revolves around utilizing the skills offered by all personnel in the firm and fostering working relationships built on mutual respect.

Some motivators will be important to all employees and partners, whatever generation they represent—factors such as leaders’ integrity and consistency, recognition and praise for good work, skill development, and variety of work. When the leaders of a firm demonstrate these core values, other partners, employees, clients, and suppliers will develop a deep respect for those who are guiding them.

As an example, consider the following questions as they apply to the integrity of strategies for recruitment, retention or motivation of its people.

- What is the value of performance appraisal discussions or career planning if a principal does not raise or identify a key negative factor in an employee’s performance? Open communication is essential, even though it may be uncomfortable for one party or the other on occasion. Naturally, negative comments should be handled sensitively, in order to keep the working relationship intact.

⁴ Dennis, Anita. “Understanding the best and brightest.” *Journal of Accountancy*, November 2006. www.journalofaccountancy.com/Issues/2006/Nov/UnderstandingTheBestAndBrightest.htm.

⁵ Perry, Michelle. “Making hay even when it rains.” *Accountancy*, May 2008, 48–49.

⁶ Tarasco, Joseph A. and Damato, Nancy. “Build a better career path.” *Journal of Accountancy*, May 2006. www.journalofaccountancy.com/Issues/2006/May/BuildABetterCareerPath.htm.

- Are you consistent in the application of the core values? If all people are not treated equitably your team will not respect any reference to those core values.
- Is it ethical to describe a position or job role inaccurately to a prospective employee? The outcome could well be that the new employee finds the position less interesting than he or she was led to expect and becomes disenchanted, weakening the trust between employer and employee. It is likely to cause a resignation and rehiring process, at considerable cost to the firm in time and money. The employee might also bear a cost, either by having a very short-term period of employment in his or her history or by becoming more cynical toward all employers.

A few core values, built on respect, will underpin all dealings with the people involved with your firm. With this foundation in place, you can use a variety of incentives or communication methods with employees from different generations. In this way, you can effectively harness the talent and commitment of all the people working in your firm to deliver high quality client services.

1.4.2 Clients' Perceptions

Social and technological changes will simultaneously lead to *and* reflect changes in client attitudes. You will no doubt see the impact of this in many aspects of your firm. [Module 5](#) examines how technology has affected every aspect of accountancy today.

Clients expect rapid service and quick turnaround of work. The introduction of fax machines represented a major change in the speed of commerce. Documents, especially those destined internationally, did not require days or weeks to be delivered to recipients. This factor alone caused a radical rethink in the communication process: it created an expectation that a particular matter can be dealt with *now*.

- The rapid adoption of email, particularly when combined with PDF and/or zip technology for locking and compressing files or documents, accelerated that trend. Now, substantial documents or files can be delivered in seconds to virtually anywhere in the world. Laptop computers, wireless Internet and mobile telephones make people directly accessible at any location, either inside an office or outside it, at work or not. The rapid expansion in the reach of technology creates expectations among clients that any problem can be addressed to the “right person” (“my” accountant, “my” auditor or “my” business coach) within a matter of hours, if not minutes. Answers can be sought, and delivered. Problems can be solved. Advisers are expected to be available whenever they are needed.
- People are less patient in waiting for answers. The computer and software sales industries have created an expectation that information can be provided “at the press of a button”: never mind the need to enter some data, or the need to screen the input for quality or reasonableness or even accuracy.

These factors lead clients to expect that work can be done quickly, and at lower cost. Not only that, but clients are less likely to excuse errors or miscalculation. Clients expect rapid turnaround, achieved error-free and at minimal cost.

Therefore, firms need to adopt relevant technology, and learn its features and limitations. Firms require well-trained employees who can run the programs, as well as understand potential problem areas that would cause an inaccurate result. They must deliver prompt and accurate information and service to clients. At the same time, firms must train clients to understand that there are many clients, all of whom are important, and all of whom expect top priority. Like many aspects of your professional life, it is a balancing act.

1.4.3 The “Devaluing” of Information by the Internet

More and more organizations, including government departments or agencies, are putting substantial amounts of raw information onto websites. Much of this information is free, especially if there is considered to be a “community interest” in conveying that information. It is the responsibility of users to seek quality information from reputable and credible sites.

This easy access means some clients will seek information for themselves and self-diagnose problems within their own businesses and/or to suit their taxation or other needs. This carries a risk that clients might misdiagnose the underlying problem, or act on incomplete information, and therefore take an unsuitable course of action.

Accountants charge a fee to provide advice to clients: the advice is based on information (which some clients might find free of charge via the Internet) *and* it is applied to the client’s specific situation. Accountants must consequently focus on value-adding for the client (delivering benefits, not just information) and continually resell the savings, security or the confidence that their services represent.

1.4.4 The Challenges of Greater Client Mobility

The combination of access to information coupled with a demand for quick response is helping to create better-educated clients (or at least to make clients believe that they are better educated). Such clients do not tolerate errors or poor service from their accountants. These clients, therefore, might be more likely to complain or even to allege professional incompetence or neglect.

At the very least, clients are less willing to stay with an accounting firm if they are not satisfied with some aspect of the service. Retaining clients for the long term requires more attention now than ever before.

1.5 Developing Plans for Your Firm’s Various Functions

Once you have defined your strategic goals, you need to develop specific plans for the different functions, having both a short- and long-term perspective.

As part of your overall strategic planning, this section details how to develop more detailed plans for the following functions:

- Service delivery;
- Risk management and mitigation;
- Personnel;
- Marketing and selling;
- Technology;
- Administration; and
- Finance, or budget, to integrate the financial implications and resources required to achieve the various plans.

1.5.1 Service Delivery Plan

This plan must clearly state the range of services provided by your firm. Just as importantly, it also should describe how the firm will handle services it does not offer: whether clients will be referred to another organization, or whether clients will simply be told to find another provider of the required service.

The service delivery plan should include the amount of professional development required and whether this will be largely provided in-house or by attending courses outside the firm.

The plan should describe the firm's approach to its systems and procedures. Well-documented and current systems and procedures are essential to the effective delivery of services. Systems and procedures also specify minimum (and ideally best practice) technical steps needed to deliver a sound and competent service. Clear, well-documented systems help to establish the amount of time and labor required to perform a task; they minimize the professional exposure from "getting it wrong"; and they enable partners to influence the overall professional work within the firm without having to directly perform or personally review every action taken by employees.

Every firm should have a "champion" to oversee the updates and any expansion of the documents and procedures used within the firm. This person must have the authority, supported by the proprietor or the full partnership, to confidently update or amend documents, and then ensure that partners and employees use them. This might require some technology assistance as well: for example, the master documents might need to be stored in a protected folder on a computer system so that all documents can be accessed and read but not changed (see [Module 5](#)).

From time to time, a major workflow process within the firm might need to be changed: a new accounting standard might demand an extensive redesign of the current process. Sometimes, implementing a new piece of software might require a new process to be defined. Whenever these major changes are required, take the opportunity to redesign the particular process entirely. Doing this should keep the process simple and direct without compromising professional quality. Naturally, once a procedure is amended, all personnel should be advised of the change in an appropriate manner (for example, through training or via an explanatory memo).

Remember that the service delivery plan can impact the entire organizational structure. Sometimes a division or team within a firm can become so big that it affects the whole structure of the organization. In such a case, the service delivery plan will need to be reviewed and, if necessary, amended to reflect the change.

1.5.2 Risk Management and Mitigation Plan

Refer to [Section 1.6](#) "Building a risk management mind-set into your firm" for information about developing a risk management plan. [Module 7](#) contains specific guidance on risk management strategies within the firm ([Section 7.3](#)) and business continuity planning ([Section 5.7.1](#) and [Section 7.6](#)).

1.5.3 Human Resources Plan

The human resources plan should dovetail into the service delivery plan; after all, it is people who deliver the services offered by the firm. Accordingly, this plan should forecast the likely number of people and the skills base required by the firm over about an 18-month period. If the firm looks beyond 18 months, too much guesswork is required. Which services are expected to grow strongly, and which might decline? Can personnel be moved from one part of the firm to another? If so, is any retraining needed? What ongoing training is needed to keep the skills of our people current and efficient? How can the firm retain the key people who will be most critical to its future success? All those questions can help to integrate the two plans.

The plan should address issues outlined in [Appendix 1.4](#). See also [Module 4](#) for more information.

A firm will almost certainly need to add other items to this list, according to its needs and the culture of the firm.

1.5.4 Marketing and Selling Plan

Your marketing plan should identify the steps needed to move from your current position (for example, no clients, insufficient number of clients, or possibly the wrong clients), to the goal position identified in your strategic plan. The key components of your marketing plan should include:

- Your mission statement and the vision for your firm;
- A brief restatement of your marketing objectives and how they complement your mission statement;
- The timelines for your marketing program and any milestone events;
- Marketing strategies to be employed both internally and externally; and
- The resources (physical resources plus the cost) required to achieve your marketing plan.

Your marketing activities will normally be focused on one of several objectives. Even though you might have a primary objective (for example, a particular rate of growth in fees, or to target new clients from a particular industry segment), the other objectives are not necessarily mutually exclusive. Your marketing objectives could be to:

- Build market awareness of your firm;
- Build your brand identity;
- Refine your client base;
- Acquire new clients; and/or
- Grow your fee base by offering new services to existing clients.

For many firms the focus will be on the last two objectives, with the areas of market awareness and brand identity seen as residual or secondary benefit. They are clear and measurable outcomes from a series of promotions. Marketing designed to gain new clients and increase your fee base will use some internal and some external marketing strategies. External strategies are those that bring new clients to the firm. Typical examples of external strategies include:

- Client referrals;
- Memberships in professional or community organizations;
- Professional network referrals;
- Speaking engagements;
- Holding functions for clients, members of referral networks, and prospective clients;
- Advertising and other media;
- Seminars;
- Advertising on websites, electronic search engines, or directories;
- Articles and editorials in newsletters;
- Website and social media promotion; and
- Referrals through your professional association.

Internal strategies refer to increasing your fee base from your existing clients. There are three main ways to achieve this:

- Increased utilization of your current services by your existing clients;
- Introduction of new services to your existing client base; and
- Increased charge rates.

Decide where your emphasis should lie, and reflect this in your marketing plan. As with all plans, however, the focus must be on the action that each person will take to implement the plan. For example, your marketing plan might state: “We will contact all existing business clients to discuss their estate planning and retirement strategies.” This statement is of no value unless every partner and manager discusses this topic with the applicable clients during the annual accounting review.

Marketing is sometimes seen as remote from the activities of an accountant. On the contrary, marketing is an integral part of every accountant’s work: do good professional work, then tell clients about the benefits you have achieved for them or for other clients. This should be a simple process with current clients; it can be as simple as asking a question or two as part of a larger discussion. In the example above, the issue could be raised like this: “The business is going well at the moment, but do you have enough savings to do the things you want to do once you’ve retired? We can help you prepare the business for sale and look at the adequacy of your pension plan and savings.”

Use the template in [Appendix 1.3](#) to develop your marketing plan. Make sure it includes objectives and strategies to achieve your strategic goals. A couple of examples are already included in the template for your benefit. (You can remove and photocopy the template for your use.)

The Ansoff Matrix is an excellent tool to assist the strategic planning process by providing a framework to firms to examine market penetration, market development, service offer, and diversification.

Marketing methods

You may need to spend substantial time thinking about planning each promotion, and more time drafting the material. Keep the objective in mind: what are you asking the client or prospective client to do?

Here are some ideas.

- Institute a system or a checklist that ensures that clients are made aware of other services relevant to their situation. This might take the form of a key question (“What are you doing to prepare for your retirement?” or “How often does cash get tight in your business during the year?”), or it could be a more formal outline of a range of possible services. These services may include an array of non-financial but complementary client services. Make sure that all partners do this as part of their regular work with clients.
- Talk to each client as the new service is being delivered, to ensure that they see the benefits that the firm is delivering and that the service delivery is smooth. Often, a visit by a partner to a client’s premises will identify the need for additional accounting services.
- Plenty of money can be wasted in running “feel good” promotions that make the partners think they’re being proactive. A far better approach is to promote a specific service and generate feedback directly.
- Ensure that in any case study, the client’s identity and details are disguised and remain confidential.
- Is it clear that you’re asking the client to take action? A well-created letter or brochure can be wasted if it leaves the client or prospective client uncertain regarding the next steps they should take.

A good promotional piece should create interest and then stimulate action. Use clear language in your promotional material.

- Measure the cost and the response. Identify the approaches that don't work and avoid them in the future. Focus on the ones that have worked. You may have lots of good ideas for promotions, so feel free to test some of them. Look at the cost per response, the cost per new client, and the conversion rate from inquiry to sale.

Beware of too much client concentration

While it is generally a good thing to be selling more work to your clients, there is a potential risk if a single client predominates your firm's work. The firm has a significant commercial exposure if the client leaves for another firm. You could end up with too many employees, too much office space and too high an overhead structure. These can quickly bite into profitability, since some of these costs are difficult to reduce.

1.5.5 Technology Plan

Refer to [Module 5](#) for information to consider when developing a technology strategy for your firm.

1.5.6 Administration Plan

Good administration is essential for any firm—allocate roles that suit the abilities and interests of your people. A partner with a strong bent toward organization, order and process will be ideally placed to take on a role in the administration area. Allocation of management or administration roles among the partners or senior employees is a suitable model for smaller firms, which are unlikely to be large enough to afford a dedicated “general manager” or equivalent position.

The administration plan needs to address issues which help the firm to run smoothly. For example, by ensuring that relevant supplies are in place, that purchasing of minor office supplies happens in an efficient and controlled way, that employees and suppliers are paid in a predictable and accurate way, that all the personnel, equipment and other resources are available as required for the fee-earners to be able to perform their roles, and that clients are sent bills and pay within the firm's trading terms.

As firms change, the administration demands will also change. Each additional person will need resources such as a desk, computer, some software licenses, and so on. Someone will need to think about the way that office space is allocated and used. The firm might start to create specialist teams of fee-earners. More partners might be added.

More invoices will be raised for clients, and more receipts will be processed. Changed billing arrangements, such as the introduction of a monthly payment plan for clients, will change the processing volumes handled by the administration team.

Each such change places a different pressure on a firm's administration, so periodically review the allocation of roles among senior personnel. From time to time, the underlying policies (for example, limits on who can purchase items for the firm, or delegated levels of spending) will need to be reviewed. If a small firm eventually becomes so large that the administration partner is losing too many billable hours, employing an administrator or general manager will be a worthwhile investment.

1.5.7 Finance Plan, or Budget

Virtually every decision made within a firm will have a financial consequence. These need to be reflected in the budget or financial plan.

Each of the individual plans described above should have its own budget, otherwise be sure that the budgetary implications are covered in the overall firm-wide budget. A budget allows a firm to prioritize its

actions and plan for any problems realistically, in advance. The budget will help you keep these types of pressures under control:

- It may make the partners feel good to see a quarter-page advertisement in a key regional newspaper every day, but the return on investment must be assessed.
- It may impress clients that your firm operates from luxurious offices in a prestigious location, but the required charge-out rates might price your firm out of its market.
- Employees might all wish for a pay raise or promotion, but it is essential that they also understand the impact on charge-out rates or fee targets.
- Employees might appreciate using the latest electronic gadgets in their daily work, but each application needs to contribute to the firm's efficiency and revenue base.

A budget or financial plan imposes commercial discipline around each decision and imposes controls on day-to-day activities. It also sets targets which can be used to motivate your team, such as billable hours per person, or a revenue target per person or per team. Many firms are moving toward using team budgets instead of individual budgets for revenue, but even within a team budget all personnel must contribute fairly toward the overall figure. Achievement of the "production" or "revenue" target might then see some incentives being paid to some or all personnel.

Budget processes may evolve over time as the firm expands and diversifies. In a small firm, one partner might take responsibility for preparing a realistic budget before validating with partners and key staff. Larger firms will need to involve key employees (for example, technology and human resources specialists) and additional partners from major service areas while framing the budget because the larger firms must ensure that all users of a budget feel involved in developing realistic targets. This extra level of consultation takes more time and might require some diplomacy, but it encourages shared goals and priorities.

1.5.8 Assessing When Plans Need to Change

Partners, especially those who accept management roles, should continually monitor the effectiveness of internal systems and look for warning signs that something is amiss. These indicators might be measurable or technical (for example, the load on telephone lines or a telephone system), or losing some clients because of a lack of international connections, or they might be more subjective (for example, sensing more complaints about a policy or procedure). These warning signs should prompt some action. If a genuine problem exists, then the partners need to lead the way to a newer, better solution as quickly as possible.

Several tools can be used when assessing the need for change: the yearly or half-yearly partners' retreat, traffic counts on key transactions, the use of benchmarks or targets such as turnaround time, or a sense of the mood of the organization. Each is valid, depending on the type of problem being examined. Select the right indicator or tool, initiate a thorough review of the problem and then implement the best solution. Your role as partner demands that you lead in management as well as in professional aspects of your firm.

Use the skills of individuals effectively. Partners and senior accounting employees are best used in fee-earning roles, wherever possible, but need to play a role in client engagement and marketing activities to support a future pipeline of fees. This generates the revenue that can pay the wages of suitably qualified specialists to manage the firm. In comparatively small firms, partners may be involved in management functions, along with assistants who perform routine transaction processing. So a managing partner in a small firm may well have an administrative assistant or an IT officer, rather than an administration manager or an IT manager.

1.6 Building a Risk Management Mind-Set into Your Firm

When developing a plan it is important to consider risk. Some risks, should they eventuate, might only be an annoyance; others could threaten the viability of your firm, or cause you to lose all your personal assets. Effective risk management helps you to control, and hopefully eliminate, each risk or its impact. The most obvious precaution any firm can take is to carefully vet any new client before agreeing to do business with them.

Risk management is fully discussed in [Module 7](#). Here, you and your employees are shown how you can adopt a risk management mind-set to shape day-to-day actions within the firm.

1.6.1 Ten Steps to Successful Risk Management

1. Start with a quality recruitment process

Your recruitment process should attract high-caliber employees who have the technical abilities you require, and who are trustworthy and honest. Pay attention as well to soft skills including the need for good communication skills and the capability to work in a team which supports high-performing practices. Screen and check the references of the short-listed applicants. Any job offer should be conditional upon satisfactory validation of academic, professional, and reference records.

2. Ensure that employees are properly trained

Good training programs give employees adequate technical skills, develop soft and other skills, show them how to deliver good-quality work, describe essential communication skills, and reinforce the need for a professional approach in their dealings with clients and team members.

3. Do not delegate tasks beyond capability levels

Delegation is essential to allow for the continued growth of a firm. Good delegation will see that tasks are only delegated to employees capable of handling them. Good delegation will stretch each employee's professional skills slightly; the partner or manager must guide the employee through the new or unfamiliar aspects of that work.

4. Ensure that employees are aware of systems and standard procedures

Without proper systems in place, your team might not have clear and concise guidelines to work within. In turn, this could lead to you risking your professional reputation and losing the confidence of your clients. Your systems are your quality control.

5. Have a procedure to identify weaknesses or problems with systems

Each member of your team should look for any deficiencies in systems. Once a deficiency, weakness, or problem is identified, it should be reported to the firm manager or the relevant partner to be addressed and resolved.

6. Employ proper review processes

Decide to review all completed tasks. This is just as essential for senior employees and partners as it is for intermediate and graduate employees. Everyone makes mistakes, and the best way of avoiding any problems which may arise is to have a review system in place. This allows for a second pair of eyes to go over all the work, identify mistakes, and correct them prior to incorrect material leaving the office.

7. Maintain an adequate spread in your fee base

Identify your "ideal client." They might be one who uses a broad range of the firm's services, is not fee resistant, and is enjoyable to work for. Your firm should be built around these clients.

Every firm will have its larger clients. You should be careful, however, to resist letting a single client or a small group of clients dominate your fee base. The risk is that you are building the resource base of your firm around a small number of clients; if they should leave for any reason, your firm may be exposed. Obviously, where a single client dominates your client base, there is also the risk that you or your employees might be unreasonably influenced by the demands of that client.

8. Have adequate insurance

The principles outlined above are all forms of insurance against accidents. However, you also need to have formal commercial insurance policies in place for protection. The risks are many, for example, a fire sweeping through your office or a professional indemnity claim against your firm. The premiums offer some protection, but they do not cover you against all possible losses: of time, sleep, reputation, and so on. While it is simple to say that the best form of protection is to avoid the problem in the first place, it is still prudent to have insurance policies in place.

9. Back up your technology and records

As technology becomes more ingrained into public accounting services, the need for proper back-up procedures becomes all the more important. For example, consider a complete back-up server for your main files, or cloud back-up options. Frequent back-ups of data must be made and a copy kept off-site. Periodically, run a recovery test to see what happens and check what would happen if you needed to restore or replace a file server or key piece of equipment.

10. Be fully aware of privacy and client confidentiality guidelines

Finally, professional training puts great store in the need to maintain confidentiality about business information. Complying with both the spirit and the letter of the various requirements (ethical and/or legal) for client confidentiality and security of private information is now a fact of business life. Make sure your team is aware of the high duty of care that accountants adopt and is required.

1.6.2 Minimizing Exposure to Loss of Key Personnel

A firm depends on several key personnel and key roles. Since the commercial future of your firm depends on avoiding errors or adverse circumstances in these areas, adopting or adapting the following policies and guidelines is strongly suggested. (Module 4 is based entirely on effective management of the personnel side of the accounting business.) When developing your strategic plan keep in mind the career path for your key people to mitigate the risk that a lack of expectations may result in them leaving and ensure they have opportunities to progress.

This model assumes that there is more than one partner managing the firm.

1.6.2a Partners and Owners

The partners provide leadership at many levels: technical leadership, leadership in the production and commercial aspects of the firm's operation, and shaping the culture and atmosphere within the office. The sudden loss of a partner could cause significant disruption to the firm in each of those areas.

To control any potential risks:

- Pay for a "key person" life insurance policy on each owner, to provide short-term cash injections to cover increased operating costs and potential loss of profit, and to fund the purchase of the deceased partner's share of the firm. Re-assess the level of coverage each year to ensure it is adequate.
- Ensure that all work-related files and client engagements are sufficiently well documented to permit any other senior person to use those files and to complete client work with minimal disruption.

- Commit to support the use of standardized work papers, template documents and filing systems (physical and electronic). This enables all related documentation pertaining to clients to be stored and retrieved quickly and efficiently.
- Develop the skills and knowledge of senior personnel, to develop potential future partners.
- Provide partners with room to develop their capabilities.
- Aim to create an effective firm culture (see [Module 3](#)).

1.6.2b Internal Accountant/Manager (If Employed)

This role handles much of the financial resources and record-keeping, potentially exposing partners to:

- Losses or damage due to inadequate skills and/or poor performance;
- Fraud; or
- The impact of delays in reporting or analyzing the firm's ongoing profitability and/or liquidity.

To control any potential risks:

- Decide who will supervise the accountant/manager. Write a detailed job description for this role, which delegates certain responsibilities to the manager and other specific responsibilities to the supervising partner. This ensures that all tasks are allocated to one individual or the other within the management team.
- Acquire a suitable practice management software package, to ensure that transactions are treated securely and that reliable reports can be provided quickly. Where necessary, engage an external consultant to help define special or regular reports.
- One of the partners should counter-sign with the manager all payments on behalf of the firm (with the exception of minor purchases paid for via a credit card); another partner should counter-sign payments if the first partner is away from the firm for an extended or inconvenient period of time. Where an electronic funds transfer (EFT) is used, ensure the most secure and up-to-date system is in place. Determine whether purchases over a certain cost must be approved in advance.
- From time to time, review aspects of the manager's work, especially in matters relating to cash handling and other receipts from clients of the firm. Perform other reviews on a random basis, at the discretion of the supervising partner.
- In the early days of the firm, review all incoming mail. This ensures that monies received from clients can be audited and verified against their debtor records occasionally. Reviewing mail also allows the supervising partner to monitor any negative feedback (received in writing) about the firm's services.

The manager should:

- Recommend a realistic reporting schedule, covering profit reporting (and the basis on which profit is determined), liquidity reporting, and review of work in progress and debtor ledgers. This ensures prompt reporting, and if there is an unexpected or unjustified delay in reporting, the supervising partner can step in to identify the cause and any impact of that delay.
- Keep up to date professionally via in-house training and any further external professional development activities as required.

1.6.2c Senior Accounting Employees

Involving senior fee-earning employees with each client directly and at a high level gives the most efficient standard of service, and also ensures that the firm is continually building the broader skills base of its people. However, this approach could leave the firm exposed to loss should the employee leave and take the client with them, or exposed to professional risk arising from inaccurate or poor-quality advice given by the employee.

To control any potential risks:

- Devise screening tests for use in the pre-employment phase. These tests should examine the technical knowledge of each prospective employee, as well as other important competencies such as communication skills, dealing with an ethical dilemma, and team work. Competency-based interviews are a great way to assess how well applicants will fit within your firm culture.
- Adopt best practice employment processes to check references and qualifications as part of the pre-employment screening of applicants.
- Require each employee, as a condition of employment, to sign a restraint agreement to restrict some of their actions should they leave the firm, such as approaching any of the firm's clients or staff to lure them to another firm, or making disparaging comments about the firm, partners, staff, or clients. The agreement should be professionally drafted and based on reasonable restrictions supported by the appropriate laws and professional regulations.
- Provide a range of support resources for clients, such as visiting their premises, writing newsletters or other technical briefing materials, encouraging networking opportunities among clients where applicable and ethical, and so on. These initiatives enhance the client's loyalty to the firm rather than to any individual within it.
- Provide suitable professional development or other skills training, to ensure high technical standards of service delivery.
- Review advice prior to its communication to a client.

1.6.3 Managing Service Risk

Restricting the range of services to the partners' specialties permits the firm to give sound professional advice with minimal professional risk. Senior specialist work should be reviewed by a partner, regardless of the degree of technical knowledge of the partner.

To control any potential risks:

- Run internal professional development activities at least monthly to discuss changes in legislation or other matters impacting on client work.
- Allocate a specialist from the team to monitor developments in key areas such as income tax, company tax, indirect taxes, capital gains/inheritance taxes, and so on. Each specialist can use the training meetings to familiarize the rest of the team with the changes.
- Conduct an annual firm review to identify (among other things) any new services the firm wishes to add; for example, "The next anticipated addition is likely to be wealth management/financial planning services in approximately two years' time."
- Form alliances with other specialist firms to ensure that clients have their full accounting needs met. For example, have at least two reputable and competent firms you can introduce to a client, to give the client some control over their choice of adviser. Monitor the advice and service at least annually to ensure high standards are maintained.

- Conduct regular quality control reviews of files to ensure systems are being followed.
- Establish a complaints register and follow up any complaint from a client, even those that were not significant, and make appropriate changes, if necessary.

1.6.4 Minimizing Potential Problems in Service Delivery

Start-up firms may have limited access to existing procedure documents and workflow templates. This could leave the firm exposed to providing incomplete professional advice, especially in its less common services; such exposure would be detrimental to clients as well as the firm. Similar situations can occur when introducing a new service. It is very important to ensure from the start that quality services are provided and a continuous improvement plan is implemented.

To control any potential risks:

- Provide services through separate legal structures, in order to comply with local regulations concerning limits on professional liability.
- In light of the extensive time required to develop workflows and procedures in-house, source a commercially available suite of work papers and process documentation. Use appropriate software applications to standardize and streamline complex calculations. This enables partners to focus their time and energy on locating and working with new clients, and expanding services to existing clients.
- A partner should authorize any changes to the template documents to maintain control over the quality and consistency of the firm's work.
- Provide a regular training program to keep the team up to date professionally.
- Source convenient and relevant subscriptions to alert the firm to changes in legislation and/or regulations.
- Use and regularly update engagement letters for clients.
- Perform internal peer reviews of a small sample of client files during the year and welcome similar peer reviews sponsored and/or arranged through the firm's professional association.
- Hold professional indemnity/malpractice insurance to a minimum value of \$(XXXX) (to be determined by the firm or requirements of your Professional Accounting Organization). Review this amount annually, prior to renewal of the policy.

Module 7 considers risk management strategies in other aspects of firm management and Module 5 examines the risks associated with technology in more depth.

1.7 Implementing a Practice Manual and Systems

A well-run firm will need and want to document its policies and procedures. A current practice manual is also required under international quality assurance guidelines. The IFAC *Guide to Quality Control for Small- and Medium- Sized Practices* can be downloaded from: www.ifac.org/publications-resources.

Your professional association may have also created such a document for its members.

Module 7 provides more guidance on the implementation of quality control systems within an accounting firm.

A practice manual ensures that all personnel can quickly access details about the way the firm operates and its professional standards. New personnel can be made aware of the full extent of a particular policy.

Documenting these processes will improve the quality and effectiveness of the training process. For example, even an experienced person who is training a new employee might cover the substance of each process, but miss one or two steps, leaving the trainee with an understanding of perhaps 80% or

90% of the full process. If that new employee subsequently trains another staff member sometime later, then perhaps another 10% or 20% of the process will not be conveyed accurately, or at all. Therefore, it is conceivable that within two “trainings,” only about two-thirds of the full process might be conveyed to the third person. This could expose the firm and create an opportunity for systems to eventually fall apart.

Several manuals will be required within a firm, each with a separate and distinct focus:

- A practice manual or quality control manual, which guides the way that professional work is performed within the firm;
- A staff manual or office manual, covering the various administrative matters and processes which all personnel need to know;
- The partners might even require a manual to govern some of their dealings with each other: this is especially important if the partnership agreement is not very detailed or prescriptive.

See [Appendix 1.4](#) for suggested content of an office manual.

If you are buying an existing firm and plan to run it as a sole principal, or if you are buying into an established partnership, then these manuals should already exist in some form. You will need to assure yourself that they incorporate or adopt best practice approaches to professional work and to the running of the firm. If they do not, then you or senior personnel will need to spend some time upgrading and updating the individual policies and procedures.

If you are starting a firm from scratch, you will need to document each policy as it emerges. Some of these can be pre-empted (for example, a range of staff- or employment-related policies can be drawn up based on your own experience as an employee), while other situations will arise in an unplanned way. Each first case can be used to establish the firm’s policy.

You may find that a publishing firm or even another accounting firm will sell ready-made manuals. This outlay can save you considerable time. Even though this type of manual is complete, you might still find that some policies do not suit your own style or preferences, and will require changes.

1.8 Using Benchmarks to Drive Performance and Improvement

Some benchmarks or key performance indicators (KPIs) are commonly and widely adopted throughout the profession; others might challenge you to develop specific indicators relevant to your own situation and performance.

Benchmarks can be obtained from several different sources.

1.8.1 External Benchmarks

An obvious place to find benchmarks is from accounting firms broadly similar to your own. These are known as external benchmarks. In many countries there are specialist benchmarking projects (some are run by consultancy firms, while others are run by or sponsored by the national or state-based professional association). A good example is the [PCPS/TSCPA National MAP Survey](#) published by the American Institute of Certified Public Accountants (AICPA). These studies collect information from firms, then group them according to specific features (possibly the size of firm, its geographic location, its predominant source of fees, and so on). Once this grouping is achieved, an average or a median result can be obtained to indicate what those firms typically achieve for each indicator. The partners or managers in each firm can then evaluate their firm’s result relative to the typical result, and decide whether the difference represents a strength, a weakness, or simply a difference of approach.

The IFAC Global SMP Survey is a helpful tool to assist firms in examining regional and global challenges and opportunities for SMPs and their small- and medium-sized entity (SME) clients.

Sometimes a small group of firms exchanges this type of data among themselves. This approach demands that all the representatives of all the firms have a great degree of trust in each other: the firms will reveal sensitive and confidential information about their own performance, and it is essential that no one breaches that trust. Small groups of this type are often based on tightly defined criteria for similarity: they might all be, for example, insolvency firms, or they might all be firms with three to five partners, located in inner-city offices.

The strength of external benchmarks is that one firm might be challenged by the achievements of the others. For example, a firm might have adopted a particular approach to debtor collections and, despite regular follow-ups with slow payers, may have an average collection period of seventy-five days. That firm might come to believe that seventy-five days is as good a result as is possible. However, other firms might use different techniques or different billing arrangements and achieve a thirty-day collection cycle. This type of difference should rightfully challenge the “seventy-five-day firm” to review its processes so that it moves closer to the “thirty-day” result. External benchmarking reports often give generalized tips about improving performance, and the small-group approach allows partners or senior personnel to ask more detailed questions about the processes or policies that deliver better results.

1.8.2 Internal Benchmarks

Benchmarks also come from within the firm. By regularly measuring and calculating certain indicators, for instance a specific service offering, a firm can monitor trends in its own performance. Such an approach allows the firm to focus on special aspects of its own performance and take account of certain unique attributes. While this is beneficial, it can lull a firm into a false sense of security, as the “debtors” example above suggests. The use of internal benchmarks is most powerful when it tracks firm-specific facts that are not easily or reliably compared with other firms.

1.8.3 Other Industry Benchmarks

The third type of benchmarking involves using techniques, such as cross-selling or on-selling, adopted in other industries; these techniques obviously need to be adapted to the accounting business. For example:

- Franchised fast-food outlets have excellent procedures for on-selling their products to customers (“Would you like fries with that?”) and also at bundling “meal deals.” Both tactics are designed to offer a wider range of products to clients, and in so doing to increase the average sales size. It is also conceivable that the add-on components might be the higher margin lines, which will enhance overall profitability too. An accountant would never ask, “Would you like an audit with these accounts?” but the concept of offering a wider range of relevant services applies as much to accounting services as to fast food.
- Firms with high fixed-cost components need to continually build occupancy or usage levels as one technique for boosting profitability. Airlines and accommodation providers are good examples where yield management and occupancy rates are KPIs. These providers know their marginal cost of delivery, and use differential pricing and/or special offers to lift utilization at a time of otherwise low demand. Labor cost is a major fixed-cost item in accounting firms, so a similar concept might be applied. The firm might promote a first-time systems audit for a mid-sized commercial client at lower charge rates during a traditionally slow time of year. This would see more billable hours being sold than usual, yet the firm would still be making a profit on those additional hours. If the client wishes to undertake a similar project the following year, then your firm has the scope to lift the hourly charge-out rate toward your normal level.

- The key principle here is to look at what other firms are doing, then analyze why they are doing it. Once you understand the underlying commercial concept, you can see if and how that concept might be applied profitably in your firm.

There are many examples of this type of cross-industry benchmarking. Remember that benchmarking can occur at different levels. Many benchmarks will be expressed numerically: profit margins, cost structures, write-downs or staffing structures can be expressed with numbers. Provided the definitions are clear, comparing numbers can give a similarly clear perspective on business performance. It is also possible to benchmark processes or policies.

The benchmarks themselves are not the solution to a firm's problems, but they may indicate where a problem exists and the size of the problem. It requires further work from key personnel to identify possible solutions and implement the best ones. A subsequent re-measurement of the indicator should show some progress toward "better firm" and possibly even to "best firm." The sooner corrective action can be taken, the sooner will profits and liquidity increase.

Keep in mind that the process of improving performance takes time and might require several steps or decisions. Use tools like graphs or trend lines to monitor improvements over a period of time. Those tools make it easier to see an unfavorable trend as it emerges, or to monitor real progress.

Here is a list of some of the most common benchmark indicators you might use to measure improvements in firm efficiency or profitability. They are categorized according to whether they can be accessed and compared effectively from external benchmarks, or whether they are more suitable as internal benchmarks.

1.8.3a Firm-Wide KPIs Suitable for External Benchmarking

Profitability

- Wages cost as percentage of total revenue;
- Other overheads as percentage of total revenue;
- Net profit per partner/director;
- Write-downs as percentage of total production, or per person.

Personnel productivity

- Revenue per dollar of salaries (including notional salary of partners/directors);
- Fee to wage ratio;
- Revenue yield per productive hour (that is, hours excluding all leave, professional development time, non-chargeable time, etc.);
- Revenue per person working in the firm;
- Revenue per fee-earner (that is, excluding employees primarily in support or non-fee-earning roles);
- Revenue per partner;
- Productive hours worked per person per annum;
- Productive hours worked as percentage of available time (that is, excluding holidays, sick and professional development leave, etc.).

Liquidity

- Days of work in progress unbilled;
- Days of debtors outstanding;
- Asset turnover;
- Structure and supervision:
 - Employees per principal/director;
 - Support personnel as percentage of total;
 - Clients per person;
 - Clients per professional (“fee-earner”);
- Fees per client.

Other

- Growth in firm revenue per annum;
- Fees generated from ten largest clients, as percentage of total revenue;
- Average fee per client;
- Growth in average fee per client.

1.8.3b Firm-Wide KPIs Suitable for Internal Trend Reporting

Internal trend reporting might cover a wider range of indicators; some of those might be unique to your firm due to a desire to measure the impact of specific objectives adopted within the firm.

Internal measurement should cover all of the above indicators, plus:

- Assets per person;
- Turnaround time for work;
- Partners’ equity as percentage of total assets;
- Distributed profit as percentage of total profit earned;
- Growth in firm profit per annum;
- Current ratio;
- Debtors aging;
- Work in progress aging;
- Detailed expenses as percentage of revenue, and/or per person: focus on controllable variable costs, since the fixed-cost percentages will vary according to the revenue base;
- Goodwill (or change in value of goodwill) based on the firm’s internal valuation formula;
- Revenue mix as percentage of total revenue (sources of revenue by service);
- Revenue from first-year (new) clients as percentage of total revenue;
- Number of clients gained and lost during the year, as percentage of number of clients at the start of the year.

1.8.3c Operational KPIs Suitable for Internal Comparison

Finally, you might wish to benchmark within the individual departments or workgroups within the firm. It then may be possible to compare, for example, the performance of one workgroup with another. This of course is based on the assumption that the departments are reasonably similar in work methods or client mix and so on. At this point, your choice of indicators can be highly focused and directly relevant to the work of each particular team.

When constructing these indicators, make sure that they highlight efficiency and not just activity. For example, it would normally be considered more efficient if each person in the accounts department can raise more invoices and process more payments per employee or per labor-hour. However, encouraging more invoices to be created (for example, by mailing invoices to clients semi-monthly rather than monthly, or by encouraging partial payments rather than full payments by clients) might do nothing more than increase the level of activity, for no net gain to the firm. A cynical manager might then use benchmarks to argue for *additional* employees to help process the higher volume of activity. That would clearly not be a good result for the firm overall, because it increases the cost of running the firm while still meeting the benchmark.

For each fee-earning division or team

- Revenue per person;
- Write-downs per person per annum;
- Revenue less direct costs and controllable costs (that is, exclude arbitrary cost allocations or apportionments) equates to contribution to firm's unallocated overheads;
- Direct salary cost (including employee-related on-costs) as percentage of revenue;
- Controllable cost as percentage of revenue;
- Fee growth per annum, total;
- Increase in average fee per client;
- Growth in contribution (that is, the department-related profit measure) per annum;
- New clients gained and clients lost during the year;
- Percentage attainment of division's objectives. This indicator(s) will vary depending on the nature of the objective. The aim is to quantify the extent of compliance with objectives (for example, percentage of clients who were offered additional services during discussions with the client, or number and percentage of clients who were migrated to lump-sum, monthly billing);
- Total work in progress and debtors.

For marketing activity

- Marketing outlay per inquiry;
- Marketing outlay per new client gained;
- Marketing hours (by all personnel) as percentage of total available hours, firm-wide;
- Revenue per marketing hour;
- Improvement in the client satisfaction index based on client surveys.

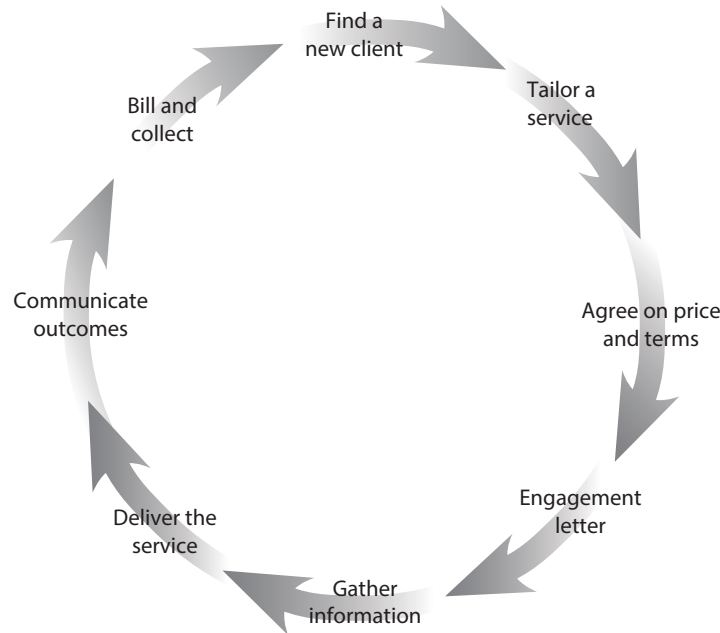
For administration or finance unit

- Administration employees' hours as percentage of total available hours, firm-wide;
- Revenue per administration hour;
- Other efficiency indicators, such as percentage payments to creditors that were paid late.

1.9 The Business of Running Your Firm

1.9.1 The Key Stages in Running an Effective Firm

Figure 1.2 The “virtuous circle” of an efficient accounting firm



The key stages in this process are:

1.9.1a Find a Client (Later, On-Sell to Existing Clients)

In a start-up firm, this is especially challenging. You might have brought some clients from your previous employer’s firm (take care to act ethically in this regard, by complying with any agreements or undertakings you gave while an employee), or you might be building a client base from nothing.

If you bought a firm or parcel of fees from another practitioner, you will want to focus on retaining those key clients.

If you are joining an existing firm, the immediate pressure to find new clients will be less, since there will be some handover of clients from existing partners to you. No matter which situation applies to you, there is always the imperative to add more clients who fit your ideal client profile. There are many marketing and sales tools available to you; you may want to refer to the earlier section on developing a marketing plan. Remember, though, that a firm continually needs new clients in order to grow, or simply to replace the natural attrition of clients.

1. Tailor a service

This is where supply (your capacity to deliver services which benefit clients) meets demand (the specific need which your client describes to you). The basic accounting service revolves around recording and

summarizing transactions, then reporting to a range of users. Then your own skills, complemented by the skills of colleagues in the firm, enable you to deliver further services to benefit your clients.

You might need to look beyond your own skills to create the right package of services to completely satisfy a client's needs (whether stated or unstated). Be willing to introduce your client to other high-quality specialists inside or outside your firm who possess the knowledge you do not have. The ways networks can help you meet clients' needs fully is addressed in [Module 2](#).

2. Agree on price and terms

While your primary motivation is probably to deliver good service and outcomes to clients, basic business principles must also be applied to guarantee a long and viable future for your firm.

Set a price that reflects your cost structure and delivers a suitable profit for the time and investment you devote to the firm. Tell clients how and when you will invoice them. Tell clients that you expect them to pay your accounts promptly.

Help clients minimize the amount of low-level processing work that you must perform for them (for example, install record-keeping systems or software in the client business, and train their employees in its use). This helps clients to control the total accounting fee by providing you with quality source information. For your part, estimate a realistic date for completion of the client's work and deliver on that promised turnaround time.

Charge-out rate describes the hourly fee for each fee-earner that ensures the firm remains commercially viable. Whether the firm actually charges by the hour for work performed, or whether the firm adopts a "package price" for an agreed bundle of services, achieving this charge-out rate is essential to the economic success of the firm. The rate must be high enough to cover all costs, to provide a return on equity invested in the firm, and to reward the partners' time properly.

3. Engagement letter

Most professional associations require a firm to produce a current and accurate engagement letter that describes in reasonable detail:

- The nature and scope of work to be performed, including limitations;
- The way in which work outside that scope will be handled and priced;
- The client's role in assisting you with source documents or other information;
- Your obligations in terms of professionalism, confidentiality, and completion; and
- The commercial terms of the engagement.

In this way, both parties know what is expected and how each contributes to the relationship. Sometimes a new engagement letter might be prepared for new or unexpected work that arises in the course of the year. Be guided by your professional association about the requirements of a valid engagement letter. Engagement letters should be reviewed annually, and separate letters issued where additional assignments have been agreed, or the scope of an existing assignment has been substantively changed. The client engagement process is examined in detail in [Module 7](#).

4. Gather information

When you are negotiating the terms of the engagement, you will identify certain records or other information that the client must provide. Once the engagement commences, the firm might use some checklists to gather specific information from the client. This streamlines the process and ensures that all relevant information

is collected at the earliest opportunity. It should prevent or at least minimize the need to ask the client for further detail; as a result, it speeds up the completion of work and ensures its quality.

There are many ways to gather this information: face-to-face meetings, telephone discussions, email, letters, and so on. Use the method which best suits each client's personality and preferences. This makes the communication process as smooth, client-friendly, and efficient as possible. Web-based tools can allow clients to view the progress of their work.

5. Deliver the service

This covers all the stages and processes used to convert your skills into an outcome for the client: the application of your professional knowledge; easy access by accounting employees to subscriptions or research services; the deadlines adopted and progress toward meeting them; the level of in-firm review of work by, for example, a manager or partner; the use of the firm's quality control systems; effective approaches within the firm to the management of the assignment, including setting priorities; and having a focus on completing work. There are administrative and process aspects of this phase, in addition to technical or professional aspects.

6. Communicate outcomes

Clients rarely see or know the full extent of the work you do. Therefore, the presentation of the final outcome assumes great importance in ensuring that clients are satisfied with your work or advice.

The method of communication should be tailored to each client: a letter or written report, face-to-face meeting and discussion, telephone discussion, online meeting, or some other method. Decide based upon your client's availability and preferences, as well as your own.

Similarly, consider the type and amount of information to be communicated. How much will the client comprehend? Should you incorporate diagrams or graphs to communicate effectively? How should you phrase the message? Some clients will just want the answer, while others will want to understand the underlying process as well. Some will prefer to deal in numbers, while many others find graphs easier to comprehend. Include and explain any qualifications to the advice. Also consider any professional guidelines related to the information you must cover.

Make sure that the client understands not only the cost of your service, but also the net benefit they have gained: in this way, you continually resell the importance of your work.

7. Bill and collect

This should be simple, as the billing arrangements should have been addressed while the engagement was being outlined. Reaching specific milestones should trigger the automatic creation of an invoice for the client. The client should expect this. A firm might opt for a single invoice on completion, or a progress invoice determined by time (for example, on the first day of the month during May, June, and July, with the final figure invoiced at completion of the job) or milestone, for example, at the commencement of the interim audit work and at the start of the final audit review). Both could lead to a significant build-up of work in progress and/or debtor balances and tie up considerable working capital as a result.

Many firms are moving toward fixed-scope, fixed-price engagements that are paid monthly, then charging separately for any additional work. This model has been shown to smooth the cash flow for both client and firm; it also sees less money tied up in work in progress and debtors.

Some work lends itself to value-billing: your firm's fee is governed by the benefit to the client rather than the actual time spent on the work. This approach can yield an above-target return per productive or chargeable hour and contains an element of benefit sharing.

If you feel that it is necessary to write-down an invoice before it is raised, try to understand the reason behind it. Was the excess time due to a staff member who needed training? Or was it due to a large amount of rework on a part of the work? Does one person in the firm cause most of the write-downs? Seek to understand the root cause behind this and implement strategies to deal with the issues found. This will help you control the level of write-downs and minimize them in the future. Remember, every dollar of write-down represents a dollar of profit given away, so these are important adjustments you are sometimes asked or required to make.

“Additionally too many firms are extremely lax when it comes to financial control: lockup is far too high, invoicing is not done on a timely basis, nobody is specifically tasked with chasing up outstanding invoices and there is no system in place to monitor the entire billing and collection process.”

Shohet & Jenner 2007⁷

As for collection, clients should come to know that you will actively pursue any invoice that remains unpaid beyond your agreed trading terms. Follow up on these outstanding amounts in a professional and commercially sensible manner. Again, this should be outlined in the engagement letter which your client has signed off, prior to commencing work. If necessary, you and your key employees may need to have the so-called “hard conversations” with clients, so they know that you expect your invoices to be paid within your agreed trading terms.

8. On-selling other services

Public accountants provide a wide range of services, wider than many clients realize. This is done within the ethical framework outlined by legislation and/or your professional association. The most effective selling of additional services happens when you and your professional employees listen to comments from clients, then assess whether an opportunity exists for your firm to resolve that particular problem by utilizing some of your other services.

The client might volunteer this information (for example, “I’m not looking forward to the next discussion with my bank manager, because I’m always using all my overdraft”), or you might identify some operational problems in a business client’s financial statements (“You seem to have problems collecting money from clients, and this is causing a high level of bad debts”). Alternatively, you might develop a formal checklist that you review annually with each client, to unearth opportunities for additional services which the client needs and would appreciate. For example, for wealth management services or estate planning structures.

It is important to understand the differences between a regular, ongoing service and a one-time, “once-off” assignment. The former will deliver sustained revenue: one sale generates benefits to the firm for many years and enhances the lifetime value of that client. It also adds to the value of the practice. The latter will only benefit revenue in the short term; such assignments, however, can be highly interesting and/or professionally challenging, so they should not be ignored. A quality firm will (among other things) have a high level of recurring work that underpins each year’s budgeting and workflow planning.

On-selling services require the wise practitioner to know the firm’s skill set and its limitations. On-selling services must always be grounded in a strong desire to look after your clients properly, and not simply to boost revenue. This approach can and should see you providing excellent, proactive service to clients and increasing revenue and profits for both.

⁷ Shohet, Phil and Jenner, Andrew. “The importance of being profitable.” *Accountancy*, July 2007, 40–41.

In [Figure 1.2](#) the effective selling of additional relevant services puts us back at the start: finding a client and tailoring a service.

“In order to listen and learn more about the current client’s situation, its plans for the future and challenges on the horizon, they use activities such as: inviting clients to talk to fee-earners; attending clients’ industry conferences; attending clients’ own meetings or conferences; reading clients’ trade press; investing non-chargeable time in building the relationship and adding value.”

“To be able to offer more valuable solutions to clients, a client partner and team needs to be fully up-to-date with the current capabilities and expertise their own firm has to offer. This is often more difficult than it sounds. As firms become more successful and bigger in size, communication between departments fragments.”

Matthews & Telfer 2007⁸

The following steps, included in the article “The Good, The Bad and The Ugly”(Pipe 2008), provide suggested steps for taking a proactive approach to identifying and satisfying clients’ needs.

- Research and produce a master list of high-impact ideas to share with clients, and continually update it.
- Add a step to your accounts completion program requiring the accountant in charge to review the list to identify relevant ideas for the client.
- Write the ideas up in the form of a “Key Improvement Possibilities Report”—quantifying their impact where possible and making a preliminary recommendation around each idea.
- Present and discuss the report and recommendations at the accounts finalization meeting.
- Draw up an action plan containing the recommendations the client may want to implement.
- Ask the client if they want any help implementing the things on their action plan—you will sell additional services.
- Use value pricing wherever possible to link the fee to the benefits you have quantified—you will earn higher fees.
- Repeat the process for every client, every year—since that way every client benefits, not just the favored few—and it embeds proactivity into the culture of the firm.
- Win new clients by putting the offer of a free “Key Improvement Possibility Report” at the heart of your sales and marketing.
- Give your clients and contacts a reason to refer their contacts to you by inviting them to offer a free “Key Improvement Possibility Report,” delivered by you, to the people they know.

Being “proactive” is the simplest, least-salesy and most effective way to increase your cross-sales of additional services to existing clients.

Pipe 2008⁹

⁸ Matthews, Paul and Telfer, Paul. “Jekyll or Hyde?” *Accountancy*, August 2007, 58–59.

⁹ Pipe, Steve A. “The good, the bad and the ugly.” *Accountancy*, July 2008, 34–35.

Not all partners and practitioners will be expert in all these aspects of the practice cycle. There could well be merit in introducing others into the process at those critical points in the cycle. There is certainly benefit from adopting firm-wide systems or standard approaches (for example, using a standard checklist to identify future needs, or the information required from a client). Partners and employees should also recognize that occasionally they will need to perform tasks that they'd simply prefer not to do, such as talking to clients about billing and collection matters. All the steps in the cycle are important to running a viable firm, so they must all be performed regularly, systematically and professionally. Allocate your team to roles that suit their skills and natural personality styles: this gives the best overall outcome for the entire firm.

Set up your firm as an efficient and well-oiled machine from the outset. This is likely to make it a more attractive place to potential new partners or when trying to sell the firm in the future. Implement a systematized approach to everything the firm does. A firm whose people can work methodically and consistently through the cycle of services, and then ensure that the firm controls its profitability and liquidity along the way, becomes a valuable business. This makes it easier to sell and typically more valuable than many other firms. It might be premature to mention this now, but one day this will be very important to you!

1.10 Monitoring External Forces

There are some significant trends in society that should be considered when planning and managing your firm. Globalization, technology, and demographic changes can have a serious impact on professional activities. Clients have more complex problems, have access to better information, and are more focused on the value of services provided. Firms need to be aware of changing society needs. These changes create opportunities for firms to evolve.

This section looks at some of the big-picture issues that impact on professional accounting services, and for which planning may be required.

1.10.1 Environmental Sustainability

Any firm can make a serious attempt to act in an environmentally responsible manner. One natural by-product of minimizing a firm's carbon footprint often leads to running a less costly business.

A simple approach is to focus on "redesign," "reduce," and then if required, "offset."

- Redesigning processes can often reduce the amount of resources used, saving money for the firm. Eliminate unnecessary or unproductive steps from your processes; this reduces the amount of labor time on a range of inputs, and cost falls as a result.
- Reduce the volume of resources used in the business. This could involve an energy audit to identify high-power devices that can be replaced, or a decision to use electronic communications rather than paper-based ones. Some of these changes might be quick and simple (installing low-energy lights), while others (such as progressively buying low-energy computers, printers and other appliances) might take a little longer to achieve. Major projects such as retrofitting your office building to reduce energy usage might be warranted if it can meet a cost-benefit or payback hurdle. Many of these changes will reduce costs without compromising the quality or effectiveness of your service.
- Once you have minimized the firm's footprint, you can consider whether you wish to purchase carbon offsets (sometimes referred to as "CO₂ compensation") to counteract or offset the remaining carbon emissions from your firm.

There may well be a number of quick, easy decisions that can make a significant impact in a short space of time. Take those decisions first, to demonstrate to partners and employees the benefits from this strategy.

Reducing your carbon footprint can also be a selling point to some clients, and attract employees to work in your firm.

The next few years will see environmental responsibility becoming more central in decision-making and the implementation of a firm's plans. This phase will challenge firms to question assumptions about work and the way they deliver services. In due course, firms may have changed their approach to the point where being environmentally conscious is just part of the way that everyone works. Therefore, in the short term, adopting this mind-set should save some money for the firm, and can also be used as a promotional factor to make your firm more desirable. Take advantage of this situation, and consider how introducing new services such as sustainability or integrated reporting, carbon footprint or waste control analysis could position your firm to meet new market needs.

1.10.2 International Standards for Accountants

The trend toward globalization has brought with it the development of international standards of financial reporting, audit and assurance, and ethics, which impacts both practices and their clients. Many clients are becoming more global in their aspirations and business activities; this demands that their accountants should respond, possibly through international alliances or links with other practices overseas.

International Financial Reporting Standards (IFRS) are now widely adopted around the world for use by listed entities. In 2009 the [International Accounting Standards Board \(IASB\)](#) published an IFRS for small- and medium-sized entities ([IFRS for SMEs](#)), and many countries have already adopted it.

Meanwhile, international standards issued by the [International Auditing and Assurance Standards Board \(IAASB\)](#) and the [International Ethics Standards Board for Accountants \(IESBA\)](#) continue to be adopted by an ever-larger number of jurisdictions.

Recognizing the globalization of accounting services and growth in cross-border transactions, your personnel may need to develop cultural sensitivity, and possibly skills in foreign languages, in order to cater to a broader and more diverse client base. Strategies to deal with these challenges could include the recruitment of multi-lingual staff and professional development in international accounting and business practice.

1.10.3 Rising Levels of Regulation and Professional Knowledge

The accounting profession has increased its professional scope significantly over the last thirty years. There is a need for professional development across a range of accounting-based disciplines, simply to maintain a current and adequate level of professional expertise. It is doubtful that this trend will slow, given the rapid change in technology and the nature of business.

The increasing emphasis on corporate social responsibility reporting, perhaps best evidenced by the emergence of integrated reporting as advocated by the International Integrated Reporting Council (IIRC), coupled with the likelihood of audits of client firms' environmental responsibility statements, will add further complexity to the preparation, review, and audit of financial statements. Accountants will come to play a significant role in these extensions of the boundaries of accounting and reporting.

One likely continued outcome from economic uncertainty is the extensive level of re-regulation in many nations around the world. The accounting profession will play a public and vocal role as the re-regulation is debated and implemented.

The combination of re-regulation plus higher professional standards will place enormous demands on accountants and their employees. Heavy investment will be required in ongoing training and on subscriptions to a wider array of information services, just to maintain current knowledge. In turn, this level of training and

investment will also place substantial pressure, both financial and emotional, on the principal or partners of small firms.

Give this issue special consideration if you are planning to start or operate a sole principal firm, as the professional and technical leadership will have to come from you.

One response could be to aim for a firm development path that focuses on rapid growth so that you can add at least one partner within a fairly short space of time; in this way, you can plan to spread the professional workload and leadership pressure early in your firm's development.

A second possible response is for you to give serious consideration to start your practice with other partners or join an existing partnership, so that you can immediately surround yourself with a number of partners, enabling some specialization of effort or interest.

1.10.4 Mobility of Talent and Clients

Technology is helping to internationalize business: it enables and encourages the amalgamation of data and even businesses across national borders.

The local subsidiary of a multinational company might require your firm to perform audits, or give tax advice that carries international implications for the parent company.

At the other end of the scale, specialized small businesses located in rural areas are using the Internet to trade their goods or services around the world. Such a business might approach your firm for guidance with secure-payment products (ranging from the likes of PayPal or equivalents, to trade finance arranged through a local bank).

These clients, large and small, require accounting skills, communication protocols, risk management, knowledge of foreign exchange issues, and so on. It matters little whether the client business and its accountant are based in a remote regional area or in the middle of a major city.

As well, nations respond to accounting issues at different times and in different ways. The experience gained in one country dealing with a particular issue can be transplanted into another, reasonably similar nation by moving some highly skilled people. The experience gained by accounting personnel has been accessed via international transfers or international contract-based employment, as those other countries seek to avoid any difficulties experienced in the earlier adopting nations.

The accounting bodies, in turn, are continually looking for ways of enabling (or at least not restricting) the international flow of skills and qualified people. They do this via reciprocal recognition of the qualifications issued in other countries.

In short, both professional and cultural factors are making for a more mobile accounting profession.

1.10.5 Technology

Technology will continue to be integrated within the accounting role. More and more applications will become integrated, with more information being exchanged across different organizations (for example, exchanging information between an accounting firm and a client's bank is now a commonplace arrangement). Perhaps the biggest technological advances to impact the work of firms in the coming few years are social media, smartphones and cloud computing.

Many accountants will not be experts in establishing computer networks or in the technicalities of communication linkages between different organizations. However, accountants will need to learn and implement those applications that can deliver benefits to clients. Equally, accountants will need to screen and review the quality of data that they process on behalf of clients. To do this effectively requires a level

of comfort with technology, rather than a high level of technical understanding of the programming or the communications links.

1.10.6 Anti-Money-Laundering and Other Legislation

Money laundering is the process by which criminal proceeds become legitimized, by passing those funds through a range of transactions and/or entities to disguise the original source of the underlying cash. It generally involves placing cash funds in some type of transaction, diverting that cash via one or more entities or transactions, then demonstrating a “normal” commercial basis which explains the existence of the cash.

The [Financial Action Task Force \(FATF\)](#), based in the headquarters of the Organisation for Economic Co-operation and Development (OECD), establishes anti-money-laundering principles internationally. It has published a number of recommendations which national governments are moving toward adopting. These guidelines require certain types of organizations (for example, banks, bullion dealers, jewelry dealers, gambling venues, etc.) to satisfy themselves as to the authenticity of the clients and products or services they deal with.

Spend some time understanding the specific requirements and regulations adopted within your own country, and also be aware of any special requirements or exemptions that apply to members of the accountancy profession. For example, the definition or threshold for a “large transaction” will differ, as will the extent of disclosure required for a “large transaction.”

In some countries, anti-money-laundering controls have also been accompanied by parallel controls to monitor possible terrorism funding. The aims may be the same, and the issues might be approached as a combined package, but money laundering and terrorism funding are separate matters.

Key steps in your firm’s compliance process involve:

- Client due diligence, where you are expected to take reasonable steps to verify the identity of the client. This might extend to screening your key personnel or frontline employees involved directly in dealings with the public;
- Transaction monitoring, which requires you to review any underlying transactions that involve large volumes of cash;
- Reporting, either based on monetary thresholds or suspicious transactions;
- Record-keeping, to demonstrate compliance with local regulations and laws;
- Performing risk assessments within the firm, to identify high-risk products or activities or potential clients; and
- Developing specific policies for use within the firm to codify all the above steps.

You should be sensitive to transactions that involve some or all of the following: new, unknown clients; large cash volumes without a supporting business activity; the use of complex webs of trusts and/or company structures that move money for no or little apparent value or purpose, especially where part of the web comprises international entities.

These processes or “high-risk activities” can be added to your standard client-screening activity, even if the anti- money-laundering or counter-terrorism funding procedures do not specifically apply to your firm.

Increasingly, there are laws related to privacy and personal data protection, equal opportunity, sexual harassment, and workplace bullying. These are areas of risk which must be actively managed within the practice. By adopting a best practice approach and by developing expertise your firm may choose to provide value-added advisory services to your clients.

1.11 Business Continuity: The Short-Term and Long-Term Imperative

The issue of business planning cannot be complete without some consideration of business continuity.

As a professional accountant, you take responsibility for providing high-quality services to clients, acting at all times in an ethical manner. You are responsible for providing your partners and staff with a stable working environment and taking measures to support the continuity of your business. Circumstances occasionally arise in which continuity of service cannot be taken for granted. These scenarios need to be addressed in your planning process.

1.11.1 Interruption to Business

On occasion, natural events may prevent your firm from operating for a period of time, due for example to:

- Fires, floods, earthquakes and other natural disasters;
- Unexpected interruptions to power or computing infrastructure; or
- The severe illness or death of the owner, or a key person in the firm.

These types of catastrophic events are well outside the control of a firm, yet they impact on your ability to service your clients. A well-run firm requires a plan to cope with this type of disruption. It is essential to imagine any of these occurrences, so that you and your partners can document the steps that must be taken to minimize the impact on clients. Those steps could cover issues such as:

- **Can you prevent the occurrence?** The (limited) answer to this might include regular health checks for key personnel in the firm and fostering a healthy approach to diet and exercise. Many of the most severe shocks simply cannot be avoided, however, so instead, we look to the next stage.
- **How can you minimize its impact?** Minimization might force the principal/partners to either locate the firm in a more stable region (that is, away from a flood-prone or earthquake-prone region), or at least have spare resources such as computers and/or back-up data files stored elsewhere. Perhaps the firm needs to locate itself in a more robust building.
- **What is the cost of the minimization?** Budget the cost of the minimization strategy, and try to estimate the cost and the impact of the event you are trying to protect against.
- **Can you form links with other firms?** You might identify and create formal links with some non-competing firms elsewhere in your country, so that each of you could provide back-up to the other in the event of a major catastrophe. This would allow a quick re-establishment of services; naturally, confidential information relating to each client base would need to be secured appropriately.

For a sole practitioner, sudden death or severe illness is a particular concern. You might deal with this issue by locating a firm that is willing to take over the servicing of your client base in the event of death or severe illness. The arrangement would need to address, for example, the length of time that this support is provided, the circumstances under which it starts and stops, and (most likely) an approach to the valuation of the firm so that a bereaved spouse would receive a fair price for the value of the firm.

1.11.2 Continuity of Business: The Second Generation

If the firm's fee base grows over a number of years, the firm may see a new partner admitted. This could be a suitably qualified and experienced employee, or it might be a member of the founding practitioner's family.

Often to retain the most talented people in the firm, some kind of career path needs to be identified, otherwise there is a potential that key staff may leave the practice and establish their own in pursuit of their professional ambitions.

The admission of a new partner will typically involve some payment for the share in the firm, either (in the case of a family member) by a reduced level of income from the firm for a period of time, or (in the case of a former employee) by payment of a figure to buy a share in the tangible assets plus the goodwill built up in the firm by its founder.

The admission of a partner represents a major shift in the way the firm operates. Suddenly, decisions must be made jointly. Agreement is necessary between the two (or more) partners. Different personalities must be accommodated. Policies may need to be documented, and more formal records might be required in relation to the management of the firm (for example, to record the discussions among the partners). Roles should be outlined, so that the partners know which decisions to make. A common view of the firm's direction is needed.

[Module 2](#) examines the sole practitioner and partnership models in more detail.

1.12 Conclusion

This module has examined strategic planning processes, especially in relation to services, clients and personnel, and marketing, and has touched on other aspects of business planning, including understanding the environments within which your firm operates. Every firm requires its own strategic plan, to govern the direction and speed at which it moves. Every individual section of the firm needs its own plan to guarantee that it contributes to the overall result.

A firm without a plan will simply meander along, responding to opportunities in an ad hoc manner. It may well develop in directions and in ways that do not suit the needs of its owners. The end result could be disagreement among the partners, leading to low job satisfaction and low commitment to the firm.

Like any roadmap, some indicators are needed to keep the firm on track. Benchmarks will keep the firm travelling at the right speed and help partners make the right choices at major crossroads.

Every interaction your team has with clients is a marketing opportunity. Marketing is too important to be left solely to the marketing partner or team.

At all times during the planning and implementation stages, remember that the firm is built on its people. Employing the right people with the right approach will be the single most important decision you can make. The wrong employees will have an impact far beyond their own personal performance: the wrong employees have the power to disrupt other personnel; they take more of the partners' time to counsel or discipline them; they drag down morale in their own team or across the entire firm; and dismissing them can be a long, time-consuming and potentially expensive process.

Developing processes and tools to screen out potentially poor employees and hire better-suited ones will repay the investment many times over. Use your team to help find better colleagues: they won't want to work with negative, incompetent or difficult people, either.

The strategic planning process never ends. It moves seamlessly from planning for the next period, then monitoring actual performance against that plan, to planning for the subsequent period. Enjoy the process, because you will spend considerable time dealing with plans—and enjoying the results when the plan comes to fruition.

1.13 Further Reading and IFAC Resources

The [IFAC Global Knowledge Gateway](#) is a digital hub where professional accountants can easily access thought leadership and resources from IFAC, member organizations, and other notable groups and individuals.

Module 1: Planning for Your Firm

The Gateway Practice Management section includes additional articles, videos, and resources to complement this module. We encourage you to review the content, provide feedback, engage with contributors, and share your own insights on contemporary practice issues.

Appendix 1.1 A Realistic Self-Assessment Checklist

Think about your technical skills.

- Do you have a solid grounding in the key service areas that your firm will deliver? Are there any major gaps in your professional knowledge?
- Can you draw on practical experience in delivering these services?
- Are your skills and experience sufficiently flexible to let you solve new problems in these key skill and service areas?
- Have you been diligent in maintaining your skills, via regular and well-directed continuing professional development?

Think about your managerial or people skills.

- Do you like dealing with other people (supervising, motivating, coaching, and sometimes providing constructive criticism)?
- Do you consider yourself to be a leader, or a follower?
- Do you know your management style? Are you autocratic? Firm in your opinions and hard to sway? A seeker of compromise or consensus? Flexible? Uncommitted? There is not necessarily a “right” or “wrong” style, but it is essential that you understand your own management style, so that you can know its strengths and its limitations. Make a list of some of the words that fairly describe your management style.
- Can you be fair-minded and open to a well-thought-out line of reasoning?
- Do you ensure your opinions and decisions are based on sufficient facts?
- Do you prefer to work solo, or be part of a team?

Think about your financial resources.

- Do you have access to some funds to set up or buy into a firm possibly without drawing a wage or equivalent for several months?
- Are you aware of the major elements involved in running and funding a public firm: the build-up of work in progress and debtors; the ongoing cash outlays you should expect to make each week or each month; the capital items or other initial outlays you need to make, even before the firm generates any revenue?
- Would a financial institution lend you money for your firm, on reasonable terms?
- Do you know how to set hourly charge-out rates for your time or the time of your employees?

Think about your marketing skills.

- Do you consider yourself to be an effective marketer or seller of your current employer’s services?
- Are you comfortable when describing and quantifying the value or benefits that your services can deliver to a client or prospective client?
- Do you believe that your charge-out rate or billable rate fairly represents your value to your clients? One way or another, running a profitable firm requires you to generate a certain amount of revenue from each hour that you spend working for each client. You can’t afford the luxury of self-doubt. It is essential that you believe you deliver value and benefit to your client base; Otherwise your marketing will have a hollow feeling about it.

Think about your personality.

- Are you a confident person?
- Are you willing to work hard to achieve your objectives? At some times, you will need to work long hours to complete specific deadline-driven work; if this will frustrate you, then you might need to take a generous and more costly approach to staffing the firm.
- Are you willing to make sacrifices at some times to achieve your objectives?
- Do you enjoy working with and for other people? Clients, partners and employees are all people, and each person will have their own needs and wants from you and your firm. Each will have their own style, and you will need to utilize the strengths that each person brings to the firm.
- How do you cope with work pressure? Or pressure from, for example, tight liquidity, either personally or in the business?

Think about the support networks around you.

- Will family and/or friends support your decision to go into a public firm? Will they permit you the time and flexibility to work long hours should the need arise?
- How will you support yourself and/or your family financially, especially in the early days of a start-up firm?
- (Especially for an intending sole practitioner) Do you have a trusted adviser (or a mentor or a coach) with whom you can discuss a difficult issue?

Financial: Everyone has a view about the importance (or otherwise) of material wealth and a different definition of a comfortable lifestyle. What is yours?

Specific things you want to do: What are they, and what is a realistic time frame in which they could be achieved?

Appendix 1.2 Matters to be Covered or Addressed in the Planning Process Checklist

Legal structure

- Sole practitioner or partnership? and
- Choice of the particular legal entity: use of specific legal structures, with their related implications and benefits for limitation of legal liability.

Services

- The range of services to be offered;
- Whether they will all be offered in-house, or some handled via referrals; and
- The approach toward the referring of a client elsewhere (for example, do you expect referrals in return?).

Staffing

- The long-term mix of principal/partners versus employees;
- Some mention of career path options and criteria for advancement;
- Approaches (both the stated policies and hopefully a consistent culture) toward working hours, holidays, other leave, and flexibility to accommodate short-term family situations that might affect a employee;
- Flexibility in permitting work-from-home arrangements;
- Reward programs you might wish to implement;
- Approaches to permitting periods of extended leave without pay or study leave, etc.; and
- Methods to be used to attract and retain new personnel.

Systems and procedures

- The specific processes which your team will use to deliver services to clients, and the amount of flexibility to be given to different employees;
- The sanctions that are applied when a system is ignored or not followed; and
- Precedents, work papers, and the quality review requirements of your professional association.

Technology

- Will this be developed and implemented by internal personnel (that is, principal/partners and/or employees), or will it be driven via consultants and contractors? and
- Set a target cost level that will ensure that the minimum range of technology is available from day one, which keeps pace with the growth of the firm into the future.

Marketing and growth

- Some consideration of the methods to be used to achieve organic growth in client numbers;
- The approaches to be adopted to make clients aware of the full range of services offered by the firm;
- The importance of marketing within each person's job description;
- Whether marketing is considered the responsibility of all client-facing employees, or whether it is primarily addressed by a small number of capable partners or senior personnel; and

- Whether growth is a key focus of the firm's efforts, or a by-product of getting everything else right; whether growth will be sought solely through organic development of the client and service bases, or through merger/acquisition.

Finance

- An overall approach to the funding needs of the firm:
 - Contributed capital;
 - Retained earnings; and
 - Dividend/drawings levels;
- A broad approach to the lease versus buy options for purchase of capital equipment;
- The extent to which the firm will accept a "loss leader" service or is prepared to incur short-term losses in a new service area as part of the development of a broader range of services in the longer term; and
- Allocation of responsibilities for financial management, administration, and management of the firm.

Appendix 1.4 Staff Office Manual: Suggested Content and Sample

A sample office manual follows as an example.

The manual should cover issues such as:

The mission statement and/or objectives

- List of services provided;
- List of specific target client-types or the principal market segment in which the firm operates;
- Key operating targets or aspirations for the current financial year.

Organizational structure

- Major teams or functional areas within the firm, both fee-earning and administrative;
- Senior personnel (at a minimum);
- (Ideally) allocation of all personnel into their work groups or teams;
- Key contact details for the firm: office location(s), mailing address, phone number, fax number, generic email address, and so on.

Employment conditions

- Reporting lines and organization structure;
- Fair employment processes covering advertising a vacancy, screening applications, interviewing short-listed candidates, checking references, creating letters to offer employment, and so on;
- Induction programs for new employees;
- Job descriptions;
- Ongoing professional development: in-practice activities, external courses and events, firm subsidy for training or professional development, clawbacks of subsidies in event of early departure from the firm;
- Work hours and performance targets: minimum standards and expectations, overtime, flexi-time, and so on;
- Dress standards;
- Smoking, alcohol and drug policies;
- Performance management: staff performance reviews and target-setting for the coming year;
- Salary-setting and review: salary scales if applicable, criteria used in salary reviews, frequency of reviews, bonuses or incentives;
- Frequency and method of pay;
- Non-salary benefits provided by the firm (possibly non-cash benefits, salary-sacrifice arrangements, retirement scheme, etc.);
- Leave allowances and conditions: holidays, sick leave, long-term leave, bereavement leave, special leave, unpaid leave, study leave, maternity and paternity leave, and so on;
- Grievance or appeal process;
- Termination of employment: notice required from either the employee or the firm.

Purchasing of minor requirements

- Delegation limits for proposed spending;
- Authorization of purchases and payments;
- Booking of travel or reimbursement of travel costs: standard of travel to be used, lowest practical cost to determine, for example, choice of car versus air travel for long-distance trips, use of taxis;
- Charge-backs to clients for costs incurred during professional work.

Use of the firm's equipment

- Resources provided within the office: computers, software, subscriptions, telephones, Internet access, storage, and so on;
- Resources provided for use outside the office: portable computers, mobile phones, vehicles;
- Reporting and reimbursement by employees for private use of office resources.

Performance standards

- The default or standard form and style to be used with correspondence; special greetings to be used when answering the phone; quality or performance standards governing, for example, telephone-answering or response times for email or other incoming contacts;
- Management of incoming and outgoing communications: phone, postage, email, fax;
- Document retention;
- Grievance process for clients;
- Guarantees for professional work;
- Privacy and confidentiality regarding client information;
- Authorization or limits on authorizing write-downs, amending fee invoices, or writing off invoiced amounts.

Fair work practices

Some or all of these might be governed by legislation, or by codes of conduct.

- Equal employment opportunity;
- Occupational health and safety or safe workplace: emergency contacts, fire drills;
- Anti-discrimination: for example, on the basis of age, race, religion, sex, sexual preferences;
- Harassment, whether in the form of bullying, sexual harassment, or other

Sample Staff Office Manual

This is a sample manual only. The content of this manual should be customized to reflect your individual practice requirements.

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1. Introduction

1.1 General Introduction

It is not possible for the Staff Office Manual (Office Manual) to cover all aspects of the operation and administration of [INSERT NAME OF PRACTICE] (Practice). However, in respect to those issues dealt with in it, the Office Manual sets out the broad philosophy of the practice and specific policies that staff members are to follow. Staff members should familiarize themselves with the policies and procedures contained in this Office Manual.

Employees must comply with the Office Manual as amended from time to time.

This Manual also forms part of the Practice's Quality Assurance System and should be read in conjunction with ISQC1 (Quality Control of the Firm) [OR INSERT LOCAL EQUIVALENT STANDARD] as amended from time to time.

The specific benefits that adherence to the Office Manual will bring include:

[CUSTOMIZE THE FOLLOWING TEXT TO REFLECT PRACTICE'S PHILOSOPHY]

For our Practice:

- Defining the service levels our clients expect our practice to provide
- Enhancing the communication structure
- Providing training for staff members in performing their roles
- Ensuring consistency in the format and substance of working papers
- Reducing lost time due to re-work or ineffective and/or inefficient practices
- Reducing the risk of litigation
- Highlighting procedural or conflicting policies
- Resolving problems effectively
- Increasing profitability

For our Clients:

- Clear benchmarks of the standard of service they receive
- Understanding of the value of the services they receive for our fees
- Consistency in service

To meet the changing environment in which the Practice operates, it will be necessary to amend the Office Manual from time to time. The Practice will give staff notice of any substantial changes to the Office Manual, and staff will be required to follow the changed policies and procedures.

The contents of the Office Manual are confidential and should not be disclosed or discussed outside the Practice without the Practice's prior consent.

1.2 The Practice's History

[INSERT DETAILS]

1.3 The Practice's Mission & Vision Statements

[INSERT DETAILS]

1.4 The Practice's Objectives

[INSERT DETAILS]

1.5 Administrative Structure

The Practice's administration systems and the people responsible are set out in the table below. Staff should raise any concerns about areas of administration with initially, the employee's supervisor; or if the employee's supervisor cannot resolve the matter, with the person specified in the table below:

	Area of Administration	Person Responsible
1.	Finance: A. Debtors B. Creditors and Payment of Accounts C. Customer Evaluation D. Internal Financial Data: <ul style="list-style-type: none"> • Budgets • Monthly reports E. Insurances F. Financial Computer Systems	[SPECIFY POSITIONS HERE RATHER THAN PARTICULAR EMPLOYEES. e.g. 'The Staff Partner', 'The Office Manager']
2.	Office A. Technology: <ul style="list-style-type: none"> • Computer System • Telephone System • Office Equipment B. Consumables: <ul style="list-style-type: none"> • Stationery • Amenities C. Motor Vehicles	
3.	Business Development A. Marketing: <ul style="list-style-type: none"> • Advertising • Public Relations • Functions • Circulars B. Training and Development	

	Area of Administration	Person Responsible
4.	People A. Recruitment and Selection B. Salaries C. Discrimination and Sexual Harassment	Please refer to the complaints processes set out in the Practice's equal opportunity policy in this Office Manual.
5.	Quality Assurance A. Quality Manager	

2. Employment

2.1 Performance of Duties

Employees' duties are set out in their letters of appointment or employment agreements and include any other duties advised by the Practice from time to time.

Whenever employees experience difficulty in understanding or performing any aspect of their duties they should seek assistance from:

- their direct supervisor;
- if the direct supervisor is not available, another employee with a similar level of authority to the supervisor; or
- if neither the supervisor nor an employee with a similar level of authority is available, another employee more experienced than him or herself.

All employees should perform their duties and represent the Practice in a professional and courteous manner.

Employees must at all times act in the best interests of, and promote the interests of, the Practice.

Employees should behave professionally towards clients at all times. Behaving professionally towards clients is matter of common sense. It includes being polite when dealing with clients, whether in person, on the phone, or via written communications, including email. It also includes refraining from speaking critically about, or defaming the Practice's clients.

Employees should maintain an awareness of the services offered by the Practice. Employees should be alert to opportunities to "add value" to the Practice's clients by providing additional services.

Employees should reply promptly to any client enquiries. Employees are to address clients formally (for example, "Mr," "Ms," "Mrs," "Sir" or "Madam") unless invited to do otherwise by the client.

All employees represent the Practice, both during and outside working hours. Employees should not at any time engage in conduct that could damage or discredit the Practice's reputation. If any employee's out-of-work conduct has a relevant connection with their employment, or is contrary to the Practice's interests, the Practice may take disciplinary action to address an employee's out-of-work conduct.

If an employee knows or suspects that a client:

- is dissatisfied with the Practice's services; or
- is reluctant to provide information necessary for the Practice to supply services, the employee should report the matter as soon as possible to their supervisor.

2.2 Reimbursement of Expenses

The Practice will reimburse employees for pre-approved expenses properly incurred by employees in the proper performance of their duties. Reimbursement will be subject to employees providing the Practice with receipts or other evidence of payment and of the purpose of each expense, in a form reasonably required by the Practice. Employees will also be required to complete the Expense Reimbursement Form which is included in the Office Forms section of this Manual.

2.3 Travel

Reasonable travelling expenses, where incurred in the performance of an employee's duties, will be reimbursed, provided that all claims are made on the appropriate form, signed by the appropriate supervisor

and supported with the necessary documentation. The payment of expenses is at all times subject to the prior authorization of, and at the discretion of, the Practice.

Employees should arrange travel and accommodation through the Practice's preferred travel supplier prior to departure.

Generally air travel will be by economy class, with a carrier chosen by the Practice.

2.4 Dress and Conduct

Employees are expected to observe a standard of dress, personal appearance and grooming befitting for employees of a professional organization, subject to the necessary requirements of the duties of each employee's position.

The Practice may, on occasion, provide alcoholic beverages for consumption in the workplace or elsewhere during work-related social functions, for example, at a Christmas party or client lunch. Employees remain at all times responsible for their decision to drink alcoholic beverages on such occasions, and undertake to act responsibly at all times during these occasions.

Employees represent the Practice, both during and outside working hours. Employees should not at any time engage in conduct that could damage or discredit the Practice's reputation, including during work-related social functions. The conduct of an employee during a work-related social function or after hours may result in the Practice taking disciplinary action against an employee where the conduct of the employee reflects badly on the business or reputation of the Practice.

2.5 Payroll Processing

Payroll processing is conducted by the accounts department or such other authorised representative of the Practice. For those employees who may be entitled to overtime, penalty rates or other allowances, work outside normal rostered hours is only to be performed if authorised in advance by the employee's supervisor.

2.6 Personal Details

Each employee's current address is required for the purpose of complying with employment legislation. In addition, it may be necessary for the Practice to contact an employee or their next of kin, for example, in the event of an unexplained absence or emergency. For this reason all employees are required to keep the Practice updated in relation to changes to their addresses or personal telephone numbers, as well as the contact details of their next of kin.

2.7 Practice Motor Vehicles

The Practice may make available to Practice employees, contractors and work experience staff (Persons) company motor vehicles for use on work-related business (Practice Motor Vehicles).

The use of Practice Motor Vehicles is, where possible, to be booked in advance through the Practice's vehicle booking system. [INSERT DETAILS OF ANY PARTICULAR PRACTICE SYSTEM HERE]

Practice Motor Vehicles remain at all times the property of the Practice.

All Persons driving a Practice Motor Vehicle must:

- be in possession of a current, valid driver's license, and must not drive a Practice Motor Vehicle if not licensed or authorized to drive it;
- observe all relevant traffic regulations;

- drive in a manner which is safe and responsible in respect to themselves, any passengers and the general public;
- not drive or permit the driving of a Practice Motor Vehicle by a person under the influence of alcohol or drugs. This means having a zero breath and blood alcohol level (notwithstanding that there are legal limits for breath and blood alcohol), and not being under the influence of prescription or recreational drugs;
- show courtesy and consideration to all other road users;
- not authorize or allow any other person to drive the Practice Motor Vehicle without the written authorization of the Practice;
- not drive or permit the driving of a Practice Motor Vehicle in a careless, reckless or dangerous manner;
- comply with the provisions of all statutes, rules and regulations in respect of the use or driving of a Practice Motor Vehicle. Persons are responsible for the consequences of any breaches of those statutes, rules and regulations during the period employees have the use of a Practice Motor Vehicle, including any speeding fines, penalties or claims.

In the event a Person's driver's license is suspended or cancelled, a Person must not drive a Practice Motor Vehicle under any circumstances.

It is the responsibility of any Person driving a Practice Motor Vehicle to ensure before use that:

- a current registration sticker is in place;
- tire pressures are correct;
- water, oil, battery, and fuel levels are correct; and
- all items in the vehicle are secure.

If any Person using a Practice Motor Vehicle detects or suspects any problem or defect in relation to a Practice Motor Vehicle, the problem or defect must be reported immediately to that Person's supervisor. If requested, the Person must complete any requested documentation in respect of the suspected problem or defect. If any Practice Motor Vehicle appears un-roadworthy, it should not be used.

The Person driving a Practice Motor Vehicle at the time that the fuel tank becomes less than a quarter full is required to refill the fuel tank with the appropriate fuel at a service station approved by the Practice or at which the Practice has a fuel account.

Whenever a Person leaves a Practice Motor Vehicle unattended, the Person must ensure that the vehicle has been properly locked and secured and, if possible, protected from the weather.

If Persons are involved in an accident or incident and a Practice Motor Vehicle requires towing, the police must be advised immediately. Similarly, if Persons are injured in an accident or incident, the police must be called immediately.

Persons must report any accident/incident to transport services as soon as practicable. An accident/incident report form must also be completed and forwarded to the Person's supervisor at the earliest possible opportunity.

The Practice takes no responsibility whatsoever for any fines, infringements or penalties incurred by Persons driving Practice Motor Vehicles. The payment of fines and penalties incurred by Persons will be the responsibility of the Persons driving the Practice Motor Vehicle at the time the fine or penalty is incurred. Unless otherwise notified, the fine or penalty will be the responsibility of the Person who originally booked the Practice Motor Vehicle. If this cannot be determined, the custodian of the Practice Motor Vehicle will be

responsible until such time as the Person driving the Practice Motor Vehicle at the time the fine or penalty was incurred is identified.

2.8 Practice Motor Vehicle Insurance and Liability

If insurance is provided for loss or damage to the Practice Motor Vehicle the Practice's insurer may bring, defend or settle any legal proceedings in its sole discretion. The Practice's insurer shall have the sole conduct of any proceedings. Any such proceedings shall be brought or defended in the driver's name.

In the event that a Person is involved in and is deemed to have caused an accident by the Practice's insurer, the Practice will bear the cost of the insurance excess unless the accident results from the Reckless or Illegal Actions of a Person. "Reckless or Illegal Actions" that may invalidate the insurance policy include:

- driving a vehicle when the driver has a blood alcohol content in excess of the legal limit;
- driving a vehicle while not licensed or authorized to drive it;
- driving a vehicle in an unsafe condition;
- using the vehicle in a trial, race, test, or contest; or
- driving a vehicle in breach of traffic laws or regulations.

If a Person is using a Practice Motor Vehicle for work-related purposes and due to Reckless or Illegal Actions of the Person, the Practice is exposed to liability, directly or indirectly due to the use of the motor vehicle, the Person agrees to indemnify the Practice for any liability for which the Practice is not covered by insurance.

Persons must ensure that if they are involved in a motor vehicle accident in a Practice Motor Vehicle, or if a Practice Motor Vehicle is stolen or otherwise damaged, that they do not breach or invalidate any insurance cover and, in addition, must:

- report the accident or theft immediately to the Practice so that the insurer (and in the case of theft, the police) can be notified;
- not admit liability for any accident, or make any attempt to settle or compromise any claims;
- not make any statements to the Practice or its insurer which are not truthful and frank;
- provide any assistance to the Practice or its insurer as requested to enable the Practice and its insurer to defend or bring any claim in relation to the accident or theft; and
- deliver to the Practice immediately upon receipt every summons, complaint or paper in relation to an accident or theft.

Practice Motor Vehicles are not to be used for personal use without the Practice's prior consent. If a Person is using a Practice Motor Vehicle for personal use (whether the motor vehicle is part of their remuneration package or not), the Person agrees to indemnify the Practice for any liability incurred directly or indirectly due to the Person's personal use of the motor vehicle for which the Practice is not otherwise covered by insurance.

2.9 Mobile Telephones

If an employee is provided with a mobile telephone:

- the mobile telephone is provided so that the employee can properly perform their work-related duties. During any period in which the employee is unable, or not required to perform their duties, the employee may be required to return the mobile telephone to the Practice;
- the employee will use the mobile telephone for business purposes only;

- the Practice will pay for reasonable work-related costs associated with the mobile telephone. Employees will reimburse the Practice for the costs of all personal phone calls, text messages and other messages associated with the mobile telephone;
- it is the employee's responsibility to ensure the mobile telephone is fitted with a charged battery in working condition;
- it is the employee's responsibility to advise the Practice of any problems or defects which the employee detects or suspects in relation to the mobile telephone; and
- the employee will maintain and take care of the mobile telephone and return it immediately (in good working condition) to the Practice upon request.

The mobile phone remains at all times the property of the Practice.

2.10 Charge Accounts

No employees are to make private purchases on Practice accounts, unless, on each occasion:

- prior authorization has been granted to the employee by the Practice;
- an official order form has been completed by the employee and approved by the Practice; and
- a written authorization or other agreement in the terms of the following clause, has been agreed to between the employee and the Practice.

On each occasion that employees are permitted to make private purchases on Practice accounts, those purchases must be paid for by employees by the end of the next pay period. Unless alternative arrangements are discussed and agreed to in writing between the employee and the Practice, employees will be required to authorize the Practice in writing to deduct from their pay, the amount attributable to the particular private purchase.

2.11 Personal Telephone Calls

Employees are urged to limit personal telephone calls during work hours. Making or receiving personal calls during work breaks is acceptable.

The Practice discourages the receipt of personal telephone calls at work other than in cases of genuine emergency. Employees are to discourage their friends or family from contacting them at work, other than during breaks or in cases of emergency.

2.12 Appropriate Internet and Email Usage

The Practice provides employees with access to computer systems, email and the internet to assist with the performance of their duties. All computer systems and data belong to the Practice and may only be used for authorized purposes.

Because of the opportunity for misuse of these resources, the Practice's rules for the proper use of its computer systems, internet and email resources are set out in the email and internet policy in [section 4](#) of this Office Manual.

It is every employee's responsibility to ensure that computer systems and internet and email facilities are used responsibly and in accordance with this policy.

2.13 Lateness for Work

Any absence or late arrival due to illness, injury, or any other reason, and the expected duration of leave must be personally reported to your supervisor as soon as is practicable (and prior to your normal starting time wherever possible). If you are unable to do this personally, you are requested to ask someone to telephone on your behalf.

Subsequent to this, you must keep the Practice informed of your progress.

Wherever possible you should make dental, medical, business or other appointments outside your normal working hours.

It is essential that you are ready to commence work at your normal commencement time as other employees and the Practice depend upon you and your contribution.

2.14 Medical Examination

If the Practice reasonably suspects that you are unable to perform your duties because of illness or injury, whether or not you are absent from work or on paid leave:

- we may direct you, and you consent to us, to instruct a medical practitioner to examine you and report to us on your condition and capacity for work; and
- you will attend the examination.

We will not disclose the information provided to us by the medical practitioner to any person, other than to you, for the purpose of managing your employment, or to our legal and other professional advisors.

If you fail to comply with a direction to attend a medical examination without reasonable excuse, this may result in disciplinary action, including termination of employment.

2.15 Property of the Practice

It is the responsibility of employees to ensure that any Practice property in their custody or possession is kept secure and maintained.

Practice property must not under any circumstances be abused, damaged or destroyed by employees, and employees must not permit others to abuse, damage or destroy Practice property.

Any employee found abusing, damaging or destroying Practice property, or permitting someone else to do so, may be subject to disciplinary procedures, up to and including termination of employment.

It is the responsibility of each employee to ensure that any Practice property in their possession is used only according to product specifications or instructions. Employees agree to indemnify the Practice for any loss or damage occurring to Practice property in employees' possession if the loss or damage occurs otherwise than in accordance with product specifications or instructions.

As provided for in individual letters of appointment or employment agreements, employees also authorize the Practice to deduct from any sum payable to employees on termination of employment, any amount attributable to damaged or destroyed Practice property.

2.16 Security

Entry to the Practice's premises [during and / or outside of normal business hours] will be by way of [security access card / keys].

It is the responsibility of every Practice employee to ensure that this [access card / key] is kept in safe custody. It must be returned on demand.

If building access [cards / keys] are lost or misplaced, you must notify your supervisor immediately so that the [card / key] can be cancelled.

2.17 Car Parking

Due to the limited availability of car parking spaces, it is not possible to allocate a car parking space to all Practice employees. For this reason, only a certain number of employees will be allocated car parking spaces. Employees who are required to use their vehicles in the course of performing their work duties may be given preference for parking spaces.

Any employee who has an allocated parking space must advise their supervisor if they are going to be absent from the office for one or several days so that the parking space may be utilized by another employee on a temporary basis.

Under no circumstances should an employee who does not have an allocated car parking space park a vehicle in the Practice's parking lot, unless prior authorization has been granted.

2.18 Annual Review

The Practice will endeavour to formally review each employee's conduct, capacity and performance annually. However, the Practice encourages employees to raise any query or concern regarding their employment soon after the query or concern arises, and not await an annual review.

The Practice will also endeavour to formally review employees' terms and conditions of employment at least annually. Any increases in remuneration or benefits will be at the Practice's discretion.

There is an Employee Appraisal Sheet included in the Office Forms section of this Manual.

2.19 Termination of Employment

General

Except in cases involving summary termination for serious misconduct, if an employee (other than casual labor) is dismissed, the Practice will provide the employee with notice of termination (or payment in lieu of) in accordance with the employee's letter of appointment.

Counselling and Disciplinary Processes

It will be sometimes necessary for employees to be counselled, warned or disciplined with regard to their conduct, capacity, or performance.

Counselling and disciplinary processes need not be formal or in writing.

A failure to improve in accordance with counselling or disciplinary processes may result in a warning or dismissal.

Counselling and disciplinary processes may be combined with other meetings such as an employee's annual review.

References

Written references are not provided by the Practice.

Following termination of employment and upon request, all employees will be issued with a simple statement of service setting out:

- the name and address of the employee;
- the duration and periods of the employee's employment with the Practice;
- the position held by the employee at the time of termination, and any other positions held during the employee's employment with the Practice;
- the location at which the employee performed their duties;
- a general statement of the tasks and duties performed by the employee for the Practice, and any specific responsibilities held; and
- the contact person at the Practice who is available to confirm the content of the simple statement of service.

Employees may choose to issue personal references for other employees. However, employees must not do so on Practice letterhead, nor in any capacity as a representative of the Practice. The Practice takes no responsibility for any personal references that its employees may choose to provide with respect of other employees. The Practice recommends that employees treat references, especially written references, with a degree of caution in the current climate of litigation.

2.20 Smoke Free Environment

For health and safety reasons, the Practice operates a smoke-free work environment. Employees are prohibited from smoking in or about the Practice's premises.

Smoking is also prohibited in any of the Practice's Motor Vehicles, and in or around any of the Practice's client's premises.

2.21 Quality Assurance System

All employees are to comply with the Practice's Quality Assurance System. If for any reason an employee does not think that it is appropriate or possible to comply with the Quality Assurance System in the particular circumstances, the employee should consult their supervisor in the first instance.

A hard copy of the Quality Assurance System documentation is located [specify]. The Quality Assurance System documentation can also be accessed on the Practice's computer network.

2.22 Work for Employees and Family

The Practice may accept instructions to perform work for employees and their families. Depending on the type and the complexity of work required in each particular case, the Practice may be willing to reduce the costs for employees and members of their immediate family.

In all cases in which instructions are received from other employees or their immediate family members, the professional employee/s who will be performing the services must consult with their supervisor prior to accepting any instructions, to determine the terms and conditions under which the services will be performed, as well as the estimated fee.

2.23 Practice Code of Conduct

[INSERT YOUR PRACTICE'S CODE OF CONDUCT FOR EMPLOYEES HERE]

A Code of Conduct is a commitment to promote the highest ethical standards throughout a practice.

A code of conduct should reflect the core values that underpin the way your practice works. These values normally are a reflection of the integrity and ethical considerations of the profession and commit employees to complying with practice policies and procedures.

2.24 Special Leave Arrangements

[CUSTOMIZE TEXT BELOW TO SUIT LOCAL JURISDICTION]

The employment standards provides an entitlement for employees to be absent for periods of 'eligible special leave activities that support the community or required by law'. An eligible special leave service activity may include:

a. **Jury service (including attendance for the purpose of jury selection);**

If an employee receives notification of prospective jury service, they should notify their supervisor as soon as possible after receiving the notice. Unless otherwise agreed, the employee must provide their supervisor with a copy of the notice, as well as any indication the employee has received from the court about the possible length of the jury service.

The employee must discuss the matter with their supervisor before completing any court documentation and before attending court as requested in the notification. For the avoidance of doubt, this obligation applies to all employees, including casual employees. If the absence of the employee would be inconvenient to the Practice, the employee may be provided with a letter to attach to the court documentation setting out the reasons why the employee's absence would be inconvenient to the Practice.

Employees (other than casual employees) who participate in jury service are required to provide the Practice with proof of any payments made to them in respect of jury service. If this requirement is met, the Practice will pay the difference between the employee's ordinary pay (excluding overtime and other allowances) and the payment from the court for the first ten days of the employee's absence on jury duty. If the employee fails to provide the requested evidence, the employee will not be entitled to payment from the Practice. No payment will be made to casual employees.

b. **Carrying out a voluntary emergency management activity; or**

A voluntary emergency management activity is a voluntary activity that involves dealing with an emergency or natural disaster.

c. **An activity prescribed by the regulations.**

The period of leave will consist of time when the employee engages in the activity, the reasonable travelling time associated with the activity and reasonable rest time immediately following the activity.

Unless the activity is jury service, the employee's absence must be reasonable in all the circumstances.

Notice must be given to the Practice as soon as reasonably practicable and the employee must advise the Practice of the period, or expected period, of the absence.

If the Practice requires, the worker must provide evidence that would satisfy a 'reasonable person' that the absence is because of the employee's engagement in an eligible community service activity.

2.25 Gifts and Entertainment Policy

Employees should not offer nor accept any gift or entertainments that might influence (or appear to influence) any work undertaken by the Practice.

It is acknowledged that from time to time employees will be offered gifts or benefits as part of their employment. The Practice maintains a record of gifts, hospitality or entertainment received in connection with employment, and employees must advise the Managing Partner through their manager of any gift or entertainment received [INSERT VALUE LIMIT].

The Managing Partner will decide what should happen with the gift on a case by case basis.

3. Workplace Health & Safety

3.1 General Duty of Care

The Practice has general duty of care to ensure the health and safety of its employees and visitors in connection with the Practice's operations, in accordance with relevant government legislation, codes, regulations and standards.

Employees also have obligations to ensure their own health and safety and that of their co-workers. Each employee is personally responsible for working in a safe manner and cooperating with each other to ensure workplace health and safety. The cooperation of all employees in adhering to safe work practices and observe safety rules and regulations at all times is vital for the success of the Practice's commitment to health and safety.

All employees agree to abide by government legislation, codes, regulations, rules and the Practice's workplace health and safety policy, which is set out below. All employees must read this policy and raise any concerns they have with their supervisor immediately upon commencing employment.

Any breach of this policy, or an employee's obligations of health and safety towards themselves or others may result in disciplinary action being taken against employees, up to and including dismissal.

If any employees have any concern or query regarding workplace health and safety, they should notify the Practice's designated health safety officer or their supervisors as soon as possible so that the issue can be considered without delay.

3.2 Safety Rules and Regulations

Employees must report all accidents and near misses immediately to the designated health and safety officer or their supervisors. An accident report (in the Incident Report Form below) must be completed as soon as possible following the accident or near miss.

Employees must keep their immediate work areas and amenities clean and tidy. Clean up anything that could cause a person to trip or fall. Check stability of tables and chairs.

Running and horseplay within the workplace is strictly forbidden.

Any protective clothing provided or required by the Practice must be worn.

Appearing at the workplace in an intoxicated state is strictly forbidden.

Employees must follow directions from the designated health and safety officer and their supervisors in relation to health and safety matters.

Any employee with a suggestion or comment regarding health and safety should raise the issue with the designated health and safety officer or their supervisors as soon as possible so that the matter can be considered and addressed as appropriate.

3.3 Incident Report Form

INCIDENT REPORT FORM

Date: _____

Time of incident: _____

Employee's name: _____

Description of incident: _____

Witnesses to incident:

Name: _____

Name: _____

Name: _____

Name: _____

Action taken by employee to treat injury:

Was additional medical aid required / sought by the injured employee? (i.e.: doctor's visits, hospital treatment, etc). Please indicate the dates and description of additional treatment given as a result of this injury.

Please specify or describe the bodily location of the injury:

3.4 Security and Fire Safety Procedures

[INSERT DETAILS OR REFER TO LOCATION OF INSTRUCTION CARD WITH THE RELEVANT PROCEDURES FOR THE PRACTICE'S PREMISES]

3.5 Visitors to the Practice's Offices

All visitors are expected to report to reception and the employees they wish to see will be advised of their arrival. Visitors arriving at reception are required to sign in and receive a visitor's pass.

Receptionists should ensure that visitors are not permitted beyond reception and should report the presence of any suspicious or unauthorized visitors to their building security representative. This is also a responsibility for all employees.

All meetings are to be held in designated meeting areas. At no time are visitors allowed to enter the general office working area. This is to ensure privacy of other employees and the confidentiality of client files.

3.6 First Aid

The four main aspects of first aid are:

- Emergency treatment
- Records maintenance
- Dressing of minor injuries
- Recognition and reporting of hazards

3.7 First Aid Kits

First aid kits are in [insert location] and accompanied by a list of trained first aid staff. Trained first aid staff responsibilities include:

- Dispense and control items from the first aid kit
- Ensure kit supplies are adequate
- Treat minor wounds and injuries
- Deal with fits, fainting
- Resuscitation
- Recording accident/injury details in accident book provided as part of the first aid kit
- Arranging further assistance if required
- Advising Human Resources immediately of any serious or potentially serious accident for which treatment has been required.

First Aid Training

The Managing Partner / Human Resources will be responsible for ensuring that first aid staff maintain currency in their qualifications and will arrange for additional staff to receive formal first aid training.

4. Equal Opportunity, Discrimination and Harassment Policy

4.1 Introduction

All employees are required to familiarize themselves with the following policy and ensure that they conduct themselves in compliance with its terms. The reasoning for this is two-fold:

- the Practice wishes to ensure that all persons have an opportunity to fully participate in the Practice's workforce, including by giving prospective and current employees the opportunity to make choices regarding their careers and by making fair and reasonable decisions based on merit; and
- by acting contrary to the principles set out in this policy and anti-discrimination legislation, both the Practice and individual employees can be liable for acts of discrimination and harassment against prospective and fellow employees, and clients.

The Practice is an equal opportunity employer. The underlying principle of equal opportunity employment is the notion of merit. It is on this basis that the Practice undertakes to make appointments and promotions. This means that the Practice aims to ensure that prospective and current employees are not subject to detrimental treatment on the basis of irrelevant attributes or characteristics.

The Practice is also committed to fostering a work environment which is free from sexual harassment and workplace harassment.

The prevention of discrimination and harassment is important because, aside from the obvious risk of litigation:

- work performance can suffer as a result of these behaviors creating an intimidating and hostile work environment;
- the detrimental effects on work output are seldom limited to one person and are often spread across a section or work unit;
- service delivery to clients may subsequently be negatively affected;
- the health of people subjected to discriminatory behaviors, harassment and sexual harassment may suffer, resulting in increased sick leave or compensation claims as well as personal duress to the individuals concerned; and
- such behaviors may result in employees resigning. This incurs a loss of the investment made in those people and it may lead to increased recruitment and retraining costs.

The Practice requires its employees to comply with the terms of this policy in order for the Practice to achieve its goal that:

- a. employees treat each other with respect and trust;
- b. employees are able to work in an environment free from discrimination and harassment;
- c. the Practice is protected against vicarious liability for the actions of its employees; and
- d. the Practice's policy of equal opportunity employment is practiced as well as preached.

4.2 Discrimination

Various types of anti-discrimination legislation exist that prohibit discrimination and harassment in the pre-work and work areas. [CUSTOMIZE TO SUIT LOCAL JURISDICTION]

Such legislation also applies to the provisions of goods and services. To this extent, this policy applies equally to the Practice and its employees' dealings with clients. In other words, both the Practice and individual employees can be liable for acts of discrimination against clients that the Practice and its employees may deal with in the course of employment.

Generally speaking, discrimination occurs when a person with an "attribute" is treated less favourably than another person without the attribute is or would be treated in the same or similar circumstances.

Examples of forms of discrimination may include:

- Gender
- Age
- Race, color, national extraction, social origin, nationality
- Impairment
- Physical disability
- Mental, intellectual or psychiatric disability
- Medical record
- Criminal record
- Marital status
- Pregnancy
- Religion, religious belief or religious activity
- Political opinion, belief or activity
- Trade union activity
- Sexual preference

4.3 What is Discrimination?

Direct discrimination occurs when someone with one of the above attributes is treated less favourably than another person without the attribute would be treated in the same or similar circumstances. For example:

Two employees perform the same job and have similar qualifications and experience. One is a male with no family responsibilities. The other is a female with family responsibilities. A development opportunity arises and is given to the male on the basis that, as a male with no family responsibilities, he is presumed to be more reliable and able to work longer hours.

Other examples of treating someone less favourably on the basis of an attribute they possess or by an act involving a distinction, exclusion, or preference, include:

- judging someone on their political or religious beliefs rather than their work performance;
- using stereotypes or assumptions to guide decision-making about a person's career;
- undermining a person's authority because of their race, gender or sexual preference;
- making offensive jokes or comments about another worker's racial or ethnic background, gender, sexual preference, age, disability, or physical appearance; or
- denying further training to employees on the basis of impairment.

Indirect discrimination occurs when a requirement is imposed:

- a. with which a person with the attribute does not or is not able to comply; and
- b. with which a higher proportion of people without the attribute comply or are able to comply; and
- c. that is not reasonable.

It may initially appear that the requirement is fair because the same rules are applied to everyone, but a closer look at the effect of the requirement being imposed will show that some people are disproportionately affected by the requirement.

An employer requires all employees to wear a uniform that includes a cap. This is not a requirement for any safety or hygiene reason, but is done for appearance only. While the requirement appears not to be discriminatory, because everyone must comply, the requirement may be indirectly discriminatory against persons who are required by religious or cultural beliefs to wear particular headdresses.

If an employee believes that they have been treated less favourably because of a personal attribute that is not a requirement of their position, the employee should raise their concerns in accordance with the complaints mechanisms set out in this policy.

Do not ignore discrimination thinking that it will just go away.

4.4 Workplace Rights

In addition to the categories of discrimination under local law there may be additional rights in the workplace for employees. These rights include the entitlement to, and the freedom to exercise entitlements to:

- the benefit of a workplace instrument or order;
- the ability to make complaints or enquiries in relation to their employment; and
- the ability to participate in proceedings that are permitted by law, including permitted industrial action.

Neither employers nor any other persons may take any adverse action against an employee because the employee has or exercises workplace rights. Nor may any adverse action be taken in order to prevent the exercise of a workplace right. These protections apply to all employees.

“Adverse action” is defined in broad terms to include:

- a. injury to employment;
- b. dismissal;
- c. discrimination among the employees;
- d. alteration of an employee’s position to his or her prejudice;
- e. refusal to employ an employee; and
- f. discrimination in the terms and conditions of employment offered to a prospective employee and includes threatening to take action, or organizing action.

4.5 Sexual Harassment

[CUSTOMIZE TEXT BELOW TO SUIT LOCAL JURISDICTION]

Sexual harassment is unlawful.

Sexual harassment is essentially defined as unwelcome sexual attention or unwelcome conduct of a sexual nature. It encompasses situations in which a person is subjected to unsolicited and unwelcome sexual conduct by another person.

It may take the form of unwelcome touching or physical contact, remarks with sexual connotations, requests for sexual favors, leering, or display of offensive material.

Sexual harassment will not be tolerated by the Practice under any circumstances.

More specifically, sexual harassment occurs when a person:

- a. subjects another to an unsolicited act of physical intimacy (e.g., patting, pinching or touching in a sexual way or unnecessary familiarity such as deliberately brushing against a person);
- b. makes an unsolicited demand or request (whether directly or by implication) for sexual favors from the other person (e.g., sexual propositions);
- c. makes a remark with sexual connotations relating to the other person (e.g., unwelcome and uncalled for remarks or insinuations about a person's sex or private life or suggestive comments about a person's appearance or body); or
- d. engages in any other unwelcome conduct of a sexual nature in relation to the other person (e.g. offensive telephone calls or indecent exposure),

and the person engaging in the conduct does so:

- a. with the intention of offending, humiliating or intimidating the other person; or
- b. in circumstances in which a reasonable person would have anticipated the possibility that the other person would be offended, humiliated or intimidated by the conduct.

Examples of conduct that could amount to sexual harassment include:

- kissing, attempts at sexual intercourse or overt sexual conduct;
- sexually explicit conversations or references to sexual contact;
- gender based insults, teasing or taunting;
- intrusive questions of a sexual nature;
- proposals of marriage or declarations of love; or
- innuendos and crude jokes.

Sexual harassment is not behavior based on mutual attraction, friendship or respect. If the interaction is consensual, welcome and reciprocated, and does not create a problem for fellow employees, it is not sexual harassment.

Sexual harassment does not need to be repeated. A single act of sexual harassment is sufficient to give rise to a complaint. If you are unsure whether particular conduct or actions would amount to sexual harassment, a good rule of thumb is that it is best to refrain from such conduct or actions.

4.6 Harassment

Employers have obligations to ensure the health and safety of employees under relevant workplace health and safety legislation.

Workplace harassment (also known as bullying) has the potential to harm the health and safety of employees. Consequently, the Practice is serious about minimizing the risk of bullying occurring in the workplace.

All employees are expected to abide by state and federal legislation, codes, regulations, rules and standards of the workplace relating to harassment.

Generally, a person is subjected to workplace harassment or bullying if they are subjected to **repeated behavior** (other than behavior amounting to sexual harassment) by a person, including the person's employer or a co-worker or a group of co-workers of the person that:

- is unwelcome and unsolicited;
- the person considers to be offensive, humiliating or threatening; and
- a reasonable person would consider to be offensive, humiliating, intimidating or threatening.

Some examples of behavior which, if they occur repeatedly, may amount to workplace harassment include:

- a. abusing a person loudly, usually when others are present;
- b. repeated threats of dismissal or other severe punishment for no reason;
- c. constant ridicule and being put down;
- d. leaving offensive messages on email or the telephone;
- e. sabotaging a person's work, for example, by deliberately withholding or supplying incorrect information, hiding documents or equipment, not passing on messages and getting a person into trouble in other ways;
- f. maliciously excluding and isolating a person from workplace activities;
- g. persistent and unjustified criticisms, often about petty, irrelevant or insignificant matters;
- h. humiliating a person through gestures, sarcasm, criticism and insults, often in front of other people;
- i. racial sledging; and
- j. spreading gossip or false, malicious rumours about a person with an intent to cause the person harm.

Some bullying is in reality criminal behavior and could also be the subject of criminal prosecution.

Workplace harassment does not include:

- a. reasonable management action taken in a reasonable way by a person's employer in connection with the person's employment, for example, conducting disciplinary action or managing unsatisfactory performance; or
- b. a single incident of harassing type behavior. However, while a single incident will not amount to workplace harassment, it is still unacceptable.

4.7 Consequences of Breaching this Policy

If an employee engages in unlawfully discriminatory or harassing behavior, a court or tribunal can hold that person personally liable for their behavior and they may be liable for damages to a complainant. The Practice, as an employer, is also at risk of being held vicariously responsible for the employee's conduct.

If you are not the direct perpetrator of the behavior, you can still be held liable for causing, instructing, inducing, aiding or permitting another person to engage in the behavior.

If an employee engages in discrimination, sexual harassment or workplace harassment, there will also be serious consequences for that employee's ongoing employment. The Practice will not tolerate behavior of this kind. If it occurs, it may result in disciplinary action against the relevant employee or employees. Such action will depend upon the circumstances but may involve a warning, transfer, counselling, demotion or dismissal.

4.8 What can I Do if I Believe I have been Harassed or Discriminated Against?

Allegations of discrimination or harassment will be treated seriously and investigated promptly, confidentially and impartially by the Practice. A written complaint is not required.

If you believe that you have been the subject of unlawful discrimination, sexual harassment or workplace harassment, the Practice encourages you to take steps immediately to address the matter in accordance with the paths set out below. The situation is unlikely to improve if you do nothing about it. If you do not object to the conduct, the person responsible may continue the harassment or behavior, not knowing how it makes you feel. The Practice will use its best endeavours to ensure that no parties to a complaint are victimized.

There are a number of ways that you can take action to deal with a complaint.

Internal complaints procedure:

- You may choose to approach the person who is perpetrating the behavior with a view to discussing your concerns with them and asking them to cease their behavior.
- Alternatively, you may approach your supervisor to report the matter and to ask for assistance. If you do not feel comfortable approaching your supervisor, then you may choose to approach another senior employee to report the matter.
- Every complaint will be treated seriously and investigated promptly, confidentially, and impartially.
- Disciplinary action may be taken against employees who are found to have unlawfully discriminated against, or harassed, other employees.

External complaints procedure:

- a. If you believe that you have been the subject of unlawful discrimination, harassment or sexual harassment, you may at any time lodge a complaint with one of the organizations set out below.
- b. While the Practice encourages employees to use the in-house complaints procedure before taking this action, an employee may seek recourse at any time.
- c. The organizations set out below are statutory bodies and, if your complaint is accepted, they will notify the alleged perpetrators of the discrimination or harassment. You and the alleged perpetrators will usually be required to attend a conciliation conference conducted by the organization to attempt to resolve the complaint. If the complaint is not resolved, it may be dealt with through more formal legal processes.

Organizations

You are able to lodge a complaint through various Federal and State agencies. The contact details are set out in the following table.

[INSERT RELEVANT DETAILS HERE]

5. Professional Standards

5.1 Code of Professional Conduct

Employees are required to be familiar with the IESBA Code of Ethics for Professional Accountants (the Code) [OR INSERT YOUR LOCAL EQUIVALENT CODE]. This code is the primary professional standard that establishes ethical requirements for professional accountants.

The code includes guidance on the following fundamental principles:

- Integrity
- Objectivity
- Professional Competence and Due Care
- Confidentiality
- Professional Behavior

5.2 Other Professional Standards

[INSERT APPLICABLE FINANCIAL REPORTING STANDARDS]

[INSERT APPLICABLE QUALITY CONTROL, AUDITING, REVIEW, OTHER ASSURANCE AND RELATED SERVICES STANDARDS]

[INSERT OTHER PROFESSIONAL STANDARDS ISSUED BY YOUR PROFESSIONAL BODY]

[INSERT OTHER PROFESSIONAL STANDARDS ISSUED BY REGULATORS]

Where standards issued by the international standard setters apply then refer to following:

Financial Reporting Standards: The International Accounting Standards Board (IASB)

Ethical Standards: The International Ethics Standards Board for Accountants (IESBA)

Quality Control, Auditing, Review, Other Assurance, and Related Services: The International Auditing and Assurance Standards Board (IAASB)

6. Quality Control

6.1 Practice Quality Control Procedures

[INSERT NAME OF PRACTICE] (Practice) quality control manual documents the established policies and procedures within their practice to ensure compliance with professional standards.

It provides a framework for a quality control system that incorporates the impact of mandatory standards on practices providing public accounting and other professional services.

[INSERT DETAILS OF WHERE YOUR PRACTICES DOCUMENT QUALITY CONTROL PROCEDURES CAN BE ACCESSED. THIS SHOULD BE IN BOTH ELECTRONIC AND PRINT FORMAT]

This manual is regularly reviewed.

[INSERT DETAILS OF RESPONSIBLE PARTNER]

IFAC's [Guide to Quality Control for Small- and Medium-Sized Practices](#) provides non-authoritative guidance on applying the redrafted ISQC 1, which requires firms to establish systems of quality control in compliance with the standard. It is not to be used as a substitute for reading ISQC 1, but as a supplement to help practitioners understand and consistently implement this standard within their firms when developing a system of quality control for audits and reviews of financial information, and other assurance and related service engagements.

7. Email and Internet Policy

The Practice sets out the rules for the proper use of its computer systems, internet and email resources as follows. Because of the opportunity for misuse of these resources, the Practice believes that it is necessary to set down some basic rules.

It is every employee's responsibility to ensure that computer systems and internet and email facilities are used responsibly and in accordance with this policy.

7.1 Introduction

All users of the Practice's computer systems, email and internet facilities (including employees), consultants, contractors, work experience students and other authorized users (Practice Users) are responsible for using computer systems, email and internet facilities in a professional, ethical and lawful manner. Practice Users are provided with access to computer systems, email and the Internet to assist with the performance of their duties. All computer systems and data belong to the Practice and may only be used for authorised purposes.

All of the Practice Users are required to comply with this policy.

The objectives of this policy are:

- to set out the responsibilities associated with the use of Internet and email via the Practice's systems, for the benefit of all who use it; and
- to minimize the risks associated with improper use of the Internet and email.

7.2 What does this Policy Cover?

This policy covers access and use of the following:

- a. searching the web;
- b. internal email (sent or received); and
- c. external email (sent or received).

Breaches of this policy may lead to disciplinary action, up to and including termination of employment.

7.3 Email Protocol and Guidelines for Email Use

Practice Users will be allocated a password to access the Practice's network and email facilities. This password is not to be disclosed to any other person/s. The system administrator will be the only other party with knowledge of user login information. Treat your login and password details with the same care that you would your bank account PIN.

All communications sent via external email must contain the standard disclaimer provided by the Practice in relation to the content of the email message or attachments.

Practice Users may send 'personal email', that is, non-work related emails provided that:

- a. only minimal email access (that is read, sent, or forwarded), during office hours and only during designated breaks or rest periods or after hours; and
- b. all guidelines set out in this policy are complied with.

Email at the Practice:

- a. is not private, it belongs to the Practice;
- b. can be monitored and read at anytime by the Practice;
- c. uses the Practice's name and address and therefore may give the impression that the sender is speaking with the authority of the Practice (even though this may not be the case and the Practice may not have authorized this); and
- d. can in certain circumstances be inspected by parties outside of the Practice, for example, in the event of litigation.

The following activities are strictly prohibited:

- a. sending, receiving, displaying, printing or otherwise disseminating material that is fraudulent, illegal, embarrassing, sexually explicit, obscene, intimidating, defamatory, or that would amount to harassment;
- b. using the Practice's internet resources for unauthorised commercial or personal advertisements, solicitations, promotions, political material or any other similar use unless it is expressly authorized by your supervisor or partner;
- c. accessing the Internet other than through the Practice's security system, for example, accessing the Internet directly by modem;
- d. allowing external access to your computer via modem;
- e. subscribing to mailing lists, sending unsolicited email messages and participating in chain letters;
- f. sending email using somebody else's email address unless such use is expressly authorized; and
- g. violating the intellectual property rights of others such as breaching copyrights by copying graphics or text material, or using other licensed software without proper authorization.

Breaches of any of the above guidelines may result in disciplinary action being taken against Practice Users ranging from the withdrawal of system access to dismissal.

All external email (other than 'personal email') must be conducted in accordance with the following protocol:

- a. client-related emails should only be sent after supervisor/partner authorization or sign off has been obtained (as appropriate);
- b. a hard copy of all outgoing email messages containing accounting advice or substantial accounting commentary must be signed by the appropriate partner or other person with authority prior to the email being sent;
- c. a hard copy of all outgoing email messages must be placed on the client's file; and
- d. all email received must be printed and stored on the relevant file.

7.4 Internet Protocol

Accessing web sites which contain material that is illegal, embarrassing, sexually explicit, obscene, intimidating, defamatory, racist, sexist or generally inappropriate is strictly prohibited.

Accessing Internet chat rooms is strictly prohibited.

Internet 'surfing' must only be conducted outside ordinary working hours, unless it is for a specific work-related purpose.

Access to the Internet is restricted to Practice Users who have been given express authority and permission by management for the use of the Internet for research purposes. Practice Users with access to the Internet acknowledge that the system administrator may from time to time check the cache folders on their computers to ensure that pornographic materials are not being viewed.

7.5 System Protocol

No Practice User shall introduce any external data to the Practice's computer network in any media form whatsoever unless the media has been checked and approved by the system administrator for use on the network. All media is to be virus scanned by the system administrator or a person appointed by the system administrator to carry out such checks.

No Practice Users shall make any changes whatsoever to the structure or setup of their computer's operating system or associated applications. Such changes include the alteration of screensavers, background images/wallpapers, sound schemes, desktop folders or shortcuts or physical operating characteristics of their workstation. If any Practice User has difficulty working with certain colors or screen resolutions they should speak to the system administrator to arrange the necessary changes. The Practice's system has been designed and configured for optimal efficiency: any changes to this configuration may adversely affect the operation of the system.

No Practice User is to carry out any form of maintenance or repair to their workstation, software or hardware related, without the consent of the system administrator.

7.6 Software

Any computer software the Practice uses on its computer network is available through agreement with the owners of the software. As such, it is imperative that Practice Users use the software strictly in accordance with the Practice's directions to ensure that the agreements with the software owners are not breached.

Unauthorized copying of software used on the Practice's computer network is illegal and no duplicate should be taken.

No Practice User is to use the Practice's computer network to access or use other software in breach of the rights of the software owners.

No Practice Users should introduce any software, computer discs, computer programs or CD-Rom's to the Practice's computer network if they are unsure of the source of that material or whether it is contaminated in any way. Before any software, computer discs, computer programmes or CD Rom's are introduced to the Practice's computer network, the Practice's computer virus protection program should be applied.

7.7 Practice's Surveillance Policy

The Practice may, upon provision of notice required by law, monitor Practice Users' use of email or internet facilities, in accordance with such notice.

Where there is no requirement at law to provide notice of intended email or internet surveillance, the Practice may monitor Practice Users' use of these facilities without the provision of notice.

Email surveillance undertaken by the Practice may include, but is not limited to, monitoring and reading email traffic both sent from and received by any email address owned by the Practice or an email address that is accessed from a Practice computer.

Internet surveillance undertaken by the Practice may include, but is not limited to:

- a. monitoring the internet sites that are accessed by Practice Users;
- b. monitoring the type of information downloaded from the internet to any Practice computers or data drives;
- c. monitoring the importing and exporting of any data to or from any Practice computers by any portable media storage device, for example, floppy disks, CDs, USB memory sticks or zip drives.

For any issues not covered by this policy, use common sense as the guiding principle. If you have any queries about Internet or email use, please contact your supervisor.

8. Privacy Policy

[CUSTOMIZE TEXT FOR THIS SECTION TO SUIT LOCAL JURISDICTION]

This policy should relate to personal information held about employees, contractors, work experience staff, volunteers and candidates for employment only. It does not relate to personal information held with respect to clients.

Many countries have privacy laws which are based on “Principles.” In some countries there also may be monetary thresholds in place which exempt small businesses or providers of designated services.

8.1 Purpose

Privacy laws govern the way in which we must manage personal information relating to both employees and clients. Privacy Policies are often developed in accordance with those International Privacy Principles and explain how we collect, use, disclose and handle your Personal Information.

Personal Information is defined to mean information or an opinion (including information or an opinion forming part of a database) whether true or not and whether recorded in a material form or not about an individual whose identity is apparent or who can reasonably be ascertained from the information or opinion. During the course of your business, you may collect personal information from both employees and clients.

8.2 Collection of Personal Information

Personal information about individuals should be collected only if it is necessary for practice business functions or activities and generally, every endeavour should be made to collect this information directly from an individual through the use of our standard forms, over the internet, by telephone, or on submission of an application. There may however be some instances where personal information about individuals will be collected indirectly because it is unreasonable or impractical to collect it directly. An individual should be usually notified about these instances in advance, or in case that is not possible, as soon as is reasonably practical after the information has been collected.

8.3 Privacy Principles

Privacy principles must provide:

- **Notice** Individuals must be informed that their data is being collected and, about how it will be used.
- **Choice** Individuals must have the ability to opt out of the collection and, forward transfer of the data to third parties.
- **Onward Transfer** Transfers of data to third parties may only occur to other organizations that follow adequate data protection principles.
- **Security** Reasonable efforts must be made to prevent loss of collected information.
- **Data Integrity** Data must be relevant to and reliable for the purpose it was collected for.
- **Access** Individuals must be able to access information held about them, and correct or delete it if it is inaccurate.
- **Enforcement** There must be effective means of enforcing these rules.

9. General Office Procedures

[CUSTOMIZE TEXT FOR THIS SECTION TO SUIT LOCAL JURISDICTION]

9.1 Telephone

[CUSTOMIZE TEXT BELOW BASED ON PRACTICE'S POLICIES AND EQUIPMENT]

Calls answered by a dedicated receptionist / telephonist

It is essential that all inquiries should be dealt with as quickly, efficiently and courteously as possible.

The Practice telephone is to be answered with the name of the firm and “good morning” or “good afternoon, this is ...speaking.”

Where calls are answered by a dedicated receptionist or telephonist, the staff member will ascertain the identity of the caller and the person they wish to speak to, place the call to the relevant person as required by the caller, and announce the caller to that person. If that person is not at his or her desk, then the receptionist should redirect the call to whomever is delegated to take the calls, or the caller should be given the option of voicemail.

If the caller needs to speak to a staff member who is not in the Practice the caller will be advised that the person is “out of the office” or “in a meeting.” The receptionist should indicate when the employee is expected back before asking the caller if they wish to leave a message.

Calls answered by an individual or direct extension

Any staff member answering a telephone, whether the call is internal or external, is to answer with his or her individual name. It may be appropriate on external calls to explain role, e.g. “personal assistant to Mr ABC” as well.

Any staff member who leaves his or her desk for longer than a few minutes is required to divert his or her telephone to a secretary, or another member of the firm, for message-taking purposes. It is not necessary to notify the switchboard, only the person to whom the telephone has been diverted. [INSERT DETAILS OF PRACTICE'S PHONE SYSTEMS AUTOMATIC DIVERT PROCEDURES]

Group “pick-up” systems apply to teams of secretaries. Answer another phone in the group by picking up your own phone and pressing [specify].

[INSERT FEATURES OF PRACTICE'S TELEPHONE SYSTEM IF SUCH DETAILS ARE NOT CONTAINED IN TELEPHONE USER GUIDE]

Staff members should notify the receptionist or other team member of the period in the day when they will return any calls which come in when the staff member is unavailable. This provides professional and efficient business to the client.

Voicemail

[CUSTOMIZE TEXT BELOW IF VOICEMAIL FACILITIES ARE IN USE]

All staff members are responsible for checking and respond to voicemail messages in a timely manner. If you are out of the office for longer periods of time, a specific voicemail message should be recorded or your telephone system programmed to reflect your absence. It is important that any voicemail messages be reviewed regularly and be reset upon your return to the office. Where possible the caller should also be provided with a menu alternative to return to reception for an individual message to be left.

Personal calls

Short, local personal telephone calls are permitted. Staff may also receive incoming personal calls, but these calls must be minimized and kept to a reasonable period of time. Any other calls should be made with supervisors consent.

Mobile phones

[INSERT GUIDELINES ON USE OF MOBILE PHONES IN THE WORKPLACE, INCLUDING DIRECTIONS ON THE GIVING OUT OF INDIVIDUAL MOBILE NUMBERS, DISTINGUISHING WHEN THE NUMBER IS RESTRICTED AND WHETHER IT CAN BE USED BY SUPERVISORS AND TEAM MEMBERS AND BUSINESS VERSUS PRIVATE USE.]

A landline phone is the preferred method of telephone communication.

The use of mobile phones within the practice should be kept to a minimum. Staff members using mobile phones should be aware that this may be a distraction to other staff.

Where staff members are provided with a mobile work phone, the phone may not be used while driving unless they have a legally approved hands-free option.

See also [section 2.9](#) for mobile phones provided as part of an employment arrangement.

9.2 Email Correspondence

[CUSTOMIZE TEXT BELOW BASED ON PRACTICE'S POLICIES]

Electronic mail forms an important component of a practice's corporate memory and like records in other formats, may be subject to legislation and to legal processes such as discovery and subpoena. Electronic mail should be integrated into a practice's paper-based records by placing a hard copy on file or storing via an electronic document management system.

All staff members have responsibility to create, keep and retain records in accordance with the Practice's policy. When electronic mail is received or sent the individual staff member should determine whether the message and any responses should be placed on central file. As a general principle, hard copies of all email messages concerned with the practice should be filed. Messages of a momentary nature, which are for information only, e.g. notification of changes in the time/venue of a meeting, may generally be deleted.

For internal electronic records, printing and filing is the responsibility of the message originator. For messages received from external sources, printing and filing is the responsibility of the recipient.

9.3 Correspondence

[CUSTOMIZE TEXT BELOW BASED ON PRACTICE'S POLICIES AND AD IN DETAILS OF ANY DOCUMENT MANAGEMENT SYSTEMS OR PROCEDURES]

Incoming Mail

Mail is collected / delivered first thing in the morning and all documents are opened at the discretion of the receptionist or nominated staff member. The nominated staff member is a professional who will act with the utmost discretion and will not use any information in an inappropriate manner.

Any correspondence that is of a personal or confidential nature should be marked "Private and Confidential" to ensure it is not opened.

As the mail is opened it is sorted into individual piles:

- Invoices are given to Accounts Payable.
- Cheques are given to Accounts Receivable.
- “Junk” Mail (non-records mail, which will be distributed) is distributed to the appropriate officer.
- The rest of the mail is determined to be “real” mail (the Records). Each document in the “real” mail is stamped with a document number (a different number for each document) and the date, and is assigned to the designated employee.

Other Mail

If a letter is received over the front counter, the receptionist will note on the document any information given by the person handing it in. It should then be stamped with the date stamp found at the front counter and placed in the Incoming Mail tray for distribution.

Other letters may arrive by various means, but should all be dealt with in a similar method to the above. Attach a note to the document noting the sender and any information they may give you about suggested or past actions on the document. Also note actions you take or suggest, date the document, put your name to these notes, and place it in the Incoming Mail tray (which is currently the Receptionist’s in-tray).

That may sound complicated but it’s simply a matter of passing on any information that may be helpful or necessary to provide the best client experience.

Faxes

Faxes should be distributed whenever received and the copy given to the appropriate staff member. Before distributing it, stamp with the Document Stamp, Doc Number stamp, and date stamp, and in the Officer field, write, “Copy given to

All faxes should be treated as urgent and this process completed as quickly as possible.

9.4 Filing

[CUSTOMIZE BY INSERTING PRACTICE’S POLICIES AND PROCEDURES SUFFICIENT FOR INDUCTION OF NEW STAFF MEMBER]

9.5 Storage and Disposal of Documentation

[CUSTOMIZE BY INSERTING PRACTICE’S POLICIES AND PROCEDURES SUFFICIENT FOR INDUCTION OF NEW STAFF MEMBER. POLICIES MUST MET LOCAL REGULATORY REQUIREMENTS]

9.6 Petty-Cash Reimbursements

[CUSTOMIZE BY INSERTING PRACTICE’S POLICIES AND PROCEDURES]

A sample reimbursement form is included in [section 13.6](#).

9.7 Staff Facilities

[CUSTOMIZE BY INSERTING PRACTICE’S POLICIES AND PROCEDURES FOR USING STAFF FACILITIES WHICH SHOULD IDENTIFY THEIR LOCATION AND MAINTENANCE]

9.8 Photocopiers

[CUSTOMIZE BY INSERTING PRACTICE'S POLICIES AND PROCEDURES FOR USING PHOTOCOPIERS WHICH SHOULD IDENTIFY THEIR LOCATION AND MAINTENANCE]

9.9 Fax Machines & Other Equipment

[CUSTOMIZE BY INSERTING PRACTICE'S POLICIES AND PROCEDURES FOR USING FAX MACHINES AND OTHER EQUIPMENT WHICH SHOULD IDENTIFY THEIR LOCATION AND MAINTENANCE]

10. Staff Appraisal, Training & Development

[CUSTOMIZE THIS SECTION TO SUIT LOCAL JURISDICTION AND PRACTICE'S CULTURE AND OBJECTIVES]

10.1 Objectives of Performance Appraisals

It is the Practice's policy that work is undertaken in the most efficient and productive manner possible. Giving regular, contemporaneous feedback to our employees in a positive manner plays an important part in ensuring that this occurs.

To facilitate this, constructive, open communication is essential. Regular verbal and written feedback will help staff to gauge their standard, of performance. The idea is not to make an employee feel threatened or insecure but to reinforce the notion that our Practice has high standards and will always strive to provide of high quality service to our clients. Regular performance appraisals assist in achieving this objective.

Very generally, performance appraisal is a formal system of planning and reviewing employee performance. It provides employers with an opportunity for a comprehensive review of key aspects of their employees' performance, including employees' skills and knowledge, their behaviors and achievements, and their working environment and supervisory requirements. It also provides employees with the opportunity to voice their concerns and aspirations in relation to their employment.

10.2 How Often should Performance Appraisals be Conducted?

There is no legal obligation to conduct performance appraisals. However, they play an essential part in the good management of our Practice.

The performance appraisal process provides an opportunity for employees and their supervisors to document and develop goals.

This practice conducts performance appraisals [insert details; it is up to you to decide how often you conduct performance appraisals].

Guidelines for the use of performance appraisals

Broadly speaking, the performance appraisal involves:

- determining how well employees are doing their jobs;
- communicating this information to employees;
- establishing a plan for performance improvement or development;
- assisting employees to implement this plan, including providing access to training and development tools as required.

Before the performance appraisal meeting

- A performance appraisal requires preparation before the meeting can occur.
- Before any performance appraisal, the employee will be made aware of the metrics by which their performance will be assessed. This gives the employee a clear indication of the goals and objectives of the Practice and what is expected of them.
- Prior to conducting a performance appraisal, employers need to consider the purpose of the appraisal and have sufficient and correct information on hand, for example, copies of previous performance appraisals, specific performance criteria, performance against budget statistics, and training and development undertaken since the last appraisal.

Both employer and employee should also fill out an appraisal form, with a view to comparing and discussing these forms with the employee during the appraisal. This will help maximize the benefits obtained from the appraisal process and provide honest feedback about how employees gauge their own conduct and ability.

10.3 During the Performance Appraisal Meeting

The performance appraisal should be conducted in a private confidential area.

A performance appraisal is a mutual communication process that should seek to adopt a balanced approach towards both positive aspects of performance, and those where there is room for improvement. A two way conversation between employer and employee is essential to make the appraisal procedure effective. *The performance appraisal will include probing questions, for example, “Are there any parts of your job which you feel you could perform better?”, “Are there any areas for training and development that you think would help you to perform more effectively?”* etc.

Both appraiser and employee should focus on discussing areas for improvement in such a way that shows that it is the employee’s performance and not their personality which is under scrutiny. You should assist employees with strategies to assist with continued development and performance in those areas and agree on timeframes within which this will occur. In raising concerns over an employee’s performance, it is best to do so as objectively as possible, to avoid the appearance of a personal attack on the employee.

At all times both the appraiser and employee should show respect for each other’s position and approach the performance review as a personal development opportunity. The overall objective of the review is to encourage continued learning and recommend initiatives for further improvement, while showing appreciation and recognition for the efforts that have been made.

Appraisal forms should be signed and dated by both the employer and the employee as a record of the points discussed and agreed upon. Completion of performance appraisal documentation is sometimes considered a nuisance. However, in seeking to retain talented employees and improve the performance of the Practice, it is vital for all employees to participate fully in the process and to ensure that matters discussed, including agreed upon outcomes and training and development needs highlighted, are properly recorded and acted on.

10.4 After the Performance Appraisal Meeting

It is necessary for employers to ensure that the feedback and outcomes from the performance appraisal are put into practice. This may include implementing training and development for an employee, or reviewing an employee’s technical skills on a regular basis.

A sample Staff Appraisal Sheet is included in the Office Manual. It is a basic document that provides an example of the kinds of questions employers and employees can consider prior to the performance appraisal meeting. However, it is only intended as an example, and you should make appropriate adjustments to the sheet if there are other matters particularly relevant to your Practice or to the employee whose performance is under consideration.

11. Finance Policies

[CUSTOMIZE THIS SECTION BY INSERTING PRACTICE'S POLICIES AND PROCEDURES]

12. General Employee Grievances

[CUSTOMIZE THIS SECTION TO SUIT LOCAL JURISDICTION'S LEGISLATION]

12.1 Introduction to Grievances

For the purposes of this policy, a grievance should be treated broadly as any concern or complaint an employee may have relating to work or the work environment. A grievance may be about any act, omission, situation, or decision by the Practice or a co-worker/ co-workers that the aggrieved employee considers to be unfair, inappropriate, or unreasonable.

Note: In the case of complaints of discrimination, workplace harassment or sexual harassment, employees should refer to the complaints mechanisms in [section 4](#) of this Office Manual.

12.2 Procedures for Dealing with Employee Conflict

In all cases, until the grievance is resolved, the employee with the grievance should continue in normal work.

Direct resolution

If the behavior of an employee is causing conflict with another employee it is recommended that the employee with the grievance approach that person directly and try to work out a mutual resolution. The employee with the grievance should tell the person who is allegedly acting in an unfair or inappropriate way why his or her behavior is unfair or unacceptable, and request that they alter or refrain from that behavior.

If the employee with the grievance is unwilling to approach the person directly, then they can refer their concern to their supervisor or another senior member of the Practice in accordance with the following paragraphs.

Referral to supervisor or another senior member of the Practice

If the problem remains unresolved, the employee with the grievance should approach their supervisor to seek to resolve the issue.

There are some situations in which an employee with a grievance may not want to take a complaint to a supervisor, for example, if concern specifically relates to the supervisor, or if there is a personality conflict. In this case, the employee with the grievance can refer the complaint to another senior member of the Practice.

If a supervisor is approached to deal with a complaint, but considers that it would be improper for them to consider the grievance (because, for example, they have a particular relationship with the employee with the grievance, or with the person the complaint is concerning), the complaint should be referred to another senior member of the Practice.

The supervisor or senior member of the Practice (as the case may be referred to in the remainder of this policy as “supervisor”) should fully discuss the aggrieved employee’s concerns, to get a full understanding of the issues. The supervisor has the responsibility to listen, investigate, evaluate and respond to the aggrieved employee.

It may be necessary for the supervisor to talk to other people involved, and to impartially hear their side of the story, before taking any steps to seek to resolve the matter.

Following a full consideration of the matter, the supervisor should offer suggestions as to how the dispute can be resolved. For example, a conflict may be resolved by:

- compromise; or
- seeking an apology from the party complained about; or
- offering a change of working arrangements, if practicable.

However, no action should be taken without first talking to the aggrieved employee and getting their agreement.

All stages of the grievance process should be documented and file notes provided to the parties involved as appropriate.

Grievance paths beyond the Practice

If the employee with the grievance is not satisfied with the Practice's response, then the Practice may need to consider other forms of dispute resolution, for example, the use of mediation through a third party.

12.3 Procedure for Dealing with Employee/Client Conflict

Employees should never involve themselves in an argument with a client. At all times, employees must be courteous and professional towards clients.

If an employee is involved in a discussion with a client that becomes heated, or if an employee receives a complaint from a client, they should refer the issue to the supervisor. Becoming involved in an altercation with a client is not acceptable and may result in disciplinary action if the incident is serious enough or if certain behavior re-occurs.

The Practice may seek to engage an employee and a client in a discussion in an attempt to resolve the matter.

13. Office Forms

[CUSTOMIZE THIS SECTION TO SUIT LOCAL JURISDICTION]

- 13.1 **Application for Leave**
- 13.2 **Bank Account Details**
- 13.3 **Employee Appraisal Sheet**
- 13.4 **Travelling Expenses Claim Form**
- 13.5 **Overtime Sheet**
- 13.6 **Reimbursement Expense Form**

13.1 Application for Leave

APPLICATION FOR LEAVE

EMPLOYEE NAME:

DATES

From: _____

To: _____

TOTAL NO. OF DAYS:

REASON FOR LEAVE

- Annual Leave
- Compassionate / Bereavement Leave
- Personal / Caregiver's Leave
- Study Leave
- Personal / Sick Leave
- Other: _____

EMPLOYEE'S SIGNATURE

DATE OF APPLICATION

AUTHORIZATION:

DATE OF AUTHORIZATION:

13.2 Bank Account Details

BANK ACCOUNT DETAILS

SURNAME: _____

GIVEN NAMES: _____

ACCOUNT 1: _____

ACCOUNT 2: _____

BANK: _____

BANK: _____

BRANCH: _____

BRANCH: _____

ADDRESS:

ADDRESS:

BSB - NO: _____

BSB - NO: _____

A/C NO: _____

A/C NO: _____

AMOUNT: \$ _____

AMOUNT: \$ _____

13.3 Employee Appraisal Sheet

EMPLOYEE APPRAISAL SHEET

	Unsatisfactory Performance	Occasionally Performing Below Job Requirements	Meeting Job Requirements	Occasionally Exceeding Job Requirements	Consistently Exceeding Job Requirements
	1	2	3	4	5
PERSONAL CHARACTERISTICS					
Dress					
Punctuality					
Willing to undertake professional development					
Communication skills					
Responsible with confidential information					
RELATIONSHIPS					
Relationships with supervisors and managerial employees					
Relationships with co-workers					
Relationships with persons under their control					
Relationships with clients					
SKILLS					
Ability to supervise					
Ability to deal with problems					
Time management					
Able to market themselves					

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	Unsatisfactory Performance	Occasionally Performing Below Job Requirements	Meeting Job Requirements	Occasionally Exceeding Job Requirements	Consistently Exceeding Job Requirements
Able to market the Practice					
Use of initiative					
Able to follow instructions					
Able to give instructions to co-workers					
Able to handle client concerns					
Able to make and write reports					
Awareness of current policies and procedures					
TECHNICAL SKILLS					
Word processing					
Email					
Typing speed / accuracy					
Filing					
Listening comprehension					
Phone manner					
PROFESSIONALISM					
Loyalty to employer					
Loyalty to other employees					
Willingness to promote the Practice					
TOTAL					

* Delete any items that are not applicable to a particular employee's position.

13.4 Travelling Expenses Claim Form

TRAVELLING EXPENSES CLAIM FORM

NAME: _____

DATE: _____

PURPOSE: _____

CLIENT NAME: _____

FILE NUMBER: _____

TRAVEL BY VEHICLE

VEHICLE ENGINE CAPACITY: _____

TRAVELLING FROM: _____

TRAVELLING TO: _____

TOTAL KMS/MILES: _____

CALCULATION OF ALLOWANCE:

Number of miles/kilometers x \$X.XX per mile/km = \$XXX.XX

AIR TRAVEL

FLIGHTS FROM: _____

FLIGHTS TO: _____

ACCOMMODATION: _____

SIGNATURE OF EMPLOYEE: _____

COPIES TO BE RETAINED BY EMPLOYEE: _____

13.5 Overtime Sheet

OVERTIME SHEET

Employee's Name: _____

DAY	DATE	START	FINISH	TOTAL HOURS	AUTHORIZED
Monday					
Tuesday					
Wednesday					
Thursday					
Friday					
Saturday					
Sunday					
TOTAL NUMBER OF HOURS					

Authorized: _____

13.6 Reimbursement Expense Form

REIMBURSEMENT EXPENSE FORM

NAME: _____

DATE: _____

TYPE OF EXPENSE:

(Please tick appropriate box)

Taxi

Entertainment/Marketing

Other (please specify)

PURPOSE OF EXPENDITURE: _____

CLIENT NAME: _____

FILE NUMBER: _____

DATE EXPENSE INCURRED: _____

AMOUNT SPENT: \$ _____

PARTNER AUTHORIZATION: _____

DATE: _____