

OUTSOURCING

The Key Benefits for SME's



SOLUTIONS FOR YOUR BUSINESS

THE VALUE OF OUTSOURCING THE ACCOUNTING AND FINANCIAL REPORTING FUNCTIONS.

Outsourcing is a growing trend amongst SME's who have a long-standing tradition of outsourcing the accounting and finance functions. Historically it was limited to payroll, preparation of the year-end financial statements and compliance. However as services mature SME's are becoming more comfortable with outsourcing additional functions such as accounts payable and accounts receivable. Now many SME's opt to outsource the entire accounting function thus downsizing or eliminating the in-house finance team. This is a growing trend, particularly amongst start-ups and high-growth companies.

Key benefits in outsourcing for SME's are access to highly skilled professionals and technology platforms without the hassle of establishing an expensive in-house finance function. This enables companies to scale up or down the finance function without the associated payroll costs. It also eliminates the burden of hiring, training and maintaining accounting staff. It can be challenging to retain ambitious accounting personnel and provide an attractive career path within the finance team of an SME. Outsourcing removes this barrier and provides SME's with reliable and flexible resources so annual and other leave is not an issue

for the SME. Quality outsource providers can maintain constant and consistent service thereby reducing the burden on the SME.

Technology can now facilitate real time online access for businesses and their owners providing up to date financial data for decision making purposes. One of the key benefits of selecting a quality accounting and finance outsource provider is the ability to take advantage of advanced cloud software solutions such as Xero and Accounts IQ, to name but a few. Cloud software platforms provide enhanced integrated reporting, good dashboard summaries and strong controls. They are flexible and scalable which allow SME's to grow and merge as the migration process is much more agile than on-premise solutions.

Which functions to outsource?

As noted earlier payroll, preparation of year-end financial statements and compliance were the main functions historically that SME's were comfortable outsourcing. Now pretty much every function within the accounting and finance area can be outsourced thus dispensing with the need for an in-house finance team. Where the processes are standardised and repeatable they can easily fit an outsource model. Where the outsource service provider is an accountancy firm then professional skills, not required for routine financial reporting delivery, can be drawn upon for example in developing strategy, management reporting, budgeting and forecasting. Internal audit, risk

management and data protection are functions that typically sit within the finance department. These are all functions that are also suitable for outsourcing. However outsourcing is not an all or nothing proposition. SME's can decide which functions are best for them to outsource.

Criteria for Selecting an Outsourced Provider

According to "*The efficiency and effectiveness*" report published by CIMA, the top 5 criteria for an organisation selecting an outsource provider are:

- Service reliability
- Trust in the service provider
- Financial security of the service provider
- Understanding of the organisations business
- Availability of service level guarantees

The criteria of least priority to organisations when selecting an outsource service provider are cost, staff having a qualification in process management, geographical location and international or global presence.

Conclusion

Outsourcing presents significant value by enabling companies to focus on core proficiencies, shifting direct operational responsibilities to the service provider.

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