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Schumacher is a management and information technology consultant. From Germany, Schumacher spent his early professional years as an auditor with Arthur Andersen and later joined their Andersen Consulting division, now Accenture, as a senior management consultant working in projects across

Europe, the United States and Asia.

Later, Schumacher built his own two software and consulting businesses in Germany before coming to Australia in 1999 where he worked in consulting for financial services and accounting industries.

Schumacher formed consulting firm Productive Vision and in 2009 founded RewardSuper, web application software firm concentrating on data automation and integration of disparate systems.

AUSTRALIAN ACCOUNTING FIRMS MOVE INTO THE CLOUD TO ADMINISTER SMSF

Wolf Schumacher

Accountants, similar to other small and medium sized businesses, are not really prepared for the complexities of Information Technology (IT). Rather, they are interested in running easy-to-comprehend business processes and solutions that are inexpensive and don't require a massive outlay of money before they can actually start using it.

This article provides an introduction into the fast developing world of cloud computing for accounting and advice firms, and particularly for those, that administer self-managed super funds (SMSFs).

Typical problems with traditional Information Technology (IT)

Traditionally, accounting firms select and purchase accounting application software along with the hardware and operating systems to run it on. This typically requires an upfront investment (CapEx) regardless of the volume or frequency of use. Additionally, the software vendors ask accountants to regularly pay for software maintenance as well as upgrades to hardware and software.

This rather complicated process can be frustrating and become even more of a concern if software upgrades have been skipped. Further problems arise when accountants have their software customised to their specific requirements and need to upgrade to new versions for compatibility reasons.

All this changes with cloud computing

Cloud computing has been around since the late 90s. The term describes an ability to serve computing needs remotely via the Internet without actually owning or running the required software and hard-

ware within actual offices.

Cloud computing takes away the hassles of IT from accountants' staff and management. All they need is a standard web browser connected to the internet.

In daily practice this means that accountants no longer worry about IT technical issues. Instead cloud computing allows them to concentrate their efforts on serving their clients and looking after running their businesses, knowing, that their software is always available and kept up to date.

Introducing Software-as-a-Service (SaaS)

SaaS is the application side of cloud computing and is the area accountants deal with on a daily basis. The other areas of cloud computing, such as the provision and operating of IT Infrastructure, do not require their attention, and are being taken care of by the SaaS providers and their partners as important elements of their services.

In sharp contrast to the traditional way of deploying technology, accountants subscribe to SaaS application services similar to how they would subscribe to utility services (eg electricity, gas, water). All usage costs are part of their monthly Operating Expenses (OpEx).

Sometimes the term 'On Demand' is used interchangeably with SaaS as it allows users to subscribe to the software service on an as-needed basis.

This practice is a far cry from what accountants are traditionally used to when it comes to deploying IT applications that typically require hefty CapEx upfront and regular maintenance costs for software version updates/upgrades.

Benefits of SaaS for accounting firms

Not having to pay large sums of money (CapEx) upfront before using software applications is only of the considerable benefits the SaaS model holds for accounting firms.

There are more benefits for accountants:

- Pay as you go, extend or shrink usage as needed which implies elastic availability of application capacity.
- The focus is always on the business, never on technology.
- Great security, privacy and data ownership similar to online banking.
- Ubiquitous 24/7 access from anywhere where an internet connection is available.
- Always working with the latest and greatest version, as upgrades to new software features are automatically made and are available to all users.
- Automatic backups of data are performed regularly.
- Better integration of applications and data through modern web technologies (Web Services), which do not require manual intervention.

Reaction of the traditional accounting software market to SaaS

Increasingly traditional non SaaS software vendors are concerned by the success and rapid rise of SaaS applications and frequently react to the development by:

- 1 Trying to take the SaaS route themselves, yet often to find out that the transfer from traditional client/server to web application development requires long and expensive changes in business models, skills, infrastructure and processes (eg client support) including negative impact on revenues with the move away from traditional software licences to service subscriptions.
- 2 Claiming, that SaaS solutions are less secure than on-premise solutions, which ignores the potentially higher vulnerability of office computer systems run by less experienced personnel, than the SaaS providers may employ.
- 3 Relying on the conservative behaviour of accountants, who'd stick with the traditional way of doing things. As the case studies in this article show, forward thinking accounting firms are ready to use cloud computing / SaaS, even for critical vertical applications such as SMSF administration.

Consequently, recent market research (March 2011) shows that cloud computing / SaaS are not only here to stay, but are on a dramatic rise, finding that the SaaS market in our APAC region is expected to rise more than fivefold from \$775 million in 2010 to \$4.3 billion in 2015.

How is SMSF administration affected by cloud computing / SaaS?

In Australia, the majority of self-managed super funds (SMSFs) is instigated and administered by accounting firms. Due to the complex nature of SMSF administration though, over the years a whole industry specialised in SMSFs has developed. Its players either assist SMSFs directly or via their accountants and/or advisers, to cope with the complex legal and operational nature of SMSF administration.

Aaron Dunn, who founded and heads up The SMSF Academy, recently published a remarkable graphic, showing major players in the SMSF space. All these companies (SMSF industry) try to help SMSFs and their advisers/accountants.



Interestingly, while it looks as if it forms a network, in reality the SMSF industry currently lacks widespread technological integration, which would allow for a better flow of data between them and their clients.

This process of cloud / SaaS oriented networking / integration has started with companies, such as RewardSuper with RSDDataWeb, Supercorp with superMate and just recently BGL Corp Solutions with their web portal and plans to roll out the simple fund software to the web.

The rest of the industry (with a few exceptions) is mostly mired in the traditional way of non-cloud data processing and is maybe thinking about how to join the evolving SaaS space.

The endpoint of cloud-oriented integration in the SMSF space will be reached when software solutions link up automatically through web services and send data securely across, without any manual intervention.

The accountants' mindsets have to adapt to this scenario, as the integration of applications and data does not require one massive system by one vendor, but interacting specialised web applications that form online partnerships for the better of their accounting clients and their SMSF clients.

As have all innovations, cloud computing for SMSF administration has a small number of torch bearers. We present three successful organisations that are committed to the cloud, actively use it in their daily work and are already reaping the benefits for themselves and their SMSF clients.

Case study 1 - PKF Chartered Accountants and Business Advisers

The problem:

Over the years PKF had realised that a number of operational matters were not performing well enough, including office productivity and the timely availability as well as the quality of critical client transactional data.

The solution:

On the basis of a review of the company's processes and outcomes, Mark Eyles, a partner with PKF in Melbourne, decided to revolutionise their SMSF services. He turned to RewardSuper for assistance, a Sydney based technology company, which has developed and markets the RSDDataWeb data automation and integration platform as a SaaS application. PKF trialled and tested the solution over an extended time, was instrumental in advising RewardSuper to enhance various feature sets (eg WIP monitoring) and consequently implemented the solution in their East Coast practice.

The outcome:

PKF has reengineered their SMSF processes and procedures and has achieved leaner operations, more client centricity and now profitably manages the complex business of SMSF administration. Due to its commitment to RSDDataWeb it feeds completely coded transactions throughout the financial year into BGL Simple Fund and other SMSF accounting systems, which PKF deploys in their offices. Accordingly, the traditional run-up to the end of the financial year appears far less painful.

Case study 2 - Interactive Accounting**The problem:**

Sydney-based Interactive Accounting is led by a young CA, Guy Pearson, who is convinced cloud computing / SaaS is the way forward for the accounting profession in Australia. Very early on Interactive Accounting dropped all traditional IT solutions

and started to look for technology partners for its fledgling accounting business, including SMSF administration.

The solution:

In pursuit of its organisational and IT strategy, Interactive Accounting started to use online solutions only. The company is an avid user of Xero, the leading International SaaS accounting solution and other SaaS applications compliant with Xero.

The company recently started to expand their SMSF practice, using SaaS solutions RSDDataWeb for automatic data feeds / reconciliations and superMate by Brisbane-based Supercorp as their compliance solution. Interactive Accounting was instrumental in instigating RewardSuper and Supercorp to integrate their solutions and helped by performing extended practice tests.

The outcome:

Interactive Accounting is already reaping benefits from this first full-blown integrated SMSF Cloud solution. It formed a new SMSF organisational unit under the leadership of an experienced SMSF practitioner. In the new financial year, Interactive Accounting will play a burgeoning role in the financial planning space with support for specialised SMSF administration.

Case study 3 - Hayes Knight National Accounting Network**The problem:**

Hayes Knight Accountants and Business Advisers, under the leadership of Sydney-based senior partner Greg Hayes, mentor a large network of small and medium sized accounting firms throughout Australia. Under the brand name Supersentials, Hayes Knight supports the network with SMSF administration and auditing services, which the networked accounting firms utilise to better serve their clients. Frequently Hayes Knight and its network partners are confronted with time consuming and inefficient paper processes in SMSF administration.

The solution:

Consequently Hayes Knight was looking for an administration platform to support their network operations and found it in RSDDataWeb. In March 2011 Hayes Knight started their SMSF HQ service, powered by the RSDDataWeb platform.

Accountants and advisers in the Hayes Knight network use SMSF HQ themselves or outsource the service directly to Hayes Knight's Supersentials. That way the solution is suitable to experienced accountants/advisers as well as newcomers to the SMSF space.

The outcome:

Hayes Knight's Supersentials service administers around 1,500 super funds. Combined with its new SMSF HQ platform, the company intends to grow to 10,000 funds within three years. With an Australian market size of more than 445,000 super funds, there is ample room for Hayes Knight to grow into with its compliance, efficiency and cost saving administration and auditing services powered by RSDDataWeb. **FS**