Keeping your clients happy

John Haylock wonders if filing targets help run a good practice

John Haylock is executive director of The Accountants' Toolbox. Email john@acctoolbox.com

Targets for the rate of completion of income tax returns by tax agents are negotiated annually between Inland Revenue and the Institute through the "Extension of Time" process. In the financial year just finished these standard targets were:

- 40% of clients' returns filed by 17 September 2004
- 60% filed by 19 November 2004
- 80% filed by 18 February 2005
- 100% filed by 31 March 2005.

Inland Revenue states in the booklet IR9XA that this process is about spreading work throughout the year to allow both tax agents and Inland Revenue to maintain an even flow of work. I have real doubts, however, that these targets actually help firms maintain an even flow – they're not hard enough to do that! In fact, these targets allow firms to continue working in the same way they always have – with an uneven flow of work and many firms failing to meet targets.

The main reason given for not achieving targets is a shortage of staff. It is undoubtedly difficult to attract new staff at the moment, but this does not actually mean firms are short of capacity to complete their work on time.

I often ask directors of accounting firms to carry out this simple capacity planning exercise. Try it and you may be surprised.

Step 1:

Calculate the number of working days in a year – usually about 230 (46 weeks x 5 days)

Step 2:

Work out the number of clients for whom you prepare sets of annual accounts and compare this to the number of working days – the typical director of an accounting firm has around 200-250 clients, or about one set of accounts and related tax returns to be completed per day.

Step 3:

Add up how many people you have working for you and how many hours they work per day. Typically a director has a team of five people working for them, each working eight hours per day. That's a total of 48 hours per day (including the director's time).

Step 4:

Ask yourself "Is that sufficient time to complete all the requirements for one client plus all the other activities the firm has to carry out?"

In most cases, directors recognise that it is plenty of time. I have only ever found a handful of accountancy firms where I have carried out this exercise and identified genuine pressure on capacity. The issue is invariably how the firm's work is organised and managed.

In traditionally-managed firms there are simply too many jobs on the go at once in the first half of the year. This leads to slow turnaround, inefficiency and difficulty meeting filing targets. In contrast, if you reduce the number of jobs on the go at once, you can turn jobs around much more quickly. This improves efficiency, brings forward the completion date for jobs and makes meeting filing targets much easier.

At Stratagem in New Plymouth the firm used to struggle to achieve its filing targets. A system of providing quick turnaround was introduced in 2000. Since then meeting filing targets has been a breeze. In the year just finished Stratagem achieved:

- 50.14% of returns filed by 17 September 2004 (target 40%)
- 72.80% of returns filed by 19 November 2004 (target 60%)
- 89.07% of returns filed by 18 February 2005 (target 80%).

At the time of writing the firm was on track to achieve 100% filed by 31 March for the third successive year (only two L letters were issued to clients who were late providing information).

The workflow system was not, however, introduced to keep Inland Revenue happy. Rather, like any good business strategy, it was introduced to keep clients happy. The effects then flowed on throughout the business. Stratagem's financial results improved – quick turnaround naturally led to lower WIP, debtors and write-offs, plus improved profit. And the working environment also improved because fewer jobs on the go means more order and less stress.

Try focusing on quick turnaround by reducing the number of jobs you are working on at once – you'll have happier clients and discover that exceeding filing targets is easy. ■