

Inside⁺OUTSOURCING

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Sense and responsibility

Understand client data protection when working with third parties



Wood and Disney revisited



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Turning detective

There are clear benefits to partnering up with other providers for some services. But have you made sure the third party can be trusted with your clients' data? It's imperative to run due diligence before outsourcing, both to protect your clients and the reputation of your firm

Your practice may have worked hard in pulling together a business case to outsource. A strategy has been formed, the key benefits extolled and those affected brought on-side with the plans.

Clients impacted by the changes will be notified and, hopefully they'll see an improvement in service or – at least – little change. The practice will be banking on greater efficiency and/or the opportunity to improve fee income and, ultimately, higher profitability.

But does the plan include enough rigour around data due diligence? If you're working with another provider for your clients, which information does the third party have at hand? How do they access sensitive data? What are their security processes and protocols? Can you, as a practitioner, sleep soundly knowing that clients' information is protected and secure?

The starting point

Where do you start when it comes to IT and data security where a third party's concerned?

For Martin King-Turner, MD of the National B2B Centre, understanding your legal responsibilities are a good place to start. Inevitably, that means mention of GDPR. "We know that falling foul of GDPR can mean significant remedies, and will remain as law even after Brexit," he says.

The law sets out the level of privacy individuals are afforded when it comes to their data. You and your practice have a legal responsibility to ensure that data is kept private and out of the public domain. And, however you work with outsourcers, you can't subcontract that responsibility.

"Remember, not only is there the chance of being fined or imprisoned, there's the reputational damage – that could be huge to your firm," says King-Turner.

Confidence in security

It therefore comes down to due diligence. Can you feel confident about your outsourced partner's security, and how they will work with you?

"You need to gather the facts and evidence that will satisfy you that the outsourcer takes data security seriously," says King-Turner.

ISO 27001 is a security management certification, where the outsourcer sets out how their processes for data handling and security.

Sometimes it's easier to look for the things that aren't in place, or are not explained in a way to give you assurance.

"If you're asking questions and they look at you blankly, or fail to respond to your emails quickly enough [or with sufficient detail] then that's not right," says King-Turner.

"If they talk about 'emailing information over', then consider that email is, generally speaking, not a secure communication mechanism."

And then there are many popular file sharing solutions – how robust are those?

"If there were a data breach you might need a good lawyer to convince the Information Commissioner's Office that you'd done your due diligence properly."

Security questions

Third parties and cloud services offer a world of opportunities and potential cost savings. But you could be paying that price with the privacy and security of your firm and clients.

Before selecting a third party, ask for their privacy and security policy. If they don't have a policy describing how they protect your data, or doesn't meet your regulatory needs (for example, GDPR), walk away.

Strong passwords are good; multi-factor authentication is even better. Criminals will often try to break into third-party accounts to get access to your clients.

Monitor the access logs. How many people are logging in from your company, how often and what data are they accessing? If anything is out of the ordinary, dig in deeper.

Security awareness and training is important. It can take just one careless click to infect your organisation with malware that can lock you



Engaging IT support

Data security is the highest of priorities for AdvanceTrack client Ad Valorem. For project and IT manager Alex Combes, security is "championed" by him internally, but supported by an IT services company.

When looking to divulge client information to a third party, it sets in motion an assessment of how processes will work on both sides; how it is managed; and responsibilities.

In working with AdvanceTrack, it was decided that the most robust process would be for AdvanceTrack's team to remotely access information held on Ad Valorem's remote server.

"It was the best way for us to completely control AdvanceTrack's access. We've encrypted our server so it's not visible to the outside world – and really tough to hack," says Combes.

Xero-based client work is worked on by AdvanceTrack on Ad

Valorem's behalf. Effectively, the information never leaves the cloud – all through a secure portal. Combes says that he is "always looking" at tech companies' own GDPR compliance – but is very aware that the practice's own clients remain their responsibility: "When they say they're 'GDPR compliant', it's from their own perspective – not in terms of our clients."

Another tip from Combes is that the practice is robust in how technology is used by its own team. For example, nobody else in the practice can buy or use different software from an operational perspective.

Combes knows that it's difficult for smaller practices to build deep technology and IT security knowledge, but data responsibility is paramount. "You've got to look at prevention rather than fixing something that's gone wrong," he says.



Kevin Reed is a freelance journalist and former editor of *Accountancy Age*

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out of your systems and cripple your business. Ask whether the third party also has awareness training for its staff.

What backup options does your third party provide? If malware, or a disgruntled employee decided to delete all your records, or alter key figures, would you be able to spot them, or recover back to a known good version?

Have a plan in place if your third party gets hacked or goes out of business. How will you communicate to your clients and the public? For the continuity of your business, how will you recover any lost records? And consider what the implications would be if they fall into the wrong hands.

Finally, for sensitive clients, consider if you really need to put their data into the systems of others. Look for alternative, more secure options you can do in-house. Or apply your own security controls, such as encrypting the data, or using code-names instead of the real client name.

• **Javvad Malik** is security awareness advocate at security training provider *KnowBe4*

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Resolve to evolve

Inside Outsourcing catches up with Brendon Howlett, co-director of Colchester-based firm Wood and Disney. He tells us how things have progressed with the firm since we last spoke to him 15 months ago, and his thoughts on the near-term for its direction of travel

Brendon, remind us about your practice

Wood and Disney Ltd employs ten people with two directors – myself and MD Peter Disney. We pride ourselves on being innovative. We've been paperless for 15 years and embraced cloud systems.

What has changed for your practice during the past 18 months since we last spoke?

The last two years has seen the pace of change increase. The role of the traditional accountant means that the same things still need doing, but a lot will be automated. We see ourselves as not setting our stall out in that camp – of course we can do that but there is far more to us than knocking up a tax return.

Of course, numbers are key but once you've got them right you can analyse and interpret them. Be it the margin has fallen or debtor days have gone beyond what they normally show – we will help work out what's happening. We're also looking at the information as near to real time as we can.

The cloud makes knowing clients' cycle live. On the bookkeeping side of things, we've taken on so much more of that than we used to. We can't do all that, so that's where we've leaned on AdvanceTrack.

Has AdvanceTrack helped you through those changes? How has your relationship evolved?

Bookkeeping and accounts prep are not mutually exclusive. Let us do it, using AdvanceTrack. A system is in place so the data is reliable and then we can analyse and then hopefully get better results.

Cloud software is strong in the output but the data going in at the start has to be accurate. Contact with clients is always through us – it's about building our relationships with clients.

Despite being situated miles away from us, we see AdvanceTrack as an integral part of our team. We collate information internally and have sensible conversations with AdvanceTrack on a regular basis, about



process improvement and information flow.

They've always been able to do our accounts working papers well, and now we both have more ongoing dialogue as a part of our team.

What does the next 18 months hold?

Jump back a few months to MTD – it went smoother than anticipated. But then full MTD will come on board both from a corporate and personal tax perspective, which means we'll rely more on AdvanceTrack to help deliver that.

On the app side of things, we've appointed an app champion to manage and filter it. On client service for example, if we've got up-to-date data and look at their sales... why are invoices unpaid? We need to do something on credit control. Rather than spend time on it, let's improve the process and automate it. So we'll give the clients a choice of system by not being wholly wedded to any one app.

Dedication's what you need: The evolution of our service to you

We pride ourselves on a premium service at AdvanceTrack. That means updating and developing that service as you require.

The latest evolution of our service is to provide dedicated team members to our client firms. "There's a demand for that, so that's what we've started to offer," says AdvanceTrack MD Vipul Sheth.

Contact AdvanceTrack at advice@advancetrack.com to find out more.



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