



18/01/2024

SMALL AND MEDIUM SIZED PRACTICES (SMPs) STRENGTHENING PRACTICE MANAGEMENT : CHALLENGES AND WAY FORWARD

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Agenda

01. Background

About the SMPs, IFAC Practice Management Module, Top Global Challenges as per IFAC Survey

02. SMPs in Nepalese Context

Number of Members, Firms and some statutory and regulatory provisions

03. Key Consideration Challenges

Challenges faced by SMPs in Nepal

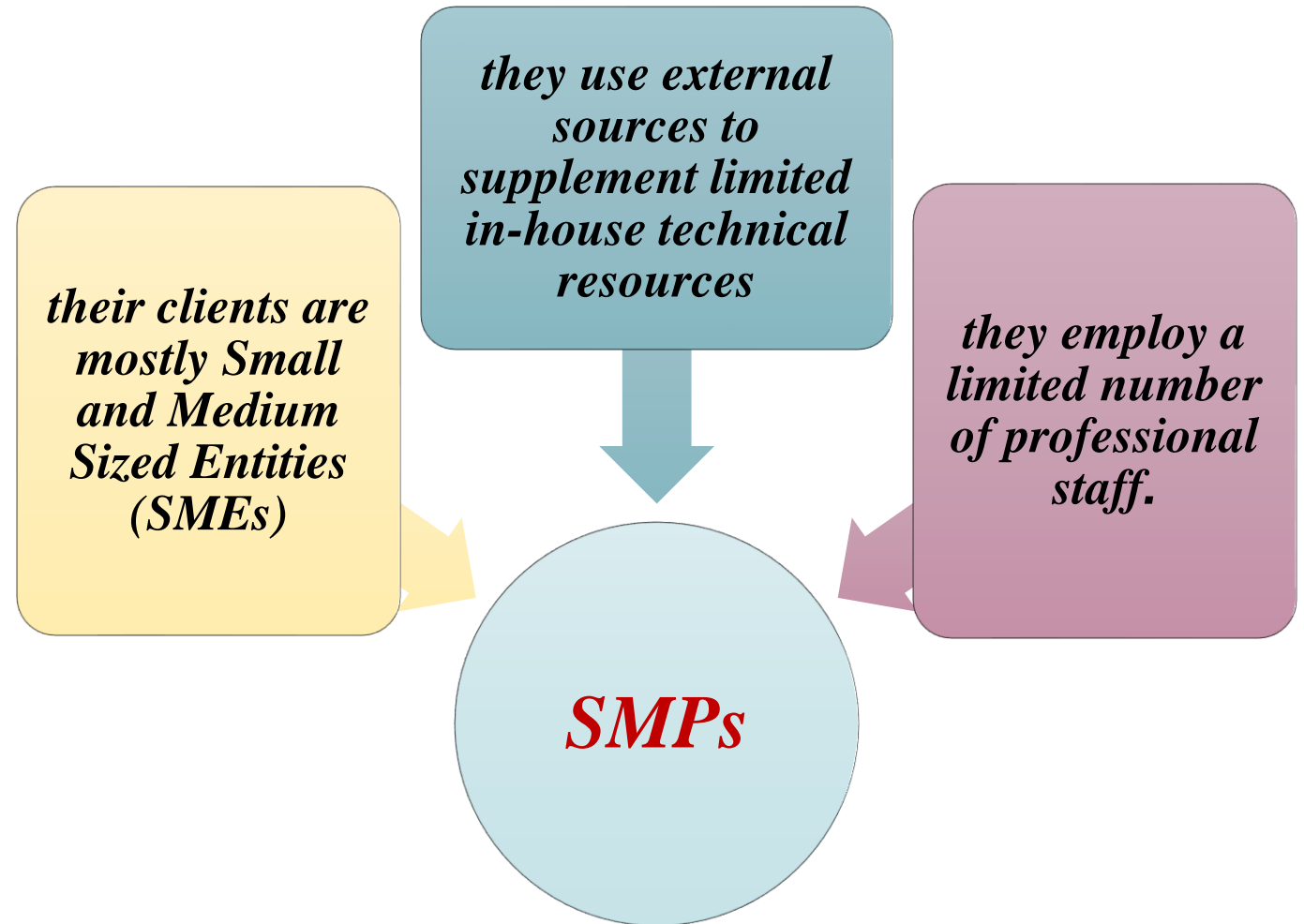
04. Way Forward

Way Forward to overcome the challenges faced by SMPs in Nepal



Definition

Definition of SMPs varies across the Jurisdiction. However, the International Federation of Accountants (IFAC) has defined SMPs as practices that exhibit the alongside presented characteristics.



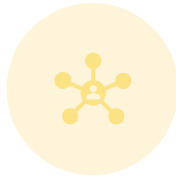


IFAC Guide to Practice Management for SMPs

The fourth edition of the IFAC Guide to Practice Management for Small- and Medium-Sized Practices published on 23rd May 2018 outlines eight stand-alone modules to help SMPs operate more efficiently in the increasingly complex and competitive global marketplace for professional services. (Source: https://www.ifac.org/_flysystem/azure-private/publications/files/PM-Guide.pdf)



STRATEGIC PLANNING
(Planning for your firm)



PRACTICE MODELS, ASSOCIATIONS AND NETWORKS



FIRM EXPANSION
(Building and growing your firm)



MANAGING STAFF *(People power: developing a people strategy)*



LEVERAGING TECHNOLOGY



CLIENT RELATIONSHIP MANAGEMENT



RISK MANAGEMENT



SUCCESSION PLANNING

TOP GLOBAL CHALLENGES⁵

CONSISTENT CHALLENGES DRIVE OPPORTUNITIES FOR INNOVATION

48% PRESSURE TO LOWER FEES



- Set prices for certain services based on estimated value for the client
- Evaluate and group clients to offer different service levels
- Maximize technology to improve processes and lower costs

46% ATTRACTING NEW CLIENTS AND RETAINING EXISTING CLIENTS



- Develop relationships with other firms for referrals and create a networking plan
- Create a marketing strategy that embraces all areas and activities of the firm
- Develop a social media strategy to engage with clients and attract staff

46% DIFFERENTIATING FROM COMPETITION



- Specialize in a specific industry sector or niche
- Leverage technology when communicating, providing services and engaging with clients
- Invest in educating and training staff, both technical and soft skills

45% KEEPING UP WITH REGULATIONS AND STANDARDS



- Embrace online learning for flexibility and join with other firms for specific sessions
- Set aside time and organize informal group staff discussions on changes
- Take advantage of professional accountancy organizations resources and join local business associations



2. SMPs in Nepalese Context

- Two Category of Practice Owners:
 - **Chartered Accountant (CAs)** and
 - **Registered Auditors (RAs)**
- Scope of Audit is prescribed for RAs
- Partnership is prohibited between RAs and CAs by law.
- All Practicing RAs are sole practitioners.
- RAs are not authorized to train CA students and at times face lack of professional employees

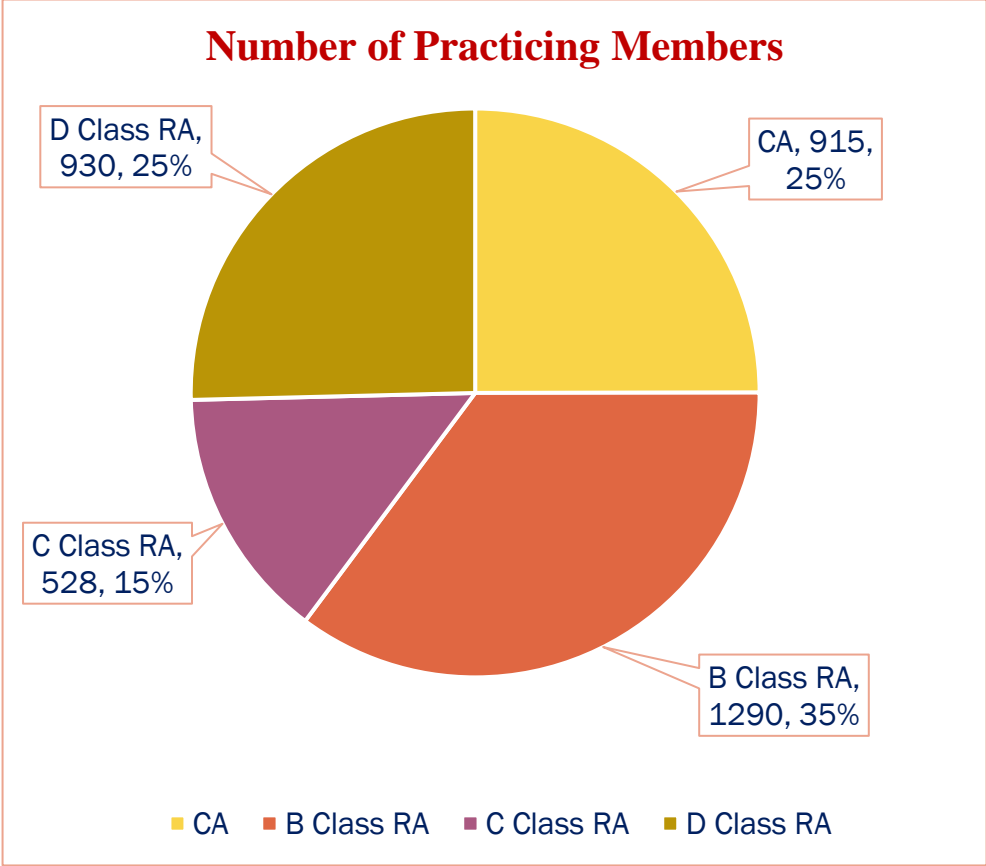
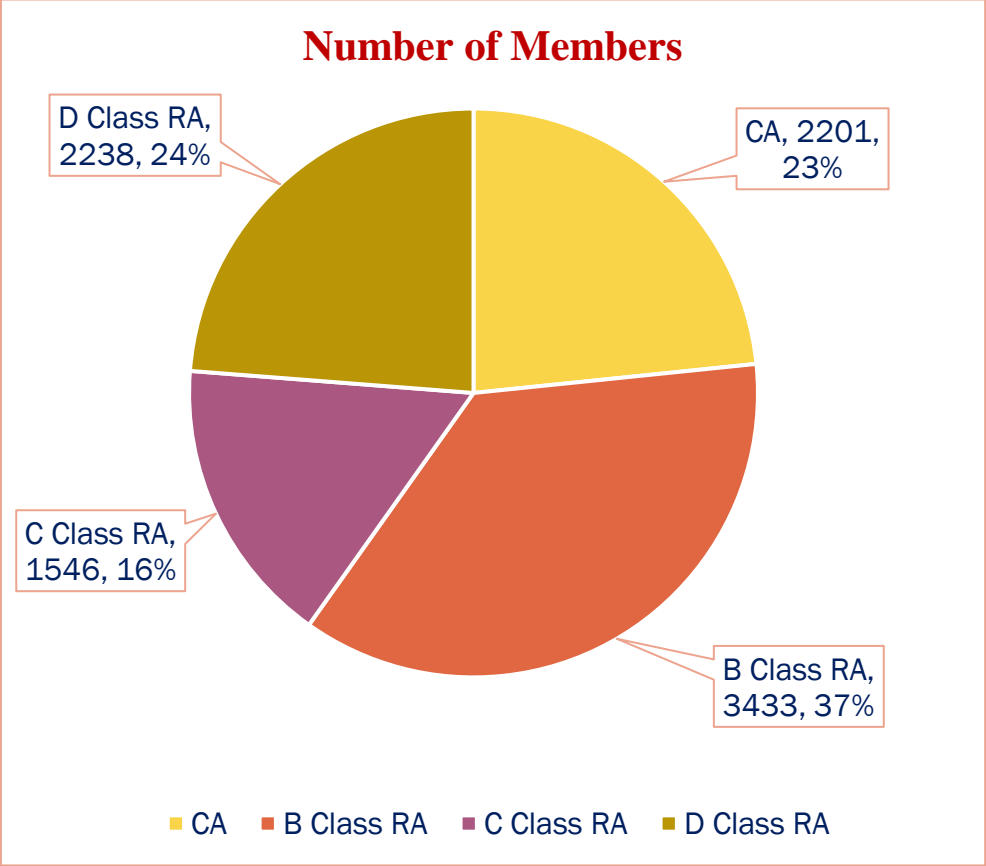


Number of Professional Accountants in Nepal

(As at end of Chaitra 2080)

2,201 Chartered Accountants

7,212 Registered Auditors





Number of Practicing Firms in Nepal

(As at end of Chaitra 2080)

915

Practicing CA

2,748

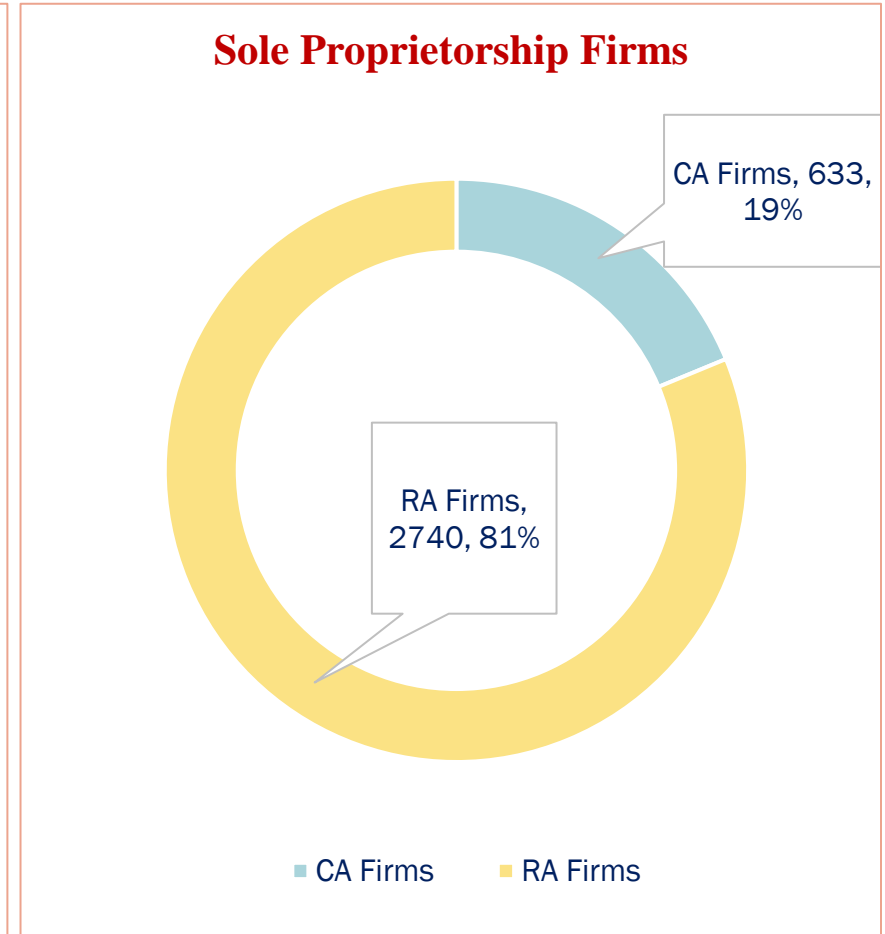
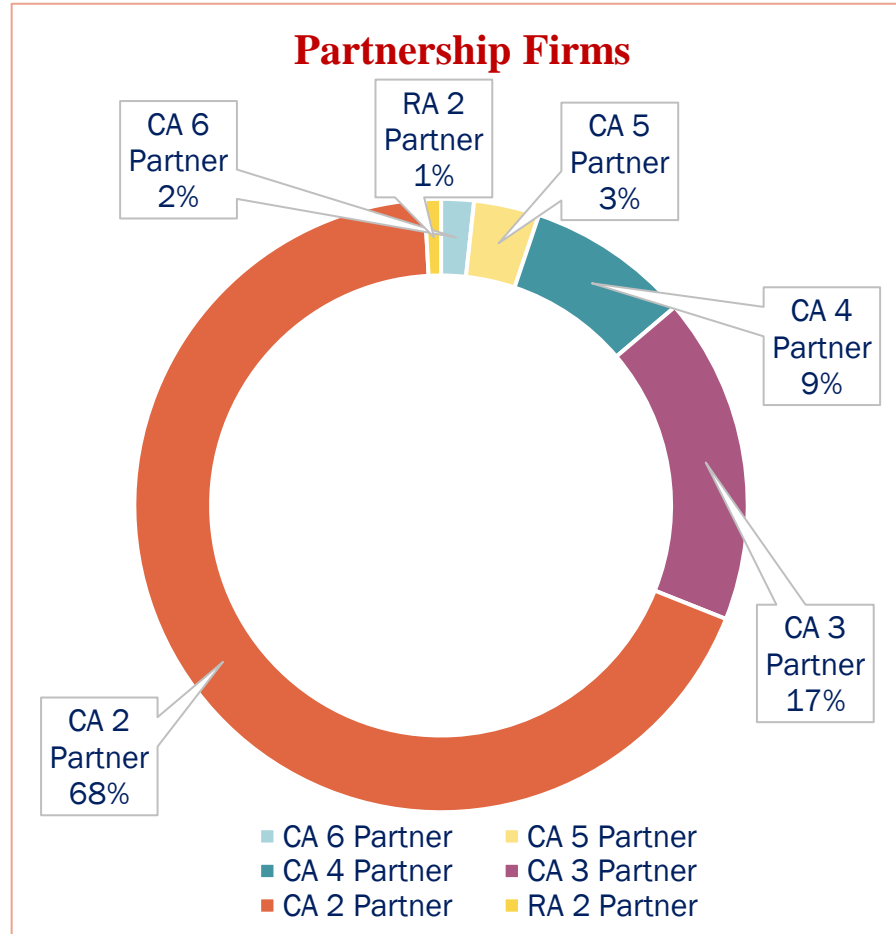
Practicing RA

3,373

Proprietorship Firm

116

Partnership Firm





03. Practice Management – Key Considerations and Challenges

Key Considerations (to be made)

- Technical Competence and CPD
- Strategy / Planning
 - Networking for synergy
- Client Relationship Management (CRM)
 - Professional behavior
 - Confidence/ Dependability/Value Addition
 - Client Education
- Leverage Technology
- Risk Control; Quality Control (Management)
- HR Management
- Succession Planning

Challenges – Specific to practice

- Strategy/Objective/Goal not clear
- Regulatory Changes
- Fee Pressure
- Higher Cost of Technology Adoption
- Attracting and retention
- Attracting New Clients and retaining existing ones
- Work Load Management
- Lack of adequate specialization
- Weak system of corporate governance in clients
- Quality Management



4. SMPs Practice Management – Way Forward

- **Think Strategically** – have strategic objectives and the strategies to achieve them.
- Treat the practice as you would treat your **business/client**.
- Clarity on Revenue Growth Plans : **Specializations Vs Generalizations**, Increase the new clients Vs new services to the existing clients
- **Business advisory services** should form the major component SMPs Professional services amidst the challenging business environment in the SME segment
- Audit and other regulatory required professional services should integrate an element of **added value**
- **Innovation** to bring packaged professional services to SMPs
- **Frequent and constructive engagement with client**, especially the top level of client management
- Enhancing **understanding of business process, industry trends and related risks** in SMEs
- **PAOs** to adopt policies to encourage establishment of **partnership firms**.



SMPs Practice Management – Way Forward

- Regulators and PAOs should **develop and share practical guidance, tools and resources**
- **Adopting with technology** both at SMPs and SMEs level
- **Professional Indemnity Insurance** should be popularized and encouraged to secure and protect the interest of stakeholders
- SMPs should adopt strategies to manage **succession planning** and ensuring continued service delivery to their clients
- **IT system** of the SMPs must be managed effectively and effective control should be held over firm's and client's data held with the SMPs
- **Alliance with firms** for training arrangements and for sharing expertise
- Provision of **office manual** for enhancing internal efficiency and outlook



Risks and way-outs

Risk	Category	Way Out
1	Regulatory and Compliance Risks a. Non Compliance with standards, laws, regulations etc b. Data Privacy c. Errors and Omissions	a. Stay updated through CPD/CPE - Regular Courses and trainings. b. Investment in systems. c. Robust QC/QM procedures must be in place
2	Financial Risks	Proper strategy and business/growth plan
3	Operational Risks a. Staffing Challenges b. Technological Risks [Vulnerability to system failure]	a. HR Strategy/ Planning b. Adequate support system in place.
4	Market Risks a. Competition [with other SMPs and larger firms] b. Client Concentration	a. Plan strategically . Work harder to satisfy client b. Diversify and go to form larger partnerships.
5	Ethical Risks a. Conflict of Interest (COI) b. Pressure to meet deadlines/financial targets	Strict adherence to Code of Ethics Training on Ethical guidelines must be provided on regular frequency
6	Lack of succession planning	Retirement Plan must be in place.
7	Quality of Service	Must be maintained at all times.

Leveraging Technology – The ‘in thing’

Following needs to be considered

- Cloud Based Accounting Software
- Practice Management Software with embedded audit and documentation tools
- Portals for sharing documents
- Client communication tools
- Cybersecurity and data protection including securing physical assets
- Learning and Development Platforms
- AI and Automation
- Block chain and Cryptocurrency





Thank you

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