How to move to an accounting package?

Whether it's about financial governance or financial management, we receive emails almost daily asking us where to begin with charity finance. We share some of our thoughts here on what we think makes for a good, solid start. You may need less, more or a slightly different approach. There is no one size fits all.

Why we love bookkeeping

‘Bookkeeping, one of the finest inventions of the human mind’

Goethe

"Bookkeeping is the practice of recording and tracking the financial transactions of a business."

Xero

Do I actually need an accounting platform or will MS Excel do?

Often, small charities start out recording their financial transactions on Excel and a well-designed workbook can be their best friend when it comes to keeping on top of the financial position.

However, as we grow, it can be increasingly difficult to stay on top of things such as managing restricted funds or staying compliant with statutory requirements such as filing VAT returns, and that's when it's probably time to move to accounting software.

So, if you are happy with excel and nothing is broken, don't fix it. If, however, Excel is no longer working for you, then migrating to an accounting system is a good opportunity to take your financial management – and social impact – to the next level.

What are my options?

There are many good accounting software providers out there. Some come free with our bank accounts. These can work very small for small charities when the numbers are simple.

When things get a little more complicated and we want to be able to track more than 2 or 3grants say, or when we want to compare actuals to budget on a regular basis then our two favourite online providers for small charities are QuickBooks Online and Xero.

In short, we find, that QuickBooks Online is slightly stronger on fund accounting and reporting, while Xero is slightly stronger on integrating with third party business software such as electronic point of sale (epos) systems and banking providers. However, both are good and will likely meet most of your needs.

Is it worth the cost?

in the future financial resilience of our charity rather than a cost.

In finance, all roads lead to bookkeeping. And in small charities, a lot of our income is restricted with reporting requirements. Keeping track of it all is not only a compliance issue, it is also essential if we are going to have a fighting chance of (a) staying on top of the numbers and (b) build our longer term resilience. Managing multiple restricted funds in a way that actually meets charity accounting regs and which makes clear our financial position is a no brainer for us. So yes, it will cost more than Excel but if set up and rolled out well it will pay back many, many times over in really value sleep credits. Cost cutting on bookkeeping is not recommended.

When is the best time to do it?

In our experience, migrating to an accounting system works best from the beginning of a financial year. This doesn't mean that you need to wait until the new year necessarily, it may be that you are just a few months in, in which case you may just need to backdate some of the financial transactions. In any event, planning will start, ideally, a couple of months before you have decided to migrate.

registration on the horizon, plan early.

What do I need to look for?

We find that the following is pretty helpful when setting up an online accounting system:

- Syncing with bank accounts
- Customising the income and expenditure accounts
- Tracking options to track grants
- Budgeting by tracking options to compare grant budgets to actuals
- Importing customers and suppliers
- Invoicing and ability to customise the invoice template
- Ability to run actual v budget reports by departments
- Third party integrations with EPOS systems
- User accounts with tiered permissions
- Payroll and RTI filing (if processing inhouse rather than outsourcing)
- VAT and making tax digital capabilities

- Ability to load documentation to transactions
- Support helpline

Both QuickBooks Online and Xero offer all of these functions. However, not all functions are available at all subscription levels. Costs can mount quickly so we recommend scoping costs before committing.

What is the process?

All migrations are slightly different. However, there are commonalities:

- You have identified the management information you need to generate
- You have spent time identifying other functions you need
- You have identified the accounting system that is in budget
- You have a list of your income and expenditure categories
- You have a list of your grants
- You have your opening balances
- You have a list of suppliers and customers

- You have a project implementation plan
- You have cleared 1 or 2 days to get it up and running
- You have the skills you need to maintain it and be confident in the reports it generates

Integrating with other software

Bookkeeping can be time consuming when done well. Fortunately, there are many ways to speed things up without compromising on accuracy and completeness:

- Integrating the accounting system with your banking provider to automatically download your financial transactions. QuickBooks Online and Xero can both do this with most high street banking providers. If you bank with a provider that cannot be integrated then importing a csv file is often a good, quick alternative.

- Integrating the accounting system with your electronic point of sale system such as Stripe or Square. Xero has full integration

Managing grants

Being able to report on grants is essential. We want our bookkkeeping system to do as much of the heavy lifting as possible when it comes to managing grants.

We can do this in both Xero and QuickBooks Online. In Xero we have two tracking options (which we can name as we wish, such as programmes or funders) and in QuickBooks Online we have classes (often used to manage funds) and locations (often used to manage, well, locations but these can be used for other purposes).

Both systems have pre-set reports which will prepare a profit and loss report by, say, funder, with just a few clicks. However, not all subscriptions provide this functionality. It pays to check the functionality of each subscription level before committing. It is worth bearing in mind that this function needs at least some manual intervention to work. The systems don't (yet) code all transactions themselves.

Get support

1. Find a registered bookkeeper (with the IAB, ICB or AAT), who is familiar with small charities, is experienced in cloud migrations and used to supporting organisations with their move to their first accounting system. Ideally, it's best to work with someone who is a member of a professional body (it is illegal to work as a bookkeeper without anti-money laundering supervision) and with someone who you get on with. Working with a bookkeeper is often a long-term relationship.

2. It can take time to find the right person so starting early helps. Try personal recommendations, researching the Community Accountants Network or searching the QuickBooks ProAdvisor database or Xero Advisor Directory or the professional associations.

Get a plan

4. Identify the functions you think you will need in your accounting software and rate them in terms of essentials and desirables.

5. Identity one or two options and compare the essential and desirable functions against each other. Choose the one with the closest fit.

7. Contract a specialist to scope and build the system.

Get started

14. Book the migration for a time when you can give it sufficient headspace and energy.

15. Build the system, enter the income and expenditure transactions. Reconcile with your bank accounts and run test reports. Run concurrently with your existing system for at least two months.

16. Reconcile, reconcile, reconcile.

Lead your organisation to a more financially resilient future

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