

Does your legal accounting software fit the bill?

Setting the scene

Staying compliant with accounting regulations is an imperative of legal service providers. Yet headlines abound in trade publications of law firms failing to do so. Each headline is a stark reminder of our financial management obligations which take the form of the SRA Accounts Rules, CLC Accounts Code or Scottish Accounts Rules, depending upon the specialisms and location of the practice in question.

There is no denying that these rules are complicated. You could say it is the nature of the beast. Such governance is in place to protect the money of consumers of legal services. The sums at stake are considerable. You only need to think about property sales, for example, to appreciate the volumes handled by practices in an average day.

Oftentimes, failure to comply is deliberate. Embezzling funds is an unfortunate reality, even amongst those we revere as icons of honesty. Sometimes, however, breaches occur because of flaws, or a lack of guidance, from your accounting software.

As a multiple-award-winning provider of legal accounts software, here we spotlight some of the technicalities of software features to enable meticulous bookkeeping, as well as throw our net wider to cover elements of the software contract with your vendor.

Software updates are the cornerstone

Keeping your software up to date is absolutely essential for two reasons – functionality and security. For the first of these – functionality – you rely upon your supplier to roll out regular updates whenever our industry faces change. If you assume this is a given, though, you could not be further from the truth.

With some suppliers, legacy systems are not subject to ongoing investment in product development. Typically, there is an ulterior motive at play in these circumstances – which is to force firms to move to an alternative or newer application. This situation largely tends to come about following acquisitions and mergers with the acquisitive or dominant company putting plans in place to focus software development efforts on the most profitable systems, to the detriment of anything else. Companies adopting tactics such as this are concerned more with their own revenue figures than you, even if it means that outdated functionality is going to trip you up in a major way. This can, and does, happen. Take the Government's Making Tax Digital initiative as an example. Many law firms have found that their legal software has not been updated to enable them to submit their VAT returns directly from the system. Even now, many firms are relying on bridging software – but for how long will this be allowed? Any law firm using software that is no longer a 'go forward product' should be hearing the clock ticking.

On the second subject – security – without regular software updates, your door is left wide open for cybercriminals. The reason being your software will not be patched for security threats such as

phishing, malware, man-in-the-middle, denial-of-service and spyware – cyberattacks which get more sophisticated and voluminous over time. However, it does not take an ingenious cyberattacker to violate the security of outdated and potentially unsupported software.

The consequences of a cyberattack can be devastating. In the worst cases, it can bring about a business's demise. Financial losses can take many forms, from actual theft of funds from your bank account to the sizeable cost of downtime if operations come to a halt during the breach or forced payment of ransoms in order to get your operations up-and-running again.

Determined by the nature of the breach, the ramifications can be expansive. A prime example of this is loss of clients' data. It might be worth remembering that the biggest fines for breaching data protection obligations under GDPR is €20 million or 4% of global annual turnover. If there is one thing that can put a business in peril, surely this is it.

The fallout does not end there either. Even if financial losses incurred can be overcome, violations from cyberattackers can impact reputation so negatively that consumer trust is jeopardised. Loss of business from reputational damage can affect the bottom line just as severely, if not more, than anything else.

The constancy of change

A natural follow on to the topic of keeping software functionality up to date is changes to accounting rules. Looking back upon the past eighteen months, our sector has faced revised SRA Accounts Rules, new Making Tax Digital legislation and strengthened anti-money laundering requirements in the form of the 5th AML Directive.

These three examples alone demonstrate the constantly changing nature of legal accounting specifically and bookkeeping generally. To cater for every single change to legal accounts processes, software features must be enhanced or added to keep finances on track, protect client monies and remain compliant with regulators, both inside and outside the industry. Needless to say, software that is not updated cannot make promises to deliver these goods.

It is worth noting at this point that not all accounts packages are the same – even those with routine injections of product development investment. Some systems are flamboyant in terms of fee earner functionality but lack the solid foundation for accounts management by cashiering personnel. Other systems are generic for any sector; not created specially for law firms. These are equally dangerous as they do not sufficiently address the peculiarities of legal accounting.

Aside from assisting adherence to evolving accounts rules and regulations, your software should contain the tools to improve business intelligence, monitor past performance, undertake cash flow forecasts and grow your business. So, when conducting a review of your software options, as well as investigating the periodicity of updates conforming to prescribed guidelines, inspect too the audit trail mechanisms and reporting suites.

End user training is vital

If you find yourself in the lucky position of operating a quality legal accounting system, make sure your practice staff are using the bells-and-whistles functionality to its fullest potential. Not only will this achieve the best return on your software investment, it is a way of guaranteeing that you are utilising each facet of the software exactly as it was intended. In other words, your financial management processes are watertight.

No one wants to become the next front-page news of a law firm becoming undone by their software, especially if it is no fault other than their own. Commit to spending on training. It is an expense you will never regret.

This concept applies to employees at every level – fee earners for recording time, undertaking AML checks and logging disbursements; cashiers for managing ledgers, reconciling bank accounts, billing clients and submitting VAT returns; COLPs and COFAs for maintaining breach registers and demonstrating ongoing compliance; and, lastly, senior leadership teams for overseeing finances, managing and developing their business. One weak link in the chain is enough to trigger catastrophe.

The criticality of your software contract

Software contracts are a prominent subject in their own right. While this is not the space to delve in depth, there are a few essential pointers to avoid potential contractual difficulties with who will effectively be your primary supplier.

First, lengthy contracts are ill advised. If you commit for the long term and discover early on that the software just is not suitable or sufficient for your needs, or not being updated as required, there is a seemingly endless rocky road ahead. There is nothing worse than remaining loyal to a product out of contractual necessity rather than choice. It is not the basis of a mutually beneficial professional partnership. Instead, it is a breeding ground for resentment, frustration and misery. The best software contracts are those with shorter terms – even better, rolling monthly contracts – with cost-increase clauses and minimal notice periods.

Second, do not spend large amounts upfront on software as you will feel compelled to stay with it even if you quickly become unhappy. Cloud software vendors will not demand upfront capital expenditure. The alternative route offered is software-as-a-service delivery necessitating nothing more than an initial, one-off data transfer and set up fee.

More about Insight

So, what exactly do we do at Insight? We are absolutely committed to continuing software development. You can rest assured that our legal accounts package will keep your accounts on the straight and narrow. We design our software specifically for UK and Ireland-based law firms. You can depend upon our solution to observe the subtle (and not-so-subtle) nuances of your jurisdiction. We take our security responsibilities seriously. You know your data is in careful hands. We research changes impacting the sector and develop our software accordingly. You have complete confidence that your software is cutting edge. We prioritise training. You gain ROI tenfold. We offer

straightforward pricing comprising no prohibitive upfront costs, and either 30 day or 12 month rolling terms. You save money to reinvest back into your business.

In conclusion, do not suffer with nightmare accounting software. Choose your supplier with care. With the right organisation behind you, you cannot go far wrong.

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