INFLOW FUSION

Data Audit Report

Fennimore Lyle Accountants

Review of client, job, time and billing data

Prepared for	The Partners, Fennimore Lyle Accountants
Prepared by	Inflow Fusion
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This is a sample report. Fennimore Lyle Accountants is a fictional practice and all figures are illustrative. The report is published to show the structure and standard of the data audits we deliver. Any resemblance to a real firm is coincidental.

Document control

Version	Date	Description
0.1	23 October 2026	Draft findings presented to the partners
0.2	28 October 2026	Partner comments incorporated; job set-up timings revised
1.0	2 November 2026	Final report issued

Distribution: the two partners and the practice manager of Fennimore Lyle Accountants. This report is confidential and is intended for the use of the firm only.

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1 Executive summary

1.1 Background

Fennimore Lyle is a twelve-person practice with 540 active clients and fee income of £1.14 million in the year to 30 September 2026. The partners engaged us for three reasons: write-offs at the year end have grown for three years in a row; the figures in the monthly partner pack rarely agree with Xero Practice Manager; and the firm feels at capacity even though client numbers have been broadly flat.

We carried out the review between 5 and 23 October 2026. It covered the firm's practice management system, its job and deadline spreadsheets, a sample of inboxes and compliance files, and interviews with nine of the twelve staff.

1.2 Overall conclusion

The firm holds the same client and job information in four places, and those places do not agree. Each new job is entered three times. Jobs are marked as finished in a spreadsheet but remain open in Xero Practice Manager, so nobody is prompted to bill them. Work that falls outside a client's engagement letter is recorded as ordinary time and is never priced.

In our view the root cause is not the software or the people. Xero Practice Manager is capable of doing everything the firm needs, and the staff we spoke to were careful and well organised. The problem is that the firm has never decided which system is the record, and so it maintains several.

1.3 Key figures

Table 1: Key figures from the review

Measure	Result	Comment
Time recorded at charge-out rates	£1,380,000	Realisation of 82.6%
Fees billed	£1,140,000	
Time that could have been billed but was not	£99,000	Out-of-scope work and finished jobs never invoiced (section 4.3)
Staff hours spent on duplicated or manual work	426 hours	About 0.3 of a full-time role (sections 4.2, 4.6 and 4.8)
Lockup (WIP days plus debtor days)	93 days	About £290,000 of fees tied up at any time (section 4.4)
Late-filing penalties credited to clients	£675	Three penalties, two traced to the deadlines spreadsheet

1.4 Priority actions

We make twelve recommendations in section 7. The three that matter most are:

1. Review the 96 finished jobs that have not been invoiced, which carry £41,000 of unbilled time, and bill or formally write off each one. Introduce an out-of-scope time code so that extra work is identified as it happens.
2. Correct the deadlines spreadsheet against the Companies House register. Eleven client companies are missing from it and nine have the wrong filing dates.
3. Make Xero Practice Manager the single record of clients and jobs and retire the Jobs Tracker spreadsheet. Most of the other issues in this report follow from the Tracker running alongside it.

We estimate that the recommendations, taken together, are worth between £73,000 and £125,000 a year in recovered fees and released staff time, with a one-off cash benefit of around £91,000 from faster billing. Section 9 sets out how these figures are derived.

2 Scope and approach

2.1 Objectives

The objectives agreed with the partners at the start of the engagement were to:

- map how client, job, time and billing data moves through the firm;
- identify where that data breaks down and estimate what each break costs;
- set out what should be fixed first, distinguishing quick wins from longer pieces of work; and
- describe what the firm's data could tell the partners once it is held in one place.

2.2 Scope

The review covered the firm's internal practice data. It did not cover the bookkeeping files the firm maintains for clients in Xero and QuickBooks, other than as a source of job information, nor the configuration of the payroll software. Where we comment on anti-money-laundering (AML) records or data protection, we describe what we found in the data; we do not give legal or regulatory advice, and the firm's MLRO should determine the appropriate response.

2.3 Sources reviewed

Table 2: Data sources reviewed

Source	Content	Extent of review
Xero Practice Manager (XPM)	Client records, jobs, timesheets and invoices	540 clients; 14,236 time entries; 2,318 invoices
Jobs Tracker spreadsheet	Job list, status, agreed fee and assigned staff. Four copies in use.	1,642 job rows across 23 columns
Deadlines spreadsheet	Companies House and HMRC filing dates	211 company rows
Companies House register	Public filing dates, used to test the deadlines spreadsheet	All 222 registered clients
Outlook inboxes	Client queries, records received, reminders	Sample of 400 emails across six inboxes
Shared drive	AML identity files, risk assessments, engagement letters	120 AML files sampled; all 540 engagement letters dated
Monthly partner pack	Excel summary of fees, WIP and debtors	Twelve monthly packs
Staff interviews	How work is set up, tracked, billed and reported	Nine staff, 45 to 60 minutes each

2.4 Method

Week 1. We interviewed each role and observed staff setting up jobs, recording time, chasing records and raising invoices. We timed each step.

Week 2. We extracted data from XPM and the spreadsheets, downloaded filing data from Companies House, and matched clients and jobs across every source using company number, client name and job reference.

Week 3. We traced the difference between time recorded and fees billed, tested the quality of each source, and valued each finding using the firm's own charge-out and cost rates. Draft findings were presented to the partners on 23 October 2026 and their comments are reflected in this report.

3 How data moves through the firm

Figure 1 shows where client, job and time information enters the firm, where it is copied, and where it is used. The numbered points mark places where information is re-keyed, falls out of date or stops moving. The findings in section 4 refer to these points.

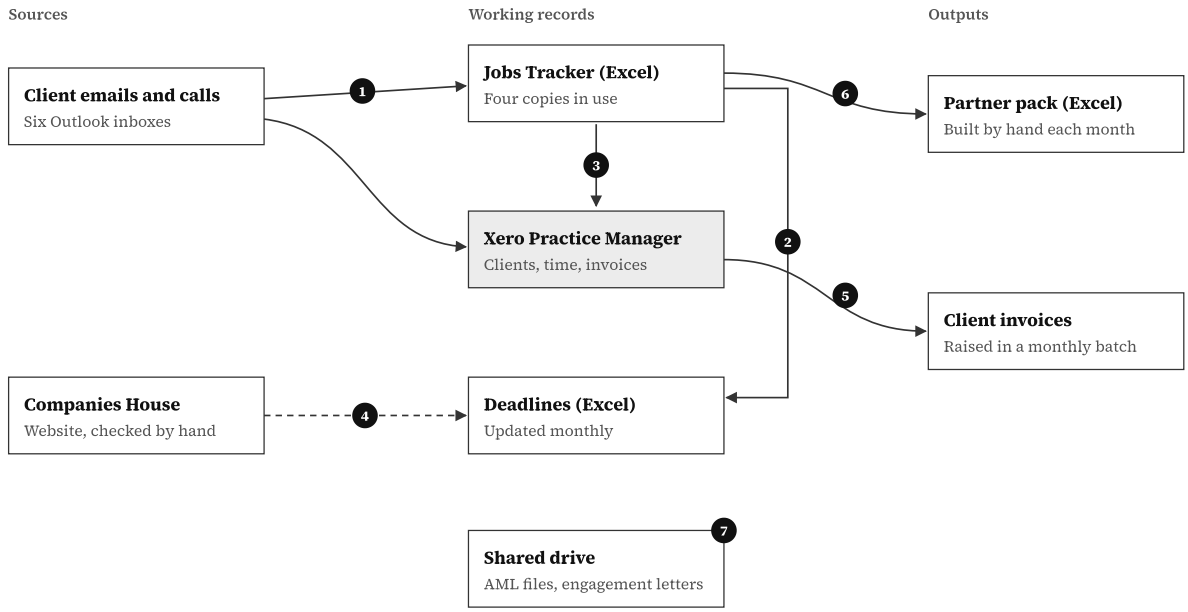


Figure 1: Current flow of client, job and time data, with break points numbered

Table 3: Break points shown in Figure 1

No.	Description	Finding
1	New client details are entered separately in XPM and in the Jobs Tracker, and the two drift apart.	1
2	Each job is set up three times: in the Tracker, in XPM and in the deadlines spreadsheet.	2
3	Job status is updated in the Tracker only. Finished jobs remain open in XPM and are not billed.	3, 4
4	Filing dates are copied by hand from the Companies House website once a month.	1, 6
5	Invoices are raised in a monthly batch, and out-of-scope work is not identified for billing.	3, 4
6	The partner pack is compiled from a copy of the Tracker rather than from XPM.	8
7	AML files and engagement letters are not linked to the client record.	7

4 Findings

We set out eight findings below. Each is given a priority. *High* means the firm is losing fees, or is exposed to a penalty or regulatory risk, now. *Medium* means a recurring cost in staff time or accuracy.

4.1 Client records are held in four places and do not agree

Priority: High. Break points 1 and 4.

Observation. We matched every client across XPM, the Jobs Tracker, the deadlines spreadsheet and the Companies House register. The Tracker contains 583 client names against 540 active clients in XPM; of the 43 additional names, 29 are former clients and 14 are the same client recorded under a different spelling. The deadlines spreadsheet covers 211 of the firm's 222 Companies House-registered clients, and all eleven omissions are clients taken on in the last nine months. Of the 211 companies that are listed, nine show an accounts due date that differs from the public register, usually following a change of year end or a first set of accounts. Separately, 31 of the 540 email addresses in XPM (5.7%) differ from the address the client last wrote from.

Impact. The firm credited clients £675 for three late-filing penalties during the year. Two of the three relate to companies that were missing from, or wrongly dated in, the deadlines spreadsheet.

Cause. There is no single record of a client. New clients are added in whichever system the person onboarding them happens to use, and nothing reconciles the copies.

4.2 Every job is entered three times

Priority: Medium. Break point 2.

Observation. We observed 24 job set-ups. On average a job took eleven minutes to set up across the Tracker, XPM and the deadlines spreadsheet, compared with around three minutes to set it up once in XPM. In 148 of 1,642 jobs (9.0%) the fee recorded in the Tracker differs from the fee agreed in XPM. We found four copies of the Tracker in active use, including one kept personally by a manager.

Impact. The additional eight minutes across 1,642 jobs amounts to 219 staff hours a year. Where fees differ, staff are unsure which figure to bill.

Cause. The Tracker was introduced in 2019, before the firm adopted XPM, and was never retired.

4.3 £99,000 of billable time was not billed

Priority: High. Break points 3 and 5.

Observation. Staff recorded £1.38 million of time at the firm's charge-out rates during the year, against which £1.14 million was billed, a realisation rate of 82.6%. We traced the whole of the £240,000 difference, as shown in Figure 2.

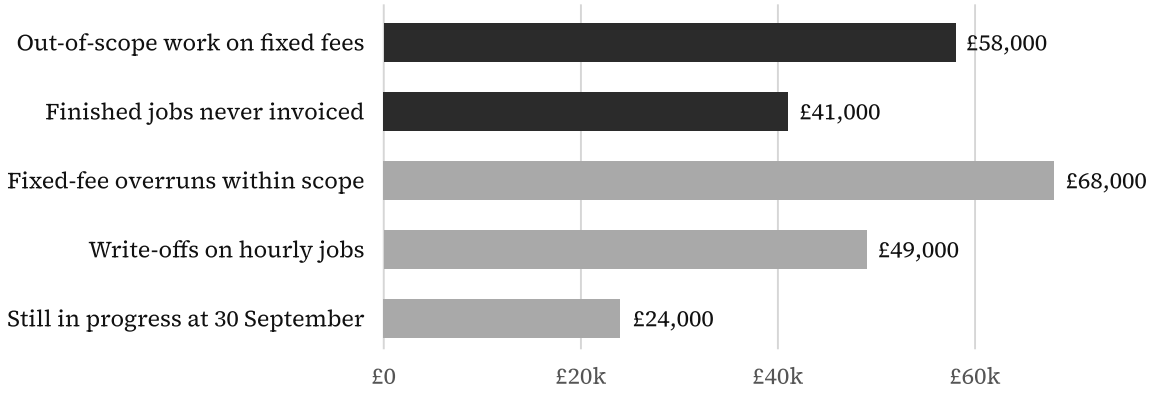


Figure 2: Analysis of the £240,000 difference between time recorded and fees billed. Dark bars could have been billed.

Two elements of the difference relate to work that could have been billed. First, we reviewed the narratives on 3,410 time entries against fixed-fee jobs and found 1,020 describing work outside the engagement letter, such as catch-up bookkeeping, additional VAT returns, HMRC enquiries and Companies House changes. This work is valued at £58,000 and none of it led to an additional fee. Second, 96 jobs are recorded as complete or filed in the Tracker but remain open in XPM with £41,000 of unbilled time; 61 of them were completed more than 90 days ago.

In addition, fee-earners told us they spend two to three hours a week on client emails and calls that they do not record, which we estimate at around 1,150 hours a year. Because this figure is self-reported we have excluded it from all totals in this report.

Impact. Each percentage point of realisation is worth approximately £13,800 a year to the firm. Practices that bill promptly on completion and price additional work as it arises commonly achieve realisation above 90%.

Cause. Nothing tells the person responsible for billing that a job has finished, or that work has gone beyond the agreed scope. Write-offs are only seen at the year end, by which time it is too late to bill them.

4.4 Slow billing ties up around £290,000 of cash

Priority: High. Break points 3 and 5.

Observation. Invoices are raised once a month, after partner review. The median interval between completing a job and invoicing it is 38 days. At 30 September 2026 the firm had 54 WIP days and 39 debtor days, giving lockup of 93 days. Only 22% of fixed-fee clients pay monthly by direct debit; the remainder receive a single invoice when the work is complete.

Table 4: Lockup at 30 September 2026 and achievable position

Measure	Current	Achievable	Basis
WIP days	54	25	Billing within a week of completion
Debtor days	39	39	No change assumed
Lockup days	**93**	**64**	

Impact. At average fee income of £3,123 a day, 93 days of lockup represents around £290,000 of the firm's money. Reducing WIP days to 25 would release approximately £91,000 as a one-off benefit, without any change to debt collection.

Cause. Billing waits for the monthly partner review, and the partners cannot see which jobs are ready to bill because job status is held in the Tracker rather than in XPM.

4.5 Fees are not linked to the cost of serving clients

Priority: Medium.

Observation. We compared each client's time, valued at staff cost rates, with the fees billed to that client. Sixty-four clients (11.9%) cost more to serve than they pay, with a combined shortfall of £36,000 a year. The least profitable tenth of the client base, 54 clients, accounts for 17% of all hours recorded but only 6% of fees. Of the firm's 540 engagement letters, 205 (38%) are more than three years old, and fees for 171 clients have not been reviewed since 2023.

Impact. Time spent on loss-making clients is time the firm cannot offer to new ones. We believe this is the main reason the firm feels at capacity without having grown.

Cause. The information needed to assess client profitability already exists in XPM but has never been reported. Fees are set at onboarding and then rolled forward each year.

4.6 Filing deadlines depend on one person and a spreadsheet

Priority: High. Break point 4.

Observation. The administrator updates the deadlines spreadsheet once a month by checking each company on the Companies House website, which takes about six hours a month (72 hours a year). Nobody else checks the spreadsheet, and it was not updated in August 2026 while the administrator was on leave. Self Assessment work is tracked only against the 31 January deadline; payments on account are not recorded.

Impact. Late-filing penalties for a private company range from £150 to £1,500 and are doubled if accounts are filed late in two consecutive years. Beyond the cost, a missed deadline damages the client relationship.

Cause. The process is manual, has no second check and depends on one person. The dates themselves are published by Companies House and can be retrieved automatically.

4.7 AML files are incomplete and too widely accessible

Priority: High. Break point 7.

Observation. Of 120 AML files sampled, 14 (11.7%) lack identity evidence or a client risk assessment, and 23 (19.2%) have not been reviewed within the firm's own 24-month review period. The folder containing client identity documents is accessible to all twelve staff, and two accounts belonging to former employees remain active. Folders for clients who left before 2019 are still held, beyond the six-year retention period in the firm's own policy.

Impact. These are the records a supervisory body will ask to see at a monitoring visit, and the identity documents are personal data for which the firm is responsible. We recommend that the MLRO reviews this finding.

Cause. AML files are held outside XPM and are not linked to the client record, so nothing prompts a review or highlights a missing document.

4.8 The partner pack is slow to produce and not fully trusted

Priority: Medium. Break point 6.

Observation. The practice manager compiles the partner pack by hand each month. It takes about eleven hours (135 hours a year) and is usually ready on the eighth working day. Because it is built from a copy of the Tracker, its fee and WIP totals differ from XPM by up to 4%. The partners told us that the first part of each monthly meeting is spent agreeing which figures are correct.

Impact. Decisions are made on figures that are a week old and slightly wrong. The pack reports fees and debtors but not realisation, lockup or client profitability, the measures that would have brought findings 4.3 to 4.5 to the partners' attention.

Cause. The report draws on the wrong source and is assembled manually.

5 Data quality assessment

We assessed each source against four tests: whether it is complete, whether it is accurate, whether it is consistent with the other sources, and whether it is up to date when people need it. Table 5 summarises the results.

Table 5: Data quality by source

Source	Complete	Accurate	Consistent	Timely	Principal issue
XPM client records	Good	Fair	Poor	Fair	31 email addresses out of date; disagrees with Tracker
XPM time entries	Fair	Good	Fair	Fair	22% of entries recorded more than seven days late
Jobs Tracker	Fair	Poor	Poor	Fair	Four copies; 9% of fees differ from XPM
Deadlines spreadsheet	Poor	Fair	Fair	Poor	11 companies missing; 9 dates wrong; monthly updates
AML files	Poor	Not tested	Fair	Poor	11.7% incomplete; 19.2% overdue for review
Partner pack	Good	Fair	Poor	Fair	Up to 4% different from XPM; ready on day eight

The firm's time data in XPM is its strongest asset. It is accurate and detailed enough to support all of the analysis described in section 6, provided clients and jobs are maintained in XPM alone.

6 What the data could show

The firm already collects almost all of the information it needs to manage the practice. Several years of time entries, fees and client records sit in XPM. Even in its current state, the data shows the following:

- Payroll work achieves realisation of 68%, against 86% for accounts and tax work. Payroll appears to be underpriced.
- The least profitable 10% of clients take 17% of recorded hours and bring in 6% of fees.
- January to March accounts for 41% of the year's Self Assessment hours, which gives a basis for planning capacity.
- Three in four fixed-fee overruns occur on clients who were taken on with incomplete records, so the quality of records at onboarding is a useful predictor of overruns.

Once clients and jobs are held in one place, the partners will be able to answer, from live data, questions they currently answer from experience: which clients and services are profitable, which jobs are near their fee budget, who has capacity next month, and how much work is ready to bill today.

7 Recommendations

Table 6 lists our recommendations in order of priority. Recommendations R1 to R5 are quick wins that the firm can complete itself within 30 days, using the information in the appendices.

Table 6: Recommendations

Ref.	Recommendation	Finding	Effort	Benefit	Owner
R1	Review the 96 finished but unbilled jobs and bill or formally write off each one.	4.3	Low	High	Partners
R2	Add the eleven missing companies to the deadlines spreadsheet and correct the nine wrong dates.	4.1, 4.6	Low	High	Administrator
R3	Designate one copy of the Tracker as the master and make the other three read-only.	4.2	Low	Medium	Practice manager
R4	Disable the two former employees' accounts and restrict the AML folder to the MLRO and partners.	4.7	Low	High	Practice manager
R5	Create an "out of scope" time code in XPM and brief staff on its use.	4.3, 4.5	Low	High	Practice manager
R6	Make XPM the only record of clients and jobs, move job statuses into XPM, and retire the Tracker.	4.1–4.3	Medium	High	Practice manager, with support
R7	Retrieve filing deadlines automatically from Companies House, with reminders to the job owner and an alert when a date changes.	4.6	Medium	High	External support
R8	Invoice each job within a week of completion and move fixed-fee clients to monthly direct debit.	4.4	Medium	High	Partners
R9	Replace the partner pack with a live dashboard covering realisation, WIP, lockup, capacity and client profitability.	4.5, 4.8	Medium	High	External support
R10	Review fees for the 64 loss-making clients and reissue the 205 engagement letters over three years old.	4.5	Medium	High	Partners
R11	Complete the 14 incomplete AML files and set review reminders against each client in XPM.	4.7	Medium	High	MLRO
R12	Use AI to read incoming HMRC letters and client emails, extract deadlines and actions, and create tasks in XPM.	4.1, 4.3	Medium	Medium	External support

8 Implementation plan

We suggest the recommendations are carried out in three phases. Phase 2 is timed so that the changes are in place before the 31 January Self Assessment deadline.

Table 7: Proposed phasing

Phase	Timing	Recommendations
1. Stop the losses	November 2026	R1 to R5
2. One source of truth	December 2026 to February 2027	R6, R7 and R8
3. Reporting and review	March to May 2027	R9, R10, R11 and R12

9 Estimated benefits

Table 8 gives a range for each benefit, based on the firm's own rates. The lower figure assumes partial adoption of the recommendations. To avoid double counting, the figure for loss-making clients excludes time already counted as out-of-scope work.

Table 8: Estimated annual benefits

Benefit	Basis	Low	High
Billing out-of-scope work and finished jobs	40% to 60% of the £99,000 identified in 4.3	£40,000	£59,000
Repricing loss-making clients	50% to 80% of the £36,000 shortfall in 4.5	£18,000	£29,000
Staff time released	426 hours at £32 cost (low) or £85 charge-out rate if redeployed to client work (high)	£14,000	£36,000
Late-filing penalties avoided	Credits given in the period	£675	£675
Total per year	**6% to 11% of current fee income**	**£73,000**	**£125,000**
One-off cash release	WIP days reduced from 54 to 25 (4.4)	£91,000	

Staff time released comprises 219 hours of duplicated job set-up (4.2), 72 hours of deadline checks (4.6) and 135 hours spent preparing the partner pack (4.8).

10 Proposed solution and next steps

The firm can carry out Phase 1 itself using the lists provided in the appendices. For Phases 2 and 3 we propose four pieces of work. Each can be undertaken on its own, and each builds on systems the firm already pays for.

Table 9: Proposed work

Work	Description	Addresses	Measure of success
Single client and job record	Clean and merge client records, move job statuses into XPM, configure job states to match the firm's workflow and retire the Tracker.	R6	No client mismatches between sources; job set-up under four minutes
Automated deadlines and billing prompts	Retrieve every client company's filing dates from Companies House nightly, send reminders to the job owner, flag changes, and prompt billing when a job is completed.	R7, R8	No missed deadlines; 72 hours of checks removed; invoices raised within seven days
Practice dashboard	A Power BI dashboard on XPM data showing realisation, WIP, lockup, capacity and profitability by client and service, refreshed daily.	R9, R10	Partner pack preparation reduced from eleven hours to none; one agreed set of figures
Letter and email triage	Read incoming HMRC letters and client emails, extract the deadline, amount and required action, and create a task in XPM for review.	R12	Time per letter before and after; deadlines captured on the day of receipt

We suggest the following next steps:

1. A meeting with the partners to walk through this report and agree the order of work.
2. The firm carries out the Phase 1 quick wins during November, with our support where needed.
3. We provide a fixed scope, timetable and price for the Phase 2 work the partners wish to proceed with, aimed at completion before 31 January 2027.

This report is the firm's to keep and act upon, whether or not it engages us for the work that follows.

Inflow Fusion
2 November 2026

Appendix A: Basis of calculations

Figure	Method
Realisation of 82.6%	Fees billed (£1,140,000) divided by time recorded at XPM charge-out rates (£1,380,000), for 1 October 2025 to 30 September 2026.
Out-of-scope work of £58,000	Keyword search and manual review of 3,410 narratives on fixed-fee time entries. 1,020 entries described work outside the signed engagement letter and were valued at charge-out rates.
Unbilled finished jobs of £41,000	Jobs with a status of "complete" or "filed" in the master Tracker, matched by job reference to XPM jobs still open with unbilled time.
Lockup of 93 days	WIP days (closing WIP of £168,000 divided by daily fees of £3,123, giving 54) plus debtor days (closing debtors of £122,000 divided by £3,123, giving 39).
Job set-up time of 219 hours	Timed observation of 24 job set-ups (mean eleven minutes) compared with a single set-up in XPM (three minutes), multiplied by 1,642 jobs.
Loss-making clients	Each client's hours at staff cost rates (salary and on-costs divided by 1,520 available hours) compared with fees billed in the period.
Filing date accuracy	All 222 company numbers checked against the Companies House public register on 14 October 2026.

Appendix B: Assumptions and limitations

- All figures exclude VAT and relate to the twelve months ended 30 September 2026.
- Charge-out and cost rates are those held in XPM on 5 October 2026.
- Unrecorded time was reported by staff and is excluded from all totals.
- The AML review is based on a sample of 120 files, and the percentages may not hold across all 540 clients.
- Estimated benefits are ranges rather than forecasts. Actual results will depend on the extent to which the recommendations are adopted.
- This report does not constitute legal, tax or regulatory advice.

Appendix C: Glossary

Term	Meaning
Debtor days	The average time clients take to pay an invoice.
Lockup	WIP days plus debtor days: the average time between carrying out work and being paid for it.
MLRO	Money Laundering Reporting Officer, the person responsible for the firm's AML compliance.
Out of scope	Work requested by a client that is not covered by their engagement letter or fixed fee.
Realisation	The proportion of time recorded, at full charge-out rates, that is billed to clients.
WIP	Work in progress: time recorded that has not yet been billed.
XPM	Xero Practice Manager, the firm's practice management system.

Appendix D: Finished jobs not yet invoiced

The ten largest of the 96 jobs referred to in recommendation R1 are listed below, with client names replaced by XPM client codes. The full list has been provided to the partners separately as a spreadsheet.

Job	Client	Work	Completed	Unbilled
J-25-0412	C-0318	Year-end accounts and CT600	14 Mar 2026	£3,120
J-25-0587	C-0127	Catch-up bookkeeping	2 Feb 2026	£2,480
J-26-0033	C-0455	HMRC enquiry response	21 Apr 2026	£2,215
J-25-0702	C-0091	Year-end accounts	9 Jan 2026	£1,890
J-26-0118	C-0362	Partnership return	30 Jan 2026	£1,640
J-26-0241	C-0204	VAT registration and first return	18 May 2026	£1,515
J-25-0655	C-0511	Self Assessment with rental income	27 Jan 2026	£1,320
J-26-0307	C-0146	Management accounts, Q1	12 Jun 2026	£1,180
J-26-0099	C-0277	Company secretarial changes	6 Mar 2026	£1,090
J-26-0362	C-0430	Year-end accounts	3 Jul 2026	£1,010
Total of the ten largest jobs (43% of £41,000)				**£17,460**