

# Is quality control required for Xero? How do you measure how well your admin team (or your clients) use Xero?

In today's busy world, most accountants and bookkeepers are pressed for time and oversight can fall to the wayside. Watchful Eye offers an invaluable solution, efficiently providing insight into how well your accounting is functioning so you can maximize internal control, quality, and reduce the risk of fraud and error.

## The Watchful Eye story began a long way from quality control.

Watchful Eye was born out of the founder experiencing employee fraud first-hand while working as a CFO.

With 5% of company revenues lost annually to employee fraud globally, fraud is a huge issue. As such, it's critical for small-to-medium businesses to understand how they can protect themselves from employee fraud.

The perverseness of employee fraud has necessitated a platform that allows for companies to have visibility of suspicious activity. A tool was needed to highlight anomalies so that they could be proactively investigated, reducing the risk of employee fraud and the loss of company funds.

Watchful Eye's initial approach to protecting companies against error and fraud was to take a holistic view of improving the integrity of Xero data while also investigating

suspicious anomalies within the transactional data.

As early adopter companies connected to Watchful Eye's platform, it became apparent that the actual use of accounting tools was quite poor. This triggered a flip in Watchful Eye's approach, bringing processing quality to the forefront to help SMEs get the most out of Xero's functionality (while simultaneously protecting against error and fraud).

### Watchful Eye's Features

Watchful Eye covers the following areas in their rolling 12-month processing quality charts and overall quality score:

- Percentage of supplier credit notes\ deleted invoices
- Supplier invoices average days to pay
- Supplier invoices average days to process
- Supplier invoices without attachments
- Payment trends
  - Percentage of supplier payments not generated by batch



@watchful\_eye\_sw

**Brett Wilgar, CEO, Watchful Eye Software**

Brett is the founder and CEO of Watchful Eye. He has a passion for working with data and helping accountants assist their company and clients, and uses this drive to propel the product strategy and direction of Watchful Eye.

Brett has a BCom from the University of Otago, is a Chartered Accountant member of CA ANZ, and has over 20+ years' experience in the IT industry.

- payments
  - Percentage of payments not supplier payments
- Percentage of customer credit notes\ deleted invoices
- Customer invoices average days to pay

### Monthly Reports

Another time-saving feature of Watchful Eye is the monthly report, a simple and efficient way to keep abreast of what's happening in Xero each month.

The monthly report gives an overview of your Watchful Eye data and is made up of three sections:

- Processing quality charts
- Monthly anomalies
- Data integrity

### Processing Quality Focus:

Watchful Eye gives each company an overall quality score based on how a company measures up in the processing quality menus. The menus highlight how well the company's accounting function is working and compares its performance against all Watchful

Eye users (the Watchful Eye benchmarks). Accountants can easily scroll through the processing quality charts to view which Xero data needs to be reviewed and forward it to administration staff to have the data corrected or investigated.

**Transactional Anomalies:** There are 16 transactional menus across suppliers, customers, and employees. The algorithms scan transactions that need assessed & investigated; simply dismiss any that you know are not suspicious.

**Data Integrity:** Watchful Eye focuses on three data integrity areas which, once matched, significantly improves the ability to look for relationships across your data to find abnormalities.

### Legal Entity Names

Watchful Eye uses APIs to connect to the Australian ASIC, NZ Companies Office, and UK Business House to match your suppliers and customers' names to make sure you're dealing with the correct, currently registered legal entity. Once your suppliers and customers are matched by the API, you will receive alerts of any changes occurring in the source registry.

### Physical Addresses

Watchful Eye recommends that you store physical addresses in

### XERO USER TIP:

**Batch Payments** - Watchful Eye cannot encourage you enough to use this great Xero feature! This is the only way to get information on where money actually gets paid. Making payments is often the delineation point of the outsourced accounting function. Do not expose your clients to payment-side risk simply because you're not responsible for this function; educate them to get the most out of Xero and reduce their risk of the money getting paid to fraudsters.



Xero to make sure the people you are working with are real. The tool uses two Google APIs to match or suggest correct physical addresses. The New Zealand Companies Office open data approach is awesome! This enables checking of employees' addresses against your customer, supplier, shareholder, and director addresses, and bring back any close matches so that you can assess whether there are any conflicts of interest to investigate (or worse).

### Bank Account Changes

The payments integrity menu was built to enable you to check that your internal controls around changing supplier and employee bank accounts is working prior to sending payments to the bank. Since business email compromise is prolific, we recommend you use the Xero batch payments functionality in conjunction with Watchful Eye. With these internal controls in place, it is very unlikely that you or your clients will ever be exposed to this significant business risk.

### Internal Control

When requests for bank account changes are made, simply pick up the phone and call the supplier from a phone number listed on a previous invoice and confirm that the bank account change request is valid. If the request is valid, save a PDF version of the request against the contact record in Xero.

### Alerts

Not all businesses face the same risks. Watchful Eye allows you to select from 16 alert types to best align to your business risk profile. Simply select the alert(s) and cycle and watch as they are delivered to your inbox as soon as they occur.

It is recommended to set alerts related to bank account changes to hourly, as this way you can check your internal control prior to approving payments.

### Advisor Tools

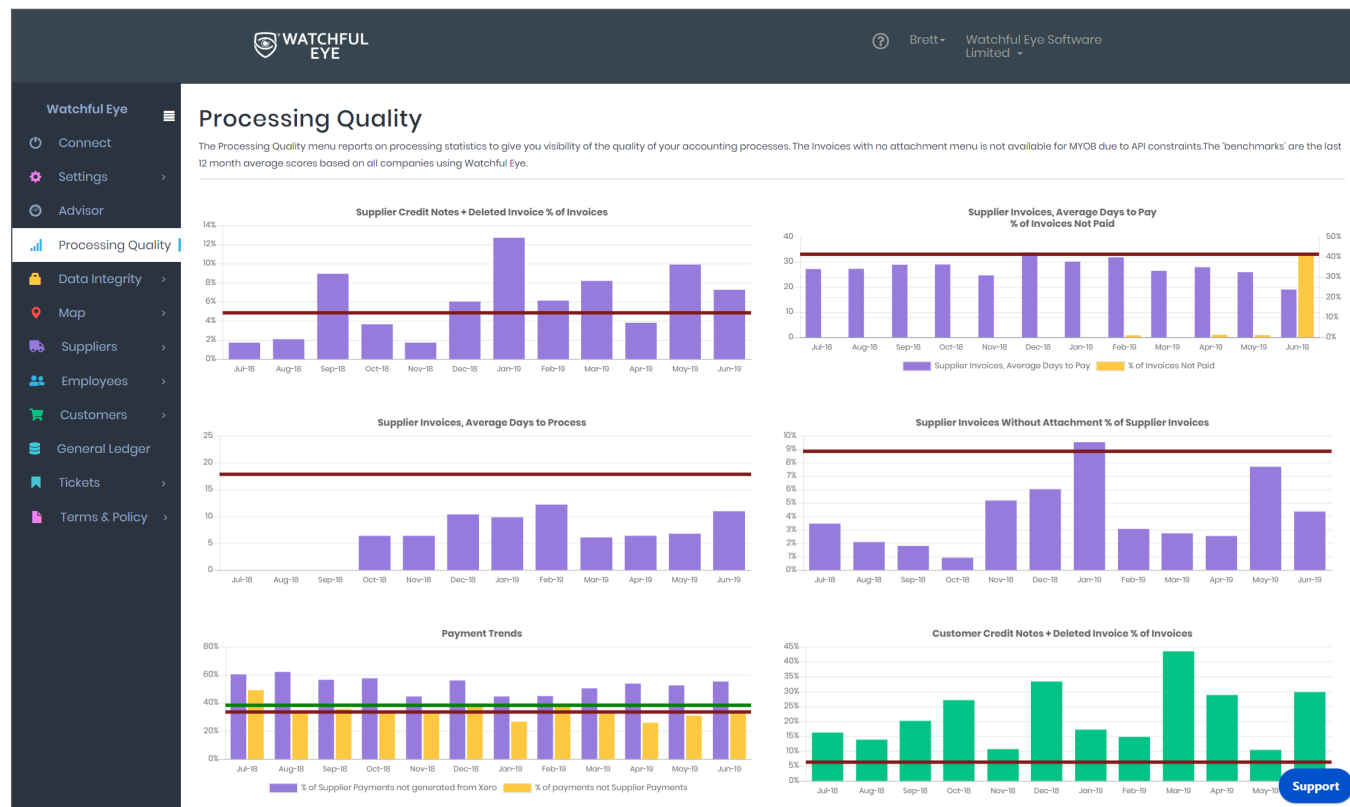
Since Watchful Eye is a tool built by accountants for accountants, they are dedicated to helping advisors, accountants, and bookkeepers who look over many Xero companies.

The Watchful Eye's 'Advisor Menu' allows you get an overview of all the clients you have connected to Watchful Eye, from those in the top quartile to those in the bottom quartile. Learn from your high scoring clients and help clients who perform poorly on the overall quality score or in specific transactional processing areas.

Use Watchful Eye to boost engagement with clients by being able to quickly get insight into what's going on in their Xero company, or use the alerts to check-in with clients as issues arise in real time.

Advisors can integrate their





branding into the Watchful Eye platform so that when sharing the company via Watchful Eye, client see your practice branded version of Watchful Eye.

#### Xero Assessment Report

Watchful Eye automatically generates a Xero assessment-style report once a company has completed the initial connection. This includes an overall quality score and a summary of results across all menus. This is an advisor

only feature, branded with your practice and your client's logo.

#### Role Based Playbooks

Watchful Eye has more features than can be covered in this article, so they have created role-based playbooks to enable users to get the most out of Watchful Eye. To see how you can manage your accounting functions in just 30 minutes per month, download the CFO App Playbook.

#### Ever-expanding Functionality

With a continual view to expanding the Watchful Eye functionality to help accountants help their company or clients. As new APIs get released by Xero, Watchful Eye will collect and process the data

and build new algorithms to expose issues. New processing quality charts will also be added.

The next major feature under development is allowing users to create a "group" of companies, so they are linked in Watchful Eye. The Watchful Eye algorithms will then be able to search across all group data to expose anomalies.

Watchful Eye provides an invaluable level of quality control, indispensable in today's climate of ever-increasing risks. With its seamless integration, development for accountants by accountants, multiple levels of insight, and custom alerts, Watchful Eye is a modern solution to the age-old problem of error and fraud.



#### FIND OUT MORE...

To check out a free, fully functional 30 day trial of Watchful Eye, visit: [bit.ly/2Ja45Jk](https://bit.ly/2Ja45Jk)

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