

ACCOUNTANCY

Gearing up to be a global hub

But firms need to address certain issues such as technology adoption and how to retain talent and knowledge, reports LYNN KAN

SINGAPORE'S accountancy sector is gearing up for a transformation in the run-up to 2020, but to get there, accounting firms need to address issues such as technology adoption and how to retain talent and knowledge. The sector, which comprises accounting, bookkeeping, audit activities and tax consultancy, powered a modest 0.47 per cent of Singapore's gross domestic product in 2010. It can afford to benchmark more, if, for comparison, one considers that accountancy contributes to 0.9 per cent of the UK's economy, and 0.8 per cent of Australia's.

Getting Singapore's accountancy sector closer to those levels will be a "huge task", said Uantchern Loh, the chief executive officer of the Singapore Accountancy Commission (to be enacted via legislation), or SAC.

The SAC is the agency tasked with developing Singapore into a global accountancy hub powered by top-notch talents and firms offering a range of innovative, value-added services to clients across the region.

However, the sector's diversity defies a short-cut to the transformation.

Mr Loh said: "We don't have a homogeneous sector. Within the sector, we have public accountants, accountants in business, consultants, internal auditors. What it means is that we don't have a one-size-fits-all solution, and we may not have been targeted enough to meet the needs of this diverse range of stakeholders."

Singapore had about 12,000 people employed by 634 public accountancy firms as at Aug 31 last year; many more accountants are in businesses.

Yeo Cheok Hong, the executive director of Policy & Strategic Planning/Industry Development at the Institute of Certified Public Accountants of Singapore (Icpas), said: "On the one hand, there are the Big-Four firms - Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers - which have structured trade processes critical to productivity and which largely have no issues. The small- and medium-sized practices (SMPs) do not enjoy the same resources they have and need help."

One obvious way to streamline the sector is to consolidate it through mergers or alliances, but few Singapore SMPs have actually done this, given their differing processes and cultures.

Mr Loh said: "It's easier said than done to merge. Mergers cannot be formed overnight. This development would be a longer-term play."

The SAC is exploring the idea of promoting "pseudo-mergers", under which accounting firms are grouped together to pool resources in branding, human resources and IT. It is the first step to a potential merger down the road.

Attrition of accountants

Unlike manufacturing, accounting firms need every trained accountant they can get their hands on if the sector is to grow its share of value-added to Singapore's economy.

The chief executive of the Accounting & Corporate Regulatory Authority (Acra), Kenneth Yap, said: "There are unique challenges in raising productivity in the public-accountancy sector. Such professional services are labour-centric and require a team of experienced professionals."

Nevertheless, audit firms are taking on the challenge by making process improvements and investing in training. On Acra's part, we will continue to guide firms to implement quality controls that will help develop and retain talent."

Yet, a headache common to the sector is how to retain recruited talent.

A May 2012 survey jointly carried out by Acra and ACCA, the global body for professional accountants, indicated that 65 per cent of 1,158 audit staff from nine firms had intentions of leaving external audit in their current firm within three years.

Head of assurance at Ernst & Young LLP Mak Keat Meng said that the firm is mindful about not bogging down its staff with administrative tasks through automation and streamlining; this way, they are better engaged "and can move on to more value-adding services and solutions for our clients".

The workload is one reason accountants and auditors quit. Each of Singapore's 965 public accountants takes on about 70 audits yearly for companies that are publicly-listed entities (public-interest entities or PIEs) or privately held (non-PIEs).

A leaky pipeline of talent has consequences on how ably an accounting firm can service its clients.

Professional bodies like ACCA and CPA Australia step in to equip accountants with better technical and professional knowledge, which is especially essential in an age when accounting standards are undergoing constant change.

Michelle Seth-Langbein, head of marketing at ACCA, said: "One important need is to keep abreast of the changing standards of the accountancy sector, so providing continuing professional development increases productivity in the workforce."

Melvin Yong, the general manager at CPA Australia, said: "Standards have changed so much that a lot of accountants are struggling. Big-Four firms have their own in-house training, but firms smaller than that will have trouble keeping up with them."

The Singapore Qualification Programme (QP), to be launched in the middle of this year, is aimed at alleviating such manpower headaches by training and admitting non-accountancy graduates into the profession.

Although there is nothing to prevent these individuals from leaving the profession when the going gets tough, the prevailing wisdom is that their having opted to enter the profession would make them more committed, more passionate and willing to stay the course, said Mr Yee.

Mr Loh said that SMPs find the notion of the Singapore QP "a godsend".

"The SMPs say they will now be able to hire economics graduates or history graduates, instead of having to rely on the 1,000-odd graduates from the universities."

Plugging into technology

Even if there are clear limits to automation in the accountancy sector, technology can play a greater role in improving accountants' productivity and efficiency.

For instance, cloud computing storage of real-time data could simplify how accounting firms work. It will enable clients and accountants to look at and make adjustments to the same data together, eliminating long-drawn communication and speeding up the time spent on the case.

Ong Pang Thye, the head of audit in KPMG Singapore, said: "Audit firms can make greater use of data analytics to provide management with insightful information about their business and organisation."

But SMPs often do not have the means to acquire, maintain and upgrade their IT systems. Professional body Icpas has stepped in to help this group overcome their resource constraints.



Mr Yap: 'There are unique challenges in raising productivity in the public-accountancy sector. Such professional services are labour-centric and require a team of experienced professionals'. PHOTO: ACRA



Mr Loh: 'Within the sector, we have public accountants, accountants in business, consultants, internal auditors. What it means is that we don't have a one-size-fits-all solution'. PHOTO: SAC



Mr Yee: He says the prevailing wisdom is that non-accountancy graduates, having opted to enter the profession, would be more committed, more passionate and willing to stay the course. PHOTO: ICPAS

The Infocomm Development Authority of Singapore (IDA) and Icpas formed two consortia to roll out software-as-a-service to firms; under this, software applications are delivered through the cloud to firms.

In each consortia, an IT vendor and 10 adopter firm work together for six months to develop an application suited to the firms' needs.

Two questions arise when technology investments are considered: One, what should be measured in the firm, and two, by how much do firms need to improve?

Mr Yong points out that there exists no single benchmark of productivity, and everyone has a different view of what it is.

"That's one of the problems leading to this inability to

put a firm number to it - and accountants love a firm number and certainty," he said.

Moreover, Singapore does not have ranking system or an industry benchmark for accounting firms to spur them into making improvements.

Associate Professor Themin Suwardy from the Singapore Management University's School of Accountancy described this lack of an industry benchmark as a "big gap" when dealing with productivity.

The problem is that accounting firms are generally reluctant to share operational or financial information such as revenue per employee, number of employees and time spent on each engagement - and such factors are necessary in the drawing up of productivity measures, said Dr

Suwardy, who jointly wrote a book on productivity in the sector with CPA Australia.

Without such a benchmark, firms will not know where they stand in the grand scheme of productivity-progressiveness in the sector.

He said: "Maybe it is the culture, or because it has never been done before. The bulk of the industry are small businesses, so maybe sharing is not caring in this instance."

Icpas has taken a stab at benchmarking public accountants and accountants in business with an inaugural study done in collaboration with SAP.

Mr Yee said: "The reception has been quite good because now public accountants can see an industry aggregate. They can also compare across countries."

Resources for accountants

- Singapore Accountancy Commission**
 - Surveying the sector to find out its exact composition
 - Launching the Singapore Qualification Programme in June 2013
- Institute of Certified Public Accountants of Singapore**
 - Pilot productivity study where 11 CPA firms were paired with consultant at Oriell Management Consulting
 - Started an Icpas-SAP Productivity Scorecard Benchmarking survey to gauge the sector's productivity against international peers
 - Helped form two consortia between IT vendor and 10 firms to aid adoption of software-as-a-service solution
 - Industry seminars for CPA firms to adopt Audit Express to automate audit processes
- ACCA Singapore**
 - Published several research studies on productivity for larger accounting firms and finance departments of corporates
 - Runs regular clinics for SMPs which include discussions on productivity
- CPA Australia**
 - Published a book on productivity with SMU, "Accounting & Productivity: Answering the big questions"
 - Held workshops to provide practical tips on improving productivity in the finance function

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