

Talent Attraction and Retention in Larger Accounting Firms



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ABOUT ACRA

The Accounting and Corporate Regulatory Authority (ACRA) is the national regulator of business entities and public accountants in Singapore. ACRA also plays the role of a facilitator for the development of business entities and the public accountancy profession.

The mission of ACRA is to provide a responsive and trusted regulatory environment for businesses and public accountants. ACRA's role is to achieve synergies between the monitoring of corporate compliance with disclosure requirements and regulation of public accountants performing statutory audit.

ABOUT ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business.

We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 154,000 members and 432,000 students in 170 countries, helping them to develop successful careers in accounting and business, and equipping them with the skills required by employers.

We work through a network of 83 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

Through our public interest remit, we promote the appropriate regulation of accounting. We also conduct relevant research to ensure that the reputation and influence of the accountancy profession continues to grow, proving its public value in society.

Background and objectives

Working in an accounting firm, especially a larger one, has long been seen as providing an excellent start to a professional's career, especially because it provides extensive market-relevant experience, broad-based training and exposure. Normal attrition through the rank is expected as those who believe they have acquired sufficient experience will move on to the next phase of their career, their next employment. In fact, such attrition supports the typical audit team structure that usually comprises more junior staff than senior staff. Concerns arise when turnover becomes too fast to the extent that audit engagements become inadequately staffed at each level. The engagement teams may then find themselves not delivering at their optimal level and, as a result, audit quality suffers.

Attraction and retention of top quality talents are central to an accounting practice's ability to improve audit quality and manage risk. It is therefore imperative to review the effectiveness of the firms' talent attraction and retention strategies and to assess if they are aligned with the demands and aspirations of the very individuals those strategies are targeted at.

The well-known mantra of human resource management that it costs significantly more to replace and train a new employee than to retain an existing one is especially relevant to an accounting firm. An experienced auditor would typically

have undergone structured training in the technical aspects of the job and have been exposed to a variety of audit clients that offer insights to different industries, business models, operation systems and more. Professional scepticism, which forms the bedrock of audit quality, is necessarily developed and heightened through the accumulation of audit experience. In addition, even seasoned auditors would take time to master a new firm's unique set of audit methodologies, proprietary auditing IT systems and documentation conventions. It is hence critical for firms to always strive to retain the best talent.

This talent attraction and retention survey covers the big-four accounting firms and five other medium-sized accounting firms ('mid-tier' firms) in Singapore. The survey findings have been analysed in total, as well as based on the respondents' employee grades, gender, and whether they were from one of the big-four or mid-tier firms. This report flags out material variances between different categories of respondents for further discussion. Hopefully, the survey results provide insights to the key attraction/retention and 'push' factors affecting the professional staff as well as highlight areas for improvement.

At the end of the report, a collection of recommendations collected from the respondents for the accounting firms has been included, which will help affirm or redirect the firm's present focus, and enhance their attraction and retention efforts.

Approach

- In May 2012, ACCA conducted an online survey to investigate the views of audit staff employed in accounting practices in Singapore.
- Employees of 9 accounting firms were invited to participate in the survey: Baker Tilly TFW, BDO, Deloitte & Touche, Ernst & Young, Foo Kon Tan Grant Thornton, KPMG, Nexia, PricewaterhouseCoopers, RSM Chio Lim.
- In total, the survey received 1,158 responses, about 25% of the total audit staff strength from the 9 accounting firms.

Key findings and recommended actions

The key findings from the survey are as follows:

- **Satisfaction:** Only 38% of the respondents indicated that they are satisfied with their current career in external audit. The proportion was higher for the more senior staff (defined as those holding the position of 'senior' and above) compared to the junior staff (41% compared to 34%). There was no significant difference in the proportion between the big-four firms and the mid-tier practices.
- **Should I Stay or Should I Go?:** 65% of the respondents indicated that they intend to leave their existing firms within 3 years, although respondents who have already stayed for more than 5 years are less inclined to do so (53%). Overall, only slightly more than half of the respondents felt that their superiors will make a genuine effort to understand their concerns and will try to retain them if they decide to leave. The percentage improves to 72% at managerial level.
- **Attraction to Audit:** An abundance of career progression opportunities and predictability of the progression path, high future earning potential and job security were identified as key attraction and retention factors currently offered by a career in external audit. In addition, a significant number of respondents highlighted that the sense of comradeship shared among their colleagues, together with an environment that provides diverse structured and on-the-job learning opportunities, have provided them with stronger incentives to stay in the profession.
- **Distractions and Detractions:** The key hygiene factors that respondents were discontented with were compensation and benefits, particularly when measured in relation to their work efforts. Respondents consistently underlined the challenge of maintaining work-life balance, especially with their heavy workloads aggravated by inadequate resource allocation, dissatisfactory work produced by the auditees, and deadlines that are perceived to be unreasonable. Respondents were also not convinced that their efforts have been adequately recognised by senior management in the firms as discerned from the compensation packages and policy, openness, transparency and timeliness of communication and so on.
- **Communication Counts:** Despite not being completely satisfied with their current career choice, a majority (58%) of the respondents have never made suggestion to their firms on how the working environment can be improved or how morale can be boosted. Out of these, 59% explained that they do not see the need to put up any recommendation because they feel that their recommendation will not be considered. Only a marginal majority (66%) of respondents who had made suggestion before confirmed that their suggestions were given fair consideration.
- **Multiple Exposures:** 61% of respondents indicated that they may either not have joined or stayed as long as they had, or might have made a different career choice, had their firm been an 'audit-only' practice (one that does not have separate divisions for taxation, corporate finance, forensic and so on). This result demonstrates the value a multi-discipline accounting firm brings to its people.
- **International Mobility:** A significant majority of respondents (82%) expressed interest in going on an overseas secondment, mainly because it is viewed as a valuable addition to their professional exposures. In particular, almost all male respondents under 25 years old indicated that they would take up such an opportunity. Facilitating more openings would therefore help improve job satisfaction and retention rates, and at the same time cultivate a more diverse workforce.
- **The Ultimate Goal:** 21% of the respondents had clear aspirations for partnership, with a marked increase in proportion for the male respondents (32%). For respondents who did not intend to pursue partnership, there were discernible differences in the reasons given by the different genders as well, with female respondents more likely to be hesitant about their abilities to step up to the challenge of becoming a partner (50% compared to 34% male) and concerned about the work pressure that accompanies the partner's role (67% compared to 43% male). It is also noteworthy that while the majority of the respondents believed someone who has the aptitude and the will to persevere will be able to make it to partnership in reasonable time, 25% disagreed, questioning the capacity of their firms to admit all suitable candidates as partners, and also citing lack of transparency in admission criteria and workplace politics as other factors.

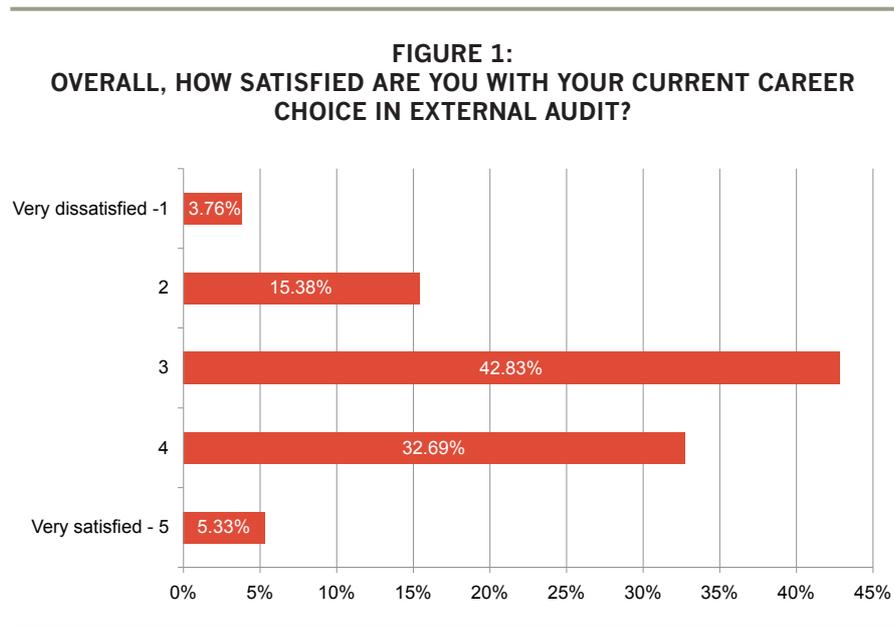
SUGGESTED ACTION PLAN FOR THE FIRMS:

1. Create an open and transparent platform for sharing issues relating to working conditions and environment, and ideas on how those issues can be addressed.
2. Review international mobility policy: create more openings, shorter-term secondments and provide opportunities to exemplary junior staff. Institute a structured programme to facilitate rotation among different divisions within the firm.
3. Work on encouraging clients to improve their accounting practices while the profession as a whole should aim for the same goal.
4. Promote efficiency in the audit by getting involved in every stage of the engagement.
5. Mid-tier firms to play to their strengths, which include flatter organisation and team structures that allow closer interaction with staff; and address perceived deficiencies like the lack of comprehensive structured training.
6. Enhance clarity over partner admission criteria.
7. Create a more conducive environment to support female talent so that more will feel able to aim for partnership.

1. Satisfaction with career choice

The survey sought to understand the level of satisfaction among auditors (apart from partners) relating to their current career. 38% of the respondents to the survey indicated that they were satisfied; 19% dissatisfied; and 43% were neutral [Figure 1].

A further analysis of the results based on the demographics of the respondents shows that there was no significant difference in the satisfaction profile between the big-four firms and the mid-tier practices. However a discernibly lower proportion of junior staff (defined as those who hold the position of 'associate', 'junior associate' or equivalent) were satisfied with their career in external audit compared to their superiors (34% against 41%). A positive interpretation is that job satisfaction becomes enhanced with greater responsibilities and increased scope of work as one rises through the ranks. Another possible interpretation, which warrants more attention by the firms, is that the younger workforce is less easily satisfied by what an external audit career currently offers. Overall, given the high percentage of respondents who were either dissatisfied with or indifferent to their present career choice, there is a need for firms to further examine the motivational and hygiene factors deemed important by their staff and work on accentuating the strengths and addressing the weaknesses.



1. Satisfaction with career choice

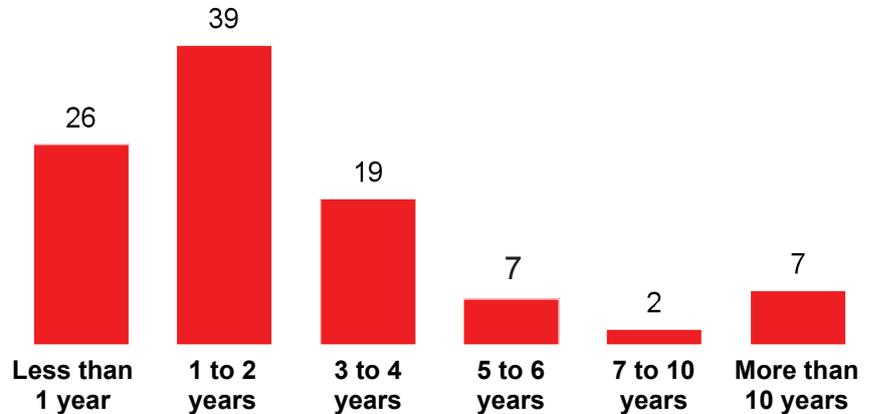
When audit staff were asked how long they intended to stay in audit, 65% of the survey respondents indicated that they intend to leave external audit in their current firm within 3 years [Figure 2], though there is a silver lining to this statistic: inclination to leave decreased notably for those who have worked in external audit for more than 5 years (53% compared to 74% for those who have worked for less than 5 years). A follow-on question to assess the respondents' confidence about whether they would leave within their intended timeframe (based on the market conditions and other factors) showed that 89% were convinced that they will be able to do so.

Perhaps a more worrying finding was that only about half of the respondents felt that their superiors would make a genuine effort to understand their concerns and try their best to retain them should they decide to leave. Even for the more senior staff (designated 'seniors' and above), the percentage was only slightly higher at 62% [Figure 3]. The percentage improves further to 72% at managerial level.

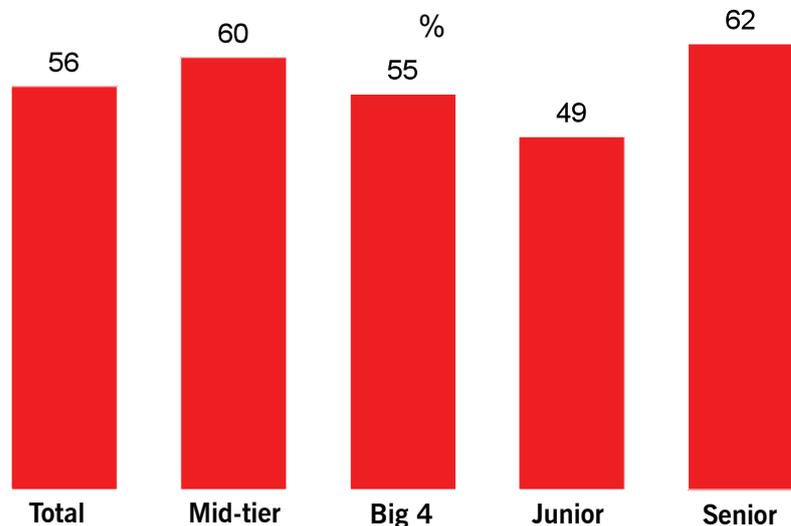
The common perception, as reflected in the free-text responses to the survey, was that turnover is commonplace in the industry; the firms are considered overstaffed; audit staff are easily replaceable and are treated as part of a pool of 'resources' that needs to be managed instead of as individuals, with one observing that the 'auditing business is only sustainable by driving people away at the associate level'. While it is true that currently, a typical audit engagement team structure, and hence the overall audit firm structure rests on a pyramidal hierarchy, and hence tolerates a relatively high turnover at each level, the turnover should not be such that it becomes counter-productive to maintaining a high performing profession and high audit quality.

Staff in mid-tier firms are, in general, more likely to believe that their superiors would make an effort to retain them than those in the big-four [Figure 3].

**FIGURE 2:
HOW MUCH LONGER WOULD YOU LIKE TO STAY IN EXTERNAL AUDIT IN THE CURRENT FIRM?**



**FIGURE 3:
IF YOU DECIDE TO LEAVE YOUR CURRENT EMPLOYMENT, DO YOU THINK YOUR SUPERIORS WILL MAKE A GENUINE EFFORT TO UNDERSTAND YOUR CONCERNS AND TRY THEIR BEST TO RETAIN YOU?
(PERCENTAGE OF 'YES' RESPONSES)**



2. Key attraction and retention factors

On a scale of 1 to 5, respondents to the survey were asked to

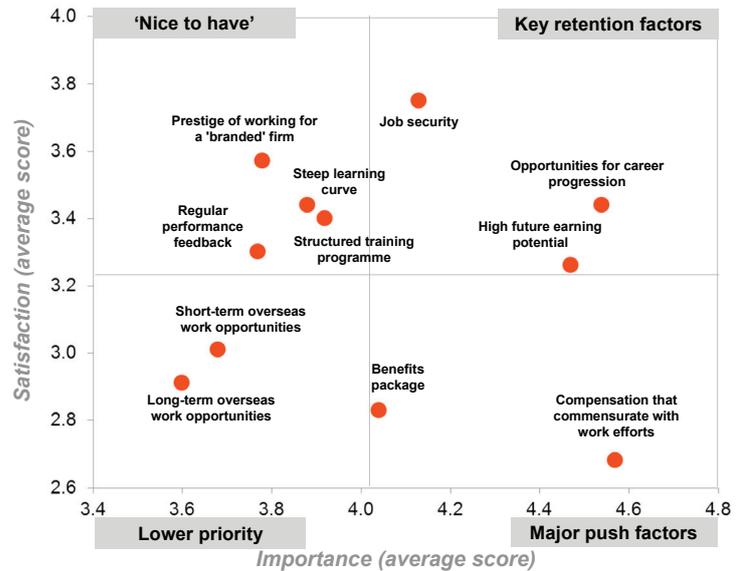
- rate the **importance** to them of a set of 'basic needs and development' factors and a separate set of 'work culture' factors, and then
- indicate the **degree of satisfaction** they presently derive from their career in external audit relating to those factors.

The resulting scores helped to identify the main 'selling points' and push factors associated with an external audit career. ([Figure 4] and [Figure 5])

KEY ATTRACTION AND RETENTION FACTORS: BASIC NEEDS AND DEVELOPMENT

FIGURE 4:
HOW IMPORTANT ARE THE FOLLOWING FACTORS TO YOU? THINKING ABOUT YOUR CURRENT CAREER IN EXTERNAL AUDIT, HOW SATISFIED ARE YOU WITH THOSE FACTORS? (ON A SCALE OF 5)

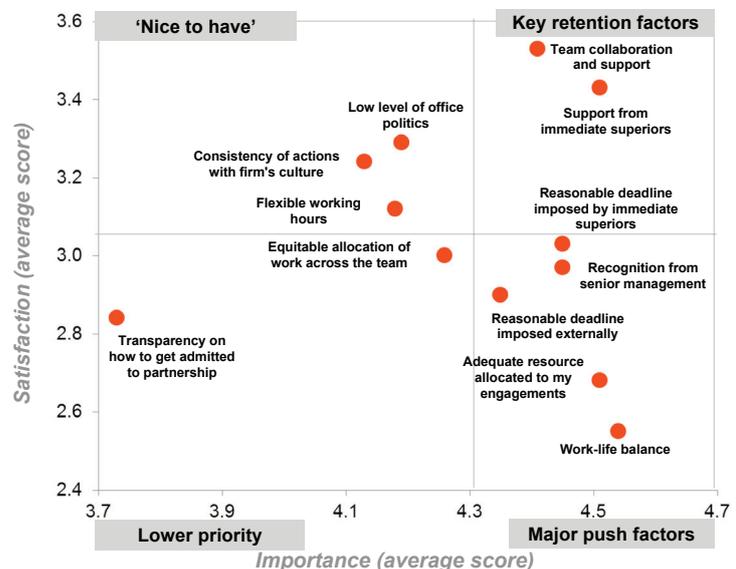
Note: Cut-off points for defining the quadrants are based on total average importance scores and total average satisfaction scores respectively.



KEY ATTRACTION AND RETENTION FACTORS: WORK CULTURE

FIGURE 5:
HOW IMPORTANT ARE THE FOLLOWING FACTORS TO YOU? THINKING ABOUT YOUR CURRENT CAREER IN EXTERNAL AUDIT, HOW SATISFIED ARE YOU WITH THOSE FACTORS? (ON A SCALE OF 5)

Note: Cut-off points for defining the quadrants are based on total average importance scores and total average satisfaction scores respectively.



2. Key attraction and retention factors

'Key retention factors' are factors the respondents considered to be both highly important and satisfactory. Major 'push factors', which may persuade one to leave audit, are factors that the respondents considered to be highly important but not satisfactory. Thus, an accounting practice could improve its retention rate by raising the satisfaction levels of 'push factors'.

Where an attraction or retention factor appears on a quadrant depends on the mean score of all the factors in its category [Figure 4] & [Figure 5]. For example, in [Figure 5], the respondents ranked almost all the factors as either important or very important, so even though 'Equitable allocation of work across the team' attracted a mean score of 4.26 for 'Importance', it has been classified under the 'Lower priority' quadrant rather than 'Major push factors'.

To put the numbers into perspective, based on a scale of 1 to 5:

	Satisfaction	Importance
1	Very dissatisfied	Not at all important
2	Dissatisfied	Not important
3	Average	Average
4	Satisfied	Important
5	Very satisfied	Very important

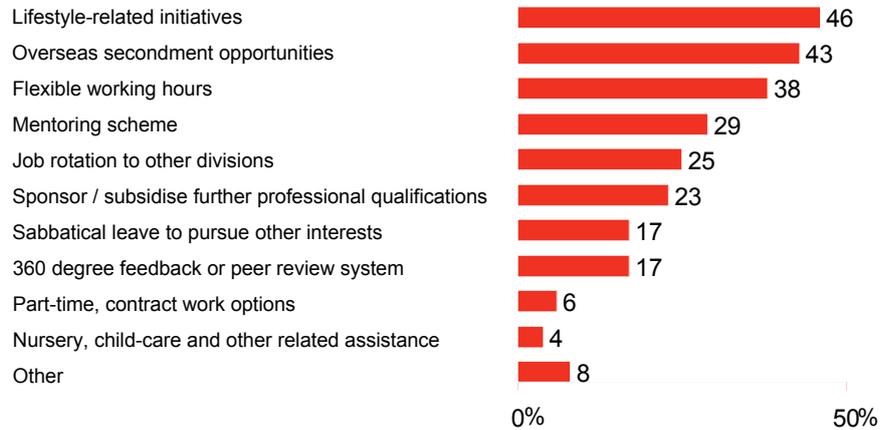
2. Key attraction and retention factors

TOP INITIATIVES

Survey participants were asked to identify the top initiatives their firms have implemented to boost morale, improve the working environment and enhance the attractiveness of a career with them. The respondents pointed out lifestyle-related incentives such as employee recreational area, free fruit day, Friday drinking session, and so on as the top initiatives so far [Figure 8]. Overseas secondment opportunities and flexible working hours were also initiatives that respondents welcome.

Given that respondents were asked to pick initiatives already implemented by their firms, those initiatives garnering a lower percentage were not necessarily unpopular. For example, a '360 degree feedback or peer review system' may actually be important to the respondents but not selected in this question because their firms do not have such a system in place yet.

FIGURE 8:
IN YOUR OPINION, WHAT DO YOU THINK ARE THE TOP INITIATIVES YOUR FIRM HAS FOR ENHANCING ATTRACTIVENESS OF A CAREER WITH THEM, BOOSTING MORALE AND / OR IMPROVING THE WORKING ENVIRONMENT?



3. Moving out

The survey sought to find out the inclination of audit staff to:

- (i) transfer to a different division within the same firm;
- (ii) move to a big-four firm (for someone presently working in a mid-tier firm), or move to a mid-tier firm (for one currently in a big-four);
- (iii) move laterally to another big-four or mid-tier firm; and
- (iv) move to an 'affiliated' accounting firm outside Singapore.

TO A DIFFERENT DIVISION

Overall, 1 in 5 survey respondents would consider working for a different division within the same firm. Audit staff in a big-four firm are more likely to value cross-divisional experience than audit staff in a mid-tier firm [Figure 10].

Junior staff are more inclined to keep their future options open when it comes to obtaining cross-divisional experience [Figure 11].

Separately, survey respondents were asked to indicate if their career choice would be affected if their current firm were an audit-only practice, one that does not have separate divisions for tax, risk consulting, corporate finance, forensic, and so on. 61% of the respondents suggested that they either would not have joined the firm; would not have stayed as long as they had; or might have made a different career choice [Figure 12].

This result demonstrates the value a multi-discipline accounting firm brings to its people.

FIGURE 10:
ARE YOU CURRENTLY CONSIDERING OR WOULD YOU CONSIDER WORKING IN A DIFFERENT DIVISION OF THE SAME FIRM?

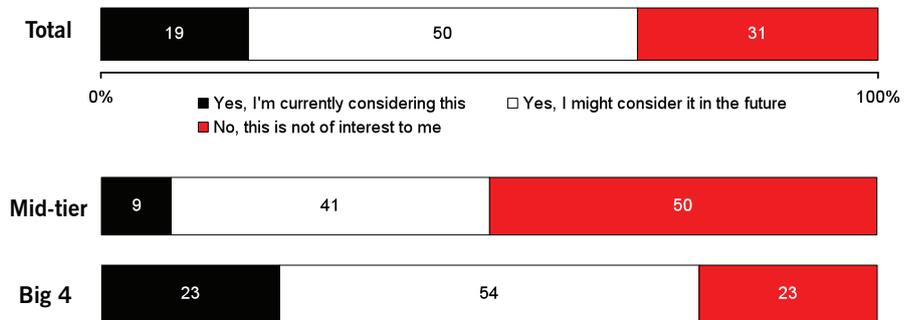


FIGURE 11:
ARE YOU CURRENTLY CONSIDERING OR WOULD YOU CONSIDER WORKING IN A DIFFERENT DIVISION OF THE SAME FIRM?

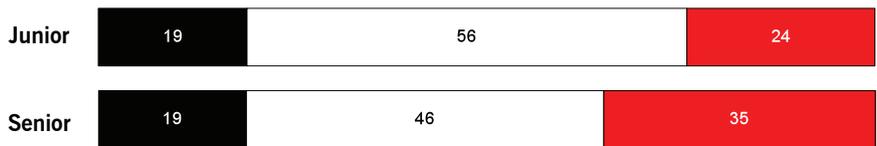


FIGURE 12:
IF YOUR FIRM HAD BEEN AN AUDIT-ONLY PRACTICE (I.E. NO CORPORATE FINANCE, TAX, ETC.), WOULD YOUR CAREER CHOICE BE DIFFERENT?



3. Moving out

FROM MID-TIER TO BIG-FOUR AND VICE VERSA

3 in 4 survey respondents currently employed in a mid-tier firm would consider working in a big-four firm [Figure 13]. A switch to big-four appeals more to the junior staff than to the senior employees.

A lower proportion of survey respondents (16%) currently working in a big-four accounting firm are keen to explore moving to a mid-tier firm [Figure 14].

From the free-text comments provided by respondents, mid-tier accounting firms could improve retention by providing more training and development as well as career advancement opportunities.

FIGURE 13:
ARE YOU CURRENTLY CONSIDERING OR WOULD YOU CONSIDER WORKING IN A BIG 4 ACCOUNTING FIRM?

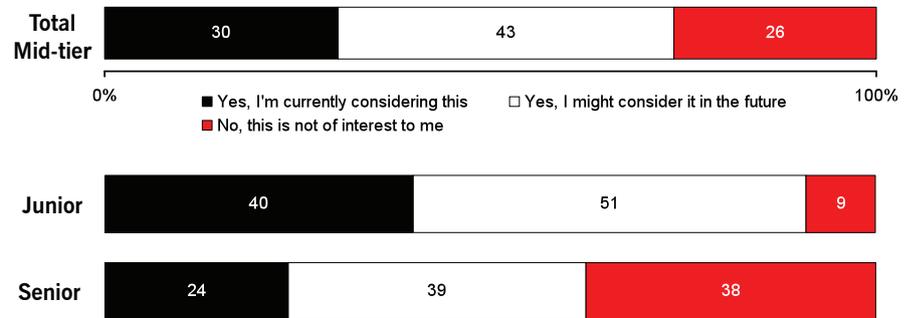


FIGURE 14:
ARE YOU CURRENTLY CONSIDERING OR WOULD YOU CONSIDER WORKING IN A MID-TIER ACCOUNTING FIRM?



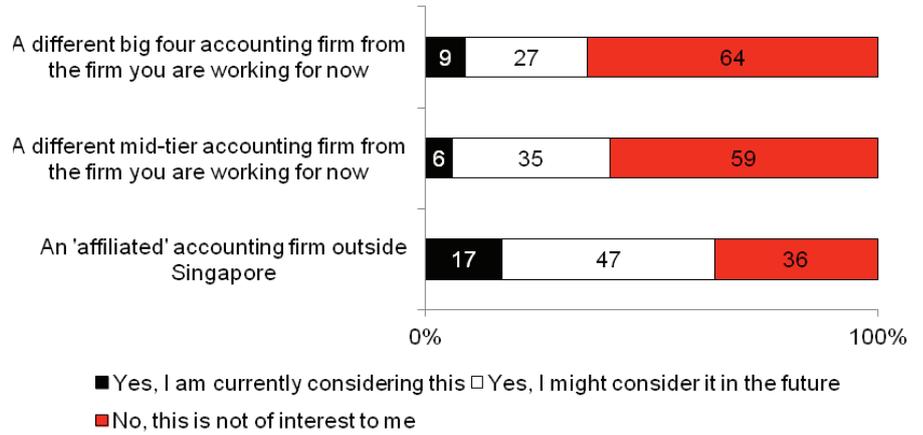
3. Moving out

OTHERS

Generally, the survey respondents were not very keen to move laterally to another big-four or mid-tier firm [Figure 15]. The results differ quite significantly among the different firms though. Respondents from some firms seem much more open to moving to another big-four or mid-tier firm than respondents from other firms. While this survey does not measure relative staff turnover or actual movement between the audit firms, the standalone results of this survey may help a firm to reflect on where it stands in relation to the overall average and whether it could adopt practices used elsewhere to increase the likelihood that its staff would prefer to stay than be enticed by another audit firm.

On the other hand, a much higher proportion of survey respondents are keen to consider a transfer to an 'affiliated' accounting firm outside Singapore [Figure 15], proving the value attributed to an overseas working experience. The topic of talent mobility is further expounded in the segment on 'Overseas opportunities'.

FIGURE 15:
ARE YOU CURRENTLY CONSIDERING OR WOULD YOU CONSIDER WORKING IN THE FOLLOWING?



4. Overseas opportunities

Most accounting firms participating in the survey offer overseas secondment opportunities. 87% of the survey respondents confirmed that their firm offers overseas secondment opportunities (defined for purpose of the survey as overseas postings that last at least a year) either occasionally or on a frequent basis [Figure 16]. Respondents from big-four firms are more likely to be aware of such opportunities in their firms (94%), possibly a result of their firms' relatively larger scale and more structured collaboration with overseas 'affiliated' firms.

A significant majority of the survey respondents (82%) expressed interests in going on overseas secondments. Many of those who expressed interest (95%) explained that the overseas stint would be an invaluable addition to their professional exposures [Figure 17], presenting a diverse experience from cultural, working style, client portfolio perspectives, and injecting fun and excitement to their careers. Some demographic differences were observed from the responses, with almost all male respondents under 25 years old indicating that they would take up such an opportunity.

Those who indicated that they would not like to be sent on a prolonged overseas secondment tend to cite personal commitments as the reason (62%) [Figure 18]. About half (48%) also indicated that they would not want to be subject to a bond, which typically kicks into effect after an overseas secondment. It is noteworthy that out of those who said 'no' to overseas secondment, 41% expressed interest in shorter-term overseas stints, for instance those lasting between 3 to 6 months.

FIGURE 16:
HOW OFTEN DOES YOUR FIRM OFFER OVERSEAS SECONDMENT OPPORTUNITIES [DEFINED FOR THE PURPOSE OF THIS SURVEY AS OVERSEAS POSTINGS THAT LAST AT LEAST A YEAR]?

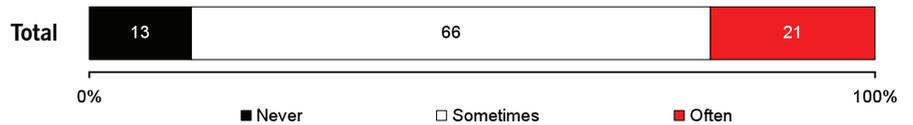


FIGURE 17:
COULD YOU EXPLAIN WHY YOU WOULD LIKE TO BE SENT ON AN OVERSEAS SECONDMENT? (PLEASE SELECT ALL THAT APPLY)

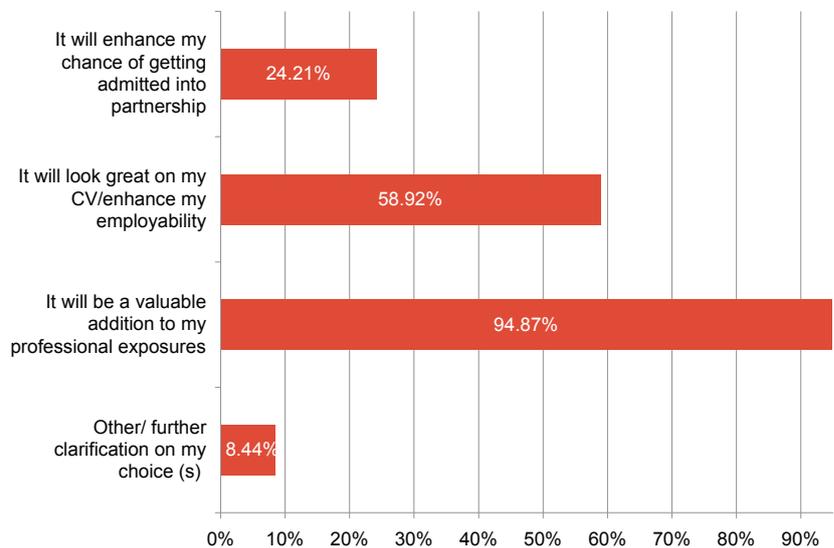
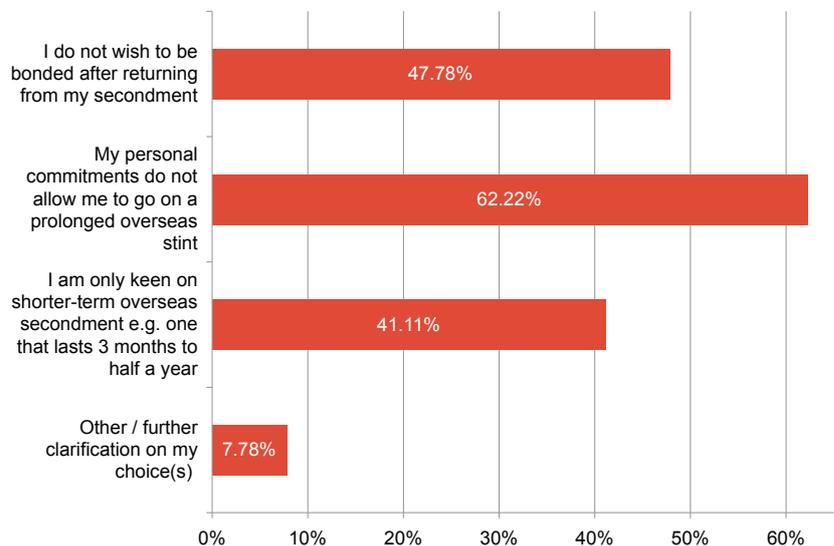


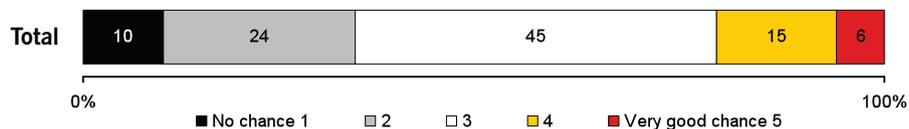
FIGURE 18:
COULD YOU EXPLAIN WHY YOU WOULDN'T LIKE TO BE SENT ON AN OVERSEAS SECONDMENT? (PLEASE SELECT ALL THAT APPLY)



4. Overseas opportunities

1 in 5 survey respondents believed they have a good chance of getting approval if they apply for an overseas secondment [Figure 19]. Those who thought their chances are limited tend to attribute that to the limited opportunities available. Based on further comments provided by the respondents, some thought that their firms may not be too keen to let good candidates leave for overseas secondment because they are needed locally and reshuffling their portfolios may be challenging. Some protested that there is limited transparency to the process and criteria for secondment and the opportunities available are typically not broadcasted. Many also realised that such secondment opportunities are available to very senior staff only.

FIGURE 19:
IF YOU APPLIED FOR AN OVERSEAS SECONDMENT OPPORTUNITY, WHAT DO YOU THINK WOULD BE YOUR CHANCE OF GETTING APPROVAL?



Given the vast interests generated by the topic on overseas secondment, firms may find it worthwhile to refine their policies in the following aspects:

- Clarify and make known the opportunities available and the prerequisites to being considered for such opportunities.
- To the extent possible, work with overseas affiliated offices to create more of such international mobility openings. Apart from boosting the attractiveness of a career in the firm, such a move will certainly aid the development of an even more diverse talent pool.
- As there is a limit to the number of long-term secondments available and given that some staff may have personal commitments that prohibit a long absence from their home country, firms may wish to consider alternative arrangements to create more cross-border, cross-cultural experience, for example shorter term project-based arrangements.
- Extend mobility opportunities to exceptional performers among the junior staff, potentially arranged in conjunction with sponsorship of a post-graduate study or professional qualification. This will help satisfy the demands of younger talents and the availability of such arrangements will help enhance the firm's attraction and retention efforts.

5. Becoming a partner

1 in 5 survey respondents aspired to be a partner [Figure 20]. There was more hesitation among those employed in mid-tier firms than big-four. A larger proportion of big-four respondents who were unsure cited lack of clarity over what is involved to be the reason behind their hesitation compared to those in mid-tier firms (44% vs. 32%). As expected, there was greater uncertainty among the more junior staff, mainly due to lack of knowledge of what is involved in becoming a partner (47%). The most significant distinction from a demographic perspective was that a much higher proportion of male respondents aspired to become a partner compared to the female respondents (32% to 12%) [Figure 20].

Over the last three years, there were six female accounting graduates to every four male accounting graduates from three of Singapore's local universities³. This ratio mirrors the female to male ratio for new entrants at the nine surveyed audit firms, based on data provided by those firms. The ratio remains steady until the more senior level (those who have stayed more than 5 years), but changes drastically at the partner's level, where the ratio becomes three female partners to every seven male partners in the big-four firms, and about two females to every eight male partners in the mid-tier firms. There may be a complex set of factors driving this, however, it may be worthwhile for the firms to assess if they are doing enough to retain and groom the large pool of female talents; understand the reasons why a larger proportion of female auditors do not aspire for partnership, and consider if targeted policies can be put in place to address their specific concerns.

Survey respondents who indicated that they aspire to be a partner were asked to rate a series of driving factors on a scale of 1 to 5 [Figure 21]. All the factors were rated highly and none of which clearly prevails. Making a difference to people's lives and contributing to the society were among the 'Other' reasons respondents mentioned. Zooming into the 'high financial reward' factor, 75% of respondents employed in mid-tier firms picked 'Strongly agree' or 'Agree' compared to 89% of respondents from big-four. This may be influenced by the perceived difference in earning potential for partners in mid-tier firms compared to the larger ones.

FIGURE 20:
DO YOU ASPIRE TO BE A PARTNER?

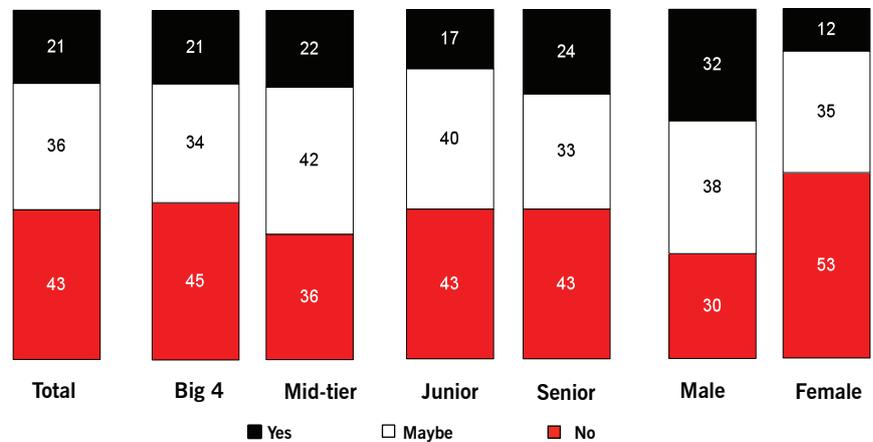
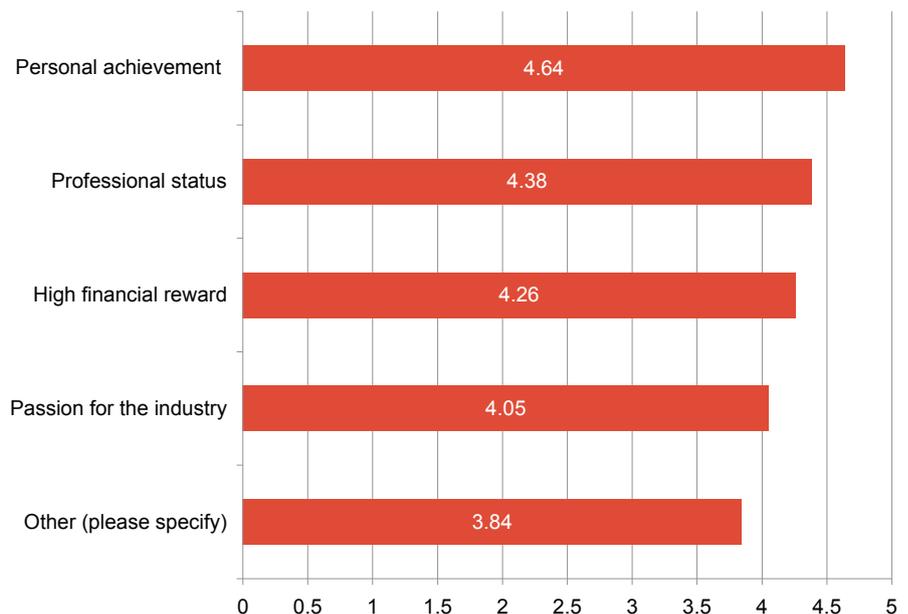


FIGURE 21:
PLEASE RATE THE FOLLOWING FACTORS ON A 5-POINTS SCALE FROM 'STRONGLY DISAGREE' TO 'STRONGLY AGREE' TO THE EXTENT THEY REFLECT THE REASONS BEHIND YOUR ASPIRATION TO BE A PARTNER.



³ Based on data furnished by three local universities, Nanyang Technological University, National University of Singapore and Singapore Management University, on the accountancy graduates from their Bachelors and Masters programmes in the last 3 years.

5. Becoming a partner

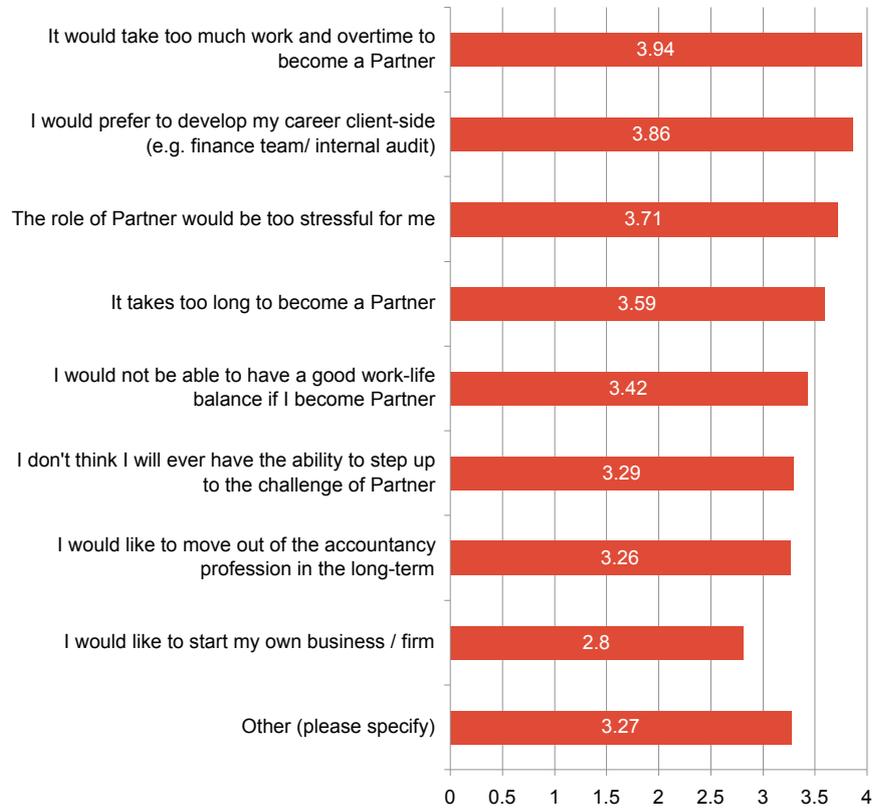
The survey also attempted to understand the main reasons why some of the survey respondents did not want to become a partner. Again, respondents were requested to rate a series of factors from 1 to 5, from 'Strongly disagree' to 'Strongly agree'. The results, as displayed in [Figure 22], provide insights to the relative weightage of the different factors that respondents take into consideration.

The 'Other' reasons mentioned by respondents include the belief that getting admitted to the partnership is based on luck and not skills, with another mentioning that too much 'politics' is at play in the process. Others pointed to the professional risks associated with being a partner, and the inadequate compensation for the risks that a partner needs to assume.

There were some notable differences between respondents of different genders. Half of the female respondents were not sure if they would ever be able to step up to the challenge of becoming a partner, compared to 34% of male respondents. In addition, 67% of females thought the job would be too stressful for them, substantially higher than the 43% of males who thought the same. The underlying reasons could vary but firms could consider featuring more female role-models and offering targeted mentoring to ear-marked candidates, which may go some way towards addressing the differences in perceptions.

Junior staff were more entrepreneurial and were more likely to list inclination to start own business as a reason for not wanting to be a partner (37% vs. 26%). And respondents from mid-tier firms seem to have a stronger belief that work-life balance will be lost once they get to the partner level (62% vs. 44% of respondents from big-four).

FIGURE 22:
PLEASE RATE THE FOLLOWING FACTORS ON A 5-POINTS SCALE FROM 'STRONGLY DISAGREE' TO 'STRONGLY AGREE' TO THE EXTENT THEY REFLECT THE REASONS WHY YOU DO NOT WANT TO BE A PARTNER.



5. Becoming a partner

The survey then sought to find out the perceived fairness associated with admission of partners, requesting the survey participants to rate the chance of an individual 'who has the aptitude and the will to persevere making it to partnership' in their respective firm 'in reasonable time'. While the majority of respondents rated the chance as either 'high' or 'reasonable', 25% believed the chance is 'low' [Figure 23].

Out of the respondents who rated the chance as 'low', 62% thought their firms had limited capacity to accommodate new partners [Figure 24]. This was the perceived issue for both mid-tier firms (64%) and the big-four (62%). 2 in 3 respondents in the Big 4 say that there are far too many candidates waiting for their turn (slightly less of an issue with mid-tier with about 1 in 3 respondents thinking the same).

Under 'Other', respondents commented that even having the right aptitude and the will to persevere do not guarantee successful admission. Other factors include having the right mentor and maintaining appropriate relationship and network with the firm's management and externally (even family background plays a part, as speculated by a number of respondents). It was mentioned by a few respondents that the criteria were not transparent, which increased their misgivings about a fair, merit-based selection process.

FIGURE 23:
HOW DO YOU RATE THE CHANCE OF SOMEONE WHO HAS THE APTITUDE AND THE WILL TO PERSEVERE MAKING IT TO PARTNERSHIP IN YOUR FIRM IN REASONABLE TIME?

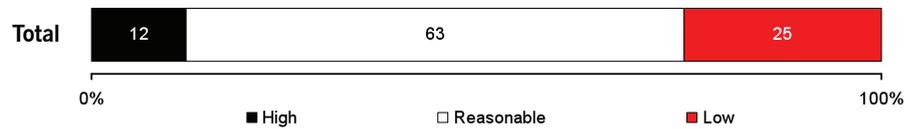
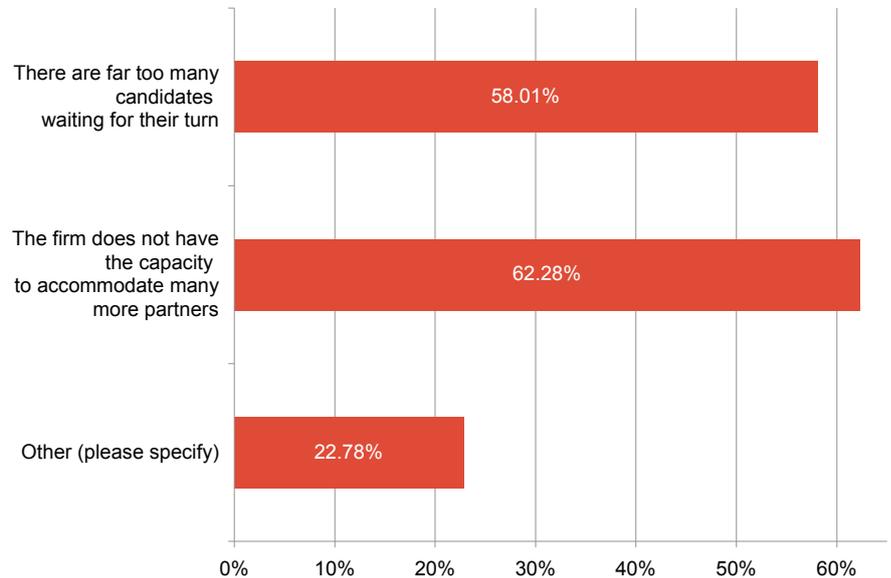


FIGURE 24:
REASONS FOR LOW CHANCE OF SOMEONE WHO HAS THE APTITUDE AND THE WILL TO PERSEVERE TO MAKE IT TO PARTNERSHIP.



6. What needs to change - frank thoughts from audit staff

Three root causes of the frustrations of audit staff came through in the comments, which also strike at the heart of issues of the quality of financial reporting and appreciation of the value of auditors.

1

Audit staff see the implications of audit clients placing a low value on accounting and audit. Low quality management accounts create unnecessary work for audit teams and low audit fees create resource constraints.

The participants felt that the regulator, business community and accountancy profession should work as a whole to improve financial reporting and raise the appreciation of the value of audit. Audit firms, they thought, should not tolerate low quality management accounts, unreasonable deadlines and low audit fees, as they felt this is the source of much of the burden they carry.

On the quality of financial statements and client issues...

- Audit clients have a big impact on an auditor's work life balance. The quality of financial statements prepared by clients in this part of the world is still lagging far behind and this has resulted in auditors needing to put in extra efforts to guide or review client's work.
- Higher level of technical competence required of accounting staff in companies. Auditors cannot act as a stopgap ... Regulators should hold companies to task over their accounts, not the auditors - Companies would then take more interest in their accounts and appreciate our work more.
- Do more to protect employees from unreasonable client demands and not always saying 'yes' to them.
- Government grants to boost the quality of client accountants, finance managers; Exam/'driving test' style training for those in the corporate who do not meet the minimum knowledge of SFRS/Co Act/MAS notices/MAS rules.

On the value of audit...

- The general perception in the industry is that audit is purely an unnecessary but unavoidable cost and we are still behind in terms of audit fees compared to UK, Australia or Europe and America. Long working hours are directly linked to the low fees.
- Relevant professional bodies should help to raise the profile of auditors and their relevance so that clients are willing to pay reasonable fees.
- More support from government or other regulatory organisations to highlight the importance of audit to companies/business. In countries like Australia and US, auditors are held in high regards while auditors in Singapore are mostly treated as sources of nuisance by companies.
- Auditors are always facing pressure to cut or maintain audit fees as clients are cost conscious and view audit fees as part of compliance costs... The lower fees in turn reduces the resources (i.e. time and staff allocated for jobs) available for audit engagements. With the increase in requirements in auditing standards as well as constant changes in accounting standards, the work scope of auditors has increased significantly. However, with constraints on resources, auditors are overloaded with work and working hours are stretched. Higher fees would either ensure more resources are available or increase probability for better remuneration for the additional workload.

6. What needs to change - frank thoughts from audit staff

2

Audit partners should get even more involved throughout the audit process and audit firms should better allocate resources for each audit.

- Communication from top to bottom can be greatly improved. Partners are not talking to lower level staff, and do not know how poorly their plans get executed on the ground.
- Respect and communication between senior management.
- A more balanced emphasis on fees and recovery. Currently, there is great stress to obtain higher fees and better recovery and yet to do better client service, which can be very contradictory depending on the client. There should also be a more balanced approach to the responsibilities within an engagement team. Managers usually end up becoming the 'lead senior associate' when the junior staff do not take initiative and appropriate responsibility for their work, taking time away from the things managers should really focus on.
- People are forced to undercharge hours to 'stay on budget'. Some form of review should be performed on the reasonableness of hours per engagement. It is not feasible to slash hours every year to show improved performance. There should be a limit as to how low it can go.
- The work culture needs to be radically changed. Sufficient manpower should be given to an engagement to avoid unnecessary overtime.
- Do not treat staff like 'excess' employees during off-peak periods. Perform better planning in job allocation so the work can be equally shared throughout the whole firm so as to better utilise resources.
- Reduce administrative work; hire dedicated resources to handle those.

3

Better rewards - pay, training, and career opportunities, as well as a change of culture that currently expects extensive overtime - complete the vision of a more satisfactory and rewarding environment that will retain audit talent.

- Greater work life balance and a shift in mind-set/culture. Similar to audit firms in other countries such as Australia. Leaving punctually to pursue other interests is not frowned upon.
- We need to get rid of the mind-set that overtime is expected when you are in auditing. Practice of going back on time or not working weekends should be acceptable and not frowned upon.
- Commitment works both ways. If the audit firm wants people to commit long term then the firm itself must also commit to its staff for the long term. This could be in the form of training (professional qualification) or in the form of other benefits like better medical/healthcare. Even an investment in the form of new laptops would go some way to show the firm's desire to make the audit staff life better. How can a firm that makes \$100mil in profit not be able to afford 2,000 new laptops?
- Provide work rotation, including exposure to other department or industry group.
- Have more distinct monetary recognition for people who perform well. There is no point in giving half a month more bonuses for the top 10% performers because financially, that is not even substantial.

Key action points for firms and other conclusions

An audit career has much to offer: prestige, strong sense of comradeship among colleagues, good future earning potentials, and above all, a truly unique opportunity to gain insights to and learn from the inner workings of a diverse range of organisations and industries. An individual who goes through the learning curve will unquestionably benefit from the enriched professional experience.

The survey results have painted a less than rosy picture of the talent issues faced by Singapore's audit firms. However, the respondents' passion for the profession was evident from the liberal amount of free-text comments, which focused on the bigger picture as well as their own needs. There was also a strong endorsement of the invaluable experience one acquires through a career in external audit. The firms and the industry need to address the frustration many of the survey respondents expressed concerning their work life 'imbalance', which they linked to various factors including preparers' lack of strong book-keeping and financial reporting skills in general, and poor appreciation of the value of audit. Such distractions have affected the underlying work that the survey respondents clearly enjoy.

A summary of key actionable points for the firms has been derived from the survey findings and is listed below:

1. **Create an open and transparent platform for sharing ideas.**

Nurture a consultative environment that encourages staff to flag issues with their working conditions and environment. It is crucial that the staff can have the confidence that issues raised will be properly looked into. In particular, the younger generation of talents are motivated to have a greater say in the way their work is conducted, and appreciate a channel through which their often innovative ideas can be shared.

2. **Leverage further on the diversity of experience an audit career provides** and which is valued by employees, as seen from the survey results. Review the firm's international mobility policy. Consider working with overseas affiliated offices to create more mobility openings, and expanding the scope to include shorter term project-based arrangements, and provide secondment opportunities to exceptional performers among junior staff. It may also be worth instituting a structured programme to facilitate routine rotation among different divisions within the firm instead of dangling a proposed secondment as a last-minute 'carrot' to dissuade talents from leaving the firm. It is important that the opportunities available and the prerequisites to being considered for such opportunities are clarified and made known.

3. **Work on encouraging clients to improve their accounting practices while the profession as a whole should aim for the same goal.** For example, engagement management should not allow audit fieldwork to commence when the subject of audit (the financial statements in the case of financial audits) has not been satisfactorily prepared. Often, audit staff need to spend significantly more time on the engagement to guide and review client work, but end up needing to account for or 'absorb' the

time spent beyond budget. Not managing the process properly precludes the team from recovering the incremental time costs from the client.

4. **Actively promote efficiency in the audit by getting involved in every stage of the engagement.** Productivity often suffers when the first set of audit work performed by more junior staff does not meet the audit objective either because they do not fully appreciate the planning done or circumstances have changed since planning but the more senior team members are not around to address the change. Engagement team management ends up issuing many follow-up points, which the juniors spend copious amount of time to clear. The need to revisit an engagement repeatedly creates frustration and does not help the team see value in their work.

5. **Mid-tier firms need to play to their strengths.** They typically have more close-knit teams as well as flatter organisation and team structures, which allow good work to be recognised more instantaneously and enable more intimate mentoring and counselling. Structured training in mid-tier firms are perceived to be not as comprehensive as those in big-four, which warrants attention from management.

6. **Enhance clarity over partner admission criteria.** More transparency will help alleviate staff's concerns about the lack of a fair, merit-based selection process.

7. **Create a more conducive environment to support female talent** so that more will feel able to aim for partnership. For instance, firms could consider featuring more female role-models and offering targeted mentoring to ear-marked candidates.

Eliminating the staff's perception that the firm treats them as resources and merely part of the engagement economics is crucial. The slogan common among audit firms 'people are our greatest asset' cannot be seen as just empty talk. There is a need to balance the desire for efficacy with a more humane approach that assures the staff that their contributions are appreciated.

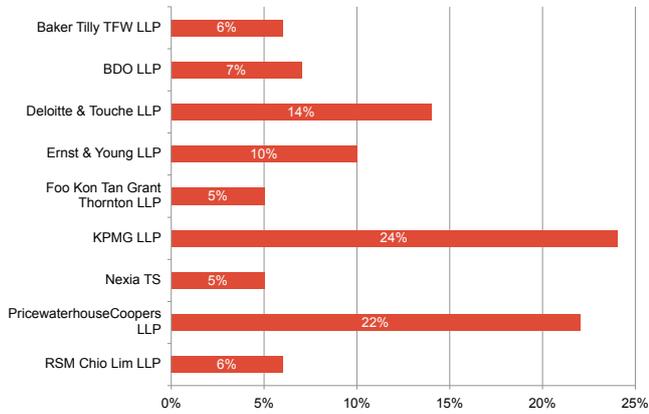
Firms that proactively address the key issues flagged in this report will be better positioned to attract and retain talents. The quest to maintain a sustainable talent pool is critical to the firm's core business of providing quality audit. While most of the challenges do not lend themselves to easy resolution, acknowledging the issues and establishing a platform for open communication with their people in a transparent and proactive manner are important early steps that must be taken.

The survey also highlighted pertinent issues that are relevant at a more macro-level, including the need to improve the level of preparers' financial reporting skills, and enhance appreciation of the value of audit. Addressing these issues requires the coordinated efforts of the firms with the accounting industry at large, professional bodies, the business community and the regulators, and is a necessary endeavour congruent with Singapore's efforts to maintain our status as a world class financial centre.

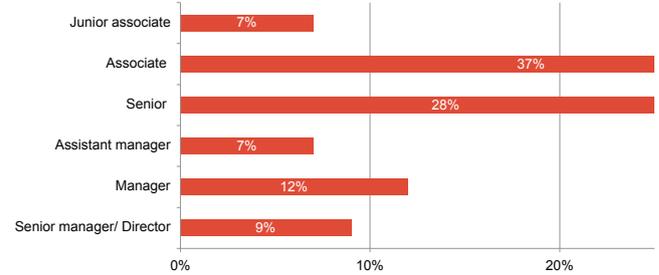
Profile of respondents

**FIGURE 26:
PROFILE OF RESPONDENTS**

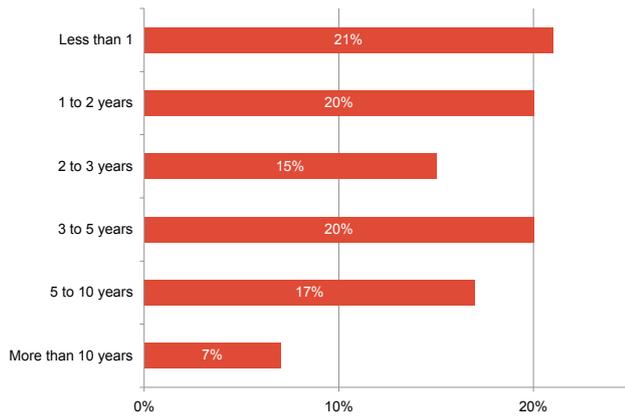
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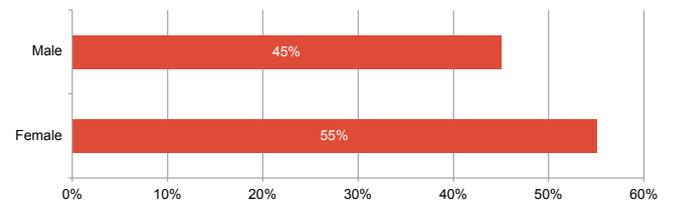
Grade



Years worked in audit



Gender



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