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## **Tightened rules on auditing call for higher tech and workforce investments**



The Big 4 are strengthening their audit advisory services and expanding into cybersecurity and compliance.

As corporates get flung into the risk of being entangled in malpractices made more complex by new reporting loopholes, with the newest one being Keppel's bribery issue, accounting firms are pushing the scope of their work from traditional audit to advisory services.

With more work cut out for them, it is apparent that the firms are sizing up, as the number of staff in Singapore Business Review's Accounting Rankings rose 7.85% from 15,281 in 2017 to 16,281 in 2019. Dominating the rankings is PwC, which has 3,300 employees, followed by KPMG with 3,048, Ernst & Young with about 3,000, Deloitte with 2,600, and RSM with 1,005.

Amongst the Big 4, Deloitte Singapore's CEO Pui Yuen Cheung has observed that there is greater demand for audit advisory services, especially in strengthening IA functions that will look at developing a road map of actions to better meet stakeholder expectations.

KPMG's head of advisory Irving Low added that it was not just about the IA requirement, but amendments to the Code of Corporate Governance (CGC) stipulates that annual reviews on the IA function should be conducted at least once every three years in order to enable boards to identify and correct any deficiencies in the function.

### **New offerings**

In response, Cheung noted that accounting firms are going beyond compliance audits to advise on risk in areas such as cybersecurity, regulatory compliance, third-party relationships and IT governance.

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One of the new services Deloitte introduced in the past 12 months revolves around cyber crime & computer forensics, document reviews, electronic discovery and readiness, data hosting, data capture and discovery advisory & managed services. The firm also offers intellectual asset management advisory service.

PwC partnered with cloud computing platform Tanium in order to offer businesses a service to manage cyber threats and gain real-time endpoint visibility. Tanium aims to help businesses to manage procurement and compliance of licences and enhance governance of data stored in endpoints. Whilst PwC will provide any organisation seeking to adopt Tanium with end-to-end support across competencies such as change management, upskilling, best practices, governance frameworks and technology implementation.

On its part, BDO has a digital platform called BDO Global Portal which handles group auditing. According to Jocelyn Goh, audit & human resource partner at BDO, the portal streamlines communication and secured documents exchange between the lead auditor, component auditors and clients.

“We started our journey in adopting digital tools and data analytics for more than ten years ago,” Goh said. “In order to continuously improve business efficiency, it is important to monitor the existing tools to match with changes in the profession.”

Unlike these international firms, smaller companies are struggling to adopt big data tech as they have been affected by industry consolidation. Robert Yam, managing partner at Robert Yam & Co. and Kreston David Yeung PAC’s director and head of audit department Thian Zte Chen both shared sentiments on losing clients that have entered M&A deals and commissioned one of the Big 4 or a second tier firm as the auditor.

The most recent merger amongst accounting firms was between Baker Tilly and Ferrier Hodgson in July. Yam mentioned that there were some mergers of small- and medium-sized practices (SMPs) that could have been partly facilitated by the national accountancy body or the Institute of Singapore Accountants (ISCA). Some of the main reasons behind mergers include high demand for auditors, talent attraction, succession planning as well as intentions to broaden the suite of services SMPs can offer, he added.

Eddie Lee, managing partner at Pinebridge, admitted that they had not done much on big data, and costs are instead directed to compliance requirements and staff training. Both Lee and Yam added that they are focusing more on recruitment and retention as well, along with dealing with rising costs of wages and rental. Chen mentioned that they are finding it difficult to retain senior auditors, in particular. Restrictions on hiring foreign talents, such as work pass quota and minimum salary, have an impact as well.

“Without any government subsidies or incentives, we continue to provide internal funding,” Lee said.

Another accounting firm noted that the good time had passed whereas government had been providing Productivity and Innovation Credit Scheme (PIC) grants between YA2016 to YA2018.

In 2013, the Inland Revenue Authority of Singapore (IRAS) launched the PIC Scheme where businesses enjoy 400% tax deductions and allowances for qualifying expenditure up until 2018. Whilst Lee the scheme has lapsed in 2018, the government has put a new plan in place to help SMPs to digitise and leverage big data. The government wants to make sure that local firms get a hand on digitisation as well, as SMPs make up 98% of the accountancy industry, according to SAC.

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As part of the new Accountancy Industry Digital Plan (IDP), firms can get up to 70% grant capped at \$30,000 to adopt of internal audit digital solutions and up to 70% grant capped at \$20,000 for the adoption of external audit solutions. SMPs can apply for funding support until 2020.

Two programmes were launched under the IDP. One is the SMP Centre, a one-stop portal with information to support SMPs on their digitalisation journey; and the Accounting Technology & Innovation Centre, which will be set up to develop new accounting technologies and business models.

“There are mixed thoughts about the two programmes launched,” Yam commented. “ The first programme is a push of what is already known out there like soft copy working papers and firm practice management systems.”

### **Workforce investment**

Recognising the role of a younger workforce in their big data push, accounting firms are investing in partnerships with schools. Cheung said that more clients are demanding professionals with capabilities around data analytics and digital.

Deloitte made a deal with Singapore Management University’s School of Accountancy to deliver an Audit Analytics programme and an Audit Information Systems programme for undergraduates. SMU’s other programmes were also designed in consultation with EY, KPMG, and PwC.

Deloitte also has a full-year learning programme for finance teams covering topics such as financial reporting, taxes, mergers and acquisitions, valuations, modelling, regulatory matters and risk & governance.

KPMG announced that auditors who obtain a Singapore Chartered Accountant (SCA) qualification by 1 July 2020 will receive a salary hike of 20%. KPMG will also grant 10 days of study leave per sitting for auditors who are pursuing the said qualification.

The SCA qualification is granted by ISCA, a national accounting body responsible for programme admission, module enrolment, examinations organisation, examination results release, candidate management, as well as the accreditation of employers (Accredited Training Organisations, or ATOs) and universities. Having such a title is said to put professionals on track for director positions and C-suite roles such as CEOs and CFOs in accountancy, business and finance.