

MARKET DEMAND FOR PROFESSIONAL ACCOUNTANCY SERVICES IN SINGAPORE

FY 2021-2024



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ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

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About SAC

The Singapore Accountancy Commission (SAC) spearheads the development of the Singapore accountancy sector with the vision of developing Singapore into a global accountancy hub.

SAC is working to achieve this by deepening the skills of the accountancy talent pool; developing the industry to capture growth opportunities; and creating a hub and exchange by building Singapore into a centre for thought leadership. SAC is a statutory body under the Ministry of Finance.

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THIS REPORT IS A DEMAND TRACKER FOR PROFESSIONAL ACCOUNTANCY SERVICES IN SINGAPORE.

This report will help guide professional accountancy services providers to offer services aligned to what businesses really need. ACCA and SAC have conducted this research study which identifies what businesses have budgeted for, in respect of those services, for the previous, current and next two financial years in Singapore.

This research report examines market demand for these services, highlights the services that are top on the list for corporates (MNCs, listed corporations, as well as SMEs), including those specifically requested from the Big Four and SMPs. It also provides recommendations on how professional accountancy services providers can enhance service delivery, considering the criteria that corporates use in engaging providers.

The report will inform corporates on what services are being demanded by their industry peers. They can review these services to identify any external advice that they themselves might require currently and in the near future to give them a competitive advantage.

Foreword

Singapore has cautiously reopened more sectors of its economy and has been living with the coronavirus successfully, relying on one of the world's highest vaccination rates to keep hospitalisations low. This resilience and buoyancy will attract more companies to its shore. As these companies continue to face technological disruptions, pressures to expand overseas, rising costs and intensifying competition, they will need external advice to supplement their internal expertise.

Our study tells us that the demand for professional accountancy services has in fact increased because of these challenges. 57% of survey respondents in Singapore had allocated budgets of more than US\$100,000 for the previous, current and next two financial years. A significant percentage were for non-regulated advisory services.

In response, professional services providers are diversifying from providing traditional services such as audit, tax and other largely regulated or compliance-based services, to mainly non-regulated services, such as IT Advisory and Risk Management and Governance (including Internal Audit). Sustainability and CSR Reporting is increasingly being seen as an emerging service offering that more firms could provide to corporates.

While the demand for largely regulated services remains stable, our study shows that the long-term demand for non-regulated services is rising. This demand is currently mainly fuelled by larger corporations. We believe SMEs would also greatly benefit by allocating larger budgets for discretionary advisory services that would assist them in scaling up faster.

Professional accountancy services providers that connect and plug into Singapore's infrastructure as a global accountancy hub will be better positioned to take advantage of these opportunities as this demand is growing not only locally but regionally and globally.

This study, a collaboration between ACCA and SAC, will be useful to policymakers, professional accountancy services providers and businesses. Policymakers will be able to have a better sensing of the high-growth areas in professional services. It will help providers to pivot to services which show the most promise of sustainable revenue streams, and businesses to assess the types of services and external advice that they would need to grow and gain a competitive advantage now and in the future.

A handwritten signature in black ink, appearing to read "Maurice Cheong".

Maurice Cheong
Head, Singapore, Australia,
New Zealand & Oceania,
ACCA

A handwritten signature in black ink, appearing to read "Evan Law".

Evan Law
Chief Executive, SAC

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Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

ACCA	Association of Chartered Certified Accountants
Big Four	These include the following professional accountancy services networks: Deloitte, EY (Ernst & Young), KPMG and PwC (PricewaterhouseCoopers).
CFO	Chief Finance Officer or equivalent
GFCI	Global Financial Centres Index
IFRS/FRS	International Financial Reporting Standard / Financial Reporting Standard
IT	Information Technology
JTM	Jobs Transformation Map
MAS	Monetary Authority of Singapore
M&A	Mergers and Acquisitions
MNC	Multinational Corporations
Professional accountancy services	These include largely regulated (e.g., Statutory Audit and Tax Compliance) and largely non-regulated services (e.g., IT and Risk Advisory) typically provided by professional accountancy services firms. For a full list of services covered in this report, please refer to Appendix 4. All references to the specific service categories or services covered in this report are 'initial-capped'.
Regulated services	Services that are largely regulated and non-discretionary i.e., that are required or mandatory by legislation or regulation. These services are also often described as "compliance-based services".
Non-regulated services	Services that are largely not regulated, discretionary and market-driven i.e., other than regulated services.
Non-SME	These relate mainly to larger corporations, with annual revenues exceeding those of SMEs. They include MNCs (Multi-National Corporations) and listed corporations.
SAC	Singapore Accountancy Commission
SMP	Small and Medium (Accounting) Practice
SME	Small and Medium Enterprises are enterprises with annual revenues of not more than S\$100 million.
Service categories	Groups of related service lines. Refer to Appendix 4.
Service lines/Services	Individual component services. Refer to Appendix 4.

Professional Accountancy Services

DEMAND DASHBOARD Top 10

FY 2021-2024



Notes:

1. Accounting Advisory service is included in the Audit & Assurance service category.
2. Supply of services that are not currently perceived to be adequate. (These may not be budgeted for currently.) These services were selected from a list of 44 services (see Appendix 4).
3. Data is not available to complete the "Top 10". (Data is also not available for Non-Regulated Services Categories for FY 2018-2020, and Big Four and SMP service requests for FY2018-FY2020)
4. From *Market Demand for Professional (Business and Advisory) Services*, 1st edition, 2018.¹
- 5, 6, 7, 8. The proportion of the respondents requesting these services are equal.

1 Market Demand for Professional (Business and Advisory) Services – Singapore, ASEAN region and China, page 13, ACCA (Supporting partner: SAC), 2018.



1. Executive Summary

Singapore's economy grew 7.6 % in 2021 amid the COVID-19 pandemic, rebounding from a recession in 2020, according to the Ministry of Trade and Industry (MTI)². Singapore's GDP growth for 2022 is expected to be about 3.0% to 5.0% in 2022. Singapore's economy will continue to recover in 2022 as global growth is projected to remain positive. The country is expected to remain buoyant on expectations of revived global demand, as well as the relaxing of domestic and border restrictions as its vaccination rate climbs.³ Despite the forecasts of higher inflation of 3.6%, due to the crisis in Ukraine, most analysts believe that Singapore will maintain a GDP growth rate of 4%, within the projected range for 2022.⁴

Singapore is a regional hub of choice for professional services firms, offering a cosmopolitan workforce and trusted regulatory framework. The city-state's innovative solutions, attuned to Asian needs, is built on a vibrant base of consulting, accounting, law and marketing firms. As Singapore works to grow as a leading global accountancy hub, the volume and variety of professional services offered is expected to expand.

1.1 Opportunities for Professional Accountancy Services Providers

The availability of professional services and external advice will help businesses recover and emerge stronger from the pandemic. The need for external advice has become more relevant and necessary for businesses to chart the dynamic and difficult environment thrown up by the new reality. The unusual demands of the new normal have placed businesses in extraordinary circumstances. Many businesses are continuously adjusting and realising the need for professional external advice, not only for accounting and tax purposes, but also to develop efficient and effective operational processes and workflows, manage risks and develop business strategies. Furthermore, in the light of technological disruption and digital innovation, businesses are looking to external consultants for technology related services.

It is not a surprise, therefore, to see IT Advisory services, and technology-related services in general, supplied by professional accountancy services providers, as the top (non-regulated) professional accountancy service category demanded by corporates in this report. Additionally, the demand for sustainability-related services, although relatively low currently, is expected to grow. Professional service providers are increasingly being relied upon to

transform businesses into sustainability-focused and digitally-enabled organisations.

These providers, whether it is one of the Big Four or SMPs, face new challenges. They must review and reimagine a strategy on what is the optimal way to serve their clients in a new reality, where remote working, management, and collaborations have become the norm. All this, while experiencing tighter deadlines and reduced budgets, and grappling with competition and the increased pressure to deliver, sometimes amid lockdowns. To ensure firms are sustainable and growing, it is important for firms to constantly scan the environment for new services.

“I am passionate about new services. New services are what I need to remain sustainable.” **Paul Tan FCCA**, Co-Founder, Partner, Kreston Ardent CAtrust PAC

It was noted during roundtable discussions that many professional accountancy services providers, as well as corporates, do not proactively examine the environment on a periodic basis through a systematic process or use independent data to identify new services. Most rely on feedback from their existing client base, which may be biased towards certain profiles or sectors. As a result, many firms may overlook opportunities for growth and expansion from large segments of potential clients.

SMPs should review to diversify their practices to seize these opportunities. Compared with the Big Four, the journey to diversifying their portfolio of services may prove more challenging for them due to difficulties in acquiring the right talent and time constraints.

2 MTI estimates, Feb 2022.

3 MTI forecasts, Nov 2021.

4 Analysts raise inflation forecasts; geopolitical risks return amid Ukraine war: MAS poll, Business Times, March 2022.

"Getting people is not the problem, getting the right people is." **Wilson Koh** FCCA, Vice-Chairman, ACCA Singapore Network Panel

We noted during roundtable discussions that some SMPs are starting to hire many non-accountants to build a multi-disciplinary team, just like what the Big Four have been doing for a number of years. This may be a necessary step to address the needs of clients.

"We do hire non-accountants. Our challenge is whether they will stay with us. We are more than ready and welcome candidates without accounting background but want to know more and grow with us." **Magdalene Ang** FCCA, Director, R. Chan & Associates PAC

The value that accountants bring to transformation work, though, cannot be over-emphasized. For e.g., while IT professionals may be well-versed in the technical aspects of implementing digital systems, this cannot be done without considering business strategy and the financial position of corporates, which are core expertise areas of professional accountants. Accountants could therefore help to provide a more holistic and effective approach to digital transformations, and transformations in general.

The multi-disciplinary perspective can also be relevant to the accountancy sector as a whole. Paul Tan advises that different firms should specialise in different areas of expertise so that the sector can benefit as a whole. "Concentrate on your core business", he says, and "rely on other professionals who would have the depth of knowledge and skills". This approach could will

benefit the accountancy sector as it will generate more collaborations and build up subject matter resources to make the sector more cohesive and resilient.

The data from SAC's AE Census 2021⁵ shows that more SMPs are keen to provide sustainability-related services in the next 3 years. Sustainability reporting, green or sustainable finance and sustainability assurance are all natural extensions of the traditional roles of accountants.

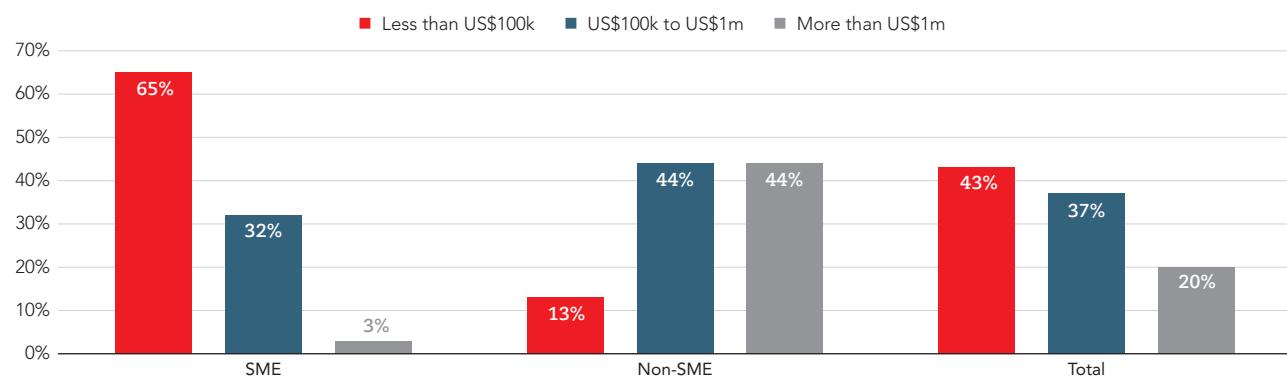
Overall, the good news is that although we are facing challenges, the budgets allocated for professional services in Singapore and the region are significant (see Figure 1, below). The pandemic has opened up significant opportunities for professional accountancy services providers, not only for the Big Four but also SMPs. Based on roundtable discussions, it was noted that many local SMPs have done quite well during the pandemic. Local service providers have benefited from cross-border restrictions as corporates turn to them for professional accountancy services support. There is also a growing trend of businesses seeking SMPs where they were looking out for personalised attention at affordable fees.

1.2 KEY FINDINGS

1. Budgets are high, but corporates have become more prudent and circumspect in spending on professional accountancy services

Despite the widespread adverse impact of COVID-19, demand for professional accountancy services remains high. While 57% had allocated budgets of more than US\$100,000 for the previous, current and the next 2 financial years, 20% had budgeted more than US\$1,000,000. Not surprisingly, the larger non-SMEs allocated higher budgets, with 88% allocating more than US\$100,000, compared to only 35% of SMEs (see Figure 1, below).

FIGURE 1: Annual Budget for Professional Accountancy Services, FY 2021-2024⁶



5 AE Census 2021, SAC, 2022.

6 Respondents that have indicated "don't know" to the survey question, with regards to their budget, are removed from the analysis.

There is generally a trend towards more prudence and more scrutiny of expenditures on professional accountancy services. This is reflected in the respondents' priorities when selecting a professional accountancy services provider, where cost and ease of doing business came up as the top criterion. Cost and ease of doing business was also a top criterion for a global accountancy hub (see Key Finding 10 below).

The rising concern over cost could be due to constrained budgets because of COVID-19. According to ACCA's *COVID-19: Global Survey; Inside Business Impacts and Responses*⁷ report, almost 50% of respondents cited cash flow issues. In addition to this, businesses may also question over what value they can derive, as their business needs evolve in a dynamic environment and as they evaluate their relationships with their professional accountancy services providers.

Reflecting on this trend towards tighter budgets, roundtable participants noted that the demand for professional accountancy services provided by SMPs continue to be in demand due to their targeted expertise, localised and personalised knowledge, and agility, as well as their relatively affordable fees.

2. Strong Demand for Advisory Services

Generally, the budget allocated to traditional, compliance-based services (50.1%) and largely non-regulated advisory services (49.9%) was proportionately the same. However, SMEs allocated a higher percentage of 52.2% of their budgets for these traditional services compared to larger corporations (i.e., the "non-SMEs") who allocated 47.8%. The fact that larger corporations focus more on advisory services may suggest that these services may have positive effects on growth. SMEs may well therefore consider investing more on external advisory and professional services to guide and boost their growth.

Larger companies usually have more resources and thus have their own internal finance teams with relevant expertise to meet operational needs. However, their business models and scale of operations may be more complex, and they will need specialised advisory services and expertise to digitalise, meet global compliance requirements and expand their operations.

3. Audit & Assurance Maintains Strong Demand

The largest percentage of the respondents' annual expenditures for professional accountancy services was allocated to largely regulated service categories, as follows:

16.8% for Audit and Assurance, 13.5% for Corporate Support Services, 11.6% for Tax Compliance, and 8.2% for Tax Advisory, for the previous, current and the next two financial years. (For the full list of service categories, see Figure 2 in Section 2.) These results are consistent with the results for the Asia-Pacific as a whole, and the ASEAN-ANZ region, based on the *Market Demand for Professional Accountancy Services in Singapore FY2021-2024*⁸.

The strong demand for the Audit and Assurance service category, was pushed up mainly by demand for Accounting Advisory services, which is a service line included in it. Corporate Support Services not only included legal and secretarial services, but also outsourcing of accounting/finance personnel, payroll, statutory financial reporting/compilation and fund administration. Generally, the demand for most of these expenditures are expected as corporations are required to adhere to regulatory and legal requirements.

4. IT Advisory is the Highest Demanded Non-Regulated service category

Overall, IT Advisory ranked first with respect to non-regulated services. This is consistent with the results for Asia-Pacific as a whole, and the ASEAN-ANZ region, based on the *Market Demand for Professional Accountancy Services in Singapore FY2021-2024*⁹. It is to be noted that IT Advisory refers to project management of IT projects beyond just technical services. Both technical knowledge and skills are required, as well as a good understanding of business strategy and the possession of financial acumen. Professional accountants are in a good position to offer these more holistic services.

The preference for IT Advisory suggests that businesses are shifting towards automation and innovation, in response to a more rapid technological transformation brought about by the pandemic. The demand for technology-related advisory has therefore become more pronounced as business models change in response to mobile and remote working arrangements. There is also a need to strengthen cybersecurity frameworks and upgrade enterprise architecture.

With whole sectors adopting e-commerce, artificial intelligence, blockchain and data analytics, the need to step up digital transformation efforts is more urgent than ever. COVID-19's reshaping of workflows, supply chain and the conversion from in-office to remote working, has intensified the need for IT Advisory and Digitalisation services.

7 COVID-19: Global Survey; Inside Business Impacts and Responses, page 12, ACCA, March 2020.

8, 9 Market Demand for Professional Accountancy Services in the Asia-Pacific FY2021-2024, ACCA, SAC, 2021.

5. Budgets for Sustainability and CSR Reporting are currently low but are expected to rise

The overall budget for services within the Sustainability and Climate Change service category was the lowest for any defined service category, at 5.2%. However, unlike the Asia-Pacific, and ASEAN-ANZ results, the Singapore results show that Sustainability & CSR Reporting, a service line that is included in the above service category, ranked fourth for future services requested from the Big Four and sixth for SMPs. This could be an emerging area that professional service providers could consider focusing on in the next 3 years. SAC's AE Census 2021¹⁰ shows that more SMPs are keen to provide such services in the next 3 years.

A deeper analysis shows that the current demand is concentrated on a particular segment of the market. Sustainability and CSR Reporting is an important service being demanded by larger non-SMEs from the Big Four. Larger Singapore corporates included this service in the top 3 services requested from the Big Four. A smaller proportion of these corporates were also open to receiving such services from SMPs.

One of the reasons put forward by roundtable participants for the overall low budget allocated for the Sustainability and Climate change service category was that professional accountants were not currently easily identified as suppliers of these services. However, larger corporations are requesting for these services and there is a rising demand from SMEs. This represents a huge untapped potential for professional accountancy services providers.

Professional accountants, who are trained in corporate reporting and financial management, would be able to offer these services, including Sustainability and CSR Reporting, and green financing consultancy. Firms providing services under the Audit and Assurance category would also be able to extend to Sustainability Assurance. Other assurance services will be set to grow if budgets for Sustainability and CSR Reporting grows.

TABLE 1: Services Requested from the Big Four (Summarised)

	LARGER NON-SMEs	SMEs
1	Technology-related Services	Technology-related Services
2	Sustainability and CSR reporting	Accounting Advisory
3	Accounting Advisory	Business process outsourcing and improvements

6. All enterprises would like both the Big Four and SMPs to provide more Technology-related services and Accounting Advisory

These services are those that respondents are requesting for but are currently perceived not to be in adequate supply from the Big Four and/or SMPs.

The "Technology Services Bundle" represents the most requested collection of services from the Big Four, from all types of enterprises. These include Technology Consulting and Digitalisation Advisory, Technology Risk Advisory, and IT forensics.

Some challenges were, however, noted in the supply of these services. In the roundtable discussions, some participants spoke of their experiences in engaging larger service providers such as the Big Four firms for IT Advisory and digital services. They cited difficulties in finding talent even within larger service providers who are skilled at IT and can apply their skills to business models that are unique to each company. They are also concerned about the perceived costs of engaging larger service providers which tend to charge relatively higher fees and the participants indicated that they may prefer SMPs for their affordability.

Sustainability and CSR Reporting services is the third most requested service from the Big Four by large non-SMEs. 24% of larger non-SMEs requested this from the Big Four, compared to 19% for traditional Accounting Advisory (see Figure 4 in Section 2 for a detailed breakdown). This rise in demand for Sustainability and CSR Reporting services from larger corporations is significant and may signal an upcoming upsurge in demand for these services in the next 2 to 3 financial years.

The roundtable participants noted that while both the Big Four and SMPs have their own unique selling propositions, they prefer SMPs over the Big Four when it comes to more customised and targeted projects. SMPs, particularly the larger ones, were perceived to have more specialised offerings and are often more affordable than the Big Four.

TABLE 2: Services Requested from SMPs (Summarised)

	LARGER NON-SMEs	SMEs
1	Technology-related Services	Technology-related Services
2	Accounting Advisory	Accounting Advisory
3	Business process outsourcing and improvements	Tax-related services

10 AE Census 2021, SAC, 2022.

Furthermore, local SMPs prove to be integral to overseas operations, as they would be more familiar with local policies and realities. Some roundtable participants highlighted the advantages that SMPs may have over the Big Four, when these types of collaborations are undertaken. The roundtable participants added that broad-based services such as audit or corporate strategies are what Big Four firms do best. Overall, SMPs would do well to develop more capacity for technology services; while diversifying, upskilling and reskilling their staff.

7. Cost-effectiveness and value for money is the top criterion when it comes to selecting a professional accountancy services provider

TABLE 3: Most Important Criteria when Selecting a Professional Accountancy Services Provider

THE TOP 3 MOST IMPORTANT CRITERIA WHEN SELECTING A PROFESSIONAL ACCOUNTANCY SERVICES PROVIDER FOR LARGER NON-SMEs ARE:
<ul style="list-style-type: none"> • Cost considerations and value • Prompt ability to deliver on deadlines set • Relevant and specialised expertise relating to my needs.
THE TOP 3 MOST IMPORTANT CRITERIA WHEN SELECTING A PROFESSIONAL ACCOUNTANCY SERVICES PROVIDER FOR SMEs ARE:
<ul style="list-style-type: none"> • Cost considerations and value • Relevant and specialised expertise relating to my needs. • Personalised attention to my needs.

From the above, it would appear that both SMEs and larger non-SMEs do consider cost considerations and value as the most important. However, SMEs look for professional services providers who are more focused on their specific needs and environment, and non-SMEs prioritise timely delivery higher than SMEs. Service providers to non-SMEs, in particular, may want to review and strengthen their talent recruitment and retention efforts to ensure that they have sufficient resources to provide services on a timely basis.

It was noted during the roundtable discussions that flexibility and adaptability of providers in responding to corporate clients' specific requests was an important consideration. It was also noted that local service providers may be less flexible than overseas providers in providing new services. It seems that flexibility and adaptability, which was not captured in the survey data, seem to be quite an important additional attribute that should be considered by providers.

8. Demand and supply of professional accountancy services are generally not systematically monitored

Based on the roundtable discussions, it was observed that most professional accountancy services providers, as well as corporates, do not have a systematic and proactive system to monitor and track the demand or need for professional accountancy services, particularly new services. The general approach is to review feedback from clients, with the larger firms also receiving feedback from their global networks. However, these are usually based on personal opinions and conjectures.

The head of tax of a mid-tier accounting firm says, "We already do have established service lines, so we know roughly what and where the demand will be. But it also depends on the kind of queries that are coming in. However, we do not do a fixed periodic assessment." Gajendran Vyapuri, a partner at EY (Singapore), FCCA says, "Our firm does let us know about emerging trends, like "crypto". We then start preparing for it. Now we hire not only accountants but data scientists and engineers, to address the challenges of auditing a highly digitalised environment and anticipated technological disruptions. But it is impossible to anticipate everything. The network affiliation helps to identify these trends. To manage risks, we have put in place safeguards. Certain services cannot be provided due to independence rules. Audit is slower in catching up on these newer technologies".

Magdalene Ang reflects, "We have to be reactive. We have to assess the risks. Clients come to us when they have needs. This is from an SMP perspective." This responsiveness to clients' needs is important but perhaps it should be supplemented with more systematic overarching proactive planning.

The head of tax of a mid-tier accounting firm also touched on the issue of getting talent for new services. He says, "We are facing a manpower crunch. When you start a new service, there is always a gestation period, where you need to talk to clients and get feedback. It may take a year before you get your client into that area of expertise. We also look at Big Four literature and our own observations. So, it is an investment. It is a chicken and egg problem. You need to do the service effectively, not just have superficial knowledge. The outsourcing route may be more sustainable. We need to hire the right people and the pricing will have to reflect this." Magdalene Ang however cautions, "Outsourcing is one way, but it also creates risk. We need to be careful."

Service providers should review their clients' profiles, understand their needs, and develop new capabilities to meet their changing needs. Firms may also want to identify and source for new potential clients that they may want to service in the years ahead, given the shifting profile of businesses that may operate in Singapore in future. In entering into new services, providers will need to manage risks and talent acquisition. These tasks underscore the need for some early planning. This can only be done if efforts are made to ascertain the future terrain and start acquiring resources early. Most approaches deal with monitoring their own client base for new services. However, client bases could be biased towards certain sectors or profiles. There could be many potential clients in the market that may be overlooked by professional accountancy services providers, compromising their own revenue potential.

9. Accountants will need to manage their branding and market strategy innovatively

The Big Four firms hire many non-accountants who form teams with accountants to provide professional services over a wide spectrum. Some roundtable participants felt that the term "accountant" may restrict the perceptions of potential clients to the traditional roles that accountants have played. For e.g., they may not associate accountants with helping them on digital transformations or sustainability reporting.

Ivan Mitringa, Global S&P Financial Director, FCCA, from Dell Technologies, based in Singapore, asked whether the term "accountant" is really the best term for professional accountants delivering professional services, since many of these services are not associated with traditional accountancy services. He cautions, "It may deter clients coming forward to ask for specific services from accountants, which are not part of the

traditional offerings." Wilson Koh asks whether the term "accountant" is still relevant today? He says he does not identify himself as an accountant but more a "problem solver". Paul Tan adds, "We really need to transform the image of an accountant, especially for the young."

Magdalene Ang, however, points out there are also benefits in using the term "accountant". While she agrees "we need to make the job role "sexier", she points out, "The fundamentals of what accountants do is still relevant. Ethics is still the foundation and then we branch out to various services. We have to know what our clients want. The value perception is the most important." Professional accountants who supply cutting-edge non-traditional services can therefore benefit from the positive perception of accountants as being firmly grounded in ethics and having the ability to manage risks.

Perception issues may also exist with respect to SMPs. Magdalene Ang observes. She says, "Many MNCs are not aware that some SMPs can provide these non-traditional services. We do not usually get the demand for non-compliance advisory jobs directly from potential clients – we usually get it from our international network. We want such jobs". Cherie Sim, Group Financial Controller, FCCA, Owndays Singapore Pte Ltd, notes "The Big Four are not one entity, they are a network. SMPs may have a network but they do not have the same name – giving less comfort to clients. We should be wise with our branding."

It is important, therefore, for accountants and SMPs to evaluate what profile they are actually presenting to potential clients. Demonstrating that they have multi-disciplinary teams and extensive collaborations with other accountants and non-accountants in their network and in the sector, will go some way in modifying the perceptions of potential clients as to their capabilities and their ability to add value to their businesses.

DEMONSTRATING THAT THEY HAVE MULTI-DISCIPLINARY TEAMS AND EXTENSIVE COLLABORATIONS WITH OTHER ACCOUNTANTS AND NON-ACCOUNTANTS IN THEIR NETWORK AND IN THE SECTOR, WILL GO SOME WAY IN MODIFYING THE PERCEPTIONS OF POTENTIAL CLIENTS AS TO THEIR CAPABILITIES AND THEIR ABILITY TO ADD VALUE TO THEIR BUSINESSES.

How professional services providers can extend and deepen their portfolio of new services

1. Scan the environment to understand the needs of businesses early

Professional service providers will need to manage risks and talent acquisition when embarking on new services. These challenges mean forecasting and early planning is necessary. Providers should try to ascertain where demand will come from, not only in the next 12 months, but 3 to 5 years ahead. For this, they can rely on their networks as well as research reports – such as the ACCA-SAC series of market demand for professional accountancy services reports¹¹, including this report. Based on the demand analysis highlighted in this report, providers, including SMPs, should focus on developing expertise in digitalisation and sustainability in the next 3 to 5 years.

2. Manage your branding and the perception of your firm's profile in the market

The accountant's profile is constantly evolving. Providers should critically evaluate what profile they are actually presenting to potential clients and calibrate it with new services they are providing. SMPs should develop as well as showcase their multi-disciplinary teams and the various collaborations they have had with others, including their networks to update the perceptions of potential clients as to their capabilities and to convince them of their ability to add value to potential clients' businesses.

3. Develop multi-disciplinary teams

SMPs are now beginning to welcome many non-accountants into their firms to build multi-disciplinary teams to address the needs of clients, just like what the Big Four have been doing for a number of years. This will ensure a multi-faceted skillset that the firm can tap on, as well as generate a diversity of perspectives which will ignite creativity and new ways of thinking. This would be a necessary step to ensure that opportunities arising from new services are seized when they arise.

4. Collaborate extensively within and outside the sector

The sector, as a whole, could also be viewed from the multi-disciplinary perspective. Firms should develop core expertise in certain services, then be connected to collaborators in the sector who can provide other types of expertise. In this way, the whole sector can benefit by developing deep expertise in a wide variety of areas, and encourage more collaborations within the sector.

5. Personalised attention is important

Professional service providers who provide personalised attention to SMEs are highly valued. Active listening will enable the provider to pay more careful attention to their clients' specific needs. Service providers will therefore need to ensure that their advisories are relevant to the specific context of their clients.

TABLE 4: How professional services providers can extend and deepen their portfolio of new services

"The fundamentals of what accountants do is still relevant. Ethics is still the foundation and then we branch out to various services. We must know what our clients want. The value perception is the most important."

Magdalene Ang, Director, R. Chan & Associates PAC

10. Cost and ease of doing business chosen as the top criteria of a global accountancy hub

Professional accountancy services thrive in an economy when there is proper infrastructure to support and promote them. The concept of a 'global accountancy hub' to support professional accountancy services has been discussed in Singapore for many years¹². The concept is an interesting one although currently embryonic. Hence, the opportunity was taken to understand from Singapore respondents in the survey, the majority of whom were finance and accounting professionals, with about 19.6% occupying global positions, on what they thought were the most important criteria for a global accountancy hub. These are listed in the table below.

TABLE 5: Top 5 Criteria of a Global Accountancy Hub

THE TOP 5 CRITERIA THAT A GLOBAL ACCOUNTANCY HUB SHOULD HAVE ARE AS FOLLOWS:
<ul style="list-style-type: none"> • Cost and ease of doing business. • Excellent accounting, tax, and financial services infrastructure. • Quality of public service and competence level. • Quality of talent (innovation of production of intellectual capital) • High mobility of international capital.

Each global accountancy hub has its own selling points and is subject to the preferences and needs of enterprises. Some businesses are more mindful of cost and may prefer cheaper alternatives, while other enterprises may not be deterred from paying extra for skilled talent, better transparency and fewer bureaucratic procedures. Corporates that want to conduct cross-border trade or expand their global footprints often flock to global accountancy hubs. Professional accountancy services providers can take advantage of this and identify the profiles of corporates that would need their services in these hubs.

Firms should take note that cost is an important component in the procurement decision currently. Hence, firms should ensure affordability of their services by reducing costs wherever possible. This can be done

by improving productivity by embarking on digitalisation initiatives and providing adequate and appropriate training for their staff, which will also improve the quality of talent within their firms. In this way, firms will not only grow but, in the process, also help to expand and develop the accountancy sector. Firms can do their part by reviewing their strategies, capabilities and branding to support the development of Singapore as a leading global accountancy hub.

1.3 Conclusion

We can expect economies to be constantly changing, and organisations focused on evolving and responding to the changing environment. In this scenario, we would expect the needs and priorities of organisations to be a moving target. This study's findings serve to track these changes as they impact the demand for professional accountancy services. The observation in this study that many professional services providers do not independently and systematically survey the landscape for new services means that many opportunities for development and growth may be missed. An independent demand tracker like this study would therefore be highly relevant to determine the types of professional accountancy services that providers should be supplying.

The study will assist professional accountancy service providers and consultants to review the range of services they provide to meet the needs of enterprises, helping the provider to steer the provision of services in the right direction. Potential clients will then be able to find providers that would fit their needs. They will also be able to reflect on their own needs for these services, using findings from the study to seek the appropriate external advice to boost growth and transform their businesses.

Policymakers can use the study to better understand the needs of both professional accountancy services providers and enterprises to help facilitate business transformation. On a wider perspective, they will need to reflect on the infrastructure required to boost the volume and diversity of professional accountancy services by reviewing the criteria, highlighted in this study, that makes a global accountancy hub successful and, where feasible and appropriate, implement them in Singapore.

12 Transforming Singapore into a Leading Global Accountancy Hub for Asia-Pacific, CDAS, 2010.



2. Market Demand for Professional Accountancy Services

Economic activity in Singapore is expected to pick up as the pandemic recedes. With this, demand for professional accountancy services is expected to rise.

2.1 Annual Budgets for Specific Professional Accountancy Service Categories

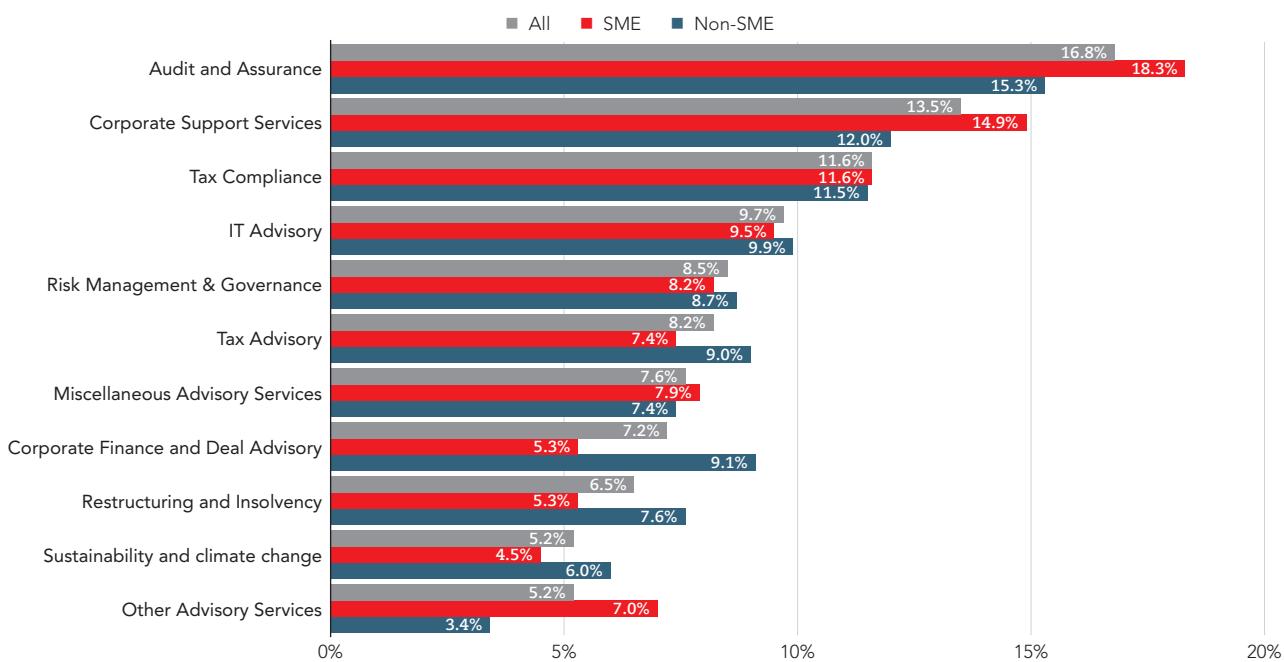
The percentage of respondents' annual budget expenditure which their organisation has allocated (or will be allocating) to each professional accountancy service category for the previous, current and the next 2 financial years, are shown below.

Traditional and largely regulated compliance-based services including Audit and Assurance, Corporate Support Services, Tax Compliance and Tax Advisory ("ACTT") can be grouped as the "Traditional ACTT Bundle". This collection of services saw the highest demand from all types of enterprises from all service providers. The global tax changes and supply

chain disruptions, which may influence or impact tax decisions, have boosted demand for tax advisory services. Based on the roundtable discussions, it was noted that, among other factors, the demand for IT Advisory had gone up because of the increase in cybersecurity events due to widespread digitalisation during the pandemic. Risk Management and Governance was high on the list because of the impact of the pandemic on the risk environment, which may also include the impact of cybersecurity events. Another reason given was because Internal Audit was a service included in this service category.

Among the largely non-regulated advisory service categories, IT Advisory was the most demanded.

FIGURE 2: Annual Budget for Professional Accountancy Service Categories, FY 2021-2024¹³



¹³ Respondents that have indicated "don't know" to the survey question, with regards to their budget, are removed from the analysis.

TABLE 6: Compliance-Based vs. Advisory Services

	TRADITIONAL COMPLIANCE-BASED SERVICES (Largely regulated) ¹	ADVISORY SERVICES (Largely non-regulated) ²
Non-SMEs	47.8%	52.2%
SMEs	52.2%	47.8%
ALL	50.1%	49.9%

1 These include Audit and Assurance, Corporate Support Services, Tax Compliance and Tax Advisory services ("Traditional ACTT Bundle")

2 These include all other services listed in Figure 2 above.

Generally, SMEs spent much less on professional accountancy services compared to larger corporations. SMEs also allocated a higher percentage of their budgets to traditional, mainly compliance-based services, compared to larger corporations (i.e., the "non-SMEs"). Larger non-SME corporations allocated a larger proportion of their budgets to non-regulated, discretionary, professional advisory services than SMEs.

This highlights a tendency for SMEs to focus mainly on services that are required by law or regulations rather than take advantage of advisory services that can boost their development. This may adversely affect their growth trajectories. Learning from larger organisations, SMEs may well consider investing more on external advice.

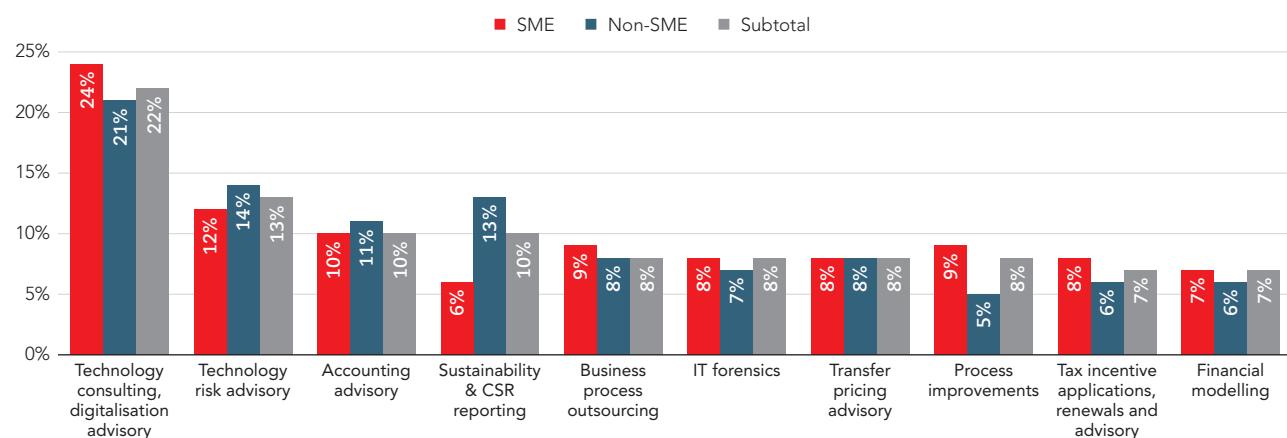
ACCA's 2018 report¹⁴ highlights that the most successful SMEs are those that take advantage of external advice. It notes that a wide breadth of professional advice and support is used by internationalising SMEs, who tend to reach out to different sources as they move along their internationalisation journeys.

2.2 Services Requested from the Big Four

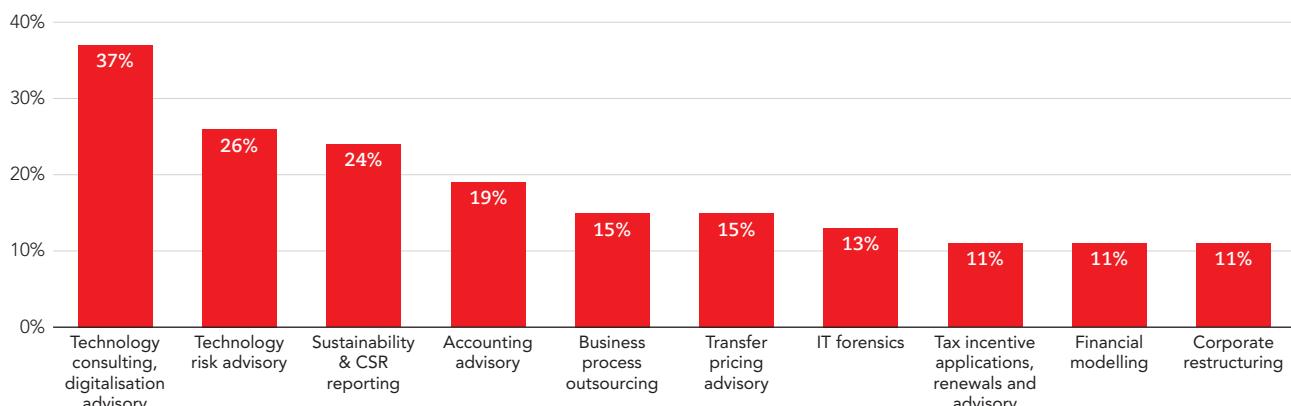
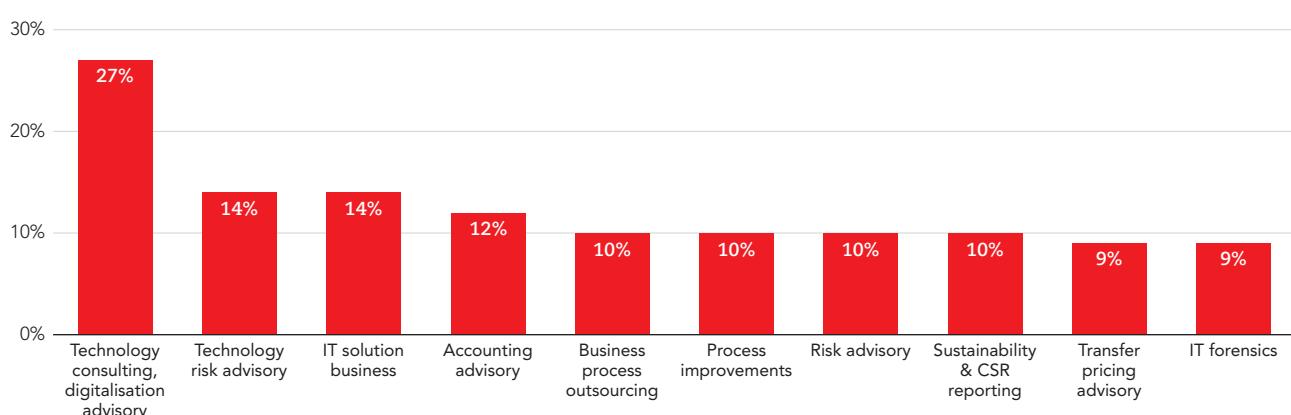
Figure 3, below, shows that the "Technology Services Bundle", which include technology related services (Technology Consulting and Digitalisation Advisory, Technology Risk Advisory, and IT forensics), is the most requested collection of services from the Big Four.

COVID-19 has accelerated the digital transformation agenda for most enterprises. Roundtable discussions noted that the results were consistent with current trends, where enterprises in the ASEAN-ANZ region are embracing automation and digitalisation as part of a growth mindset. E-commerce's spike, the advent of digital marketing and the mass adoption of remote working arrangements, owing to Covid-19's impact, drove demand for technology services. The demand for IT Forensics is understandable, given the cyber risks that multiply with greater digitalisation and e-commerce activities.

Sustainability and CSR Reporting services is in the top 5 services requested. Overall, 10% of respondents would like the Big Four and other large firms to provide more of these services in the future – this is the same as for Accounting Advisory. Sustainability and CSR Reporting services have therefore become as important as Accounting Advisory.

FIGURE 3: Top 10 Services Requested from the Big Four

14 Growing Globally: How SMEs can unlock international ambitions, ACCA, 2018.

FIGURE 4: Top 10 Services Requested from the Big Four by non-SMEs**FIGURE 5:** Top 10 Services Requested from the Big Four by SMEs

As can be seen from Figure 4 above, the demand for Sustainability and CSR Reporting by larger non-SMEs is in the top 3 services requested from the Big Four. 24% of larger non-SMEs requested Sustainability and CSR Reporting services from the Big Four, compared to 19% for traditional Accounting Advisory. This rise in demand for Sustainability services from larger corporations is significant and may signal an upcoming upsurge in demand for these services in the next 2 to 3 financial years.

For both non-SMEs and SMEs, the "Technology Services Bundle" represents the most requested collection of services from the Big Four. For SMEs, this bundle may be more important as the services in this bundle occupy the top 3 services requested from the Big Four (refer to Figure 5 above). Although not as high in the list as for non-SMEs, the Sustainability and CSR Reporting service is also important for SMEs.

THIS RISE IN DEMAND FOR SUSTAINABILITY SERVICES FROM LARGER CORPORATIONS IS SIGNIFICANT AND MAY SIGNAL AN UPCOMING UPSURGE IN DEMAND FOR THESE SERVICES IN THE NEXT 2 TO 3 FINANCIAL YEARS.

2.3 Services Requested from SMPs

The main request of all enterprises from SMPs are technology-related services (i.e., in these 4 service categories: Technology Consulting and Digitalisation Advisory, Technology Risk Advisory, IT Solution Business and IT forensics). The top request was for Technology Consulting and Digitalisation Advisory.

Larger non-SMEs would also like more technology related services from SMPs (i.e. in these 3 service categories: Technology Consulting and Digitalisation Advisory, Technology Risk Advisory, and IT forensics). This is followed by Accounting Advisory and then Business Process Outsourcing. Sustainability and CSR Reporting service was in the fifth position.

FIGURE 6: Top 10 Services Requested from SMPs

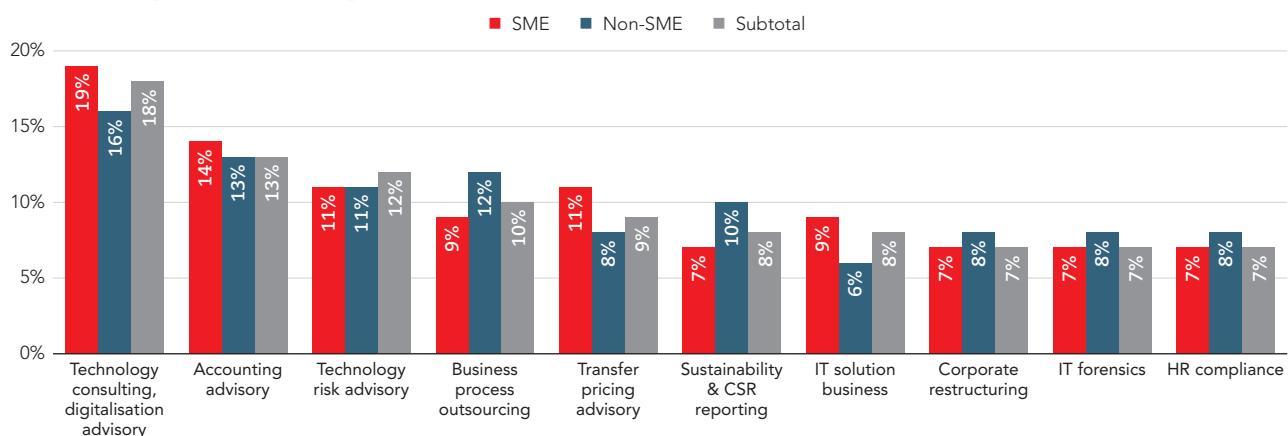


FIGURE 7: Top 10 Services Requested from SMPs by non-SMEs

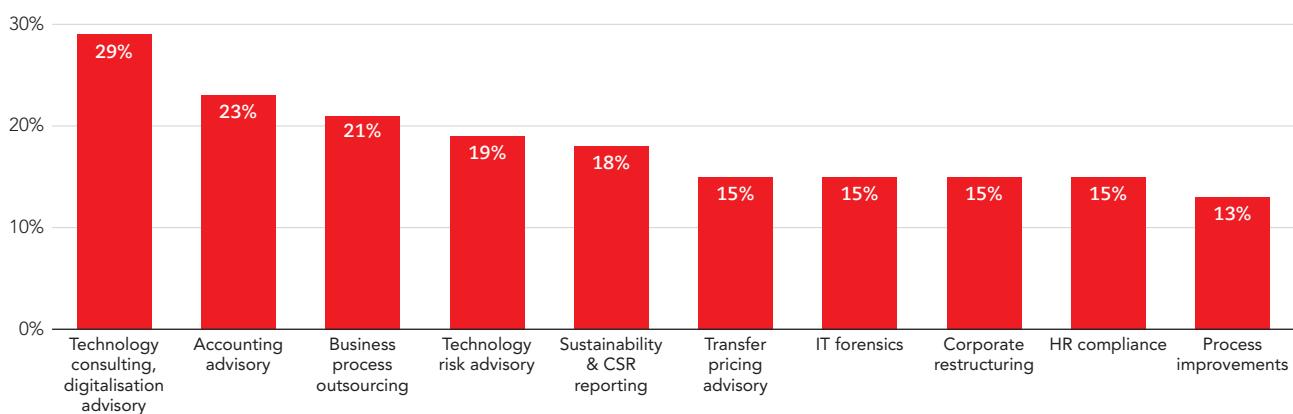
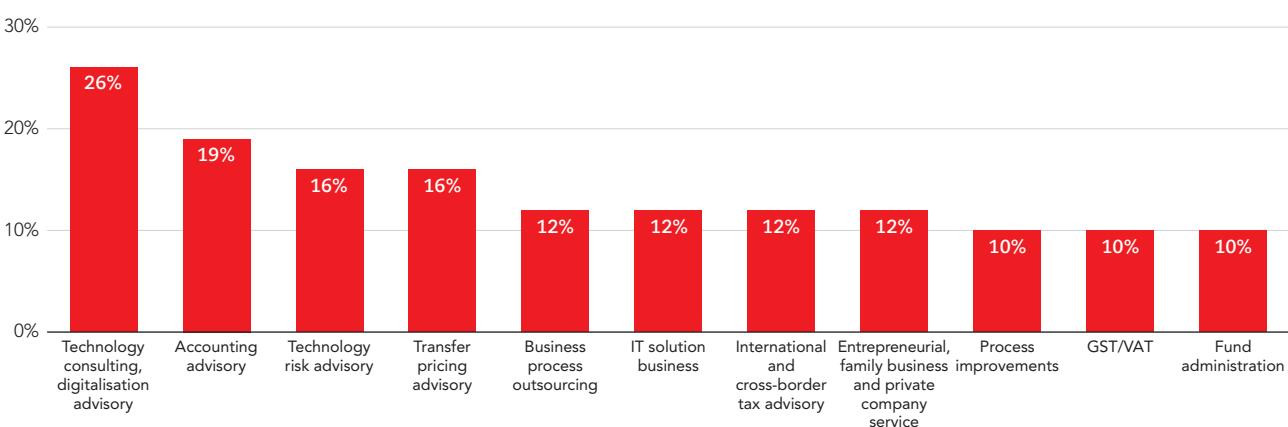


FIGURE 8: Top 10 Services Requested from SMPs by SMEs



The main request of SMEs from SMPs are technology-related services (i.e., in these 3 service categories: Technology Consulting, Digitalisation Advisory, Technology Risk Advisory, and IT forensics). Accounting Advisory was the second most requested. There is also a strong request for tax-related services (i.e., in these 3 services: Transfer Pricing Advisory, International and Cross-Border Tax Advisory and Corporate Restructuring). The Sustainability and CSR Reporting service does not appear in the top 10 services. Currently, SMEs are turning to the Big Four for these. Generally, the demand from SMEs for these services currently are weaker than from the larger non-SMEs. (Note: GST/VAT and Fund administration both occupy the tenth position.)

2.4 Corporate Preferences for SMPs vs. Big Four

Roundtable discussions indicated that the high cost of services from the Big Four as the main factor in their preference for SMPs. This could serve as an opportunity for SMPs to provide a wider variety of professional services as businesses prefer SMPs for their affordability relative to the larger service providers. Many SMPs may not necessarily provide such services now. They may want to consider investing in such capabilities or collaborate with other providers with such capabilities.

Personalised attention was another attribute of SMPs that was highlighted as an attraction factor. Chin Chee Choon, previous Advisory Leader of Nexia TS Public Accounting Corporation, indicated that many clients prefer interacting with SMPs as they would be “interacting directly with the partners”. Working with senior members of the SMP lends a more personal and knowledgeable touch to business

relationships, he noted. Personalised attention came out as the fourth most desired criterion of a professional accountancy services provider in this report (see Section 4: Selection of Professional Accountancy Services Provider).

Cherie Sim says, “The most important considerations include cost as well as personalised attention. I am more inclined to go to SMPs as I tend to get more personalised attention and listening from SMPs, and of course, more affordable pricing. My experience so far has been that there is less adaptability and flexibility in the Big Four. On the other hand, if I have a report from the Big Four, I can show this to more organisations who would recognise the brand name. Overall, I generally prefer SMPs. I fight for SMPs to be service providers when I talk to my head office.”

On the question of whether a large non-SME corporation would go to SMPs for technology-related services, roundtable participants from large multi-national corporates shared that they may approach SMPs if they are specialised in niche technologies which they require and had a good track record working with large corporations. Generally, however, larger corporations tend to use the Big Four to supplement knowledge and resource gaps.

It may be important to note that while the Big Four are clearly identified, SMPs are an extremely diverse category – from the very small to the large firms that have deep expertise in technology and other related areas. So, we should be cautious in arriving at general conclusions. Magdalene Ang concludes, “The value-propositions of the Big Four and SMPs appear to be complementary. The pros and cons seem to be reversed, at least on the following considerations: pricing, flexibility and personalised attention.”

“The most important considerations include cost as well as personalised attention. I am more inclined to go to SMPs as I tend to get more personalised attention and listening from them, and of course, more affordable pricing...I fight for SMPs to be service providers when I talk to my head office.” **Cherie Sim** FCCA, Group Financial Controller, Owndays Singapore Pte Ltd

2.5 Demand vs Supply of Professional Accountancy Services

Unlike many other markets, Singapore has data on the supply side from the annual AE Census, published by SAC. This provides an opportunity to identify gaps in supply, based on a qualitative analysis, by comparing the data on supply with the corresponding demand for professional accountancy services. In terms of the ranking, the top services demanded by Singapore and the Asia-Pacific¹⁵ as a whole are the same. The ranking of the top 5 service categories demanded, compared with the supply, are shown in the table below:

TABLE 7: Top 5 Service Categories, Demand vs Supply

TOP 5 SERVICE CATEGORIES	
DEMAND FY2021-2024	SUPPLY 2020 ¹⁶
Audit and Assurance	Audit and Assurance
Corporate Support Services	Tax Advisory and Compliance
Tax Compliance	Corporate Support
IT Advisory	Risk Management and Governance
Risk Management and Governance	Corporate Finance and Deal Advisory

Audit and assurance service is the most demanded service category and is also the service that is top in terms of supply. The supply and demand for corporate support services, as well as tax compliance, are also well-matched. Risk management and governance is also well-matched in terms of demand and supply. For these services, there does not appear to be a significant supply gap.

However, IT Advisory service, which is the top non-regulated service category demanded, is not matched by supply. There is therefore an opportunity to build capacity

in the accountancy sector to provide IT Advisory services. This is also shown in the comparison below of the top non-regulated services. All other non-regulated service categories show no significant supply gaps, including Restructuring and Insolvency, which ranked sixth on the supply side. Sustainability-related services are discussed in more detail in the next Section.

TABLE 8: Top 5 Largely Non-Regulated Service Categories, Demand vs Supply

TOP 5 LARGELY NON-REGULATED SERVICE CATEGORIES	
DEMAND FY2021-2024	SUPPLY 2020 ¹⁷
IT Advisory	Tax Advisory
Risk Management and Governance	Risk Management and Governance
Tax Advisory	Corporate Finance and Deal Advisory
Corporate Finance and Deal Advisory	IT Advisory
Restructuring and Insolvency	Other Advisory Services (including Sustainability and CSR Reporting)

2.6 Conclusion

Singapore corporates are in the midst of a digital race, which places their technology-related demands on top of their priorities. This explains why Technology Consulting and Digitalisation Advisory features quite prominently. Accounting Advisory remains one of the key demands from businesses due to regulatory requirements, but what is noteworthy is that it is in high demand even from SMEs. Also, Sustainability and CSR Reporting is an important service being demanded by larger non-SMEs from the Big 4, as well as SMEs.

15 Market Demand for Professional Accountancy Services in the Asia-Pacific FY2021-2024, ACCA, SAC, 2021.

16, 17 AE Census 2021, SAC, 2022.



3. Market Demand for Sustainability-Related Services

3.1 Demand for Sustainability-Related Services

Looking at the top service categories demanded from all corporates, the Sustainability and Climate Change service category had the lowest budget allocated. However, a deeper analysis shows that Sustainability and CSR Reporting (a service line included in the service category) is an important service being demanded by larger non-SME corporates from the Big 4. These corporates included this service in the top 3 services requested from the Big Four. A smaller proportion of these corporates were also open to receiving such services from SMPs.

One of the reasons put forward by roundtable participants for the overall low budget for the service category was that professional accountants were not identified or perceived as suppliers of these services currently. This represents a huge untapped potential for professional accountancy services providers in the accountancy sector as there appears to be growing demand from corporates. Based on a historical analysis, it would appear that professionals are well-positioned to supply these services. For e.g., accountants have traditionally been involved in corporate reporting, corporate finance, and assurance services. These can easily evolve into sustainability reporting, sustainable or green finance and sustainability assurance, as more professional accountants operate in the sustainability services space.

3.2 Role of Accountants in Sustainability-Related Services

Global momentum has shifted after COP 26 in November 2021 as net-zero commitments become the norm and a core principle for businesses. Climate change is a serious threat to all countries, but particularly to countries in Southeast Asia and Singapore. The accounting profession has the opportunity to apply its experience over the last century to the fight against climate change. The skills of accountants will ensure that globally consistent climate metrics are achieved, independent assurance over climate reporting and disclosures are provided, sustainable and

green finance advisory are available, and support for the climate action agenda is robust through their roles on boards and in management.

CFOs and the finance functions in general can help to establish effective governance and obtain independent assurance over nonfinancial processes, controls, and data outputs, which is vital to building trust and transparency with stakeholders. They can instil discipline into non-financial reporting processes and controls, based on their experience and knowledge of leading practices to support sustainability and ESG reporting. Accountants can also provide external advisory and consulting services on green financing, sustainability reporting and assurance. So while our primary focus is on addressing the risks of climate change, there are in fact many opportunities for accountants both in business and practice advisory. This has been highlighted by Singapore's Minister of Sustainability and the Environment.

"Along with all these new growth areas in green products and services, a new demand for measurement and reporting, management and mitigation of sustainability footprints will surface and rest on the shoulders of many of you [professional accountants] present today." **Grace Fu**, Minister, Ministry of Sustainability, and the Environment, speaking at ACCA's Annual Conference 2021

Professional accountants at the heart of sustainability

The role of accountants as value creators, protectors, and reporters, with sustainability at the heart, has been explored in ACCA's 2021 report on Professional Accountants at the Heart of Sustainable Organisations¹⁸. As illustrated in the figure below, sustainability-related services can be identified for all the four career zones for professional accountants covered in the report. Professional accountants are well-equipped to provide services ranging from sustainability assurance to sustainability reporting, from green finance to advising on green practices.

18 Professional Accountants at the Heart of Sustainable Organisations, ACCA, 2021.

FIGURE 9: Emerging Career Zones and Sustainability Roles, ACCA, 2021**CAREER ZONE 1:****TRANSFORMATION DRIVERS****4. Sustainability/Green PRACTICES****CAREER ZONE 2:****ENTERPRISE ANALYSTS****3. Sustainable/Green FINANCE**

Internationally, the IFRS Foundation has announced the creation of its new International Sustainability Standards Board (ISSB) that will develop a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors' information needs. Sustainability reporting is therefore expected to become mainstream in a few years.

Overall, SAC's AE Census 2021¹⁹ data shows that very few accounting entities or professional accountants provided sustainability-related services in 2020. However, the data also shows that more SMPs are keen to provide such services in the next 3 years. A few SMPs are already offering advisory on this growing professional accounting service, including Paul Tan's firm. Paul believes strongly that professional accountants are well-placed to provide sustainability-related services.

Paul explains his journey into sustainability-related services further, "When SGX announced that Sustainability Reporting will become an annual compliance requirement, sometime in 2016, for listed companies, we naturally took upon ourselves to improve our competence to provide possibly new services. It was a happy coincidence for us that our passion for sustainability had an opportunity to be commercialised. We developed our knowledge and skillsets necessary to meet SGX Sustainability Reporting requirements and noted that we were one of the few SMPs which had the competence to help Singapore listed companies in Sustainability Reporting. From the early days, we bundled the services of Sustainability Reporting with Enterprise Risk Management because we saw the strong link between the two complementary areas of expertise.

"Climate change is considered by many to be the single biggest threat to the world in this generation. The core skills of any accountant are in the areas of measurement, monitoring, and reporting. In the new growth areas of green products and services, there are demands for first tracking and measuring an organisation's carbon footprints, then properly disclosing, and reporting them before independently verifying and giving assurance to these disclosures and reports.

The core skills of accountants will go a long way to ensuring the consistent measurement, disclosure, and reporting of climate metrics, which are then independently verified. Accountants are well placed to address the risks of climate change and at the same time, seize business opportunities. I believe the demand for sustainability and climate change related services will grow in the next 3 years." **Paul Tan FCCA, Kreston Ardent CAtrust PAC (Kreston ACA)**

¹⁹ AE Census 2021, SAC.

Among SMPs, we were above the curve in Sustainability Reporting and were motivated to push ourselves to stay ahead. We have gone on to develop our competences beyond assisting organisations in their disclosures and reporting to providing assurance in Sustainability. In this context and in support of *The Singapore Green Plan 2030*²⁰, we have upskilled and obtained the necessary training and education, resulting in us being included in the Singapore Environment Council Register of Consultants. We are ready and prepared to assist organisations in the next steps of providing assurance and verifications of their sustainability reports and related measurements.”

Professional accountants in business and practice can look at their current strengths and experience to identify the sustainability-related services that can be extended from their current services. The 2020 SAC-ACCA *Quick Guide to Digitalisation and Business Diversification for SMPs*²¹ provides guidance to accounting entities on how to diversify into new services.

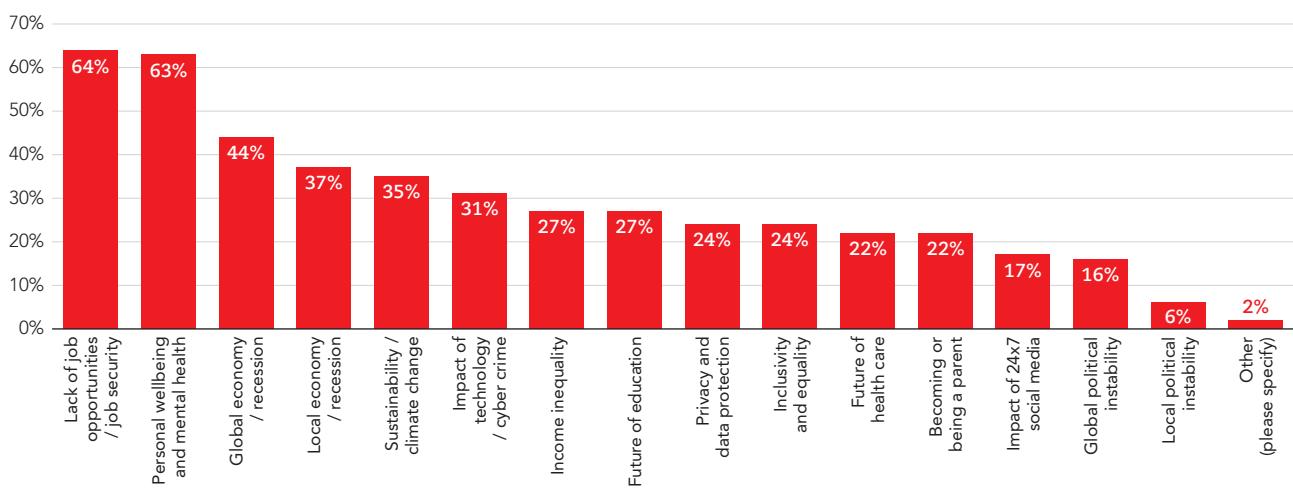
3.3. Gen Z Concerns about Sustainability

As shown in the figure below, the concerns of the younger generation, or Gen Z, in Singapore includes “Sustainability/ Climate Change” within the top 5 concerns²². As the proportion of Gen Z increases in the accountancy sector, the focus on sustainability is expected to grow among professional accountants’ and provide the thrust for much of their work.

3.4 Conclusion

It is clear that professional accountants in SMPs and larger firms are well-placed to provide sustainability-related services. As the focus on climate change becomes more urgent, the accountancy profession should seize the opportunity to play a central role in leading to address the challenge. If this is done, the role of accountants will become even more relevant and valuable to society and the economy at large.

FIGURE 10: Concerns of Gen Z, ACCA, IFAC



20 The Singapore Green Plan 2030, 2021.

21 Quick Guide to Digitalisation and Business Diversification for SMPs, SAC, ACCA, 2020.

22 Groundbreakers: Gen Z and the Future of Accountancy, ACCA, IFAC, 2021.



4. Selection of Professional Accountancy Services Provider

In an ongoing transformational trend, professional accountancy services providers in Singapore have been breaking out from their traditional roles of audit, tax and corporate support services, to cater to the digitalisation and globalisation agendas of their clients.

In this dynamic environment, the survey asked respondents, mainly corporates who were typically the clients of these providers, what were the most important criteria they considered when selecting a professional accountancy services provider in Singapore. See Figure 11 below for these criteria.

4.1 Most Important Criteria Considered when Selecting a Professional Accountancy Services Provider

Although cost considerations and value for money was the most important criterion overall, it was not unexpected that it was slightly less important to non-SMEs (score: 4.42) compared to SMEs (score: 4.83). Generally, roundtable participants agreed with the results below.

"What is stated [in Figure 11] are the attributes that have attracted clients to us." **Magdalene Ang FCCA**, Director, R. Chan & Associates PAC

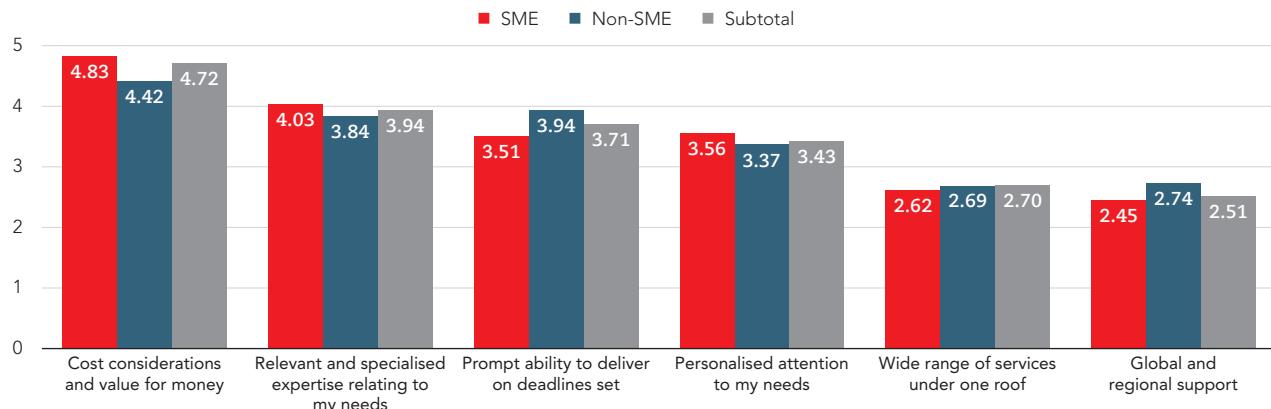
The ranking of these considerations for Singapore are in line with the Asia-Pacific ranking, as well as the overall China and ASEAN-ANZ rankings²³. These considerations are discussed below.

Cost considerations and value for money

Cost considerations and value for money was considered the most important criterion and a leading factor when it came to working with a professional accountancy

FIGURE 11: Most Important Criteria Considered When Selecting a Professional Accountancy Services Provider

The higher the score, the more important the criterion.



²³ Market Demand for Professional Accountancy Services in the Asia-Pacific FY2021-2024, ACCA, SAC, 2021.

TABLE 9: Ranking of Considerations When Selecting Professional Accountancy Services Providers

	Cost considerations and value for money	Relevant and specialised expertise relating to my needs	Personalised attention to my needs	Prompt ability to deliver on deadlines set	Wide range of services under one roof	Global and regional support
All respondents	1	2	4	3	5	6
Non-SMEs (Revenue \geq US\$100M)	1	3	4	2	6	5
SMEs (Revenue < US\$100M)	1	2	3	4	5	6

1 is the Most Important and 6 the Least Important Criterion

services provider in Singapore, as well as the Asia-Pacific as a whole. This has appeared to become more important recently, compared to the previous survey in 2018. However, it appears that non-SMEs are slightly less concerned about it than SMEs (as noted in Figure 11 above). When embarking on new services, providers are advised to review their fees realistically to ensure that potential clients are comfortable with it, considering that they are still on the lower end of the learning curve.

"For new services, a lower fee might be more justifiable to attract clients." **Cherie Sim FCCA**, Group Financial Controller, Owndays Singapore Pte Ltd

Roundtable participants stressed that businesses want to get as much value as they can when it comes to engaging a professional accountancy services provider. Perhaps survey respondents have drawn on past experiences with SMPs and Big Four firms alike, that they begin to reflect on how professional accountancy services providers can cater to their evolving needs and changing budget constraints. What makes a service value-for-money is highly debatable, they argued, and is largely dependent on the client's working relationship or the agreed service levels with his professional service partner. The participants spoke of the need for metrics to gauge the quality of deliverables from vendors as one way to determine value, amid rising fees and higher quotations for services. Companies and professional services providers alike could decide on their own metrics to determine deliverables, such as return-on-investment, or tech advancement within their own organisations.

This is perhaps an opportune time for SMPs, which are known for their lower fees and personalised touch, to shine. To capture long-term demand, SMPs in Singapore will need to diversify away from their core offerings of compliance-based largely regulated services, which currently account for a significant proportion of their revenues. The SAC's AE Census Report 2020²⁴ shows that more than 50% of the accountancy sector's revenue is being generated from largely regulated, compliance-based services. Similarly, more than 50% of its accountancy workforce work in such services.

With wide-spread and accelerated digitalisation, it will be expected that many compliance-based processes will be automated. As such, the sector's high dependence on revenue from compliance-based services may pose a risk that must be addressed. On a more positive note, SMPs that specialise in other areas of professional accountancy services, including technology-related services, could take advantage of the rising demand for these services to generate new sustainable revenue streams. SMPs will need to invest in staff training, upskilling and reskilling to achieve this.

"Relevant and Specialised Expertise relating to my Needs" and "Personalised Attention to my Needs"
"Relevant and specialised expertise relating to my needs" and the related criterion "personalised attention to my needs" were considered the second and fourth most important criterion, respectively, when it came to working with a professional accountancy services provider. This was generally in the same position since the 2018 survey, based on results for the whole Asia-Pacific region²⁵.

²⁴ AE Census Report 2020, Fig 7, 16, SAC, 2020.

²⁵ Market Demand for Professional (Business and Advisory) Services – Singapore, ASEAN region and China, ACCA (Supporting partner: SAC), 2018.

Based on roundtable discussions, it was noted that SMEs gravitate toward professional services providers that actively listen and understand them and pay attention to their specific wants and needs. Service providers will therefore need to contextualise the service offerings and the client experiences they deliver, according to each client's unique profile.

Prompt Ability to Deliver on Deadlines

The "Prompt ability to deliver on deadlines set" was the third most important criterion overall. The overall position in the previous 2018 survey for the overall Asia-Pacific results was the fourth position. The position has therefore not deviated significantly over time. It is interesting to note that this criterion appears to be much more important to larger non-SMEs than SMEs. SMEs are more concerned about the relevant specialised expertise that can be expected.

Professional accountancy services providers often contend with tight deadlines. With this criterion coming in third on the list of desired criteria of professional accountancy services providers, there could be some justifiable suggestions that clients may have had to deal with late submissions and canceled deadlines from their providers. A pertinent question to ask is whether professional accountancy services providers are struggling with productivity. It could be the lack of knowledge surrounding the use of emerging technologies, a trend which is echoed in a number of ACCA's and SAC's reports. To address this challenge, SMPs, in particular, may want to review their productivity levels and embark on digital transformations and more staff training.

Wide Range of Services under One Roof

Having a wider range of services under one roof was considered an important criterion to have for a successful professional accountancy services provider. This came in currently at fifth place for SMEs, while for larger non-SMEs it was sixth place. As a general comparison, in the 2018 results for the Asia-Pacific, it was in sixth place. So, it has

not deviated significantly over time. SMEs are more likely to appreciate a one-stop provider for a wide range of services as their access to different types of professional accountancy services may not be as wide due to a smaller network and hampered by a lack of information and expertise in identification.

Global and regional support

Businesses will always prefer agile solutions and international support, especially in post COVID-19 times where overseas operations are disrupted. But roundtable participants wondered if its lower priority among enterprises was also a sign that companies may be delaying their overseas expansion plans during Covid-19. However, it is interesting that it was in sixth place for SMEs but fifth place for non-SMEs. The ranking therefore shows that global and regional support was more important for larger non-SMEs than for SMEs. This is not surprising as larger non-SMEs would generally have a larger geographical presence and hence, the requirement to have a consistent set of services in the various markets would be important.

4.2 Conclusion

Today, professional services providers in the accountancy sector are expected to provide more than just compliance-based services. Furthermore, the role of the professional accountant in a variety of contexts is changing, with sustainability becoming the focus of what they do. According to ACCA's 2021 report on *Professional Accountants at the Heart of Sustainable Organisations*²⁶, in this decade accountancy will increasingly be seen as a profession that will become integral to building sustainable organisations that generate both financial returns and long-term value for society. This is the decade of the professional accountant as the sustainable business and finance professional. The essential role of accounting firms will be to drive positive business change and support economies and organisations across the world with sustainability in focus.

²⁶ Professional Accountants at the Heart of Sustainable Organisations, ACCA, 2021.



5. Perceptions of Global Accountancy Hubs

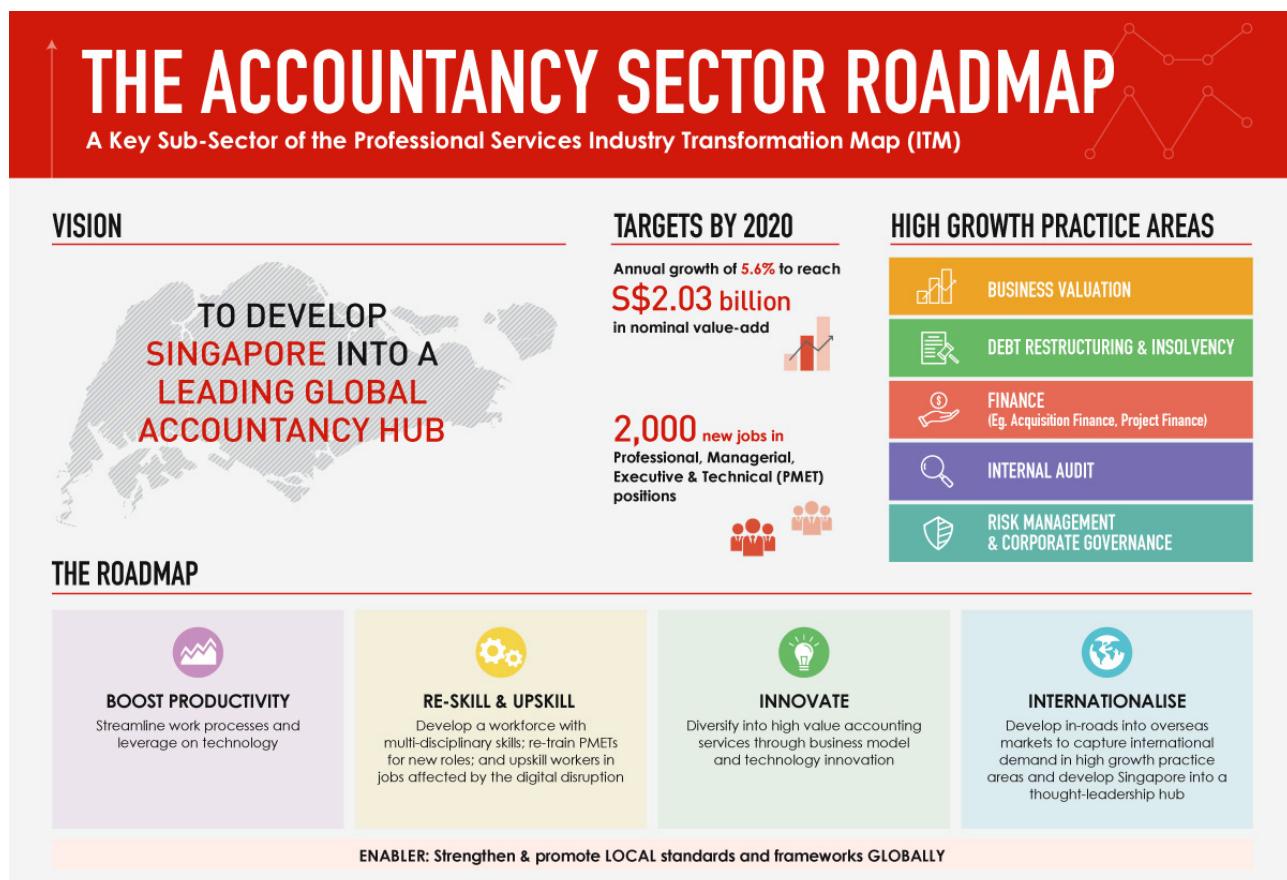
5.1 Singapore's Vision to become a Leading Global Accountancy Hub

For professional accountancy services to thrive locally, we must think globally. In an economy where there is proper infrastructure to support and promote these services globally, the local accountancy sector will evolve and flourish. In Singapore, the concept of a 'global accountancy hub', with the necessary infrastructure and talent pool, to support and drive the growth of professional accountancy services, has been promoted and discussed for many years, since the publication of the government-appointed CDAS-committee report²⁷.

The Accountancy Sector Roadmap, published in 2018, enshrined this as the central vision for Singapore's strategy to drive the growth of the accountancy sector over the next 5 to 10 years, with targets set to 2020. (The roadmap is due to be refreshed by the end of 2022.²⁸) It will help Accounting Entities and individuals capture opportunities in the high-growth practice areas of Business Valuation; Debt Restructuring and Insolvency; Finance; Internal Audit; and Risk Management & Corporate Governance.

Accountancy is a key sub-sector of the Professional Services Industry Transformation Map (ITM) launched in January 2018 to develop Singapore into a global leading

FIGURE 12: The Accountancy Sector Roadmap



27 Transforming Singapore into a Leading Global Accountancy Hub for Asia-Pacific, CDAS, 2010.

28 ITMs to be refreshed, Business Times, March 2022.

Professional Services Industry driven by innovation and partnerships. The ITM charts out the transformational roadmap for the five key sub-sectors within professional services: accounting, advertising, architecture and engineering, consulting, and legal.

At the launch of the Jobs Transformation Maps (JTM) for the accountancy sector in January 2022, the government revealed that demand for accounting and other professionals will continue to grow, with a projected demand of 6,000 to 7,000 new accounting jobs by 2025. This will add to the current workforce of more than 100,000. (The current workforce size are as follows: more than 80,000 employees in in-house F&A (Finance and Accounting) functions and about 20,000 employees in Accounting Practices).²⁹

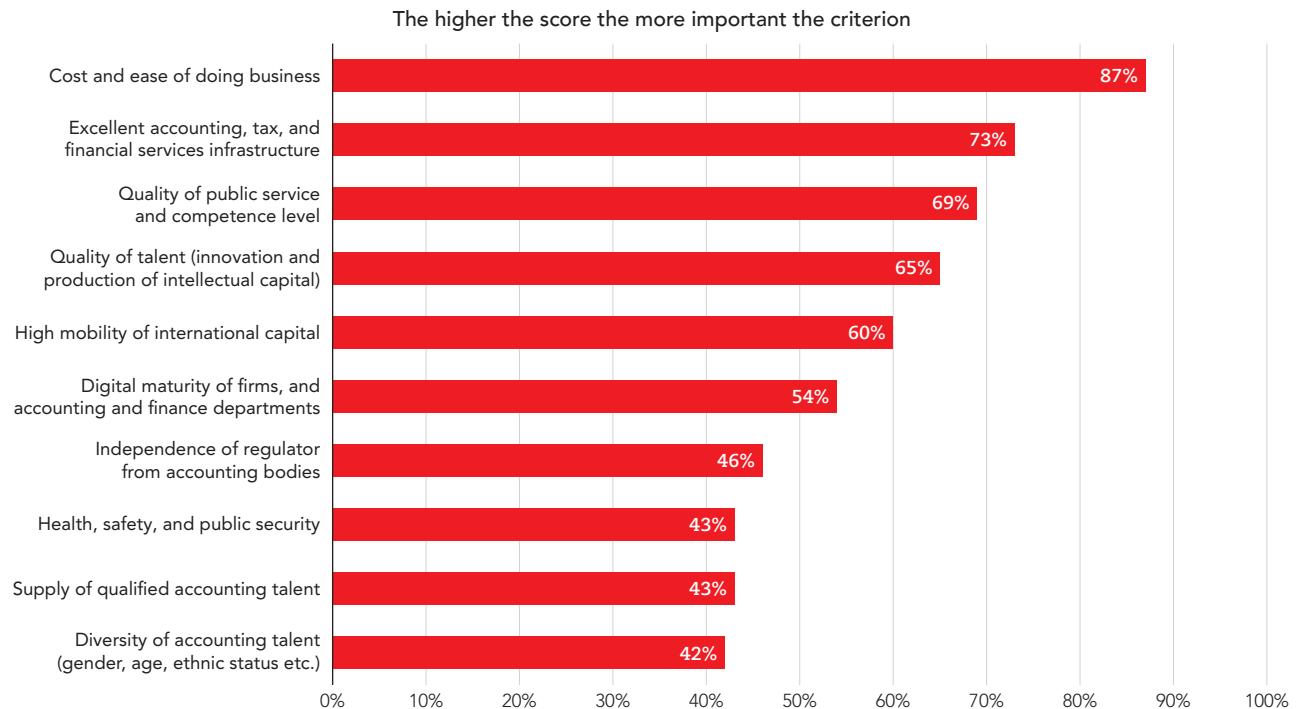
5.2 Top 10 Criteria that a Global Accountancy Hub Should Have

This research study sought to understand from Singapore respondents in the survey, the majority of whom were finance and accounting professionals, with about 19.6% occupying global positions, on what they thought were the most important criteria for a global accountancy hub. These are listed in Figure 13 below.

Cost and ease of doing business was considered the top criterion, consistent with the results for the Asia-Pacific and ASEAN-ANZ study³⁰. This seems to be the overriding factor and highlights the importance of ensuring that Singapore continues to be a cost-effective place to do business if it wants to retain its position as a leading global accountancy hub. Its firms must improve productivity and efficiency to continue to provide affordable services. This would come about with wider and more advanced digital transformations, using AI and intelligent automation, and ensuring the optimisation of all business processes. The accountancy industry digital plan (IDP)³¹, developed by the SAC, the ISCA (Institute of Singapore Chartered Accountants) and the IMDA (Infocomm Media Development Authority) in 2019 will help in providing guidance and momentum towards achieving more widespread digitalisation in the accountancy sector.

The second most important criterion of a global accountancy hub is excellent accounting, tax, and financial services infrastructure. Singapore respondents felt that this was more important, as compared to respondents from China, ASEAN-ANZ or Asia-Pacific as a whole. This makes sense, as the success of accountancy sectors are largely dependent on the strength of its accounting, tax and financial environment. (Both China and the ASEAN-

FIGURE 13: Top 10 Criteria for Global Accountancy Hubs



²⁹ Launch of Jobs Transformation Maps (JTM)s, 2022.

³⁰ Market Demand for Professional Accountancy Services in the Asia-Pacific FY2021-2024, ACCA, SAC, 2021.

³¹ Accountancy Industry Digital Plan (IDP). SAC, ISCA, IMDA, 2019.

ANZ region chose “Excellent accounting, tax and financial services infrastructure” as the third most important criterion a global accountancy hub should have.³²⁾

The quality of public service and competence level was selected as the third most important criterion. This shows the importance of the public sector on how it can support the aspiration of Singapore to be a leading global accountancy hub. Singapore's public sector is highly regarded globally. One key driver of the sector's success is its ability to harness Infocomm technologies (ICT) to deliver online services and engage businesses and the public in its policies and operations.

The quality of talent (innovation of production of intellectual capital) was selected as the fourth most important criterion. It goes without saying, the growth of the accounting talent pool is key to the growth of any global accountancy hub. The availability of skills and training is essential in developing this talent to supplement acquisitions from other global accountancy hubs.

High mobility of international capital was considered to be the fifth most important criterion, similar to the ASEAN-ANZ results. Singapore is a global financial centre, and this criterion supports the opinion that the recognition of a global accountancy hub must be accompanied by a similar recognition as a global financial centre. This close linkage between the two is discussed in more detail below.

5.3 Top 5 Global Accountancy Hubs as Perceived by Singapore Survey Respondents

Singapore respondents perceived the following cities as the top global accountancy hubs (in alphabetical order), from a menu of 28 cities (please refer to Appendix 5 for the full list): Hong Kong, London, New York, Shanghai and Singapore. A review of the characteristics of these cities which are considered global accountancy hubs will help Singapore policymakers gain a better understanding of how others will or will not perceive Singapore as a global accountancy hub. It should be noted that Singapore respondents may have a certain inherent bias in selecting Singapore as a top global accountancy hub. However, this also demonstrates the confidence of respondents about what Singapore has achieved.

While these accountancy hubs may vary in location and their diversity of services, one thing is for certain – they are typically global financial hubs, whose accountancy

and financial sectors are closely intertwined. It is revealing to note that all the top 5 global accountancy hubs selected by respondents are also the top 5 global financial centres for the GFCI 2021³³⁾. One of the reasons for this is that the ranking in the GFCI is an aggregate of indices from five key areas: “business environment”, “financial sector development”, “infrastructure factors”, “human capital”, “reputation and general factors” – some of which overlap with the criteria used in the survey discussed in this report – hence, there are close correlations. However, the correlation in the ranking also indicates that there is a symbiotic relationship between a global financial centre and global accountancy hub.

More research is required to establish the precise relationship, but the current survey shows that the criteria for both overlaps. Any city that aspires to be a leading global accountancy hub, as part of its development plans (for example, Singapore), must ensure that it also maintains and grows as a global financial centre. Conversely, reflecting the symbiosis, any global financial centre that aspires to grow faster will need to be supported by a vibrant and highly competent accountancy sector and hub. As a policy direction, therefore, it is interesting to note that the road to becoming a global accountancy hub is intimately connected to a city's ranking as a global financial centre. In fact, one could say being a global financial centre is a prerequisite and a necessary first step to attaining global accountancy hub status.

5.4 Conclusion

Enterprises that want to conduct cross-border trade or expand their global footprints often flock to global accountancy hubs. Each global accountancy hub has its own selling points and is subject to the preferences and needs of enterprises. Some businesses are more mindful of cost and may prefer cheaper alternatives, while other enterprises may not be deterred from paying extra for skilled talent, better transparency and fewer bureaucratic procedures. Some companies may choose London if they are setting up a presence in Europe. Others may choose Hong Kong or Shanghai if they intend to expand into China. Hence, the criteria above should be considered generic and indicative, rather than conclusive. Singapore should consider its own value proposition vis a vis these other cities, that are also considered global accountancy hubs, and its cost competitiveness to retain its position as a leading global accountancy hub.

32 Market Demand for Professional Accountancy Services in the Asia-Pacific FY2021-2024, ACCA, SAC, 2021.

33 GFCI 2021.



6. Conclusion

After suffering fits and starts for most of 2021, the Singapore economy is now set to grow at a faster than usual pace. MAS, Singapore's central bank, said that global economic prospects remain largely intact. Despite the forecasts of higher inflation of 3.6% due to the crisis in Ukraine, most analysts believe that Singapore will maintain a growth rate within 3% to 5% for 2022.

The authority said, "The Omicron variant that emerged in late 2021 may temporarily dampen specific clusters of activity but is unlikely to derail the broader ongoing economic recovery. Accordingly, global GDP is still forecasted to expand at an above-trend pace for a second consecutive year in 2022."³⁴ This would allow Singapore to gradually lift pandemic-related curbs on economic activity.

As COVID-19 fades away, it is more likely that Singapore will emerge even stronger. In many ways, the COVID-19 experience has made us more resilient and has triggered an unprecedented pace of technological development and digital transformation. The digital economy proved to be an important buffer against economic failure while the physical economy faltered.

SMPs, many of which continue to rely on audit and tax services as their main sources of revenue, may face challenges in innovating their business models, due to a lack of financial resources or talent. They will need to build brand recognition to differentiate themselves from competition by carving out for themselves a niche business through innovative service offerings. Government aid from ongoing upskilling and innovation initiatives, as well as possible post-pandemic support packages, could lend a hand in these challenging times.

As discussed, SMPs play an important part in the economy and many businesses are increasingly seeking their advice because of the cost-effectiveness of the services, as well as the personalised nature of these services. Unlike larger firms, many SMEs are appreciative of direct contact with experienced partners in SMPs who can offer them solutions highly customised to their needs. SMPs should seize this opportunity therefore to further improve their productivity to reduce costs further and offer more personalised services. One of the key approaches to doing this is to continue to embark on continuous digital transformations as technology advances.

Singapore's aspiration to be a leading global accountancy hub is a key driver of the many innovations in the accountancy sector. As identified in this report, there are

important considerations that the government can focus on to ensure that the city grows as an accountancy hub to be recognised globally. This includes the importance of continuing to develop the public sector and the financial services sector further to support the growth of the accountancy sector. Of equal importance is the development of the quality and productivity of talent, which will ensure continuous innovations and cost-effective delivery of services.

While Audit & Assurance and other regulated services are the cornerstone of every accounting practice, demand for non-regulated services continues to grow. Technological advancements and globalisation, evolving competition and changing consumer behaviours, among other factors, stoke this demand. SMPs and Big Four firms can cater to such needs and are doing so at varying price points.

Professional services providers should review the profiles of their clients regularly, in the light of the guidance provided in this report, to identify new services. By reviewing guidance from the government, including the accountancy sector roadmap and the JTM, as well as the economic landscape, firms should continually revise their goals and plans for transformation in the next 3 to 5 years. They should also ensure that they can attract, develop and retain talent as there are indications that competition for talent is intensifying amidst the slower growth of the Singapore workforce.

Above all, it is clear that organisations place their faith in professional accountancy services providers to support them through growth as well as in challenging times. As such, SMPs, as well as larger firms, such as the Big Four, need to remain relevant to clients' needs. They will need to constantly innovate their business models, develop their talent, and improve their product and service offerings. This report provides visibility of services that are most demanded by corporates that are most probable of generating sustainable revenue streams due to their high demand (current and anticipated). SMPs, as well as the Big Four and larger firms, can use this information to innovate their business models and develop roadmaps to expand and diversify their service offerings.

³⁴ MAS Monetary Policy Statement – January 2022.



Appendix 1

Methodology

The findings of the study were drawn from a survey of 148 senior executives and professionals, including CFOs, in Singapore, as well as from roundtable discussions. The survey was conducted from October 2020 to February 2021, originally for the purpose of the report on the *Market Demand for Professional Accountancy Services in the Asia-Pacific FY2021-2024*³⁵. The survey demographics can be found in Appendix 3. Supplemental data was obtained from the AE Census 2021, published by the SAC in 2022³⁶.

Respondents to the survey were asked to share basic details of their enterprises and provide data on professional accountancy services their enterprises have budgeted for or would need in the next 3 financial years, from FY2021 to FY2024. For the purposes of this report in 2022, this would mean the data would include the projections for the next 2 financial years, from FY2022

to 2024. They were also asked about their expectations and priorities when engaging professional accountancy services providers and their perceptions about what characterised global accountancy hubs.

The roundtable discussions were conducted with the participation of 14 executives and professionals, including CFOs, who are key decision makers in both the demand and supply sides of professional accountancy services in January 2022, February 2021 and November 2020. A list of the roundtable participants is provided in Appendix 2, below.

The study also drew upon past studies and other materials available in the public domain to provide a more complete picture of the market demand for professional accountancy services.

³⁵ Market Demand for Professional Accountancy Services in the Asia-Pacific FY2021-2024, ACCA, SAC, 2021.

³⁶ AE Census 2021, SAC, 2022.

Appendix 2

Acknowledgements

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Amos Ng FCCA, Group CFO, Straco Corporation Limited

Cherie Sim FCCA, Group Financial Controller, Owndays Singapore Pte Ltd

Chin Chee Choon, Advisory Leader, Nexia TS Public Accounting Corporation (previously)

Edwin Leow, Head of Tax, Nexia TS Public Accounting Corporation

Gajendran Vyapuri FCCA, Partner, EY (Singapore)

Ivan Mitringa FCCA, Global S&P Financial Director, Dell Technologies

James Lee FCCA, Director of Finance, Sofitel Singapore City Centre

Magdalene Ang FCCA, Director, R. Chan & Associates PAC, Chair of ACCA Singapore's Practitioners' Sub-Committee

Moses Wong FCCA, CFO, SingHealth

Paul Davis FCCA, Managing Director, Finance, Allianz Insurance

Paul Tan FCCA, Co-founder, Partner, Kreston Ardent CAtrust PAC (Kreston ACA)

Vincent Lim FCCA, CFO, Asia-Pacific, Datalogic

Wilson Koh FCCA, Vice-Chairman, ACCA Singapore Network Panel

Appendix 3

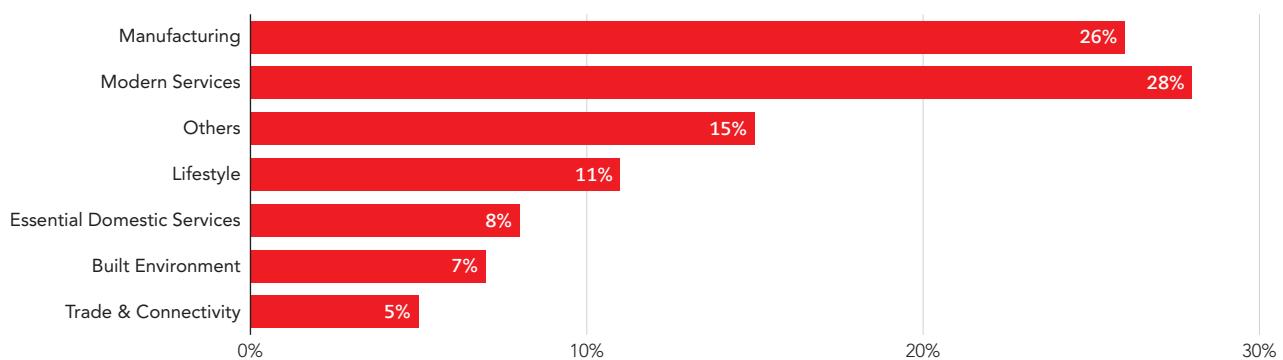
Survey Demographics

FIGURE 14: Role of Respondent in the Organisation (n=148)

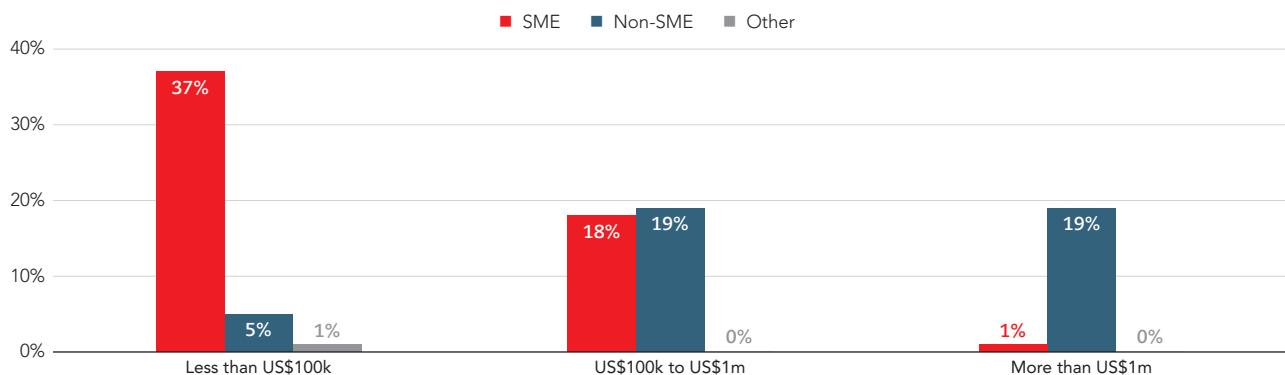


41.2% occupy global or regional positions (19.6% global and 21.6% regional), leaving 58.8% to occupy in-country or unspecified positions.

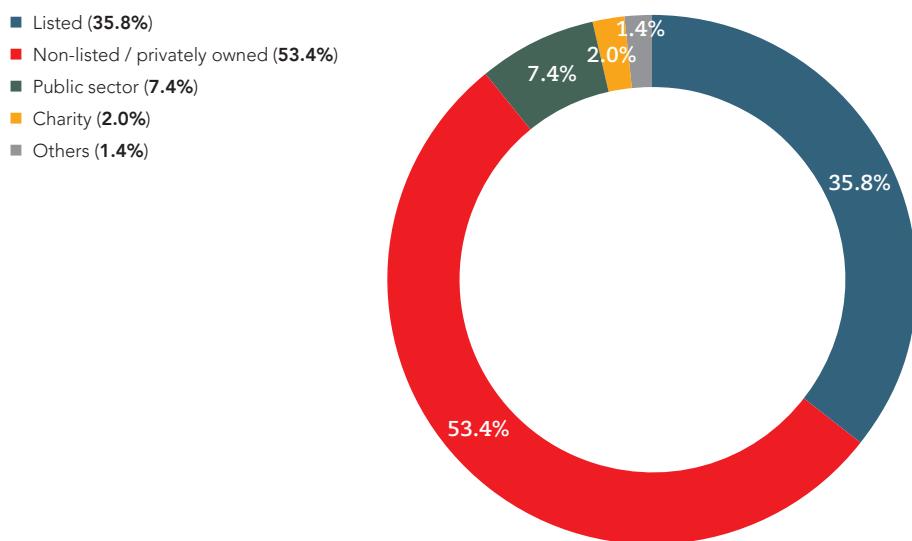
FIGURE 15: Industry Cluster* in which the Organisation Operates



*Based on Singapore's ITM (Industry Transformation Map)

FIGURE 16: Annual Revenue of Organisation for FY2019/20

About 57% of respondents were from organisations with annual revenue of more than US\$100,000 (with 20% more than US\$1,000,000).

FIGURE 17: Type of Organisation

35.8% were from listed entities and 7.4% from the public sector. The majority, however, were from non-listed, privately owned entities.

Appendix 4

Service Categories and Service Lines/Services

See below for 44 services, grouped into 9 service categories, covered in the survey for this report:

SERVICE CATEGORIES	SERVICE LINES/SERVICES
1. Audit and Assurance	1.1 Statutory Audit 1.2 Accounting Advisory 1.3 Other Assurance
2. Corporate Support Services	2.1 Bookkeeping 2.2 Corporate Secretariat & Legal services 2.3 Outsourcing of Accounting/Finance Personnel 2.4 Payroll 2.5 Statutory Financial Reporting/Compilation 2.6 Fund Administration
3. Tax Compliance	3.1 Corporate Tax 3.2 Personal Income Tax 3.3 GST/VAT (Good and Services tax/Value Added tax/Sales and Service tax) 3.4 Customs Duties
4. Tax Advisory	4.1 Transfer Pricing Advisory 4.2 International and Cross-Border Tax Advisory 4.3 Tax incentive applications, renewals and advisory 4.4 GST/VAT (Good and Services Tax/Value Added Tax/Sales and Service tax) 4.5 Tax Advisory - Others
5. Risk Management & Governance	5.1 Risk Advisory 5.2 Corporate Governance Advisory 5.3 Fraud and Forensic Services 5.4 Internal Audit
6. IT Advisory	6.1 IT Solution Business 6.2 Technology Risk Advisory 6.3 Technology Consulting, Digitalisation Advisory 6.4 IT Forensic
7. Restructuring and Insolvency	7.1 Corporate Restructuring (operational restructuring) 7.2 Insolvency Services (liquidation and receiverships) 7.3 Litigation Support & Expert Witness Services 7.4 Debt Restructuring (capital advisory, judicial management, scheme of arrangement)
8. Sustainability and climate change	8.1 Sustainability & CSR reporting 8.2 Sustainability & CSR consulting
9. Miscellaneous Advisory Services	9.1 HR Compliance 9.2 Islamic Banking Advisory and Compliance 9.3 Process Improvement 9.4 Business Process Outsourcing 9.5 Succession Planning/Business Transfer 9.6 Business Strategy Formulation & Implementation 9.7 Regionalisation Advisory 9.8 Business Model Innovation 9.9 Business Strategy and Plans 9.10 People and Organisation 9.11 Entrepreneurial, Family Business and Private Company Services 9.12 Legal

Appendix 5

Cities

Survey respondents selected the top global accountancy hubs from a randomised list of 28 cities, as shown below:

1	Hong Kong	11	Frankfurt	21	San Francisco
2	London	12	Los Angeles	22	Edinburgh
3	New York	13	Kuala Lumpur	23	Hangzhou
4	Singapore	14	Geneva	24	Shenzhen
5	Beijing	15	Melbourne	25	Zurich
6	Dubai	16	Sydney	26	Luxembourg
7	Tokyo	17	Washington, D.C.	27	Vancouver
8	Shanghai	18	Guangzhou	28	Toronto
9	Chicago	19	Paris	29	Other
10	Boston	20	Brussels		

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