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BUSINESSNEWS

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A close-up photograph of a person's hands writing on a document with a pen. The person is wearing a light-colored shirt. The background is blurred, showing another person's hands resting on a surface. The overall tone is professional and focused.

Accountants

SPECIAL REPORT



Professional Services Accountants



REBEL: Jamie Davison's business has defied the slowdown, lifting revenue 47 per cent last financial year. **Photos:** Gabriel Oliveira

Staff shed unevenly across WA

Staff numbers at WA's accounting firms have experienced their largest fall in more than 20 years, though the change was highly variable.



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6-PAGE FEATURE

THE economic fallout from COVID-19 has been keenly felt across accounting firms in Western Australia, according to *Business News's* annual survey of the sector.

The total number of staff at the 20 largest firms in WA has fallen by 3 per cent to 4,290 in the 12 months since the previous survey (see list, page 23).

The Data & Insights survey revealed the impact has been variable, with some of the biggest firms affected the most, while one smaller firm achieved spectacular 47 per cent growth.

Deloitte, which last year overtook long-time market leader EY to become WA's largest accounting firm, has cut back more than most.

It reduced WA staff numbers by 9.6 per cent to 697 people.

The number of professional accounting and consulting staff on its payroll fell by a similar percentage, to 670.

Managing partner WA Michael McNulty said there was a big decline in activity in the three months to May 31, when Deloitte ruled off its financial year.

"Perth was growing incredibly well up to February," he said.

"We were growing 30 per cent year on year.

"For the full year, that came back to about 20 per cent.

"That last quarter was quite difficult, and that's what led to that reduction in staffing."

Notably, Deloitte's WA practice still grew at twice the rate of the firm nationally, but the local staff cut exceeded the national average of 7 per cent.

Another of the big four firms, KPMG, also underwent a major adjustment in WA, with total staff down 11 per cent to 433.

Chairman of partners WA, Matthew Woods, said there were two reasons, one structural the other cyclical.

"We grew in FY20 irrespective of COVID," he said.

"It was single-digit growth, slightly lower than the seven per cent national growth.

"We grew with fewer people and we achieved that because we've been maturing the way we

-3%

STAFF NUMBERS AT WA'S 20 BIGGEST ACCOUNTING FIRMS PAST 12 MONTHS

Source: Data & Insights

deliver parts of our service.

"The firm nationally and internationally has set up centres of excellence in the country and offshore.

"It's allowed us to move part of the more routine work we do on a day-to-day basis into those centres, including offshore."

Mr Woods said less than half the staff cuts were due to a company-wide redundancy program.

BDO was another firm to experience a fall in staff numbers, to 234.

Office managing partner Peter Toll said the main reason was a restructuring in May, when a dozen people from risk advisory left the business.

"The rest of the business has been pretty steady," he said.

BDO grew revenue in WA during the past financial year by 7 per cent, a touch below the national growth of 10 per cent.

RSM also experienced a small reduction in staff numbers, to 422 people.

That was after taking on some of the staff from BDO's risk advisory practice, including partner Pippa Hobson.

Ms Hobson was one of two new partners to join the firm, along with Xiaowen Shi, who is a part of its China practice group.

Managing partner Con Paoliello said the change in staff levels was a result of

“ [W]e have not made any COVID-19-related redundancies

- Fiona Drummond

PKF achieved similar growth to its mid-tier competitors in WA.

Perth managing partner Darren Shillington said it been tracking at 6 per cent growth but finished FY20 with growth of about 3 per cent.

Things were improving in the current financial year, however.

“This year we’ve had good growth, we’re at about 7 or 8 per cent,” Mr Shillington said.

He added there had been solid growth in the firm’s audit practice, both from established businesses and startups planning to list on the ASX.

“We’re at the reasonably priced end of the market,” Mr Shillington said.

Two of the big four firms – EY and PwC – were reticent to specify their WA growth rate.

EY had a small decline in staff numbers – down 20 to 714 – with managing partner western region Fiona Drummond saying this was a result of natural attrition and fluctuation.

“We’ve been fortunate to see a continued demand for our services, in the main, across our business and so we have not made any COVID-19-related redundancies,” she said.

Nationally, EY reported revenue growth of 12.7 per cent in FY20.

That put it well ahead of PwC, which said Australian revenue in FY20 was flat on the prior year.

While not providing details, managing partner Perth Michelle Tremain indicated the trend was positive pre-COVID-19.

“We were growing exponentially going in to COVID, double-digit, exciting growth,” she said.

“We were far less impacted by those headline issues than the rest of Australia.”

PwC’s WA staff numbers are unchanged from a year ago, with the firm saying they had been steadily increasing pre-COVID-19 before decreasing slightly in July.

That was the same month the firm announced it was cutting about 400 roles nationally, or 5 per cent of its workforce.

Growth leader

One firm to outperform the rest of the sector in WA was Osborne Park-based Carbon Group.

Co-founder Jamie Davison said revenue was up 49 per cent to \$12.6 million in FY20.

He said Carbon Group had focused on advisory work for its clients, which were mostly small to mid-sized businesses.

“We had more meetings, did more cash flow analysis, provided more help with interpreting government stimulus, moving beyond just compliance,” Mr Davison told *Business News*.

Mr Davison said one of the keys to Carbon’s success as a business adviser was going beyond textbook answers.

He added that Carbon gave clients more flexibility in paying their bills, to help them deal with cash flow pressures over the past six months.

Mr Davison said Carbon had done the same things it advised



BUSINESS: Fiona Drummond says transactional work and consulting is coming back after the COVID-19 slowdown.

regular turnover the firm would expect to undergo in this time frame.

The firm grew 8 per cent nationally in FY20, while growth across WA was 3 per cent.

“While many of our WA divisions grew well above three per cent, the impact of COVID on financial markets in the last quarter of the year meant that our annual average was three per cent,” Mr Paoliello said.

clients to do: watching costs, building up cash buffers, and talking to their bank.

The firm was also investing in automation and technology to support its growth, including systems that worked across multiple offices.

He said Carbon was on track for revenue of \$20 million this financial year, implying growth of 70 per cent.

This rapid growth was helped

by four east coast acquisitions since the start of July.

The acquisitions have added 50 people, taking Carbon’s national headcount to 180.

They have also shifted the firm’s geographic weighting.

While WA generated about 80 per cent of revenue in FY20, that had dropped to 63 per cent in FY21.

Continued on page 20

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Darren Shillington, Managing Partner PKF Perth

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Staff shed unevenly across WA firms



LIGHT: Matthew Woods is pleased with the modest growth KPMG is achieving in the current financial year. **Photo:** Gabriel Oliveira

From page 19

Outlook

Local accounting firms have a cautious growth outlook, with areas such as corporate finance and digital transformation offsetting the general softness in the economy.

"The growth in the current financial year is basically flat, which we're pretty happy with under the circumstances," Deloitte's Mr McNulty said.

"After a couple of difficult months, things have strengthened over the past few months."

He said WA was much the same as the rest of the country.

"I don't think it's terribly surprising to anyone," Mr McNulty said.

"I'd put a positive lens on where we are right now compared to where many of us thought WA and the whole country might be at this point in time.

"It's not all doom and gloom out there and a number of sectors have been amazingly resilient."

Like all of his peers, Mr McNulty highlighted mining and mining services as strong sectors.

Oil and gas is another positive sector for Deloitte, mostly via large-scale digital programs.

“ We grew with fewer people and we achieved that because we've been maturing the way we deliver parts of our service - Matthew Woods

"They are long-term programs and they are continuing," Mr McNulty said.

"They haven't stopped because of the oil price or COVID."

Digital investment was a trend he observed across industries.

"Everything digital and cloud is accelerating; every organisation is doubling down on their investment," Mr McNulty said, adding that Deloitte was again recruiting in areas with good demand.

KPMG's Mr Woods said he was pleased with the modest growth his firm was achieving in the current financial year.

"Year to date, we're slightly ahead of where we thought we'd be; we're slightly ahead of flat," he said.

"I would have been comfortable with flat. In fact I would have been ecstatic with flat, given the impact of COVID, so that's very pleasing."

Mr Woods pointed to government investment in infrastructure

and the health system as notable drivers of growth.

Technology enablement and cyber security were other areas attracting investment.

EY's Ms Drummond indicated her firm was seeing improved activity.

"We have had strong and solid growth and this is trending up as we emerge out of COVID," Ms Drummond said.

"Assurance has been strong, as has tax.

"Transactional work and consulting slowed for a while, as was expected, but are coming back now.

"There is strong demand from many businesses to transform the way they do things, which is seeing our technology and digital capability being kept very busy."

In a similar vein, PwC's Ms Tremain said a big focus for her firm was using a broad suite of skills, including data and business

analysis, to help clients with transformation projects.

"Actually it's really exciting times for us because we're looking to hire lots more people," Ms Tremain said.

"One of the hardest things is finding the right people to meet our needs."

As well as skills in data and analytics, PwC was targeting those with strong negotiation and people skills.

Ms Tremain said PwC was planning to recruit some people coming back to Perth from overseas.

"That's a big opportunity for us, we've got a lot of people returning from PwC offices around the world," she said.

Corporate finance

The pick-up in corporate finance activity, especially new stock market listings, has been particularly important for mid-tier firms.

"We're well ahead of budget, but I must admit the budget was conservative," BDO's Mr Toll said.

"We'd be consistent with what we were doing this time last year, and that was one of our best years.

"A lot of that has been driven out of the M&A and initial public

offering transactional work; that just creates work for all service lines."

BDO has worked on about 10 IPOs in recent months, mostly for junior miners, and has mandates for some sizeable upcoming transactions.

As well as stock market listings, Mr Toll said there had been a lift in private equity investment, especially in mining services but also technology and communications.

"We're seeing more and more activity there," he said.

Mr Toll noted there had been some big changes in BDO's audit practice, especially after one of its largest clients, Perth-based Automotive Holdings Group, was taken over by Brisbane-based AP Eagers.

"We were on the wrong end of a few takeovers of audit clients, with AHG being the main one, but we've had some good wins and with the new listings we've backfilled that work," Mr Toll said.

RSM's Mr Paoliello said his firm was growing revenue at about 7 per cent, a similar growth rate to the first quarter of last year.

"We have certainly seen an increase in capital raisings and merger and acquisition activity post COVID," he said.

RSM acted as investigating accountants on \$225 million of IPOs and other public capital raisings in the year ended June 30 2020.

This included the largest WA IPO of the year, Primewest Group, which raised \$100 million and listed on the ASX in November 2019.

It also assisted with recent capital raisings by Decmil Group and Kalium Lakes, both of which exceeded \$50 million.

"Most recently, we have assisted Duratec with their capital raising, which is the largest so far this calendar year," Mr Paoliello said.

He added that RSM was also seeking to expand its core audit, tax and consulting services.

"Whilst expanding on our core service offerings, we have also expanded our service lines to include cyber security consulting and testing, IT consulting and support services, data analytics, M&A support and capital raisings," he said.



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Flexible work here to stay

Perth's major accounting firms have about 70 per cent of their staff back in the office after COVID, but lots of variation sits behind that number.

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ACCOUNTANTS are experts at measuring things, but asking them to pin down where their firm's employees are working is no easy feat.

That's partly because working habits remain fluid after COVID-19.

Deloitte provides more clarity on work patterns than most other firms.

Managing partner Mike McNulty estimates about 70 per cent of his staff are in the office at some point every week.

But only 10-15 per cent are in the office five days a week, while a further 30 per cent attend the office three days a week.

That leaves a lot of people working from client offices – as auditors have always done – or working from home.

Deloitte actually needs a lot of people working outside the office because only two of every three desks can be used.

That's based on a strict interpretation of the Work-Safe requirements for social distancing.

Mr McNulty sees this as a big shift, after acknowledging the take-up of Deloitte's agile working policies had been modest prior to COVID-19.

"To have half our people working at home two or three days a week is a pretty big shift," Mr McNulty said.

"I think we've adapted to it well and so have our clients."

Other firms quote different numbers to express a similar trend.

"We're sitting around 50 per cent of our total workforce in the office," KPMG's WA chair of partners, Matthew Woods, said.

"But we only had 75 to 80 per

cent in the office on any given day pre-COVID.

"That's getting pretty consistent and we're comfortable with that.

"I used to be concerned about how we make the office experience a rich experience

"I'm more relaxed about that now; we're getting into a more normal rhythm where people have settled and worked out their routine in terms of how they transition through the three hubs, and the business has worked out when they need people in the office.

"I think we're approaching a happy medium."

EY managing partner western region Fiona Drummond said the number of people coming into the office for work had continued to increase.

"Compared to pre-COVID levels, use in Perth is approximately 80 per cent and this has been steadily growing since July," she said.

"It's great to see so many of our people coming back in and enjoying the city, but we are continuing our people-centred approach."

Ms Drummond said the group's strong results during the past few months showed it could be very productive when working remotely.

There has also been an increase in the number of staff coming into the office at PwC.

"It fluctuates but we have between 60 per cent and 80 per cent of people back in the office on different days," managing partner Michelle Tremain said.

"You can see the difference it makes; the social part is really important, just interacting with each other or having a break."

She said the lasting impact of COVID was the shift in attitude.

"We always had the policies around flexible work roles; the



CHANGES: Mike McNulty says Deloitte's clients and staff have adapted well. **Photo:** Gabriel Oliveira

“To have half our people working at home two or three days a week is a pretty big shift

– Mike McNulty

best thing about COVID is they've become real," Ms Tremain said.

PKF Perth managing partner Darren Shillington has seen a similar change.

"Since we've come back, we've adopted a lot more flexibility," Mr Shillington said.

"It has changed our mindset.

"People still like the social side of being in the office."

RSM managing partner Con Paoliello said his firm had about 70 per cent of its full workforce in the office on a typical day.

"Given staff who are out with

clients, on leave, part time and other flexible work arrangements, this is a fairly normal percentage," Mr Paoliello told *Business News*.

To illustrate its flexible work arrangements, he said RSM already had one of its Perth staff permanently based in Cowaramup and another currently based in Hong Kong for personal reasons.

Like other firms, RSM is reviewing its national guidelines to ensure they are reflective of the current environment.

BDO managing partner Peter

Toll said the new normal at his firm was a very flexible approach.

"We're definitely seeing more people work from home but on a flexible basis, not on a fixed or permanent basis," he said.

Mr Toll said only 3 per cent of BDO's workforce had applied to formalise their work-from-home setup, for instance by having regular days at home.

The more common approach was staff taking a day here or there to suit their family or personal circumstances.

With audit staff often working from client offices anyway, he estimated about 70 per cent of staff would typically be in the office.

Mr Toll said younger staff still wanted and needed interaction with experienced colleagues in the office and many were not set up adequately at home for work.

Data & Insights

WA's LARGEST ACCOUNTING FIRMS

Ranked by No. of Accountants in WA



Rank	Change from previous year	Company name	Senior executive and title	Year est. in WA	Offices a) WA b) interstate	No. of partners	No. of accountants (including partners) in WA	Total staff in WA	Services offered
1	—	Deloitte	Mr Michael McNulty Managing partner, Western Australia	1891	a) 1 b) 11	59	670	697	Audit, consulting, financial advisory, risk management, economics and tax services to public and private clients. China, Africa, Japan, Korean and Indian Country desks
2	—	EY	Ms Fiona Drummond Partner of assurance, managing partner of western region	1989	a) 1 b) 6	55	641	714	Global professional services firm and market leader in assurance, tax, transaction and advisory services
3	—	PwC	Ms Michelle Tremain Managing partner, Perth	1896	a) 1 b) 9	42	510	600	Assurance, consulting, Asia practice, deals, legal services, private clients, tax, Indigenous consulting, capital project services
4	—	KPMG	Mr Matt Woods Chair of partners, WA	1907	a) 2 b) 12	31	372	433	Global professional services firm providing clients with audit, tax and advisory services
5	—	RSM	Mr Con Paoliello Managing partner, Perth	1922	a) 20 b) 11	27	319	422	Assurance and advisory, business advisory, restructuring and recovery, corporate finance, risk advisory services, tax services, financial services, data analytics, fraud & forensic & China practice group
6	—	BDO	Mr Peter Toll Partner corporate finance, office managing partner	1978	a) 1 b) 9	23	181	234	Audit, tax, corporate finance, internal audit, risk advisory services, forensic services, consulting services, bookkeeping, outsourcing, private clients, training, environmental and sustainability assurance services, remuneration and reward services
7	↑	Grant Thornton	Mr David Hodgson WA office chair & partner, financial advisory	1964	a) 1 b) 6	14	101	124	Audit services, tax services, forensic consulting, recovery and reorganisation, corporate finance, services to privately held business
8	↓	Success Tax Professionals	Mr Darren Gleeson Chief executive	2003	a) 44 b) 42	95	100	120	Business accounting services, taxation return preparation, self managed superannuation funds
9	—	Nexia Australia	Mr Mal Di Giulio Managing director	1976	a) 1 b) 6	12	88	106	Accounting, audit and corporate, superannuation, business advisory, corporate finance, estate planning and asset protection, taxation, financial planning
10	—	Hall Chadwick WA	Mr Wayne Healy Managing director	1985	a) 2 b) 8	10	83	101	Broad range of audit and advisory services, taxation, business services, accounting, management consulting, SMSF, R&D, licensed financial planning, finance, insolvency, corporate consulting and personal insolvency
11	↑	Moore Australia	Mr David Tomasi Managing partner	1977	a) 1 b) 13	15	82	95	Audit and assurance, assurance advisory, business advisory, tax advisory, business valuations, independent experts reports, corporate finance, litigation support, corporate secretarial, bookkeeping services, local government
12	↓	HLB Mann Judd	Mr Lucio Di Giallonardo Managing partner	1985	a) 2 b) 11	10	74	90	Audit and assurance services, corporate advisory, business recovery and insolvency, business and tax consulting, wealth management, financial planning and insurance services provided through associated firm HLB Mann Judd HLB Wealth
13	—	Byfields Business Advisers	Mr Simon Northey Director	1963	a) 7	10	59	86	Business and farming taxation and consultancy, self managed superannuation, bookkeeping
14	↑	Pitcher Partners	Mr Leon Mok Managing director	2004	a) 1 b) 6	8	55	65	Full service chartered accounting firm
15	↓	Armada Accountants & Advisors	Mr Tony McDowell Managing director	1984	a) 3	11	53	108	Accounting tax and consultancy, auditing, bookkeeping, lending, financial planning, trustee services and property management development
16	↑	Carbon Group	Mr Jamie Davison Founding partner		a) 3 b) 8	23	50	82	CFO Services, R&D, bookkeeping, payroll, cloud integration, insurance, finance, financial planning
17	↓	PKF Perth	Mr Darren Shillington Managing partner	1978	a) 1 b) 12	11	50	65	Audit and assurance, taxation, financial services, business services, superannuation

Accountants

SPECIAL REPORT

Data & Insights

Showing 6 of 6,509

Taking account of the human factor in virtual workplace

Working remotely and connecting 'virtually' with workplace colleagues was already becoming more popular before the COVID-19 pandemic, but it has now been taken up in an unprecedented manner. ...

Ban reduced for Perth accountant

Keith Bowker, who was previously banned six years from providing financial services, has received a reduced ban of two years after appealing the ASIC decision to the Administrative Appeals Tribunal. ...

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