

Talent in the Accounting and Audit Profession: How to attract and retain the next generation of graduates into accounting and auditing

Highlights from the Research Report – March 2024



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1. Foreword

The report on the ‘Talent in accounting and auditing profession – how to attract and retain next generation of graduates into accounting and auditing’, in is in response to the call in 2022 by the Auditing and Assurance Special Interest Group (AASIG) of the Accounting and Finance Association of Australia and New Zealand (AFAANZ) and in association with the Australian Public Policy Committee (APPC) to investigate the perceived lack of talent in the audit profession.

The aim of the research was to provide insights on potential talent entering the accounting and auditing profession in New Zealand and Australia, specifically the choice of accounting at university entry level and the choice of auditing at the accounting graduate level. This New Zealand and Australia based research provides Trans-Tasman evidence on talent entering the accounting and auditing profession and it extends previous work by Jackling and Calero (2006) on ‘Influences on Undergraduate Students’ Intentions to become Qualified Accountants: Evidence from Australia’.

The objectives of the research are to:

- better understand what motivates students to choose accounting as a study discipline;
- better understand why students do not choose accounting;
- understand what motivates students to choose auditing as a specialisation;
- explore how the profession should change to be more appealing to future talent/students;
- understand if there are any groups that are more or less likely to choose accounting at university entry level and auditing on graduation; and
- propose how such diversity can be addressed and explore whether the content of accounting and auditing courses at university properly reflects the modern accounting profession.

To meet these objectives and gather perceptions about the perceived lack of talent in accounting and auditing profession and suggestions as to how to attract and retain talent in the profession, surveys and interviews were conducted with various stakeholders – university students, graduates and employers in New Zealand and Australia. The research in the report has been generously financially supported by Chartered Accountants Australia and New Zealand (CAANZ) and CPA Australia. The research in the report was conducted in New Zealand and Australia by a team of

university educators, researchers and colleagues from Massey University and University of Technology Sydney (UTS).

We trust that findings of the research will be useful to all stakeholders of the accounting and auditing profession. These are the highlights of the findings and the recommendations from the full report.

2. Executive summary and summary of findings

The research was based on two online surveys¹ of 657 university students in Australia and New Zealand, in-depth interviews of 18 undergraduate university students, 16 university graduates and 10 employers in audit firms of various sizes from Australia and New Zealand.

2.1. Summary of findings

Our findings present that across all university student groups there is a sense of optimism regarding job prospects and career advancement opportunities in accounting and auditing. We do, however, find that enthusiasm diminishes as graduates enter the work force and have worked in accounting and auditing for several years. There are various reasons for this trend, and we discuss those further in the following paragraphs.

Responses by our study participants concerning the societal status of the accounting profession are modest, with around 60% favourable across all university student groups. Similarly, about 60% of university students, on average, believe that investing in the accounting study is a worthwhile endeavour. A comparable percentage of respondents maintains a positive outlook on the prospects of migration for accountants. There is also a high degree of optimism surrounding the transferability of accounting skills, and university students believe that advancements in technology are likely to enhance and complement accountants' expertise in the future. University students interviewed as part of this research who are studying or have recently studied auditing found the study of the topic to be highly interesting and engaging. These are positive findings that can be further enhanced by the accounting profession and employers by communicating the benefits of a career in accounting and auditing in the short and long-term.

¹ The two online surveys used in this study are:

(1) 'First year accounting survey', for first year business students who were studying a core accounting subject at the universities as part of their degree, with a total of 492 participants.

(2) 'Auditing survey', for students who are taking or had prerequisites to take the auditing courses within their degrees while studying at the School of Accountancy at Massey University and the Department of Accounting at UTS, with a total of 165 participants.

Our study also shows that university students lack confidence in their aptitude for accounting and auditing work, particularly in their first year of university study. The impressions of university students are possibly influenced by insufficient exposure to real-world practical examples and the failure of accounting and auditing educators to provide students with appropriate practical context for their studies. The university students also tend to believe that they must have an innate ability to study accounting, rather than recognising that it is a skill that anyone can learn. Our recommendation is for the profession and its practitioners to communicate more clearly about the varied paths one can take to enter the profession and how to flourish in it.

Our study also shows that there is a lack of full understanding amongst university students about the role that accounting and auditing play in business and the society and the large variety of work and societal contributions that an accountant or auditor can provide during their working lives. Our recommendation is for the accounting and auditing profession to emphasise more prominently the nature and contribution that accounting and auditing make in business and society.

Similarly, our results show that there is low awareness by all university students of the importance of environmental and climate-related topics in their study and future careers. This is likely due to university educators failing to incorporate such topics into auditing courses curricula, neglecting these important and new fields of auditing and assurance. Our findings also suggest that university students still narrowly perceive the study of accounting and auditing with emphasis on technical topics, skills and capabilities rather than placing their accounting studies in wider business and societal contexts. The profession and employers have a role to play in informing both university educators and students about changes in the business world, including changes around environmental matters and practices that they work with, and the broader skill set that is likely to be required by a practitioner of the future.

In terms of university students' life at universities and the role student life has in attracting talent into accounting and audit profession, our results underscore the pivotal role of students' initial experiences with accounting courses – particularly at the entry level – in shaping the future accounting talent pool. That means that universities and accounting schools ought to create an inclusive atmosphere that enhances students' experience and fosters a sense of belonging through engaging activities. This is especially important for attracting international students and on campus students. International university students in particular express very strong and positive sentiments

in terms of the financial security and migration effects in their desire to further study auditing. These encouraging findings point to further opportunities for the profession to promote auditing study and careers to potential new entrants.

With respect to the influence of technology and AI on the accounting and audit profession, there is generally a positive sentiment regarding the future role of human professionals amidst technological advancements. These findings show that university students still mostly believe that human auditors will continue to play a role in auditing practice despite advancements in technology and that they see their role in such a future.

Our study also reveals some worrying trends and perceptions after university students enter the working world of accounting and auditing. The findings from our interviews of university graduates and young professionals show that many don't anticipate a long-term future in auditing. However, they are positive about remaining in the accounting profession over the longer term. Thus, auditing is seen as a career stepping stone. In general terms, they point to working conditions (working hours) and remuneration as reasons why they don't perceive being adequately rewarded for their work and as significant deterrents to pursuing a long-term career in auditing. Most of the university graduates are aware of the advantages of a career in auditing, however, they tend to put more emphasis on work-life balance from the start of their working life.

It also appears from our interviews of university graduates that the most significant influence on considering a career in accounting and auditing comes from their families, friends, and peers. Though influences like career growth opportunities and financial stability were important – it is likely that these are also reasons that families, friends and peers would support a career in accounting.

The interviewed university graduates are particularly critical of their preparedness for a working life and a career after finishing their tertiary studies. They consider that the tertiary education they received has generally not been anchored in practice and in the real business world. They suggest that university educators need to work closer with the industry and accounting and auditing practices so to equip them with appropriate knowledge, skills, and insights of what a working life and a career in accounting and auditing is likely to be.

Our interviews with employers reveal their views about the lack of talent in accounting and auditing profession. The employers see that the lack of talent is evident in both the lower number

of applicants for auditing graduate positions as well as the quality of applicants. The lack of talent that employers are observing is also evident, in their opinion, in the increased turnover of staff at junior levels, or as they term it, “employees’ unwillingness to stick it out” for three to five years, such as has been a norm in the past. The employers also characterise the lack of talent as apparent lack of resilience by new staff and graduates in the working environment. The employers also report constraints in conducting and completing audit engagements due to the lack of staffing leading to restricted capacity as well as potentially also leading to the reduction in audit quality in the future.

Therefore, the lack of talent in the auditing profession is particularly of concern for audit practitioners in the long-term, in respect of audit quality and the ability to undertake additional audit and assurance work. This, the employers propose, is potentially leading to difficulties in the supply of audits in audit markets as well as reduced trust in financial markets and the financial information that enables financial markets to operate and grow. The employers also suggest that the enduring lack of talent in the audit market may potentially lead to increases in audit fees.

Employers also partly attribute the lack of talent in the profession to the lack of appropriate skills that current graduates possess. Generally, the missing skills are technical skills in terms of understanding the practical side of accounting and auditing, as well as soft skills in terms of communication and the ability to work in teams. The employers attribute some of the lack of required skills to the COVID-19 disruptions in education as well as a deeper, possibly generational, source. Employers perceive that, university educators in particular have a role to play when it comes to preparing university graduates for their career paths.

Interestingly, the university graduates that we interviewed do not consider that there is a lack of talent in the accounting and auditing profession. They told us that they observe a lot of talented colleagues in their work environments. That is at odds with the feedback that we received from employers.

Looking at the possible ways to resolve issues around the lack of talent in the auditing profession, employers see that university educators, professional bodies and the profession in general have important roles play. They propose that information about the accounting and auditing profession needs to be disseminated early, as early as in high schools, and that interest in the profession should be initiated at the early level with assistance by professional bodies. They also

suggest that the profession itself needs to better communicate about the purpose and benefits of auditing in general as well as the benefits of a career in auditing. The employers also consider that the current narrow focus on accountancy university graduates is not sustainable for the profession and that there should be a wider and more flexible approach to entering accounting and auditing profession in New Zealand and Australia.

Through our interviews we witnessed that employers sense a generational change and are concerned about it, realising that communication about the benefits of a career in auditing needs to be improved. They are, however, finding it difficult at times to understand the changing world and motivations of newer generations of graduates and how to address the challenges around generational differences in current business models. The employers attribute the responsibility about communicating the benefits of a career in auditing to professional bodies.

The research in this report overall provides some interesting insights. There is in general a positive attitude by university students towards the accounting and auditing profession. However, once the university students graduate, enter and experience working life, they appear to be less positive and somewhat disillusioned about continuing their careers in auditing. Our observation is that the major perceived contributor to that disillusionment is due to the perceived unfavourable working conditions and corresponding remuneration of graduates. The graduates also don't seem to be inclined to postpone work-life balance to achieve long-term career goals.

The perspectives of employers and graduates diverge regarding the lack of talent in the auditing profession. While employers report a lack of talent, the graduates tend to think that there is plenty of talent in the profession. That is likely to be a consequence of a differing definitions and perceptions of what constitutes talent. Employers should widen how they define talent in terms of some new and emerging skills, especially around IT and online communication that new generations bring into the working environment as well as be prepared to accept new generations' ideas of working life and a career in auditing.

Finally, there seems to be a need for work to be done collaboratively by all stakeholders in the accounting and auditing profession to attract and maintain talent. For university educators that means providing courses that are interesting, with reference to real-world business cases and practice, and well delivered in inclusive and stimulating learning environments. Professional

bodies need to disseminate information about the advantages and the roles of accounting and auditing as early as high school and to keep opening opportunities for university students on all levels to learn about the profession. Professional bodies should also act as intermediaries between university educators and the practice by providing opportunities and introductions for exchanging knowledge and information about the accounting and auditing profession, and in that way enable bringing practice into classrooms.

The employers have a role to play in interacting with university educators, informing them about the developments in practice and opening opportunities for university students to observe or participate in practice. The employers also have a role to play in communicating about the importance of accountants and auditors in business and the society at large. Finally, given the feedback and opinions that university students and graduates provided in this study, employers need to consider changing attitudes that incoming university graduates have regarding work practices and the remuneration of young professionals in accounting and auditing. A failure by accounting firms to consider the expectations of incoming graduates may result in them being bypassed as a career destination.

3. Recommended actions

The findings of this study underscore the potential for increased communication efforts by all stakeholders to promote the accounting and auditing profession to prospective university students across Australia and New Zealand. Based on the findings these are the recommended actions for university educators, professional bodies, and employers.

3.1. Recommendations for university educators

In degrees where students choose their major after taking a core of broad business/commerce fundamental subjects, the earliest accounting subject should be taught by enthusiastic and passionate university educators to provide students with a highly positive and supportive learning experience. In later subjects – the design of the learner experience should be carefully crafted, including the selection of university educators who are knowledgeable and passionate about student learning about accounting and auditing in particular.

University program or degree directors should consider how career development information and opportunities are created over the entirety of the study program, including exposure to the accounting professional bodies.

Both university educators and the professional bodies should endeavour to include more real-world examples from accounting practice into university students' curricula. University educators should take note of this finding when evaluating the learning design, assessment structure and the staff teaching their introductory accounting courses/subjects.

The professional bodies as well as employers should work with universities' career advice services in providing relevant information about auditing as a profession and as a career choice which could assist university students in choosing a career in auditing.

University educators working with the professional bodies and employers should emphasise to students the value and contribution that auditing provides in business and society at large. For example, pursuing a career in auditing contributes to the wider governance of businesses and protection of shareholders and the share market.

3.2. Recommendations for the professional bodies

We recommend for professional bodies to engage in better promotion of the long-term financial prospects of accounting and auditing professionals.

Professional bodies should consider finding the appropriate role models to talk to university students and graduates about life as an accounting and audit professional. Direct contact with auditors develops positive perceptions of the profession amongst undergraduate university students. The findings from interviews with university students in this study also indicate a positive change in university students' perceptions of auditing as a profession after studying a course in auditing and interacting with practicing auditors while studying. Based on these findings, the university alumni as well as various high school alumni who are now auditors need to share their experiences in and prospects of the profession with high school as well as university students. This is likely to enhance the positive image of the profession amongst potential new

entrants. Professional bodies could also play a role of intermediaries between the various stakeholders and the alumni in the profession to promote professional experience sharing.

The findings in this study also suggest that professional bodies could have a role in providing an opportunity for the accounting profession to promote and educate university students about the wider importance of accounting and auditing in the society beyond the pure technical aspects of accounting and auditing.

That is, both university students and university educators need to be better educated on the important developments in social, environmental and climate related accounting and assurance practices. University students should receive better and up-to-date information about the contribution that accountants and auditors make and are likely to further make to social, environmental and climate related reporting and auditing in the future.

3.3. Recommendations for employers

Results of interviews in this report point to different understandings of talent in the account and auditing profession between employers and university students and graduates. Employers might need to explore adjusting their definition and the understanding of talent in order to better leverage incoming generations of graduates' new skills and attitudes to the work environment, particularly around IT and online networking. There is also an opportunity for the profession and employers to embrace university graduates in Australia and New Zealand who are international students and, in both countries, to seek to provide advocacy on their behalf for easier pathways into the accounting working environment and into auditing careers.

The results of the surveys and interviews with university students and graduates in this study indicate that poor working conditions (in terms of long working hours) and the difficulty to achieve work-life balance and poor prospects to improve remuneration are major deterrents to attracting students and graduates into auditing profession. Employers could adjust audit graduates' remuneration to align it with other commercial roles or salaries in other business divisions within public accounting firms or other similar professions.

Employers could also better communicate about what they do in their practices by using various communication channels, including social media, to dispel incorrect information about the

working conditions in auditing firms as well as to emphasise the important role that auditors have in business and society. Such communication should be informative and authentic and should not be presented in a way that is seen as a purely marketing exercise.

Employers should also engage with university educators to bring practice into teaching classes and to bring together “town and gown”. This serves to demystify the world of auditing, to better inform and motivate university students about auditing careers as well as to prepare university students and graduates for the “real world of practice”.

4. Conclusions

Accounting and auditing profession have a convincing future. University students studying auditing find the study of auditing to be highly interesting and engaging. Students are also confident about the future of accounting and auditing.

However, there is work to be done by all, the educators, professional bodies, and employers to encourage and nurture that enthusiasm so to attract and retain future talent. To further attract talent into accounting and auditing profession there needs to be additional, clear, and consistent communication. The profession and employers need to communicate the benefits of a career in accounting and auditing in the short and long-term from early educational opportunities in schools all the way through the universities. The accounting and auditing educators also need to ensure students’ exposure to real-world practical examples and the appropriate practical context for their studies.

There is also a need to dispel the popular belief that one must have an innate ability to study accounting. There is a need to educate that accounting and auditing skills can be learnt by anyone. There seems to be a lack of full understanding amongst university students about the role that accounting and auditing play in business and the society and the large variety of work and societal contributions that an accountant or an auditor can provide during their working lives. Most prominently, there is a low awareness by all university students of the importance of environmental and climate-related topics in their study and their future careers.

The profession and the practitioners need to communicate more clearly about the varied paths one can take to enter the profession and the contribution that accounting and auditing make in business and society.

To retain the talent in accounting and auditing profession the university educators, profession and employers need to re-examine their definitions of talent and consider the new attributes and skills, especially around IT and online communication, that incoming university graduates bring to the accounting and auditing profession. The employers also need to consider changing attitudes that incoming university graduates have regarding work practices and the remuneration of young professionals in accounting and auditing.