



**Unlocking trust: why global compliance is on
the business agenda**
Focus on Australia

mazars



Introduction

Foreword

Far more than an obligation, Australian leaders view global compliance as an opportunity to create business value.

Compliance is a key factor in strategic commercial decisions. However, some may still perceive it as an obligation to be met rather than an opportunity to be capitalised on.

When the lack of compliance may lead to a multitude of financial and reputational risks, companies can tend to focus on the constraints of compliance rather than the advantage it brings for financial growth.

Right now, global compliance is becoming increasingly complex, particularly for international businesses up against fast-moving legislation and the long-term consequences of Covid-19.

Compliance leaders are ready for a wide range of obstacles; emerging from the pandemic, we will see short-term challenges such as reporting obligations linked to repaying government loans, while economies could be restructured over the long-term and include new sets of regulations. We also discover tax transparency to be an important facet of compliance, where many businesses go far beyond their basic responsibilities.

With global power moving towards Asia-Pacific (APAC), it is timely for us to turn our attention to the potential compliance implications of doing business in this region. In Australia, technological disruptions and Covid-19 are driving immense regulatory changes.

This Australian edition of the global compliance study provides insight not just into the business value of compliance today, but the vision that senior compliance professionals in this region hold of how business needs to work tomorrow.

In a world where confidence takes years to build and just moments to lose, our findings provide clarity that companies are realising the significance of compliance as a creator of value.

We are delighted to have had the participation of so many experts and leaders in this study and we hope organisations in Australia will find the insights useful to face the future of compliance.



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Introduction

Executive summary

Compliance leaders see compliance as an opportunity creator, rather than just an obligation. The opportunities are significant: to bolster confidence, manage risks, and inform key decisions.

Valuable prizes are on offer for meeting compliance requirements: 58% of the leaders in Australia feel that good compliance will strengthen investor confidence; 56% say it helps to manage the firm's risk profile, while 50% say it generates insights for decision-making. Across APAC, boosting stakeholder confidence similarly tops the list at 63%.

There is significant value in compliance, and it means senior decision makers frequently devote time to proactively managing it.

Nearly half of the businesses in this market have their top executives engage with compliance quarterly or even more frequently (48%). This is most likely to be part of a pre-scheduled review of risks (44%), but also part of their efforts to reduce costs (44%) and in pursuit of new insights or opportunities (42%).

The devotion of attention has positive results: businesses in Australia are overwhelmingly confident they are successfully meeting their requirements now and will continue to do so in the future. Some 70% of respondents express confidence of at least 8/10 (on a 10-point scale) they are meeting compliance demands today, and 72% are highly confident they will do the same in the next five years. This confidence comes despite 56% expecting compliance to get harder in the same period.

Compliance leaders also know the significant risks of falling short: 78% say their business has faced some accounting and tax compliance related challenges, during the last five years. These consequences most commonly include reputational damage, negative media coverage and internal disciplinary action.

Compliance is getting harder to manage: it's

becoming more complex, legislation is changing fast, and Covid-19 will continue to cause disruption. Some 46% cite business expansions into new countries as among the most significant challenges to compliance over the next five years, while 40% highlight the increased complexity of fulfilling compliance obligations.

Businesses in Australia are going above and beyond in their efforts to be tax transparent. Over 86% of respondents say their business voluntarily publishes more tax information than the law requires, significantly higher than the global average (70%).

New technology is the biggest planned investment in compliance: 50% say new accounting and tax compliance technology will be one of the biggest drivers of their function's improved performance in five years' time.

However, they are also held back by a lack of attention from top management (36%) and a lack of team knowledge and skills (34%).

Methodological notes

- Mazars, in partnership with GQR Research, surveyed 892 senior accounting and tax compliance professionals working in multinational companies, between 30 April and 2 June 2021. Fieldwork was conducted online.
- A total of 251 respondents came from Asia-Pacific, 50 of which were from Australia.



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Compliance as a value creator

A clear majority of compliance leaders in Australia consider compliance an opportunity to create value. It is assuring to see that 66% of leaders here view compliance primarily as an opportunity, which is 8 points higher than the global average (58%). Only a minority consider it an obligation that results in a net cost (32%).

The opportunities that a good tax or accounting performance bring are significant: to boost confidence, manages risks and generate valuable insights.

Some 58% of the leaders in Australia indicate that good compliance has a major impact in strengthening investor confidence; 56% say it has a major effect in managing the overall risk profile of the firm while 50% think successful compliance generate insights that informs key business decision.

The Australian respondents also identified the two most important business outcomes for good compliance. The most prevalent outcome, increasing client or customer trust, is chosen by 48% of compliance leaders and positive reputation is ranked second (36%). Managing overall risks also scores high, with 30% choosing it as a top outcome.

Globally, while client trust is also chosen as the top outcome (35%), investor confidence is the second-highest rated outcome (32%), which does not feature in the top three outcomes for businesses in Australia. From these findings, it appears that

Australia leaders view both the internal and external results of good compliance rather equally.

Compliance is an executive priority

Compliance is seen as a core function of modern businesses: C-suites in Australia devote time and attention to proactively managing it.

In nearly half of the businesses surveyed (48%), the executive committees or board members engage with compliance at least once a quarter, while 28% of businesses engage monthly or more. Compliance is clearly a main priority and features regularly on the calendars of the most senior leaders here.

Underlining this is the finding that decision makers in Australia often engage in compliance proactively, with 42% saying the main reason decision-makers engage is to explore new insights or business opportunities. Some 44% say it enables them to reduce costs.

Only 32% say their senior leaders primarily focus on compliance to respond to an urgent issue or crisis. Similar to the global findings, this reiterates that compliance is a business imperative that drives opportunities and not something relegated to the bottom of the agenda or simply a reaction to external developments.

Figure 1 - Board/top executives engagement with compliance

Percent of respondents

When they engage



Why they engage



How often are accounting and tax compliance issues addressed by your organisation's top executives or Board? What are the TWO MAIN reasons your organisation's top executives or Board pay attention to accounting and tax compliance issues?

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Confidence in meeting compliance demands

Compliance requirements are expected to become more difficult to meet in the future, although businesses are confident in meeting compliance demands today.

In Australia, 98% of businesses are confident they can meet their compliance demands right now, slightly higher than their global peers (96%).

Some 70% of respondents are highly confident (scoring at least 8 on a 10 point scale) that their business is meeting its current regulatory requirements. 72% display the same level of confidence that they will do so in five years' time.

Only 2% show a lack of confidence in meeting today's demands, while none of the respondents feel that they will struggle in five years' time, which is an incredible discovery.

This confidence is striking in light of strong expectations that meeting compliance demands is going to get harder. Some 56% of companies expect

that meeting their global compliance challenges will become more challenging over the next five years, compared to just 10% saying it will get easier.

Clearly, businesses in the market strongly believe in their ability to navigate regulatory changes and the complex obligations of compliance in the future.

Lack of attention and knowledge limiting compliance performance

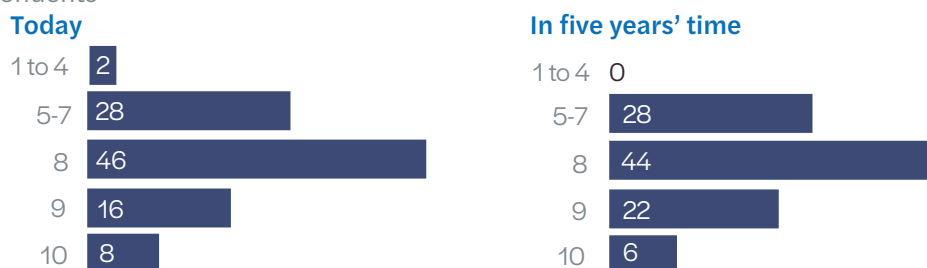
One in three compliance leaders (36%) in Australia feel that the lack of attention from top management is one of the two biggest challenges in meeting compliance obligations.

Some 34% indicated the need to develop knowledge and skills of the compliance. Meanwhile, 32% of respondents point towards incomplete and outdated knowledge of regulatory changes as a top obstacle.

This discovery underscores the need for senior management to set and reinforce a strong compliance culture. The evolving nature of regulations also raises the need to reduce the skills gap in the industry in order to keep pace with compliance demands.

Figure 2 - Confidence in meeting all accounting and tax compliance obligations

Percent of respondents



How confident are you that your business is meeting all of its accounting and tax compliance obligations globally today? Please select a number from 1 to 10.

Planned investments in compliance

Businesses have been devoting funds to compliance: 48% of Australian respondents increased resourcing for compliance over the past year and 60% plan to boost their investment in the next five years.

A majority of businesses (82%) see these three areas as the biggest priorities for investment: developing new skills of accounting and tax compliance staff, facilitating collaboration across organisations, and outsourcing accounting and tax compliance work.

Meanwhile, some 80% intend to invest in emerging technology to facilitate accounting and tax compliance. Compliance leaders see technology as a

crucial tool to meet their compliance goals now and as the key driver that will improve their compliance in the future.

The organisations which plan to invest in accounting and tax compliance technology are clear in what they seek. Two fifth of respondents (40%) view robotic process automation (RPA) as their biggest priority in the next five years. Artificial intelligence/machine learning and blockchain are the top priority for 33% and 25% respectively.

As for the compliance fields that respondents will target for investment, 38% report risk management tools will be their priority, and 33% are looking into tax compliance.

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Consequences of compliance failure

Failure to achieve compliance can have significant negative consequences, and businesses know the risks of falling short.

A majority (78%) of respondents in Australia say their business has faced some accounting and tax compliance related challenges during the past five years, a point higher than their global peers (77%).

In addition to financial and legal penalties, non-compliance will likely put a company in a bad light. Some 40% of respondents report it has caused reputational damage, 37% had faced negative media coverage, while 32% are aware of some internal disciplinary action as a result of compliance failings. Only one fifth say their business has faced none of these negative outcomes in the last five years.

Businesses brace for challenges ahead

The most significant challenges anticipated by compliance leaders in Australia are international

business expansions and the growing complexity of compliance.

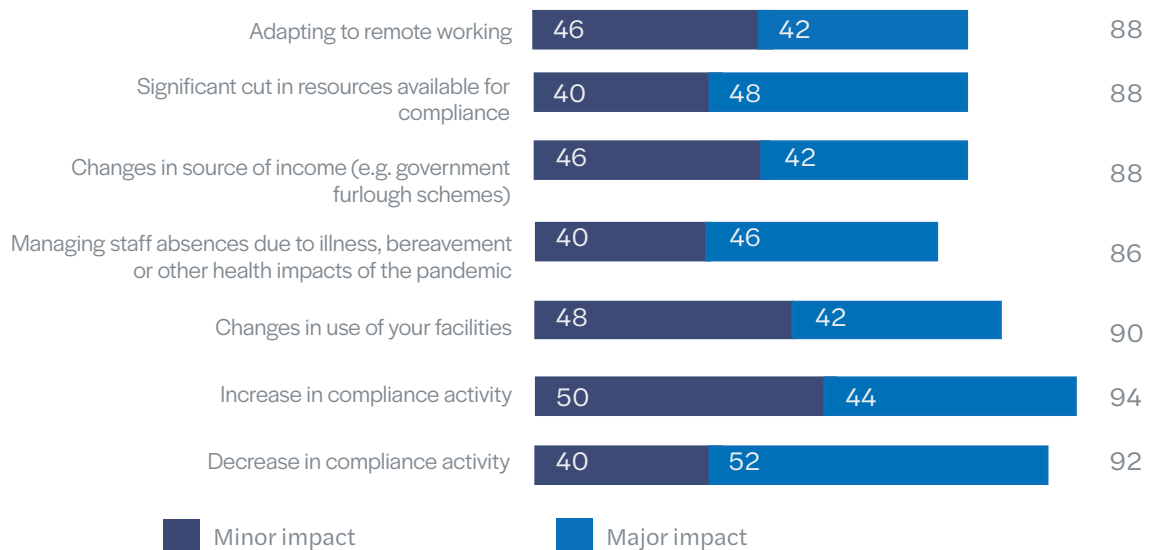
When asked about the toughest compliance challenges on the horizon, nearly half of respondents (47%) cited the organisation’s expansion into new countries while 40% point to the increased complexity of fulfilling compliance obligations. As they seize opportunities in new markets, businesses understand that the level of regulatory scrutiny is likely to ramp up in the aftermath of a global crisis.

Covid-19 has raised new challenges and disruptions for the compliance function. The pandemic resulted in a major decrease of compliance activity (52%), followed by a significant cut in resources available for compliance (48%).

The reduced employee size is another cause for concern. Some 46% of companies finds it highly challenging to manage staff absences due to illness, bereavement, or other health impacts of the pandemic.

Figure 3 - Impact of Covid-19 on compliance functions

Percent of respondents



How has the Covid-19 (novel coronavirus) crisis affected your organisation’s accounting and tax compliance function? For each of the following possible impacts of the crisis, please indicate whether it has had a major impact on the compliance function, a minor impact, or no appreciable impact.

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