

SOLVING AUDIT STAFFING

ELDERTON GROUP

The Shortage of Audit Staff and its Impact on Growth:

The scarcity of audit personnel across Australia is significantly impeding the growth potential of audit firms. Even proficient audit partners adept at business development will eventually reach a point where it becomes uneconomical to pursue additional work. For instance, securing another \$50k audit engagement might not justify hiring an extra audit manager or senior.



Recognising this capacity limitation can be a daunting realisation, potentially causing lasting harm to the audit firm's viability:

- Overworked staff may depart, exacerbating the problem.
- Managers stepping in for juniors escalate write-offs, leading to manager burnout, further staff turnover, and worsened issues.
- Partners assuming managerial roles amplify write-offs, heighten risk, erode work-life balance, and ultimately cause partner burnout, prompting staff to leave.

Human Resource Risk in Audit Firms:

Audit firms often operate with minimal auditors during busy seasons, resulting in significant HR risk. Resignations leading up to or during these times can severely impact audit quality, client satisfaction, and the work-life balance of partners and staff. The Big 4 and larger international networks mitigate this risk through short-term secondments and offshore audit resources, options unavailable to non-Big 4 firms.

The Increasing Complexity of Accounting:

Accounting has grown increasingly complex over the past decade, culminating in the introduction of intricate standards like AASB 9, 15, and 16, alongside the phasing out of Special Purpose Financial Reports. These changes have substantial repercussions for the Australian audit profession:

- The need for extensive learning.
- Escalating complexity.
- Higher potential for material misstatements.
- Professional qualifications not covering new standards.
- Many audit partners and managers lacking training in these complex accounting standards.
- Clients and audit committees struggling with these complex standards.



Outsourced Audit as a Solution:

Elderton Group offers an avenue for Australian audit firms to address these challenges by providing access to highly skilled and trained audit professionals. Elderton adapts its resources and services to match each audit firm's specific requirements.

Enhancing Audit Quality:

The conventional audit model heavily relies on inexperienced staff for the bulk of audit work, including handling key audit risks, intricate accounting estimates, and complex accounting standards. Elderton offers an alternative, moving away from this risky model by integrating trained, experienced auditors into the audit team.

- Elderton's auditors are all trained by Big 4 firms, ensuring high quality expertise.
- Stringent recruitment policies and continuous professional development monitor auditor proficiency.

Facilitating Growth:

Partnerships with Elderton empower audit firms to pursue growth opportunities without the burden of staffing concerns. Elderton provides a substantial pool of professional audit staff resources akin to the Big 4's, while sidestepping the fixed costs and complexities of large teams.

Mitigating Risks:

Smaller audit firms face significant risks when key team members leave during busy seasons, causing rushed recruitment, increased stress, and potential quality reduction. Elderton alleviates this by offering a broader staff pool to manage such risks effectively.

Improving Audit Quality:

Recruiting and retaining talent is a challenge in the Australian audit market. Traditional models focusing on quick progression tend to strain audit quality. Elderton breaks this cycle by supplying experienced, well-trained staff who can enhance audit quality through various means.

Increasing Profitability:

Elderton offers an avenue to enhance the profitability of audit divisions, driven by competitive charge-out rates and reduced costs:

- Growth without the substantial investments in new staff.
- Lower recruitment & training costs.
- Leverage existing firm resources.
- Greater leverage from partners and managers.

The Elderton Proposition:

Elderton tailors resources to augment existing audit teams, offering competitive charge-out rates for qualified professionals. The audit firm avoids training and recruitment costs and isn't burdened by excess staff costs during off-peak periods.

In essence, the shortage of audit staff in Australia hampers growth prospects for firms. Elderton presents a solution by providing experienced professionals, improving audit quality, and facilitating growth, all while minimizing costs and risks associated with staffing.

