Public accounting firms provide a necessary and important service for rural and regional areas. However, the provision of high-quality services is hindered by a number of factors. This paper reports the findings from a large-scale survey of professional accounting firm practitioners located in rural and regional Australia, identifying factors causing concerns and tensions and quantifying their scope and importance. Prominent concerns and tensions identified include adverse effects arising from the employment market, communications technology developments and legislation such as the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 and the Financial Services Reform Act 2001.

In its submission to the panel conducting the Regional Business Development Analysis for the federal government’s Stronger Regions program, CPA Australia (2002) emphasised the role of accountants as conduits to business and professional development in rural and regional areas of Australia. Accountants provide important services for business, but some have argued that rural and regional clients need sophisticated accounting services that take special skills to deliver (Kellerman 2005). The Action Plan produced by the Regional Business Development Analysis Panel (RDBAP) emphasised the importance of specialist support services to foster the development of business management skills (focusing especially on finance, marketing and planning), to provide advice on business structures, planning and benchmarking, and to assist businesses to collaborate and exchange knowledge (RDBAP 2003). Many of these important functions are currently provided by accounting practices in rural and regional areas.

Services provided by public accounting practices represent a sizeable component of the Australian economy. IBISWorld (2007) estimated that industry revenue for accounting services in Australia for the 2006 financial year was $10.9bn. The industry at that time was estimated to comprise 10,957 establishments paying wages totalling $4.4bn per annum (IBISWorld 2007). BRW (2010) reported that the largest 100 accounting firms earned revenue of $6.8bn for the 2010 financial year, with the largest 10 firms in regional Australia earning revenue amounting to $91.4m.

Despite the relatively healthy economic picture portrayed by the above figures, the sector is not without its tensions. A report by CPA Australia (2007) noted that the challenges (and opportunities) for public practice accounting firms have never been greater, and that these firms can expect more upheavals during the next 10 to 15 years with continuing transformations in management structures, staffing issues, business processes, technology developments and clientele. The report noted that:

Firms can count on an ever-more fierce battle for talent; greater management tests as they try to balance the needs of Baby Boomer and Generation Y staff; more technology churn; additional focus on gender and diversity issues; and increased complexity around succession planning and selling the business. The best firms will meet these challenges head on, and those that ignore these issues may fail to reach their potential or fold. (CPA Australia 2007: 4)
The RDBAP Action Plan (RBDAP 2003) and other publications have identified many issues that hinder the ability of accounting practices to provide high-quality services. For example, the Action Plan highlighted the well-known shortage of skilled people in a wide range of professions, including accounting. The Bureau of Transport and Regional Economics (BTRE 2006) and Rumney (2006) identified the same issue in a number of regions in Australia. RBDAP (2003), Rumney (2006), Ciccotosto et al. (2008) and Sawyer and Munn (1998) discussed a lack of professional development opportunities in rural areas. Sawyer and Munn (1998) reported that rural accountants have a lower fee structure than metropolitan accountants. Many publications (e.g., RBDAP 2003; BTRE 2006) discussed the role of technology and infrastructure.

The discussion above highlights various past reports and papers that have raised the types of problems facing the provision of accounting practice services in rural and regional areas. However, there is a need for research that provides further information on these perceived problem areas. In particular, there is a need for input from accounting practitioners themselves on the problem areas they are facing and, in particular, to determine the significance of the different problems to identify those that are creating the most concern and tension. Hence, the objective of this study is to provide more detailed elaboration on the significance of alternative concerns and tensions facing rural and regional accounting practices.

The current paper, therefore, extends the work in earlier reports and papers by presenting findings from a large-scale Australia-wide survey of rural and regional accounting firm practitioners. With the exception of Sawyer and Munn (1998) and Ciccotosto et al. (2008), there has been a paucity of academic research specifically examining public accounting firm services in rural and regional Australia. Those two studies investigated issues facing small accounting practices in, respectively, the western agricultural region of non-metropolitan South Australia and the Far North Queensland region of Australia. They accordingly examined only public accounting firms of small size located in specific geographical areas of rural and regional Australia. Those two studies were identified based on an extensive review of related prior literature followed by semi-structured interviews with accounting practitioners and owners of small and medium enterprises (SMEs) located in rural and regional areas. Interviews were conducted with practitioners located in 13 rural and regional accounting practices and 22 SME owners.7 The research instrument was completed with the input of an expert advisory panel comprising six academics and six practitioners, and was then piloted with 10 accounting practitioners.3

Rural and regional Australia was defined, for purposes of the study, as those areas outside the greater metropolitan areas of Melbourne, Sydney, Brisbane, Adelaide and Perth. Using CPA Australia’s member database,4 1729 survey questionnaires were mailed to rural and regional practitioners.5 A total of 546 usable questionnaires were returned, a response rate of 31.6%. The 546 survey respondents were from 503 separate accounting practices located in 278 different towns and cities. Respondents were from all Australian states, the Northern Territory and the Australian Capital Territory.

Survey respondents generally held senior positions within their accounting practice. The vast majority of respondents (520 of the 546 respondents, or almost 96%) were principals, partners or directors. A further six (1.1%) were business, office, branch or client managers.6 Also reflecting the fact that respondents were relatively senior, the majority had been with their accounting practice for many years. The average length of time respondents had been with their practice was 16 years. Over two-thirds of the respondents (68.6%) had been with their accounting practice for at least 10 years and approximately one-half (49.7%) for at least 15 years.

Most respondents’ accounting practices were well established in their geographic area. Approximately two-thirds of respondents (66.1%) were from accounting practices that had been operating in their region for at least 15 years. Only 11.1% of respondents were from practices that had been operating in the region for less than five years.

In terms of distance of respondents’ practices from their state or territory capital city, 290 practices (53.4% of respondents) were located less than 200 kilometres from their state or territory capital. Eighty-eight practices (16.2% of respondents) were located at least 500 kilometres from their capital city, while the balance (30.4%) were located between 200 and 499 kilometres from their state or territory capital.

Table 1 shows the size of the town or city in which respondents’ practices were located. The table indicates that 26.6% of respondents were located in towns with populations of less than 10,000, while 40.3% of towns...
Table 1: Size of town or city in which respondents’ practices were located

<table>
<thead>
<tr>
<th>Size of town or city</th>
<th>Respondents</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
</tr>
<tr>
<td>Small regional town (less than 5000)</td>
<td>90</td>
<td>16.6%</td>
</tr>
<tr>
<td>Large regional town (less than 10 000)</td>
<td>54</td>
<td>10.0%</td>
</tr>
<tr>
<td>Small regional city (less than 15 000)</td>
<td>55</td>
<td>10.1%</td>
</tr>
<tr>
<td>Medium regional city (less than 60 000)</td>
<td>125</td>
<td>23.0%</td>
</tr>
<tr>
<td>Large regional city (60 000 or more)</td>
<td>219</td>
<td>40.3%</td>
</tr>
<tr>
<td>Total</td>
<td>543</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Non-respondents to this survey question = 3

Table 2: Number of partners/principals and staff in respondents’ accounting practices

<table>
<thead>
<tr>
<th>Number of partners/principals in practice</th>
<th>Respondents</th>
<th>Mean number of professional staff per partner/principal</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
</tr>
<tr>
<td>1</td>
<td>263</td>
<td>48.2%</td>
</tr>
<tr>
<td>2</td>
<td>128</td>
<td>23.5%</td>
</tr>
<tr>
<td>3 to 4</td>
<td>117</td>
<td>21.5%</td>
</tr>
<tr>
<td>5 to 10</td>
<td>33</td>
<td>6.1%</td>
</tr>
<tr>
<td>11 or more</td>
<td>4</td>
<td>0.7%</td>
</tr>
<tr>
<td>All</td>
<td>545</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Non-respondents = 1

respondents were located in large regional cities with populations of at least 60 000.

Table 2 presents data on the size of the respondents’ accounting practices. The number of principals/partners in the practice is used as an indication of practice size. Almost 72% of practices had one or two partners/principals. Approximately 7% were from firms with five or more partners/principals, and only four respondents were from practices that had 11 or more partners/principals. There were, on average, 2.2 professional staff members per partner/principal. This ratio indicates that, for most of the rural and regional practices, the partners/principals were likely to be directly involved in the provision of services to clients.

Findings

Types of services provided

The types of services provided by the surveyed rural and regional accounting practices are summarised in Figure 1. The figure shows, for each service, the percentage of respondents indicating their practice provided that service.

As expected, the services that were most often provided by rural and regional practices were in the accounting and tax category, and especially those for tax and accounting compliance and tax planning/advice. Other services provided by the practices of at least half the respondents were auditing of incorporated associations, business planning, referrals for investment advice and referrals for legal services. Referrals for personal financial planning/advice and superannuation were provided by 49% of practices.

It has often been stated that public accounting practices today have moved beyond routine, narrow, technical compliance-driven tasks to offer a wider range of non-traditional services, such as financial planning, business valuations, forensic accounting, family trusts and bankruptcy (see, for example, Gibbins and Wright 1999; Ciccotosto et al. 2008). However, a survey of Australian accounting practices by CPA Australia (2004) indicated that, while accounting firms work in a broad range of areas, revenue flowed predominantly from a relatively narrow range of those services. The profile of services provided by the rural and regional Australian practices in this study is remarkably similar to those for all Australian practices in the CPA Australia (2004) survey. Hence, while public accounting practices have moved beyond a narrow range of routine compliance tasks, the bulk of their services continues to comprise such traditional areas as accounting and tax compliance, tax planning, superannuation fund administration and management accounting work.

Factors inhibiting ability to provide services to clients

The practitioner respondents were asked about any factors that they considered inhibited their practice’s ability to provide services to their clients. Results are summarised in Table 3.

Respondents considered staffing, particularly professional staffing, to be the most critical issue affecting their practice’s ability to provide services to clients. This is consistent with the findings of Ciccotosto et al. (2008). Slightly over half the survey respondents indicated that a shortage of professional staff due to recruitment difficulties constrained their practice’s performance. For professional staff, recruitment was a more common problem than retention.

Other factors respondents indicated as inhibiting their practice’s ability to provide services were over-regulation, the negative attitude of clients to accounting fees and difficulties with succession planning.

The difficulties with succession planning suggest a lack of staff rising up through practices. The negative
Figure 1  Percentage of practices providing various services
Table 3  Factors inhibiting the provision of client services

<table>
<thead>
<tr>
<th>Factor</th>
<th>1: Definitely does not inhibit</th>
<th>2: Does not inhibit</th>
<th>3: May or may not inhibit</th>
<th>4: Does inhibit</th>
<th>5: Definitely does inhibit</th>
<th>Mean response</th>
<th>Do not know (Number)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortage of professional staff due to recruitment difficulties</td>
<td>14.0%</td>
<td>15.8%</td>
<td>19.3%</td>
<td>26.0%</td>
<td>24.9%</td>
<td>3.3</td>
<td>38</td>
</tr>
<tr>
<td>Over-regulation of accounting practices</td>
<td>14.1%</td>
<td>20.9%</td>
<td>28.5%</td>
<td>23.3%</td>
<td>13.2%</td>
<td>3.0</td>
<td>29</td>
</tr>
<tr>
<td>Shortage of staff due to growing client base</td>
<td>13.5%</td>
<td>23.4%</td>
<td>23.8%</td>
<td>30.6%</td>
<td>8.7%</td>
<td>3.0</td>
<td>41</td>
</tr>
<tr>
<td>Negative attitude of clients to accounting fees</td>
<td>11.9%</td>
<td>27.2%</td>
<td>30.3%</td>
<td>21.8%</td>
<td>8.8%</td>
<td>2.9</td>
<td>23</td>
</tr>
<tr>
<td>Accounting practice succession planning difficulties</td>
<td>20.1%</td>
<td>29.3%</td>
<td>23.9%</td>
<td>16.7%</td>
<td>10.0%</td>
<td>2.7</td>
<td>47</td>
</tr>
<tr>
<td>Inability to keep up with change</td>
<td>16.3%</td>
<td>29.6%</td>
<td>32.5%</td>
<td>16.9%</td>
<td>4.6%</td>
<td>2.6</td>
<td>25</td>
</tr>
<tr>
<td>Shortage of support staff due to retention difficulties</td>
<td>26.4%</td>
<td>28.2%</td>
<td>17.7%</td>
<td>17.5%</td>
<td>10.1%</td>
<td>2.6</td>
<td>60</td>
</tr>
<tr>
<td>Shortage of support staff due to recruitment difficulties</td>
<td>22.7%</td>
<td>35.6%</td>
<td>18.6%</td>
<td>14.0%</td>
<td>9.1%</td>
<td>2.5</td>
<td>51</td>
</tr>
<tr>
<td>Inadequate staff motivation</td>
<td>24.1%</td>
<td>34.6%</td>
<td>25.5%</td>
<td>11.1%</td>
<td>4.7%</td>
<td>2.4</td>
<td>39</td>
</tr>
<tr>
<td>Shortage of professional skills due to inability to provide sufficient staff training</td>
<td>24.2%</td>
<td>35.9%</td>
<td>23.0%</td>
<td>12.2%</td>
<td>4.6%</td>
<td>2.4</td>
<td>46</td>
</tr>
<tr>
<td>Shortage of professional staff due to retention difficulties</td>
<td>29.2%</td>
<td>39.1%</td>
<td>17.0%</td>
<td>8.9%</td>
<td>5.7%</td>
<td>2.2</td>
<td>52</td>
</tr>
<tr>
<td>Inadequate access to external specialist advice</td>
<td>32.3%</td>
<td>38.7%</td>
<td>15.4%</td>
<td>9.1%</td>
<td>4.5%</td>
<td>2.1</td>
<td>31</td>
</tr>
<tr>
<td>Decline of the client base in rural and regional areas</td>
<td>30.6%</td>
<td>41.6%</td>
<td>14.6%</td>
<td>9.2%</td>
<td>4.0%</td>
<td>2.1</td>
<td>45</td>
</tr>
<tr>
<td>Shortage of support staff due to inability to provide sufficient staff training</td>
<td>30.5%</td>
<td>44.6%</td>
<td>14.7%</td>
<td>6.3%</td>
<td>3.9%</td>
<td>2.1</td>
<td>56</td>
</tr>
<tr>
<td>Inadequate access to broadband and other electronic network facilities</td>
<td>44.1%</td>
<td>35.2%</td>
<td>8.8%</td>
<td>6.4%</td>
<td>5.5%</td>
<td>1.9</td>
<td>33</td>
</tr>
</tbody>
</table>

N = 546

Attitude of clients to fees inhibits practices from charging the full value of their services. In turn, this affects the practice’s ability to recruit professional staff. One respondent wrote: ‘After 27 years as a partner in a rural practice the core problem is fee sensitivity. That pricing issue caps profits and reduces our capacity to recruit, retain and reward staff.’

Rural decline (consistent with a declining client base in rural and regional areas), inability to keep pace with change, and inadequate access to broadband and electronic networks were generally not seen as serious inhibitors to the ability of accounting practices to meet client needs. It might be expected that these factors would become increasingly difficult for smaller and more remotely located practitioners. However, further analysis of responses by size of practice and distance of practice from capital city indicated that this was not the case.

As highlighted above, survey respondents considered staff shortages, particularly of professional staff, as an important factor hampering the ability of rural and regional accounting practices to provide services to clients. Research findings for staff shortages being experienced by the rural and regional accounting practices are summarised in Table 4.

Forty-six percent of respondents reported that their practice was experiencing a staff shortage. The shortage of staff appears to apply to rural and regional accounting practices across the nation, although there are some state and territory variations. Panel A of Table 4 reveals that respondents from New South Wales and Tasmania indicated less of a shortage than those in other states. At least half the respondents in each of the ACT, Northern Territory, Queensland and South Australia reported that their practice had a staff shortage. Almost half the respondents in Victoria and Western Australia also indicated a staff shortage for their practice.

The average number of additional staff (part-time and full-time) that practices could currently employ, if available, is summarised in Panel B of Table 4. Respondent assessments indicated that, on average across Australia, rural and regional practices could currently employ an additional 0.62 full-time graduate accountants with at least three years’ experience. These practices could also employ an additional 0.39 full-time graduate accountants with less than three years’ experience. This indicates that the shortage of accountants is greatest for experienced staff, but that there is also a shortage of those with less experience.

While rural and regional practices are short of professional accountants, there is not the same level of shortage for other professional staff and support staff. Table 4 (Panel B) shows that, on average, rural and regional accounting practices have a shortage of 0.2...
Table 4 Staff shortages

Panel A: Staff shortages by state/territory

<table>
<thead>
<tr>
<th>State/territory</th>
<th>Percentage of respondents who reported their practice had a staff shortage</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT</td>
<td>57.9%</td>
</tr>
<tr>
<td>NSW</td>
<td>33.3%</td>
</tr>
<tr>
<td>NT</td>
<td>50.0%</td>
</tr>
<tr>
<td>QLD</td>
<td>53.4%</td>
</tr>
<tr>
<td>SA</td>
<td>63.6%</td>
</tr>
<tr>
<td>TAS</td>
<td>35.3%</td>
</tr>
<tr>
<td>VIC</td>
<td>46.7%</td>
</tr>
<tr>
<td>WA</td>
<td>47.7%</td>
</tr>
<tr>
<td>All</td>
<td>46.0%</td>
</tr>
</tbody>
</table>

Panel B: Average number of additional staff required by staff type and practice location

<table>
<thead>
<tr>
<th>Staff type</th>
<th>ACT</th>
<th>NSW</th>
<th>NT</th>
<th>QLD</th>
<th>SA</th>
<th>TAS</th>
<th>VIC</th>
<th>WA</th>
<th>All</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graduate accountants with three or more years' experience</td>
<td>0.76</td>
<td>0.40</td>
<td>0.60</td>
<td>0.82</td>
<td>0.82</td>
<td>0.24</td>
<td>0.62</td>
<td>0.59</td>
<td>0.62</td>
</tr>
<tr>
<td>Graduate accountants with less than three years' experience</td>
<td>0.32</td>
<td>0.27</td>
<td>0.50</td>
<td>0.45</td>
<td>0.45</td>
<td>0.24</td>
<td>0.43</td>
<td>0.41</td>
<td>0.39</td>
</tr>
<tr>
<td>Other professional staff</td>
<td>0.37</td>
<td>0.16</td>
<td>0.10</td>
<td>0.20</td>
<td>0.27</td>
<td>0.12</td>
<td>0.22</td>
<td>0.20</td>
<td>0.20</td>
</tr>
<tr>
<td>Support staff</td>
<td>0.11</td>
<td>0.16</td>
<td>0.25</td>
<td>0.29</td>
<td>0.00</td>
<td>0.00</td>
<td>0.19</td>
<td>0.32</td>
<td>0.21</td>
</tr>
</tbody>
</table>

Note: Non-respondents or ‘do not know’ = 3

professional staff other than accountants and a shortage of 0.21 support staff.

The staff shortage data was also analysed by distance of the respondents’ practices from their state or territory capital city. Panel A of Table 5 shows the percentage of respondents indicating a staff shortage dissected by the distance of their practice from their capital city. As might be expected, the percentage of respondents mentioning staff shortages as a problem increases with the distance of their practice from their state or territory capital city. Table 5 indicates that the more remote the location of the accounting practice, in terms of distance from their capital city, the more likely it is for the practice to face a staffing shortage. While 43.3% of practices located less than 200 kilometres from their capital city indicated a staff shortage, this increased to 52.3% for practices located at least 500 kilometres from their capital.

Panel B of Table 5 shows a breakdown of staff shortages by staff type. For the category of staff with the greatest shortage (graduate accountants with three or more years’ experience), practices less than 200 kilometres from their capital city had an average shortage of 0.56 staff. This increased to a shortage of 0.82 staff for practices located at least 500 kilometres from their capital. A similar general trend is evident for all other staff categories. The greatest difference in percentage terms is evident for support staff. Practices located less than 200 kilometres from their state or territory capital city had an average shortage of 0.15 support staff. The shortage is over twice this level (a shortage of 0.37 staff) for practices at least 500 kilometres from their capital.

Tables 4 and 5 show that rural and regional accounting practices, on average, require approximately one additional graduate accountant (that is, 0.62 accountants with three or more years’ experience and 0.39 accountants with less than three years’ experience). The smaller practices require around 0.6 of a graduate accountant and the larger practices up to three graduates. As the survey covers 503 separate accounting practices, the shortage of accountants with graduate qualifications for the surveyed accounting firms is approximately 500 accountants. This represents a substantial staff shortage for the accounting profession when extrapolated across all Australian rural and regional accounting practices.

Respondents were asked to self-rate various aspects of the quality of their service. Despite their staff shortages, the majority of respondents assessed their practice as providing a high or very high standard of client service in terms of the maintenance of service quality and timeliness of service, service fees and engendering client trust in the practice.

Respondents were also given the opportunity to provide further written comments on the quality of the services they provide and the factors inhibiting their ability to provide these services. One hundred and forty-three respondents provided written comments. These yielded some interesting insights into factors affecting the ability of practices to provide accounting services that complement the quantitative results mentioned above.
Table 5: Staff shortages: Distance from capital city

<table>
<thead>
<tr>
<th>Distance of respondent’s practice from state’s capital city</th>
<th>Percentage of respondents who reported their practice had a staff shortage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 200 km</td>
<td>43.4%</td>
</tr>
<tr>
<td>200–499 km</td>
<td>47.3%</td>
</tr>
<tr>
<td>500 km or more</td>
<td>52.3%</td>
</tr>
<tr>
<td>All</td>
<td>46.0%</td>
</tr>
</tbody>
</table>

Panel B: Average number of additional staff required by distance from capital city

<table>
<thead>
<tr>
<th>Staff type</th>
<th>Distance of practice from state/territory’s capital city</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than 200 km</td>
</tr>
<tr>
<td>Graduate accountants with three or more years’ experience</td>
<td>0.56</td>
</tr>
<tr>
<td>Graduate accountants with less than three years’ experience</td>
<td>0.36</td>
</tr>
<tr>
<td>Other professional staff</td>
<td>0.16</td>
</tr>
<tr>
<td>Support staff</td>
<td>0.15</td>
</tr>
</tbody>
</table>

Non-respondents or ‘do not know’ = 3

A sample of relevant written comments that cover the range of issues raised is provided below. These provide representative examples of explanatory comments that add insight into the inhibiting factors and the responses of the accounting practices to those inhibiting factors.

- Because of staff shortages the time taken to complete accounting and compliance activities for business clients is unacceptable. (Two-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)
- Difficulties with cash flow from receivables are hampering ability to employ more staff. (One-partner practice located in a small regional town 200 to 499 kilometres from the state’s capital city.)
- If understaffed or inferior professionals within the practice, most of the ‘hard questions’ fall back on the partners leading to work pressures. (Two-partner practice located in a medium regional city 200 to 499 kilometres from the state’s capital city.)
- This practice provides a very high quality service to clients, who often fail to appreciate the level of service they receive within the realm of complicated tax law. It is done to the financial disadvantage of the practice, i.e., fees are often significantly less than the real value of the service. (Two-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)
- I am finding increasingly that I am expected to assist the client with all aspects of their life. They are usually happy with the help but don’t see why they should pay for it. (Two-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)
- Practice provides good quality and prompt service to client base. Challenge to firm is to be able to articulate and sell this to our client base so that they understand what is being done for them. (Practice of five to 10 partners located in a small regional city less than 200 kilometres from the state’s capital city.)
- The major problem is that the clients don’t value good service. Their main concern is fees. Therefore we have actively managed the client base to ensure that they are the types of clients we wish to deal with. (One-partner practice located in a large regional town 500 kilometres or more from the state’s capital city.)
- Introduction of GST has overburdened the practice with constant corrections of taxpayer errors in BAS preparation; compliance burden magnified as a result. (Two-partner practice located in a small regional town less than 200 kilometres from the state’s capital city.)
- Telstra and other broadband suppliers are holding us back due to a lack of bandwidth city contemporaries can get. (Three- to four-partner practice located in a large regional town 200 to 499 kilometres from the state’s capital city.)

Given the documented staff shortages and other inhibiting factors, how can accounting practices consider that they provide high-quality services to clients? Rural and regional accounting practices typically have only a small number of partners/principals, each of whom
develop close working relationships with their clients. As the following written respondent comments indicate, this enables accounting practice partners/principals to maintain and improve their understanding of client requirements and helps clients build trust in their accountant and the accounting practice.

- **Our close relationship with clients is such that one event leads to forming more confidence and trust. Always tell clients to come to me as a first stop.** (One-partner practice located in a medium regional city 200 to 499 kilometres from the state’s capital city.)

- **I am part of a family run business where our clients form part of our ‘extended family’. This can have its ups and downs but means we have an excellent understanding of our clients, which means clear communication, both ways. And yes we can yell a bit without cheesing off the client.** (Three- to four-partner practice located in a small regional city less than 200 kilometres from the state’s capital city.)

- **Being an accountant in a small town, honesty, integrity, quality, professionalism and confidentiality play a huge role in the business. Over 16 years, we have never heard any negative feedback from talk around town!** (One-partner practice located in a small regional town less than 200 kilometres from the state’s capital city.)

- **Our integrity in our local community is linked strongly to our ability to attract and keep clients.** (Two-partner practice located in a large regional town less than 200 kilometres from the state’s capital city.)

However, there is a strong downside, as this type of work can translate into long working hours for rural and regional accounting practitioners. Sawyer and Munn (1998) and Ciccotosto et al. (2008) document the considerable stress experienced by rural and regional practitioners. This raises the question of the extent to which this situation is sustainable in the long term.

**Professional accounting bodies and continuing professional development**

Given their location, the support provided to rural and regional accounting practitioners and practices by the professional accounting bodies is of considerable importance. The survey therefore sought the views of respondents on their satisfaction with their professional accounting body. Results are summarised in Table 6. Overall, the mean score of 2.8 (on a scale of 1 to 5, where 1 = ‘very dissatisfied’ and 5 = ‘highly satisfied’) indicates that respondents were, on average, ambivalent in their satisfaction with the support provided to regional and rural accounting practices by their professional accounting body, that is, CPA Australia (CPAA), The Institute of Chartered Accountants Australia (ICAA) and/or the National Institute of Accountants (NIA). While 27.3% of respondents were either ‘highly satisfied’ or ‘satisfied’ with their professional accounting body, 35.6% were either ‘very dissatisfied’ or ‘dissatisfied’. The balance of respondents (37.1%) was ‘neither dissatisfied nor satisfied’.

Respondents were forthcoming in their unconstrained written comments on this question, with comments received from 134 of the respondents. A small number of respondents recognised and appreciated the difficulties facing the professional bodies in terms of servicing a diverse range of members across a wide geographical area. Some representative examples of these positive comments follow:

- **Professional bodies are heavily influenced by the big end of town, which is understandable because that area is their numbers base and they are about membership.** (One-partner practice located in a small regional city less than 200 kilometres from the state’s capital city.)

- **All major accounting bodies are biased towards the city, however steps are moving in the right direction with better use of technology, etc.** (Two-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)

- **Support has been improving on an incremental basis over the last 10 years and appears like it will continue to do so.** (One-partner practice located in a medium regional city 200 to 499 kilometres from the state’s capital city.)

- **The reality is that we are largely responsible for our own destiny. Any assistance . . . would be gratefully received.** (Two-partner practice located in a small regional town less than 200 kilometres from the state’s capital city.)

- **We are a minority in a remote location and I understand the economics of delivering face-to-face training in our area.** (One-partner practice located in a small regional city 500 kilometres or more from the state’s capital city.)

- **Online training is helping. Standard letters and programs etc. is helping. Support has increased 70% in the last 5–7 years.** (One-partner practice located in a small regional town 500 kilometres or more from the state’s capital city.)

- **I do take advantage of the CPA library all the time. Express Post items is good. Access to up-to-date information at a relatively modest price of postage.** (One-partner practice located in a small regional town 200 to 499 kilometres from the state’s capital city.)

- **CPA is making noticeable effort to increase training in our region.** (One-partner practice located in a
medium regional city 500 kilometres or more from the state’s capital city.)

However, the majority of the respondents’ comments were generally critical of the professional accounting bodies. The majority of critical comments expressed general dissatisfaction with the level of appreciation of the professional bodies of the issues facing rural and regional practices and with the poor opportunities for continuing professional development (CPD) offered in rural and regional areas by the professional bodies. Examples of some of the general comments that were critical of the professional bodies are reproduced below:

- City-centric organisations don’t understand rural Australia. (Two-partner practice located in a medium regional city 200 to 499 kilometres from the state’s capital city.)
- Seem disconnected to our needs. (Three- to four-partner practice located in a small regional town 200 to 499 kilometres from the state’s capital city.)
- Feel that these bodies become oriented to the big end of town and to extremely complex issues. (Two-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)
- The professional accounting bodies are very city orientated; there is a complete lack of knowledge regarding distance, hours of travel and cost attending city-based professional development. Their agenda is largely first/second tier accounting firms. (One-partner practice located in a small regional town 200 to 499 km from the state’s capital city.)
- [They should] visit all major accounting firms in rural areas to start with and determine concerns, weaknesses etc. In 18 years I am yet to get a visit from a CPA staff member or executive member. [They should] survey our needs and priorities. (Three- to four-partner practice, location not known.)
- Accounting bodies think only of their major city location and centre their thought round that. Professional bodies would not have a clue what happens in remote area accounting practices, don’t seem to care or appreciate what happens … We basically need training for staff and partners but remoteness is a major issue. The bodies just don’t want to understand the problems. (Three- to four-partner practice located in a medium regional city 500 kilometres or more from the state’s capital city.)
- Have experienced poor representation from accounting bodies in rural areas. (One-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)

In addition to the above comments, respondents identified issues relating to CPD. These problems were also identified by Sawyer and Munn (1998) and Ciccotosto et al. (2008). The major criticisms can be categorised as relating to (a) the suitability of CPD topics for the needs of rural and regional practices, including for small practices generally; and (b) the considerable costs, both in travel, accommodation and lost time, to attend CPD activities, especially those of short duration. A sample of the types of concerns raised by survey respondents is presented below:

- CPAA is out of touch with requirements of small accounting practices. CPAA has never serviced rural practices very well and training provided is over-priced and often targeted at large practices servicing big business. (Two-partner practice located in a small regional town 500 kilometres or more from the state’s capital city.)
- Training needs are not well met, being sporadic, poorly timed and not targeted to suit real requirements. (One-partner practice located in a small regional town 500 kilometres or more from the state’s capital city.)
- CPAA and ICAA don’t really have support at a high enough technical level for primary producers and accountants servicing primary producers. (One-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)
- Professional bodies need to remember that regional and rural practitioners cannot easily travel to capital cities for short duration events. (Two-partner practice located in a small regional town 200 to 499 kilometres from the state’s capital city.)
- CPAA CPD costs are too high and do not take into account the extra costs (travel and accommodation) that must be incurred to attend training. Often training is for 2 hours. It is impossible to justify travelling 4 to 6 hours to attend such a course. (One-partner practice located in a small regional town 200 to 499 kilometres from the state’s capital city.)
In summary, the feedback provided by some rural and regional accounting firm practitioners indicated sympathy with the professional accounting bodies, recognising the difficulties associated with servicing a diverse range of members across a wide geographical area. However, a greater number of the rural and regional practitioner respondents were critical of the professional accounting bodies. The major criticisms encompass general dissatisfaction with the level of understanding or appreciation by the professional bodies of the issues facing rural and regional practices and specific dissatisfaction with CPD activities.

**Government and regulatory issues**

Survey participants were asked for their views on how government authorities and regulators could best assist rural and regional accounting practices. Results are summarised in Figure 2.

Almost 70% of respondents indicated that government authorities should simplify the regulatory requirements on accounting practices. Nearly half the respondents indicated that government authorities could assist by increasing practitioner access to professional development programs and financial advice, increasing the supply of professional staff and developing economic growth strategies for rural and regional areas.

Analysis of the above findings by size of practice found that more respondents from smaller practices, in comparison to those from larger practices, mentioned increasing practitioner access to professional development programs and specialist financial advice as a beneficial form of assistance. On the other hand, more respondents from larger practices mentioned simplifying regulatory requirements, increasing the supply of professional accounting staff and developing economic growth strategies for rural and regional areas than did respondents from smaller practices. Increasing the supply of support staff or the recruitment of qualified graduates from overseas was not seen to be of major assistance, though the latter appears to be more favourably regarded by respondents from larger practices.

Over 150 additional written comments elaborated on the actions listed in Figure 2. The most common suggestions were for a reduction of the constraints on accountants providing financial planning advice and audit services and improvements in public accountants’ access to the advice and information of Centrelink and other government departments. A representative selection of the comments concerning issues arising from changes to the legal and regulatory framework is provided below:

- **Simplifying tax laws and other regulation relating to small business.** (One-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)
- **Alleviating the compliance pressures on regional accounting practices will assist them to concentrate on the rural client services they provide.** (One-partner practice located in a large regional town 200 to 499 kilometres from the state’s capital city.)
- **Remove the FSA [Financial Services Reform Act] detailed requirements in the financial planning industry.** (Two-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)
- **Accountants used to be able to give financial advice. Then they handed it over to ‘insurance agents’ with minimal training and told CPA’s tax agents it was out of their league.** (One-partner practice located in a large regional town 500 kilometres or more from the state’s capital city.)
- **Consider levels of qualification for registered company auditors (e.g., smaller proprietary vs ASX listed companies).** (Three- to four-partner practice located in a small regional town less than 200 kilometres from the state’s capital city.)
- **Remove the onerous situation of acting as a policeman to ensure clients adhere to the dictates of legislation, i.e., ATO and superannuation legislation. We are accountants/auditors not law enforcers. And we get the penalties.** (One-partner practice located in a small regional city 200 to 499 kilometres from the state’s capital city.)
A representative selection of respondents’ comments focusing on suggestions for the provision of government services in rural and regional areas is provided below:

- **Decentralise government departments.** (Five- to 10-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)
- **Stop withdrawing government services.** People are reluctant to relocate to areas where there are inadequate services in particular health and education. (Two-partner practice located in a medium regional city 200 to 499 kilometres from the state’s capital city.)
- **Providing a one-stop shop that can provide or facilitate all required services for myself and my clients.** (One-partner practice located in a small regional town less than 200 kilometres from the state’s capital city.)

A sample of the comments made by respondents with respect to education and training is provided below:

- **Better interpretation of legislation and provision of training to assist implementation.** (Two-partner practice located in a small regional city less than 200 kilometres from the state’s capital city.)
- **Ongoing training and information sessions on available subsidies, grants and incentives available.** (One-partner practice located in a medium regional city 200 to 499 kilometres from the state’s capital city.)
- **Government – encourage high school students to join accounting profession.** (Two-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)
- **Subsidised education for undergraduates who are prepared to work in provincial areas.** (One-partner practice located in a small regional city less than 200 kilometres from the state’s capital city.)

Further comments provided by survey respondents raised other suggestions for assistance for rural and regional areas, as follows:

- **Providing assistance and subsidies to encourage skilled graduates to remain or go to regional centres. Incentive based on loyalty and retention/commitment.** (One-partner practice located in a small regional city less than 200 kilometres from the state’s capital city.)
- **Having rural areas marketed as desirable places to run businesses. Then accounting and other professionals/businesses will take care of themselves.** (Three- to four-partner practice located in a small regional town 200 to 499 kilometres from the state’s capital city.)
- **Fringe benefits concession to rural staff. 2) Stamp duty concessions on staff relocating to regional areas. 3) Tax deductions for relocation costs to rural areas. 4) Wage rebates for staff relocating.** (Two-partner practice located in a large regional city less than 200 kilometres from the state’s capital city.)
- **Attract larger manufacturing industry to country. This will lead to faster economic growth for regional small businesses.** (Five- to 10-partner practice located in a medium regional city 200 to 499 kilometres from the state’s capital city.)
- **Better access to broadband that is at an acceptable speed. Perhaps a subsidised scheme to offset the significant costs involved.** (Three- to four-partner practice located in a small regional town 200 to 499 kilometres from the state’s capital city.)
- **You will only grow these services into areas with sound economic conditions with good infrastructure. That includes public transport, health, housing, social, education. We need to attract employees as well as make regional areas attractive places to live and work.**
(Two-partner practice located in a small regional city less than 200 kilometres from the state’s capital city.)

Discussion

Research findings indicate that the major factor inhibiting the ability of rural and regional practices to provide services is the shortage of professional staff owing to recruitment difficulties and growing client bases. To address this, it is important to ensure that rural and regional universities and campuses continue to exist and are resourced accordingly. The education and training of students in regional areas is more likely to result in a pool of graduates remaining within the regions. There is a need to ensure the involvement of regional education providers across the secondary, TAFE and university sectors to ensure opportunities for accounting education at all levels.

There is also a need for universities to increasingly work with accounting practitioners in regional areas to establish and maintain strong links. This can assist in the provision of, for example, internships, vacation employment and short-term work placements for accounting students. Local practitioners could provide guest presentations and office tours to university students to give a practitioner perspective. These opportunities would assist in introducing undergraduate accounting students to the work environment and regional practitioners, and would provide the opportunity for practitioners to offer encouragement and incentives for graduates to remain in rural and regional areas.

Consideration could be given to the extent to which governments and the professional accounting bodies could provide incentives for qualified staff to locate into rural and regional areas, such as through subsidies of various kinds or tax concessions. A further possibility is for the accounting professional bodies and regional accounting firms to lobby the federal government to ensure sponsored skilled migrants with accounting qualifications are directed to regional areas where there is the greatest need. In association with this measure, rural and regional communities could assist in establishing programs aimed at effectively transitioning migrant accountants and their families into the community.

As reported above, survey respondents were, at best, ambivalent in their satisfaction with the support provided to regional and rural accounting practices by the professional accounting bodies. Critical comments indicated that the accounting bodies were perceived to be ‘capital-city’ focused. Criticisms also centred on continuing professional development requirements, particularly in terms of the considerable costs involved for rural and regional practices.

The view that professional bodies are ‘city centric’ in their outlook could be addressed by holding ‘road shows’ involving key personnel from the professional bodies, and the establishment and/or expansion of regional branches and their activities. Practitioners in rural and regional areas must be confident that the services of the professional bodies continue to be available despite any disadvantages arising from distance. Regional practitioners might endeavour to be more proactive in lobbying their professional membership body. Modern information technology could support cost-effective solutions that could reduce the extent to which the professional bodies are perceived to neglect their rural and regional members. A greater development and awareness of online CPD delivery models could provide considerable benefits.

Professional bodies could also provide assistance by offering educational scholarships or subsidies, such as to rural and regional graduates undertaking their professional entry programs. This could result in incentives for graduates to take up employment in rural and regional locations and assist in meeting the staffing shortages referred to earlier.

Our findings indicate that the provision of audit services into the future represents an area of difficulty for rural and regional accounting firms. The legislative provisions of the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 (CLERP 9, Commonwealth of Australia 2004), such as with respect to minimum experience requirements for audit registration and the requirement for audit partner rotation every five years, are making it increasingly difficult for smaller rural and regional practices to provide company auditing services. For example, it is impossible for a rural and regional practice with one partner being a registered company auditor to rotate an audit engagement to another professional staff member within the firm. This will then translate to fewer opportunities for other professional staff members, and especially newer recruits, to gain the necessary experience to obtain auditor registration themselves.

The provision of financial planning services represents a further difficult area for rural and regional firms. The Financial Services Reform Act 2001 (Commonwealth of Australia 2001), requiring the licensing of financial service providers, has resulted in rural and regional accounting firms providing less investment, financial and superannuation advice themselves while increasingly referring clients to outside specialist providers. This is especially frustrating for accounting practitioners who feel they are often in the best position to provide such advice, given their close relationship with clients, and their understanding of client position and needs.

With respect to these regulatory developments, there is a need for professional accounting bodies and regional practitioners to continue lobbying the Australian federal...
government to ensure their concerns are heard. However, at the same time, the profession cannot assume that any legislative amendments will occur. Rural and regional practices must therefore continue to develop mechanisms to adapt to the legislative developments. For example, given the problem for small practices caused by the requirement for the rotation of audit partners, regional networks of practices could be established to allow audit rotation among the firms in the network. With respect to financial advice, appropriate structures such as networks and partnership with financial services firms may create potential, even if only partial, solutions.

In addition to addressing regulatory requirements, respondents suggested a number of other ways in which government authorities and regulators could assist rural and regional practices. For example, governments could consider increasing practitioner access to professional development programs and specialist financial advice, increasing the supply of professional accounting staff to rural and regional areas, and developing rural and regional economic growth strategies. More efficient access to Centrelink and other government department advice and information was also considered to be important. This is an important issue as accountants in rural and regional areas are central in assisting their clients access these important services.

While our findings indicate that rural and regional practitioners do not generally consider inadequate access to broadband and other electronic network facilities to be a major factor inhibiting the provision of their services, since the time of the administration of the survey in 2008 there have been many developments with respect to information communication technology (ICT). This includes the rollout of the National Broadband Network (NBN). It is possible that improved ICT facilities could be invaluable in addressing many of the concerns of rural and regional practitioners. For example, improved access to specialist services and CPD activities via improved ICT resources could be of considerable assistance to rural and regional practices. On the other hand, the rollout of technology such as the NBN could affect rural and regional accounting practices in a negative way, for example by allowing clients to by-pass their services. Accordingly, rural and regional practices, in association with the professional accounting bodies, should be proactive in investigating the manner in which improved ICT facilities might affect rural and regional accounting practices.

Summary and Conclusions

This paper presents findings from the first comprehensive academic research study investigating public accounting firms’ services in rural and regional Australia. The study is based on a large-scale survey of public accounting practitioners located in regions outside the major metropolitan areas.

The paper presents findings and discussion related to the current state of public accounting firm services in rural and regional Australia. The paper paints a picture of a high standard of service provision by rural and regional accounting practices, but with considerable tensions existing that will present increasing difficulties in future years. These tensions primarily arise from professional staffing difficulties and communications technology and regulatory developments, and will affect the whole range of services provided by rural and regional accounting firms.

The paper provides a basis for further academic research into the effects of current developments and the manner in which rural and regional accounting firms and individual practitioners meet the challenges and, in turn, adapt their service provision models. In particular, research into the effects of the increasing use of ICT and the rollout of the NBN will provide fruitful areas for further research as they impact on rural and regional practices.

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Notes

1 The IBISWorld (2007) report defined the accounting services industry as comprising ‘establishments mainly engaged in providing accounting, auditing or bookkeeping services’ (3).
2 The rural and regional accounting practices were based in the Western District of Victoria and Griffith (NSW). SMEs were located in Griffith (NSW), Port Augusta (SA) and the Western District of Victoria.
3 The results reported in this paper represent one part of a larger study. The survey instrument sought views on a wide range of issues relating to Australian rural and regional accounting firms and their services. This paper is based on the responses to the survey questions that allowed insight into the prominent issues of concern and tension facing rural and regional accounting firm practitioners.
4 CPA Australia is the largest Australian professional accounting body.
5 This represented all CPA Australia’s members at the time located in rural and regional areas of Australia and holding a public practice certificate. The surveys were mailed during the final week of August 2008. A follow-up mailing to non-respondents was conducted during the third week of September 2008.
Seventeen respondents (3.1%) were senior accountants, accountants or retired partners. There were three non-respondents to this survey question.

While the survey was sent to members of CPA Australia, respondents were not specifically asked to identify which of the three accounting bodies they were a member of for purposes of this question. Some of the respondents may also have been members of more than one of the professional bodies. Since the time of this survey, the NIA has changed its name to the Institute of Public Accountants (IPA).

References


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