



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

mazars



Introduction

Foreword

In the eyes of APAC leaders, global compliance is viewed as an opportunity to create business value, rather than an obligation

Business leaders around the world are placing greater emphasis on managing risks and compliance in response to rising stakeholder and regulatory demands.

Companies need to look beyond the constraints of meeting compliance requirements and focus on the opportunity it brings for sustainable growth.

Without a doubt, compliance is growing more complex right now in the face of an economic downturn and ongoing effects of the Covid-19 pandemic. Future challenges include fast-moving legislation, disruptive technology, and increased public expectations.

Businesses will need to deal with 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.

Asia-Pacific (APAC) has become a global growth driver in recent years, making it timely to turn our attention to the potential compliance implications of doing business in this region. In markets like Singapore, compliance functions are affected by talent scarcity and regulatory changes.

By capturing the views of over 890 senior compliance professionals in 25 countries, including 251 in APAC, our survey provides clarity that compliance is treated as a creator of value, rather than just a cost centre.

This Singapore edition of the global 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.

We hope business leaders in Singapore and APAC will find the insights useful and applicable for their organisations as they navigate the future world of compliance.



Chris Fuggle

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Introduction

Executive summary

Compliance leaders today tend to see compliance as an opportunity creator rather than just an obligation, and the opportunities are significant: to bolster confidence, build reputation and create trust.

Valuable prizes are on offer for meeting compliance requirements: 69% of the respondents in Singapore feel that good compliance will strengthen investor confidence; 67% say it helps build a positive reputation while 61% say it increases client trust. 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. A quarter of businesses in this market have their top executives engage with compliance monthly or more, while nearly half of businesses (45%) engage every half a year. This is likely to be part of their efforts to reduce costs (43%) or in pursuit of new insights or opportunities (37%).

Businesses say the devotion of attention has positive results: they 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 now and will do the same in the future.

This confidence comes despite 65% expecting compliance to get harder in the next five years, higher than the global finding (51%). This calls for a sustained attention to the evolution of compliance and an assurance that businesses will keep up with the pace of change and meet the increasing levels of complexity brought on by new regulations.

Compliance leaders also know the significant risks of falling short: 82% say their business has faced some accounting and tax compliance-related challenges, during the last five years. These consequences most commonly include reputational damage, internal

disciplinary action and fines.

Compliance is getting harder to manage: it's becoming more complex, legislation is changing fast, and Covid-19 will continue to cause disruption. Some 47% of respondents cite ongoing impacts of Covid-19 as among the most significant challenges to compliance over the next five years; 43% highlight the increased scrutiny from regulators.

Businesses in Singapore are going above and beyond in their efforts to be tax transparent. Over two-thirds (69%) of respondents say they voluntarily publish more tax information than the law requires.

Technology (especially machine learning/artificial intelligence) and skills are the biggest planned investments in compliance: 43% 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 team knowledge and skills: 39% of respondents feel this is a major obstacle to their team meeting compliance goals.

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, 51 of which were from Singapore.



Focus on Singapore

A case for compliance: internal vs external benefits

Keeping compliance top of mind is very critical, more so during a time of uncertainty. In Singapore, the majority of organisations (55%) view compliance primarily as an opportunity, rather than an obligation (35%).

A good performance on tax or accounting compliance is regarded to bring valuable impact in a wide range of aspects including stakeholder confidence, company reputation and client trust.

Some 69% of the respondents in Singapore believe that good compliance will strengthen investor confidence; 67% think successful compliance has a major impact on shaping a positive reputation with the public and government stakeholders while 61% view it as a tool to build greater trust with their customers.

By the same token, Singapore leaders identified the most important business outcomes that effective compliance brings. The highest rated outcome is generating insight that informs key business decisions (47%). Managing the overall risk profile of the company came second, with 35% ranking it as an important outcome.

On the other hand, the global responses see increasing client trust as the top choice (35%) while generating insight for business decisions is ranked much lower (25%).

From these findings, it appears that Singapore

leaders value internal effects of good compliance performance more than external results. Strong compliance provides meaningful data, enabling organisations to manage risk with confidence and make informed business decisions.

Compliance is a top priority

Compliance is critical in meeting business objectives and enhancing shareholder value. C-suites in Singapore are focusing time and attention to proactively managing it.

A quarter of businesses (25%) have their top executives or board members engage with compliance questions monthly or more, while nearly half of businesses (45%) engage every half a year.

While their global peers take the lead in monthly and quarterly compliance review at 39% and 36% respectively, the survey still suggests that compliance is a main priority for senior leaders here.

Underlining this is the discovery that decision-makers in this market often engage proactively, with 43% view finding ways to reduce costs as the main purpose of compliance and 37% say it enables them to explore new insights or business opportunities.

Only 27% attribute their focus to compliance to responding 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 as simply a reaction to external events.

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?

Focus on Singapore

High confidence in meeting compliance demands

Across the world, 82% of respondents display high level of confidence in fulfilling compliance obligations. In Singapore, businesses too are confident they can meet their compliance demands right now and into the future.

Some 70% of respondents are highly confident (scoring 8-10 on a 10-point scale) that their business is meeting all its current regulatory requirements. Only 2% show a lack of confidence in meeting today's demands.

Companies are taking compliance seriously, providing assurance of efficient risk management to stakeholders and regulators alike.

Interestingly, 65% of organisations expect the challenges of compliance to increase in the next five years, significantly higher than the global average (51%). Yet, the level of confidence of businesses in Singapore dips only slightly in regard to meeting compliance in the same period (68%).

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

Skill gaps limit compliance performance

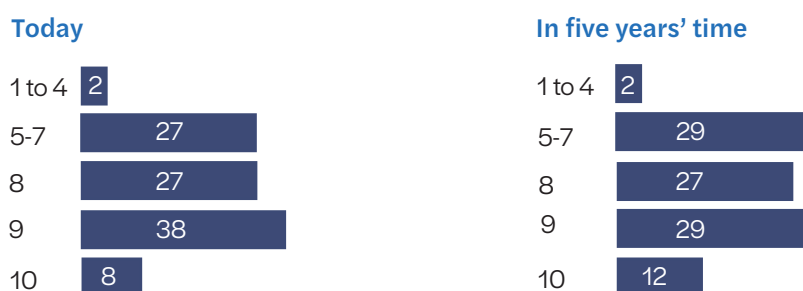
Expertise is the biggest challenge in meeting compliance obligations in Singapore, with 39% of respondents choosing the need to develop knowledge and skills as the top obstacle.

Over a quarter of compliance leaders (29%) view incomplete or outdated knowledge of legislation as one of the two main obstacles. This does not come as a surprise amid the constantly evolving regulation, which raises the need to assess the skills gap in the industry in order to keep pace with compliance demands.

Similar to the global findings, only a small number of leaders (18%) in Singapore say that the lack of attention of higher management is holding them back. This underscores the eagerness of the global C-suite and board members to proactively engage with compliance issues.

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

More than half (59%) of Singaporean respondents plan to devote more resources in compliance in the next five years. In response to the competency challenges, over three quarters of companies (78%) see emerging technologies as an investment priority. Compliance leaders see technology as the key driver to meeting their compliance goals now and improving their compliance in the future.

The respondents who plan to invest in accounting and tax compliance technology are clear in what they seek. Nearly half (43%) view Artificial intelligence/

machine learning as their biggest priority, while robotic process automation (RPA) and blockchain tie for second place at 25%.

Beyond significant technological investment, other important avenues for the future include upskilling accounting and compliance staff (75%) and monitoring external developments that affect accounting and tax compliance (75%).

This finding is in line with Singapore's national strategy to equip businesses with future-ready capabilities and close the skills gap exacerbated by the pandemic, as announced in Budget 2021.

Focus on Singapore

Consequences of compliance failure

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

An overwhelming 82% of respondents in Singapore say their business has faced some accounting and tax compliance-related challenges over the past five years, higher than their global peers (77%).

In addition to financial and legal penalties, non-compliance will likely put a company in a bad light and deter investors. Some 53% of respondents report it has caused reputational damage, 37% had faced internal disciplinary action while 35% say their organisation had to pay fines as a result of poor compliance practices. Only 18% 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 Singapore are the growing regulatory scrutiny and the lingering effects of the pandemic.

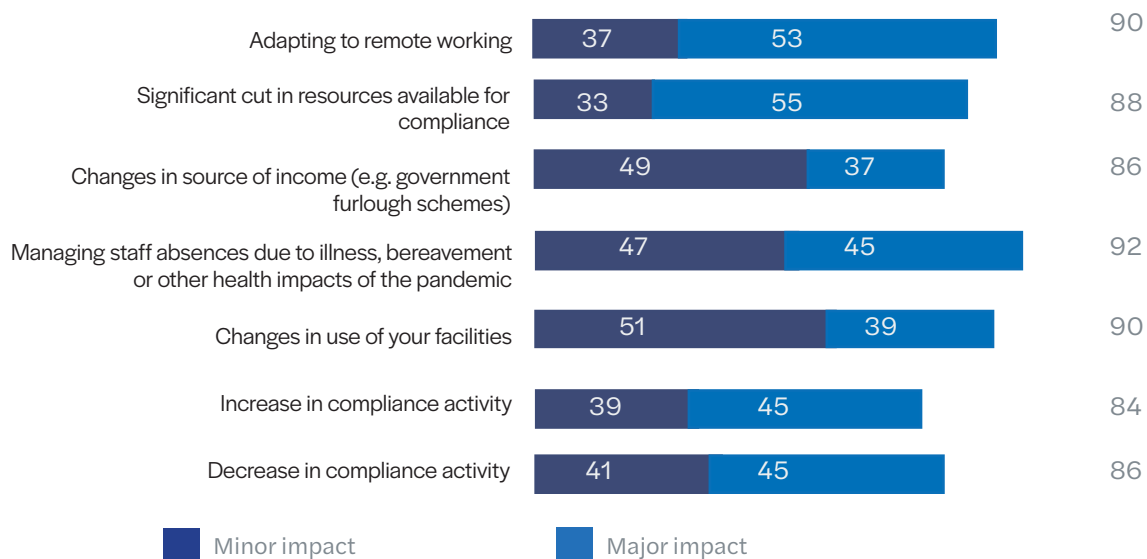
When queried about the toughest compliance challenges on the horizon, nearly half of respondents (47%) cite ongoing impacts of Covid-19, and 43% point to increased scrutiny from regulators in the next five years. Another top challenge is an increased complexity of compliance (39%). Businesses understand that the level of regulatory scrutiny is likely to ramp up in the aftermath of a global crisis.

Covid-19 is causing uncertainty and disruption to compliance functions. The biggest impact of the global pandemic is the significant cut in resources available for compliance (55%), closely followed by remote working (53%).

The reduced employee size is another cause for concern. Some 45% of companies find 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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