

Hong Kong Institute of CPAs



Navigating the Tech Wave: A Study of Technology Adoption by Small and Medium Accounting Practices in Hong Kong

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Hong Kong Institute of
Certified Public Accountants
香港會計師公會

The Hong Kong Institute of Certified Public Accountants is the only body authorized by law to register certified public accountants. The Institute has more than 47,700 members and more than 12,700 students. Members of the Institute are entitled to the description "certified public accountant" and to the designation CPA.

Contents	Page
Message from the President.....	1
Background.....	2
Methodology.....	3
Type of technology being used by SMPs.....	4
Research focus.....	7
Opportunities for technology adoption by SMPs.....	8
Challenges and hurdles in technology adoption for SMPs.....	12
Audit software vendors' perspective on technology adoption....	16
How should SMPs commence to adopt technology.....	17
Facilitating SMPs' technology adoption: The wish list.....	21
HKICPA roles and effort in supporting SMPs' technology adoption.....	24
Acknowledgement.....	26
Further reading and reference.....	27

Message from the President

Technology plays a vital role in empowering small and medium-sized practices (SMPs) in the accounting sector to thrive. In our rapidly changing world, where technological advancements are reshaping industries at an unprecedented pace, embracing technology has become an imperative for businesses of all sizes. However, it is particularly crucial for SMPs to harness the power of technology to stay competitive and thrive in today's dynamic landscape.

SMPs form a critical segment of our vibrant business ecosystem, serving a diverse range of clients and contributing to the growth and stability of our economy. However, these practices are faced with common challenges such as the costs, timing constraints and necessary staff training and development inherent to digital transformation.

At the Institute, we recognize the importance of supporting SMPs in their journey towards technological integration. As the leading professional body for the accounting profession in Hong Kong, we are committed to providing resources, guidance, and initiatives that enable SMPs to leverage technology effectively.

To support SMPs in their technology transformation journey, the Institute has implemented key initiatives. We have established the Practice Management and Digitalization Support Group (PMDSG) under the Small and Medium Practices Committee (SMPC), comprising experienced executives who develop strategies for SMPs' digital transformation. We also offer tailored training courses, engage with stakeholders to advocate for SMP interests, and establish partnerships with tech providers for exclusive benefits. Many of these efforts are further explained in detail in the section of the report covering the Institute's role.

We believe technology is an essential enabler for SMPs in the accounting sector to thrive. As we move forward, the Institute remains committed to equipping SMPs with the knowledge, tools, and support necessary through training, thought leadership, advocacy, and collaboration.

I would like to express my sincere appreciation to all the SMPs who generously shared their experiences and perspectives, contributing to the depth and richness of this report. Your input is invaluable in shaping the future of the accounting profession in Hong Kong.

I encourage all our members and colleagues to delve into this thought leadership report. By embracing the transformative potential of technology, we can collectively navigate the evolving landscape and ensure that SMPs in Hong Kong thrive in the digital age.

Roy Leung FCPA (practising)
Institute President

Background

In the midst of a rapidly digitizing world, technological innovation has emerged as a key driver of growth and competitiveness for businesses of all sizes. From cloud computing to artificial intelligence (AI), new tech trends are rewriting the rules of business operations across the globe. While the larger corporations are swiftly riding the wave of digital transformation, small and medium-sized enterprises (SMEs) often face unique challenges that can make the transition a daunting endeavour. This is particularly evident in specialized sectors like accounting.

Hong Kong, a bustling metropolis and an International Financial Centre, is no exception to this global trend. The city is home to a plethora of SMPs in the accounting sector that constitute a critical segment of its vibrant economy. As the city continues to deepen its tech footprint, these SMPs find themselves at a crossroads, grappling with the rapidly evolving landscape of technology in accounting.

This study aims to delve into the intricacies of this complex scenario through presenting findings from a series of interviews conducted with SMPs. It will explore the manifold challenges that Hong Kong's SMPs face in adopting new technologies, ranging from financial constraints to skill gaps. Simultaneously, it will shed light on the opportunities that these technological advancements present for these businesses, such as increased efficiency and the potential to offer more sophisticated services.

In mapping out the current landscape, this piece will also propose a way forward for SMPs in Hong Kong. It will provide insights into how these practices can strategically harness technology to enhance their competitive edge, all while navigating the risks and challenges that come bundled with the digital revolution. In essence, this study is a compass for SMPs in Hong Kong, pointing towards a future where technology and accounting go hand in hand.

Methodology

The insights presented in this study are based on a qualitative research methodology designed to capture a comprehensive view of the technology adoption landscape among Hong Kong's SMPs. We conducted a series of interviews with representatives from different SMPs, ranging from smaller firms to larger practices. These interviews were held in both one-on-one and focus group settings to facilitate in-depth discussions and to capture diverse perspectives.

In addition, we engaged with various technology vendors, who provided valuable insights from the supply side of the equation. These vendors offered a unique vantage point on the challenges and opportunities inherent in implementing new technologies within the SMP sector. Their perspectives helped us understand the broader trends shaping the technology landscape and the potential future directions for these firms.

Furthermore, we analyzed the responses from these interviews, identifying common themes and patterns of technology adoption among the SMPs. To complement these primary research findings, we also studied related literature, industry reports, and relevant data to provide a broader context and to validate the themes emerging from the interviews.

This multi-faceted approach ensured a balanced and rich understanding of the technology adoption trends among SMPs in Hong Kong, providing the basis for the insights shared in this study.

Type of technology being used by SMPs

The technological landscape of Hong Kong's SMPs is marked by varying degrees of adoption, reflecting the diverse capabilities and needs of different firms within this sector. The technology usage among these firms can be categorized into three broad tiers.

i. Basic operational software

At the foundational level, nearly all SMPs in Hong Kong have adopted basic operational software to manage their routine administrative tasks and communications. These digital tools, now seen as essential in the modern business landscape, are incorporated into their daily operations to streamline work processes, improve communication, and enhance productivity.

One such suite of software is Microsoft Office, which includes programmes like Word for document creation, Excel for data management and analytics, PowerPoint for presentations, and Outlook for email and scheduling management. In today's increasingly remote or hybrid work environments, virtual meeting platforms have become indispensable. Applications like Zoom and Microsoft Teams are widely used by SMPs for conducting online meetings, webinars, and team collaborations. These platforms not only support video and audio conferencing but also offer features like screen sharing, breakout rooms, and integrated chat, making remote collaboration more effective and engaging. Additionally, some SMPs are also leveraging cloud storage services for storing and sharing documents, which allow for easy access to important files from any location, ensuring business continuity even when team members are working remotely.

In essence, these foundational tools serve as the bedrock of daily operations for SMPs in Hong Kong, allowing firms to perform essential tasks efficiently in a digital environment.

ii. Accounting software

Progressing further along the technological spectrum, an increasing number of SMPs are making use of specialized accounting software, for their internal accounting process as well as provision of accounting services to clients. These systems are devised to handle a multitude of accounting tasks, offering a digital platform to execute, manage, and document financial transactions and operations.

Moreover, analytical reports could be generated through the system using the financial data, which enable SMPs to provide strategic financial advice, identifying trends and potential issues, and offering solutions to improve clients' business performance.

In terms of reporting, these systems provide tools for automatic generation of financial statements like income statements, balance sheets, and cash flow statements. This considerably expedites the reporting process and ensures consistency across financial reports.

Type of technology being used by SMPs (cont'd)

iii. Practice management software

Moving up the technological ladder, some SMPs, particularly the larger practices, are leveraging practice management software. These solutions offer more specialized functionalities that facilitate various aspects of business management, from finance and human resources to data management.

In the financial domain, practice management software assists with essential tasks including billing, invoice management, expense tracking, and approval processes. They also offer financial reporting tools that allow firms to analyze their financial data and assist in making informed business decisions.

For human resources management, it can streamline operations such as staff timesheets, leave applications, and even recruitment and onboarding processes, which not only simplify administrative tasks but also help to enhance employee engagement and productivity.

When it comes to data management, many of these software solutions offer cloud storage capabilities to ensure secure and easy access to critical business information from anywhere at any time. They also facilitate collaboration by allowing multiple users to view and edit documents simultaneously.

Some practice management software even extends to client relationship management, enabling firms to track client interactions, manage communications, as well as record sales and follow-up actions. This helps to improve client service and retain existing clients by ensuring their needs are consistently met.

iv. Audit management software

At the advanced level, a small number of SMPs have started to adopt audit management software, which are designed to handle the entire audit process, transforming traditional audit workflows into comprehensive digital experiences.

Audit management software provide a digital space to conduct, manage, and document audit work. This includes capabilities for creating and assigning tasks, documenting audit work done, and storing and organizing audit evidence. Moreover, it also provides tools to generate audit programmes and checklists based on the size, nature and risk of the entity, which can ensure consistency of audit practices and enhance the compliance with relevant auditing standards.

For supervisors and partners, audit management software provide a clear overview of the audit progress. Dashboards and progress reports offer real-time insights into the status of each audit, highlighting any potential delays or issues that need attention. Some audit management software are cloud-based and offer multi-user accessibility, facilitating seamless collaboration among audit teams. Team members can work concurrently on the same audit, with changes and updates synced in real time.

Type of technology being used by SMPs (cont'd)

v. Other technologies

Across the digital horizon, we can see a host of emerging technologies such as optical character recognition (OCR), robotic process automation (RPA), blockchain, AI, etc. These technologies are shaping the future of various industries, including accounting, with their potential to revolutionize traditional processes. However, the adoption of these advanced technologies among SMPs in Hong Kong remains a distant reality at the moment.

AI, with its prowess in data analysis, content creation, and OCR, as well as its ability to convert different types of documents into editable and searchable data, has the potential to enhance accuracy and efficiency in accounting practices. Similarly, blockchain could provide new levels of security and transparency in financial transactions, while RPA could take over repetitive manual tasks, freeing up valuable time for more strategic efforts. However, the deployment of such technologies is not commonplace among Hong Kong's SMPs at present.

In essence, while basic operational software is nearly ubiquitous among Hong Kong's SMPs, the uptake of more specialized and sophisticated practice and audit management software is less widespread, often correlating with the size and resources of the firms. As technology continues to evolve, it presents an ongoing challenge for these firms to keep pace, but also offers significant opportunities to enhance operational efficiency and service delivery.

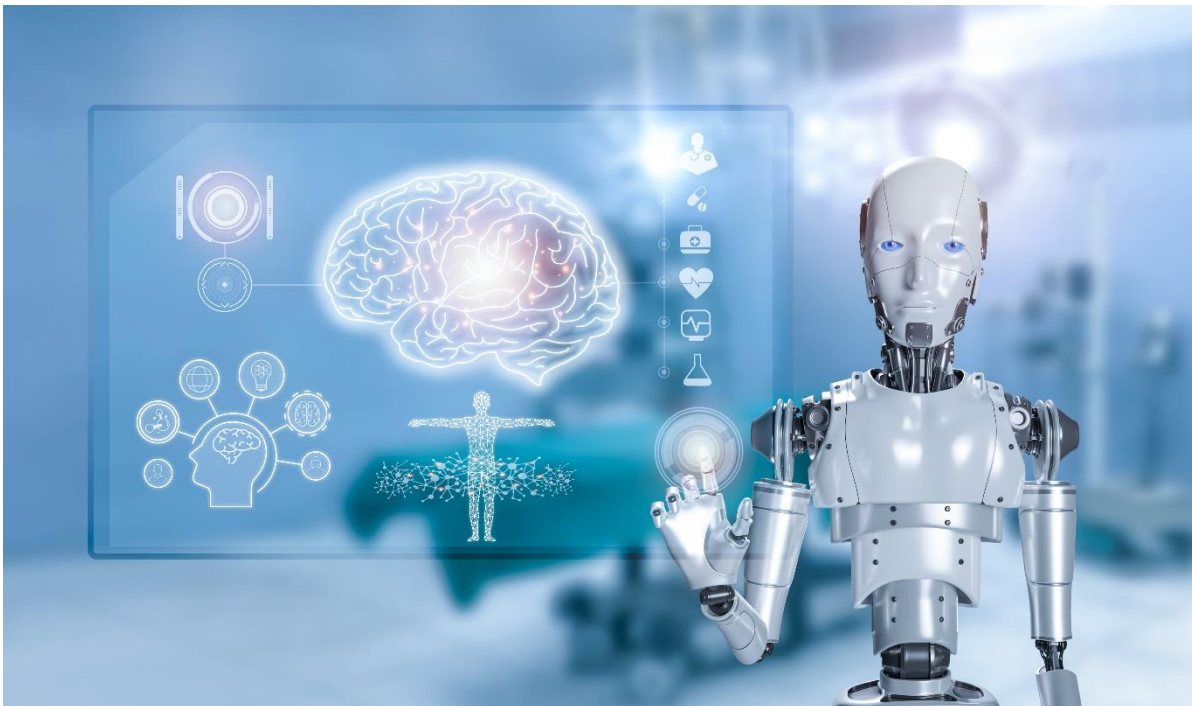
Research focus

While the technology adoption landscape for SMPs is broad and complex, this report will specifically focus on audit management software. The decision to concentrate on this aspect is driven by several factors.

Firstly, audit management software represents the pinnacle of technology adoption among SMPs, as it is at the cutting edge of what is currently being used in the industry. By focusing on this, we can explore the upper echelons of digital transformation within SMPs and highlight the potential benefits and challenges these advanced tools present.

Secondly, audit is a core service provided by many SMPs, and enhancing their audit process through technology can significantly impact their efficiency, effectiveness, and overall service quality. Therefore, understanding the use of audit management software provides valuable insights into a crucial area of SMPs' operations.

Lastly, with many SMPs yet to adopt this technology, understanding the barriers and enablers to its adoption can provide useful guidance for SMPs looking to embark on this journey. Through this focus, the study aims to shed light on the future of audit practices and offer a roadmap for SMPs seeking to navigate the digital transformation in this area.



Opportunities for technology adoption by SMPs

Based on our interviews with representatives from various SMPs, a number of significant opportunities and benefits have emerged from the adoption of technology, particularly audit management software.

Enhanced efficiency

"With the automation provided by audit software, we've seen a substantial increase in efficiency. It has truly transformed the way we work which has also relieved our man-power pressure."

Several interviewees highlighted how technology can drive higher efficiency in audit processes. For example, the use of predefined formats and formulas can expedite the planning stage of the audit. Audit software often includes templates for developing the audit plan, which can be customized to suit the specific needs of each audit. These templates can guide the auditor through the risk assessment process, prompting them to consider various risk factors and to document their assessments and responses. During the execution stage of the audit, automated functions can facilitate analytical procedures and substantive testing. For instance, audit software can help auditors to quickly identify areas of risk or concern, and generate random or targeted samples for testing, taking into account the auditor's risk assessments and testing objectives.

Even the review of financial statements and drafting of audit reports can be streamlined with technology. Audit software can automatically link the financial data with the audit findings and the audit report, ensuring that all changes in the data are reflected in the report. This eliminates the need for updating and checking, reducing the risk of errors and omissions.



Enhanced risk management and compliance

"The centralized storage of files and the ability to check that all audit steps have been completed has significantly improved our risk management and compliance."

Audit software makes it easier to ensure all audit steps are completed, as they provide automated templates and checklists based on the nature of the audit. Many audit software solutions incorporate mandatory fields aligned with these standards, requiring auditors to document key information and considerations at each stage of the audit. This helps ensure that all necessary steps are taken and that the audit is conducted in accordance with the standards, reducing the risk of oversight. Also, every action taken within the software, from the creation of a new audit file to the modification of existing files, is automatically logged. This allows for easy review and verification of the audit work, which is especially important in the event of a regulatory inspection or a dispute with the auditee.

Furthermore, the centralized storage also makes it easier to manage access rights, ensuring that only authorized personnel can access the files. This is particularly important for maintaining confidentiality and complying with data protection regulations.



Opportunities for technology adoption by SMPs (cont'd)

Talent attraction and brand image

"Our investment in technology has not only improved our efficiency, but it has also enhanced our brand image and helped us attract a new generation of tech-savvy professionals."

There was consensus among participants that using technology in audits can enhance the image of the accounting firm and attract tech-savvy talents. For instance, demonstrating the use of sophisticated audit software during recruitment presentations can demonstrate that the firm is forward-thinking and committed to harnessing technology to improve its services. This appeals to those new generation talents who are looking for efficiency and modernity in their work processes.



Improved collaboration and oversight

"The real-time access to audit files has been a game changer. We can now monitor progress and take necessary actions in a timely manner. Sharing and transferring files across our member firms has also been made much easier with the use of a common audit software."

By using the same audit software across all teams and offices, staff members can seamlessly share information and collaborate on the same audit files in real time, regardless of their location. This eliminates the challenges and inefficiencies of exchanging data in different formats or reconciling data from different systems. It ensures that all team members have consistent, up-to-date information, which can significantly improve the efficiency and effectiveness of the audit process.

In addition, a shared audit software can provide a centralized view of all audit engagements across the network. This can assist management in monitoring the progress and quality of audits, identifying any issues or risks, and making informed decisions about resource allocation and strategic planning. This level of visibility and control can be particularly beneficial in a larger practice, where the complexity and scale of operations can pose significant management challenges.

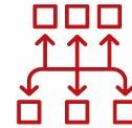


Opportunities for technology adoption by SMPs (cont'd)

Operational transformation

"Adopting new technology has given us the chance to rethink our operations and streamline our processes. It's been transformative."

Adopting technology also provides an opportunity for SMPs to revisit and streamline their operations, making them more effective. Audit software solutions often come with project management tools that help SMPs track the progress of audits, monitor staff workload, and provide insights into performance metrics. This enables the firms to better plan for the projects, allocate resources more effectively, and identify potential bottlenecks or areas for improvement. Some SMPs have taken the chance to transform the way they conduct audit as they have better understanding on the resources requirements for each audit task or project and their priorities, which also help them to reduce operating costs, including the use of resources such as printing, storage space and manual audit files. The implementation of audit software also drives the change of organizational culture, to be more transparent, flexible and open-minded with the use of technology.



Gaining industry recognition

"Taking the lead in technology adoption not only puts us ahead in the race, but it also sets us apart in the industry. It's about being recognized as pioneer and leader."

Many interviewees believed that being early adopters of technology could lead to industry recognition and provide a competitive edge. By leading the way in implementing new technologies, early adopters have the opportunity to influence how these technologies are used and developed within their industry. They can help to establish best practices, set new standards, and drive industry-wide innovation. As such, they are not just keeping pace with changes, but actively shaping the direction of their industry. Also, early adopters have the benefit of learning from their own experiences and quickly adapting to technological changes. They can identify potential challenges, devise solutions, and develop a robust framework for technology integration before their competitors do. This ability to anticipate, manage, and learn from risks can be a significant competitive advantage. Furthermore, echoing the point on brand image, early technology adoption can also enhance a firm's appeal to prospective clients. Clients may perceive early adopters as more innovative, forward-thinking, and capable of delivering superior service.



Opportunities for technology adoption by SMPs (cont'd)

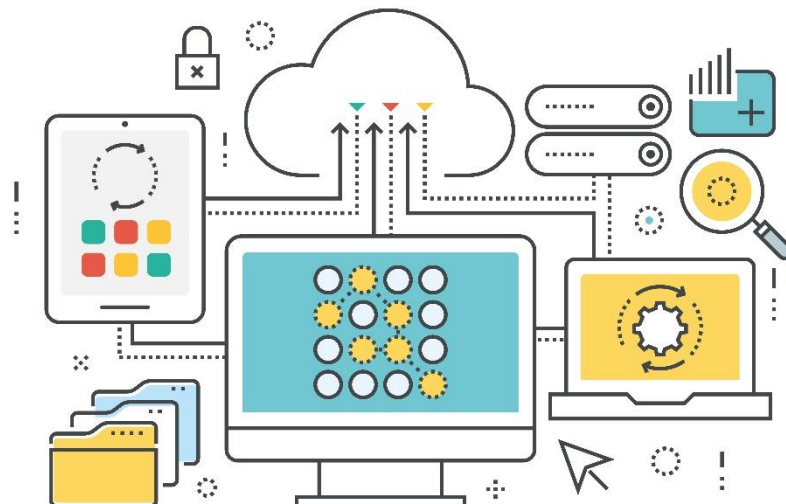
Enhancing values of service provision

"We've found that audit software isn't just about efficiency. It's our secret weapon for unlocking deeper insights and providing strategic advice to our clients. It's really moved us beyond traditional auditing."

The use of audit software can significantly enhance the range and quality of services provided by SMPs. Audit software empowers SMPs to move beyond traditional audit services and provide more strategic, value-adding services to their clients. For example, modern audit software is often equipped with advanced data analytics capabilities. This means SMPs are able to not only validate client data but also analyze it to uncover insights about the client's financial performance, operational efficiency, and risk profile. These insights can inform advisory services related to financial planning and business strategy. Also, as the client's business grows, audit software can easily scale to handle larger volumes of data and more complex audits. This allows SMPs to continue providing high-quality audit services to their clients as they grow and evolve, thereby adding long-term value.



Overall, the benefits and opportunities offered by technology adoption, particularly audit management software, are clear. From increased efficiency to enhanced risk management, talent attraction, and industry recognition, these tools can truly transform the operations and outcomes of SMPs.



Challenges and hurdles in technology adoption for SMPs

Despite the numerous benefits, our interviews with SMP representatives also revealed several challenges and hurdles that affect the pace and extent of technology adoption in Hong Kong's SMP sector.

Cost

"Investing in new technology is costly. For a small firm like ours, it can be a substantial financial burden."

The financial implications of adopting new technology can pose a significant challenge, particularly for smaller firms operating with limited financial resources. The initial costs of technology investment are often high, and the return on investment may not be immediate. The firm must balance the need to stay technologically competitive with the financial realities of their business. They must also factor in recurring costs such as software upgrades, hardware replacements, system maintenance, and cyber security measures, which can strain their limited budget. But the financial costs of technology adoption extend beyond these - there is also the additional staff cost to consider. Setting up a new system often requires extra manpower for data entry, system configuration, and testing. Depending on the complexity of the technology, this could involve hiring new staff or outsourcing to IT professionals, both of which add to the overall cost.



Time commitment

"The time commitment is significant, there is no available staff to own the project and we often struggle with technical issues"

Adopting audit software is not a quick process, but one that demands significant time and effort. The first step typically involves converting existing working file templates into a format that is compatible with the new system. This task is not as simple as it seems. It requires a deep understanding of the system's structure and a meticulous approach to ensure that all relevant data is correctly transferred. The consequences of mistakes in this stage can be costly, resulting in data loss or incorrect data interpretation. Beyond initial the setup, regular technical maintenance is a critical aspect of ensuring the smooth functioning of the software. Software updates, bug fixes, and system optimizations are all part of this ongoing process. The struggle with technical issues can lead to system downtime, data errors, and inefficiencies, all of which can impact the quality of the audit and the firm's service to its clients. Resolving these issues can be a time-consuming process, taking away valuable time that could be spent on audit work or client service.



Challenges and hurdles in technology adoption for SMPs (cont'd)

Clients' technology capability

"Even if we adopt new technology, many of our clients still operate manually. This disconnect can create challenges."

Many SMPs cater to a clientele comprising primarily of small local businesses, such as restaurants and retailers. Quite often, these businesses still rely heavily on manual processes for their operations. Their technology infrastructure, if it exists at all, may be rudimentary and not designed to interface with advanced audit software. This technological gap can create a significant disconnect when SMPs attempt to implement advanced audit solutions. Furthermore, transferring data from a client's manual system to an advanced audit software can pose compatibility issues. Data might need to be reformatted or "cleaned" before it can be imported into the audit software, and this process can be complex and time-consuming.



Training and development

"With our current workload and labour shortage, finding the time and resources for training can be difficult; the high turnover rate also increases the training costs."

Transitioning to a new system is not just about implementing the right technology, it's equally about preparing the people who will use that technology. Staff training is a critical component of this transition. In the midst of labour shortages, every employee's time becomes even more valuable. Diverting their attention from current projects to training sessions can slow down ongoing work, potentially impacting client service and firm's revenue. This is especially tricky when project schedules are tight, and deadlines are looming. In addition to time constraints, the high turnover rate, a common issue in many industries, exacerbates the training challenge. When staff members leave, they take their knowledge with them, creating a knowledge gap that has to be filled by training new hires. This not only increases the training cost but also creates an ongoing cycle of training needs. Furthermore, staff may have varying degrees of tech-savviness. This means that some staff members may require more intensive training than others, adding another layer of complexity to the training process.



Challenges and hurdles in technology adoption for SMPs (cont'd)

Culture change

"Implementing new technology isn't just about changing our systems; it's about changing our culture. That can be a big challenge, particularly for some of our longer-serving staff."

For larger practices, the impetus for technology adoption often comes from the Global Office, a centralized entity that can facilitate and streamline the transition process. However, for SMPs, implementing new technology is not just a matter of technical adaptation. It often necessitates a significant cultural shift within the organization, which can pose considerable challenges.

Changing systems and practices can disrupt established norms and routines, causing discomfort and resistance, particularly among senior staff or partners who are accustomed to traditional audit methods. These individuals may have decades of experience with conventional processes, and they may view these tried-and-true methods as integral to the firm's identity and success. As such, they may be reluctant to adopt new technologies that disrupt their familiar workflows. Moreover, the cultural shift is not only necessary among the senior staff but also needs to be embraced by the entire organization. Training programmes, communication strategies, and change management initiatives must be designed to support this cultural shift. These initiatives require time, resources, and sustained effort, further adding to the complexity of the technology adoption process.



Project size

"Some of our clients' companies are small in size, with straightforward audit needs. For these clients, sophisticated software may not be necessary or cost-effective."

For SMPs that provide services to smaller clients, the nature of their audit procedures can often be more straightforward and less complex. These clients, often local businesses or small-scale enterprises, may not have intricate financial systems or complex transactions that demand sophisticated audit software. Rather, their financial operations could be simple enough to be managed with basic audit tools and manual techniques. Some SMP believed the complexity of advanced software could potentially overcomplicate simple audit tasks, lead to unnecessary confusion, and inflate audit time and costs. Moreover, the cost of procuring, implementing, and maintaining such software may outweigh the benefits for these clients, making it an uneconomical choice.

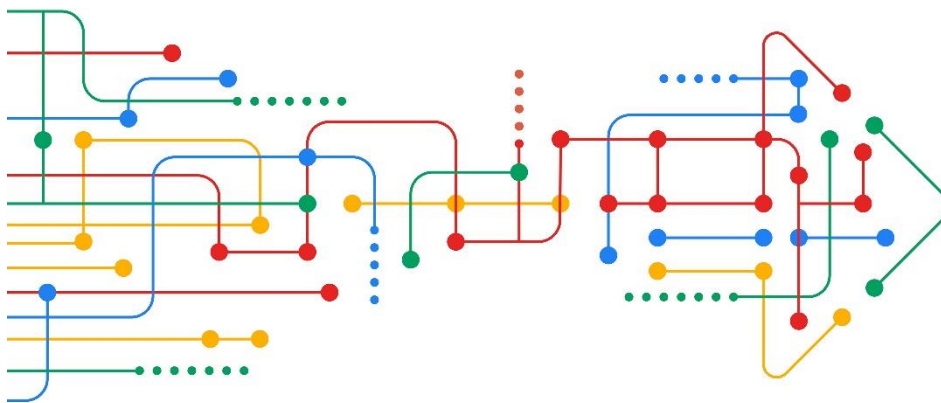


Challenges and hurdles in technology adoption for SMPs (cont'd)

Lack of understanding of available technologies

"Understanding the technology landscape is a challenge in itself. We often struggle to identify the right solutions for our specific needs."

Many SMPs find themselves navigating a complex and rapidly evolving technology landscape. This can be significantly challenging, especially for those who may not have a clear understanding of the various technology solutions available to them. The sheer volume of options, coupled with the pace of technological advancement, can make it difficult for SMPs to identify, evaluate, and select the most effective solutions for their unique needs. Another layer of complexity is added when considering the knowledge gap that can exist between technology vendors and SMPs. Often, technology vendors may lack a deep understanding of accounting principles or real-world auditing experiences. This knowledge gap can hinder their ability to design and develop systems that effectively meet the specific needs of SMPs. In conclusion, while technology adoption offers numerous benefits, these challenges can make the process complex and difficult. It's crucial for SMPs to address these challenges head-on and take a strategic approach to technology adoption.



Audit software vendors' perspective on technology adoption

As the digital revolution unfolds, audit software vendors find themselves at the heart of a transformative shift within the SMP sector. Their role goes far beyond just being a technology provider; they are now strategic partners, helping SMPs navigate the complex journey of technology adoption.

Although the upfront costs of new technology is often seen as a significant barrier, particularly for smaller firms with limited financial resources, vendors are responding to this challenge with innovative pricing models and scalable solutions. They're offering more than just a product; they're providing a long-term value proposition. The initial investment in audit software can indeed be substantial, but the efficiencies gained and the potential for increased capacity can lead to significant returns over time. Many vendors have also started to offer their solution using a subscription model with only minimal or even no initial setup cost to help relieve SMPs' financial burden.

Training and support are crucial elements of the technology adoption process. Vendors are increasingly focusing on these areas to ensure a smooth transition for SMPs. Comprehensive training programmes, user-friendly interfaces, and dedicated customer support teams are becoming standard offerings. These initiatives help reduce the time and effort required to familiarize staff with the new software, thereby mitigating disruptions to daily operations. On-site or remote support are also provided to enable SMPs to seek timely help.

Moreover, vendors are actively working on enhancing the capabilities of their audit software to unlock deeper insights, thereby enabling SMPs to provide more strategic, value-adding services to their clients. Advanced data analytics tools are being integrated into audit software solutions, facilitating a move beyond traditional audits to a more consultative role for auditors. As the accounting and auditing standards change from time to time, vendors also perform updates regularly to ensure their software will have already incorporated the latest requirements.

Finally, vendors are increasingly recognizing the importance of industry recognition for early adopters of technology. They are therefore tailoring their marketing efforts to highlight these pioneering SMPs, helping them gain visibility and credibility in the industry. Various SMPs engagement activities and experience sharing session has been held, and vendors have been trying to understand the situations of SMPs and communicate the available technology solutions and benefits of adoption.

In the face of these evolving opportunities and challenges, audit software vendors are no longer just technology providers; they have become pivotal players in the transformation of the SMP sector, helping these firms navigate through the digital era. The journey may be complex, but with the right support, the potential benefits are substantial.

How should SMPs commence to adopt technology

Technology adoption represents a significant milestone for SMPs in their digital transformation journey. This endeavour, though potentially complex, can be simplified through a structured, sequential approach. The below outlines a recommended process for SMPs to adopt a new audit software platform, based on the experiences shared by SMPs which have gone through the process.

Establish project team / champion

The first step in the journey towards adopting new technology is to establish a dedicated project team or champion. This team should be composed of members who possess a deep understanding of the firm's current processes, the challenges involved, and the desired outcomes from the new system. Having a cross-functional team, including representatives from different departments and levels of seniority, can help ensure diverse perspectives and comprehensive insights. This team will be responsible for overseeing the entire adoption process, from identifying needs to implementing and reviewing the software.



Comprehensive assessment of the firm's requirements should be conducted before considering a specific technology solution. An in-depth understanding of the tasks that currently consume significant time and resources is pivotal. Audit software can streamline these processes through automation, enhanced risk assessment capabilities, and centralized mechanisms. By defining unique requirements at the onset, firms can ensure a targeted approach in their search for the right software.



Needs identification

How should SMPs commence to adopt technology (cont'd)

Options evaluation

With the firm's needs clearly defined, the next step involves researching available audit software alternatives. Each option should be evaluated based on its features, user-friendliness, scalability, and cost. While cost is certainly a critical factor, it should not be the sole determinant. The software's potential to augment efficiency and reduce manual tasks, as well as the vendors' experience especially for similar scale audit firms, should also be a key consideration in the decision-making process.



Vendors customarily provide demonstrations or trial periods for their software. This is a valuable opportunity to explore the software's functionality and verify its alignment with the firm's needs. Involving the team in this process is crucial as their acceptance of the software is essential for its successful implementation. SMPs should take the chance to explain their needs and challenges, and see if they could be resolved by the software.



Software demonstration

Software selection and purchase

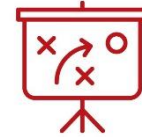
The next step is to make a decision and purchase the software. It's important to consider pricing models that offer scalability, ensuring the software can accommodate the firm's growth. Various payment options should also be explored, as well as other costs such as hardware, support and maintenance services which are also critical elements for technology adoption.



How should SMPs commence to adopt technology (cont'd)

Implementation planning

Prior to initiating the use of the software, an implementation plan should be developed. This plan should outline a realistic timeline for the rollout, schedule training sessions for staff members, and designate a time frame for data migration. Implementing a new software during the busy season such as near the financial reporting and tax return deadline should be avoided to reduce the potential issues that would disrupt operations.



The training phase is an essential part of software adoption. It is vital to ensure that all employees understand the operation and benefits of the new system, in order to get their buy-in and facilitate a smooth transition. Vendors typically provide training resources, which should be utilized to their full extent. Additionally, it



could be beneficial to consider organizing “train-the-trainer” sessions to grow technology champions in the firm who can act as change agents and provide handy support to others.

Staff training

Gradual implementation

The implementation of the software should ideally be initiated within selected teams or projects at a small scale as first. At the beginning of adoption, various operations and system issues may arise therefore limiting the number of users and the scale of project could help minimize any disruption and help firms gradually improve the process and system functions. Until a number of staff members gains familiarity and comfort with the system, its use can be expanded gradually.



How should SMPs commence to adopt technology (cont'd)

Monitoring and adjustment

At the post-implementation stage, the use and effectiveness of the software should be closely monitored. Adjustments may be required based on feedback and observed performance. Regular check-ins with various users can prove advantageous in addressing any issues or concerns promptly. The need for additional IT support and maintenance services could also be explored.



Audit software is a continuous investment. As the firm evolves and as technology advances, the software needs will likely change. Regularly reviewing the firm's requirements, the newly available technology options and considering necessary upgrades or changes is a recommended best practice.



Regular review and upgrade

The adoption of new audit software, though a significant undertaking, can yield substantial benefits when executed with careful planning and foresight. Streamlined processes, enhanced efficiency, and reduced manual tasks can enable SMPs to concentrate on their core competency - delivering high-quality, value-added services to their clients. The journey may be complex, but the potential rewards are substantial.

Facilitating SMPs' technology adoption: The wish list

As we have seen in this exploratory study of technology adoption by Hong Kong's SMPs, while firms acknowledge the potential of new technologies, additional support from various quarters are essential to drive change and to relieve their burden. The following outlines the wish list of support SMPs hope to receive to help them navigate the technological wave.

Enhanced funding support

Technology adoption often requires significant financial investment. The costs associated with purchasing, implementing, and maintaining new technologies can be a major deterrent for SMPs. As a result, there's a clear call for more robust financial assistance. This might involve dedicated grants, subsidies, or low-interest loans designed to support technological innovation within the accounting sector. The existing Technology Voucher Programme could also be enhanced to reduce the application lead time and to cover software subscription fees.



Naturally, SMPs need to be aware of the technology solutions available to them before they can adopt them. However, the sheer volume of tech products available in the market can make finding the right solution a daunting task. SMPs have expressed the need for platforms or events where tech vendors can showcase their products,



demonstrate their functionalities, and explain their relevance to the accounting sector. Tech expos, online platforms, or 'demo days' could be organized regularly to facilitate this.

Awareness of available technology solutions

Educational opportunities

Technology evolves at a rapid pace. To keep up with these changes and to harness the benefits of new technologies, SMPs need continuous education and training. This could involve workshops, seminars, and training courses focused on the latest technological trends and their application in their accounting and auditing processes. Educational institutions, tech companies, and industry associations could collaborate to provide these learning opportunities, ensuring that SMPs have the knowledge and skills to effectively use the latest tech tools.



Facilitating SMPs' technology adoption: The wish list (cont'd)

Full digitalization of government processes

SMPs are also advocating for the full digitalization of government processes. This would streamline their operations and interactions with government agencies, reducing paperwork and saving time. For example, tax submissions and Inland Revenue Department's e-filing could be made fully digital, with secure online platforms enabling direct data exchange, as well as communications, retrieval of documents and records. This would not only simplify processes for the SMPs but also reinforce the importance of their own digital transformation.



SMPs who responded considered the creation of a common audit platform to be beneficial in significantly enhancing standardization and efficiency. Such a platform could enable SMPs to share common audit methodologies, templates, and tools, leading to greater consistency in audit processes across firms. It would also provide a space for collaboration, promoting a culture of



shared learning and improvement. The investment in staff training could be reduced even under a high staff turnover if they are using the same software to conduct audits regardless of audit firms.

Unified audit platform

Favourable government policies and incentives

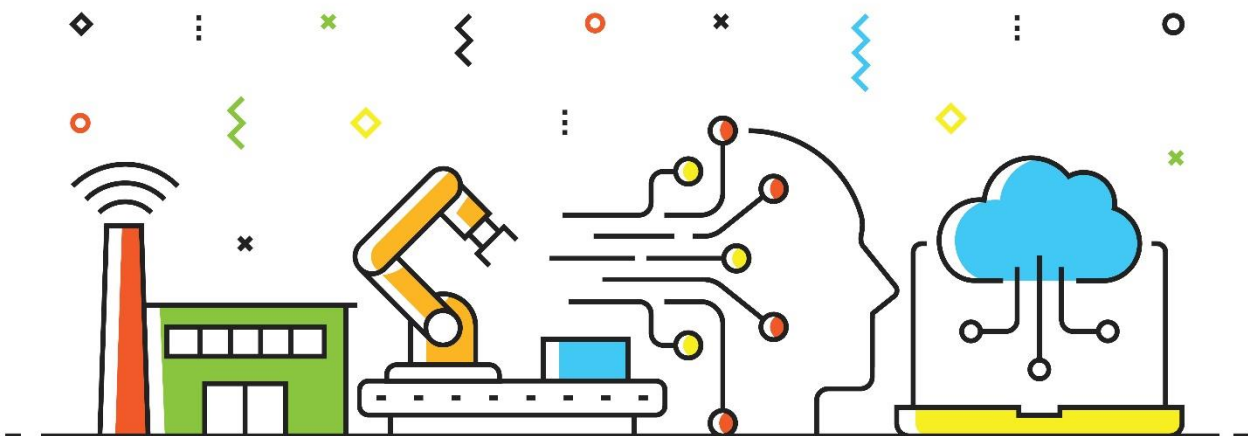
Government policies play a significant role in shaping the technology adoption landscape. SMPs are calling for policies that actively encourage and incentivize technology adoption. This might involve tax benefits for firms that invest in new technologies, regulatory updates to facilitate the use of technologies, or innovation schemes to promote digital transformation in the accounting sector. A supportive policy environment would signal to SMPs that their efforts towards digital adoption are recognized and rewarded.



Facilitating SMPs' technology adoption: The wish list (cont'd)

Expanded networking opportunities

It was noted that there are needs for more opportunities to network with peers and to share experiences. Technology adoption is a journey, and being able to learn from others who are on the same path can be immensely beneficial. Regular meet-ups, forums, or communities could be established to facilitate these exchanges. These platforms would not only provide a space for SMPs to share their successes and challenges but also foster a sense of community and collective progress in the journey towards digital adoption.



HKICPA roles and effort in supporting SMPs' technology adoption

Recognizing this need for change, the Institute has ramped up efforts to support SMPs in their technology transformation journey.

i. SMPC and Practice Management and Digitalization Support Group

The Institute has established a dedicated [Small and Medium Practices Committee \(SMPC\) and its Practice Management and Digitalization Support Group \(PMDSG\)](#), which comprises senior executives who possess solid industry and technology knowledge and experience, to develop strategy and plans in supporting SMPs on their digital transformation journey. They meet regularly to share insights, work with the management on executing various initiatives, and engage stakeholders to collect feedback, with the objective of enhancing overall practice management through technology.

ii. Training and seminars

The Institute is dedicated to providing SMPs with ongoing [education and training](#) to equip them with the latest digital skills. Our extensive range of workshops, seminars, and training courses are tailored to the unique needs of SMPs, focusing on the practical application of various technologies in the accounting sector. We regularly update our curriculum to reflect the latest technological advancements and trends, ensuring our members are always ahead of the curve. Our training topics span a wide range, including data analytics tools, blockchain, generative AI, and the [Technology Voucher Programme](#).

As one of the Institute's flagship events, the IT Conference has been playing a crucial role in equipping the members with essential skills and knowledge for successful technology adoption. This conference brings together industry experts, thought leaders, and technology innovators to share insights and best practices in the field of information technology, helping members to embrace technology and stay one step ahead in an increasingly digital landscape.

Recognizing the significance of digitalization, the Institute has integrated sessions on the technology aspect of practice management into its annual SMP Symposium and Practice Management Series, providing a platform for SMPs to gain practical insights and address common implementation issues.

iii. Digital solution discounts and information session

The Institute understands the needs of SMPs in sourcing effective and economical technology solutions to digitalize their operations. Therefore, the Institute collaborates with various vendors to identify a wide range of software and services covering auditing, accounting, and other process automation solutions, with [additional discounts](#) offered to members. Information sessions are also arranged, with the aim of enhancing members' understanding of how these solutions can benefit their operations and ways to integrate them into their current businesses.

HKICPA roles and effort in supporting SMPs' technology adoption (cont'd)

iv. APM Integration

Aiming to promote digitalization in the accounting profession, the Institute granted a non-exclusive license for its [Audit Practice Manual](#) (APM) to a service provider to integrate the APM into their audit solution. This enables practice units to conveniently leverage the tools and guidance in the APM, thus improving the audit efficiency and quality. The APM-integrated audit management solution was first launched in 2022, followed by an online information session to provide members with further information on the project background and the solution. The Institute is currently exploring further engaging technology vendors to collaborate on similar integrations.

v. Thought leadership and advocacy

To lead the way in digitalization efforts within the profession, HKICPA has published a series of [thought leadership](#) studies in its flagship *A Plus* magazine, covering a wide spectrum of topics, including emerging technologies, best practices, and innovative strategies for successful digital adoption. By providing a deeper understanding of the digital landscape and its impact on the accounting industry, these resources empower professionals to navigate the digital transformation journey with confidence.

vi. Networking opportunities

The Institute also provides ample [networking opportunities](#) for SMPs to share experiences and best practices related to technology adoption. We facilitate regular meet-ups, forums, and online communities where our members can learn from each other's successes and challenges in their journey towards digital adoption.

Moving forward

The Institute believes that technology is the key to the future of accounting. We are committed to supporting our SMP members in their digital transformation journey, providing them with the resources, support, and guidance they need to successfully navigate the tech wave. Looking ahead, the Institute will continue to engage stakeholders across industries, and address the most pertinent needs of SMPs undergoing digital transformation.

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- Caseware
- SAP
- Wolters Kluwer

Further reading and reference

These additional resources were referenced in the creation of this study, provide a wealth of insights and perspectives on the topic. They offer an in-depth exploration of the challenges and opportunities in technology adoption, as well as real-world examples of firms that have successfully navigated this transition. We encourage interested readers to explore these references further for a more comprehensive understanding of the topic.

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IFAC Practice Transformation Hub at <https://www.ifac.org/practicetransformation>