

# THE 2ND ICPAK RESEARCH

## CONFERENCE 2021

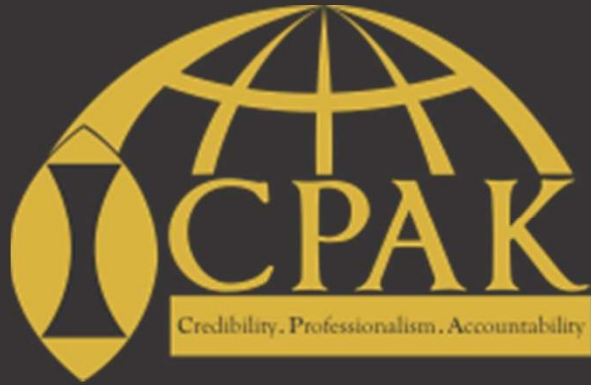
THEME: BUILDING A RESILIENT ACCOUNTANCY PROFESSION  
AND ECONOMY IN A DISRUPTIVE ENVIRONMENT

DATES

7th - 8th  
Dec/2021

VENUE

Kenya School of  
Government - Nairobi



# Entrepreneurship, Technology and Innovation

## Impact of Covid pandemic on Small and Medium-sized Practices in East Africa

CPA Dr. Albert Richards OTETE  
CPAK 2390

8 December 2021

# Outline



Background



Problem statement



Objectives



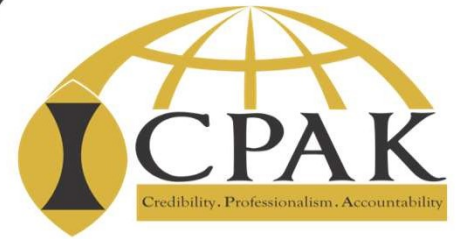
Findings



Conclusion

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## Background

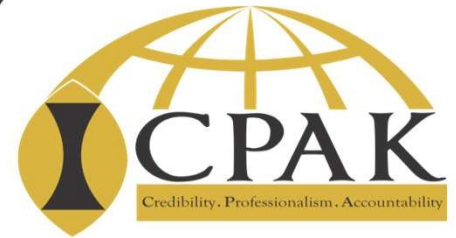


There are about 1650 Small and Medium-sized Practices (SMPs) in Burundi, Kenya, Tanzania, Rwanda and Uganda.

In a space of 2 years, this author undertook a survey of SMPs in Kenya, Tanzania and Uganda and published the report in August 2019. At the time, Burundi and Rwanda had less than 100 SMPs each while South Sudan was yet to have a regulator recognized by the International Federation of Accountants (IFAC).

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## Background

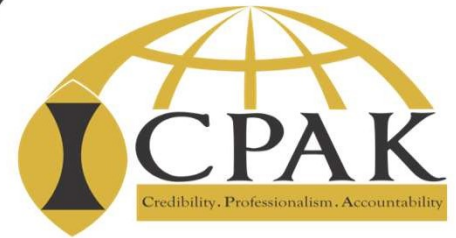


That 2017-2019 survey was meant to supplement the SMP studies that had been undertaken by IFAC over the years.

The main objective of that 2017-2019 survey was to study in-depth the influence of human capital strategies on the competitiveness of SMPs in those three countries. A total of 409 SMPs participated, representing a response rate of 79% of the sample selected.

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## Background



The following variables were statistically significant at 5%:

- i. Number of partners/professional staff = average was 16
- ii. Number of qualified accountants = 5
- iii. Efficiency ratio = 152 days = 63%
- iv. Staff turnover = 10%
- v. Annual development spend = USD 1,950
- vi. Clients billed = 67
- vii. Annual revenue = USD 235,000

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## Problem statement



Measures instituted by the EAC countries to contain Covid included physical lockdown and travel restrictions. This constrained the SMPs to undertake their assignments.

It remained unclear how the SMPs adapted to the disruptions. Some of the clients (the SMEs) reportedly closed down while others downsized and cut costs. Some of the costs cut included audit fees. Some assignments were said to have been postponed indefinitely.

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## Problem statement



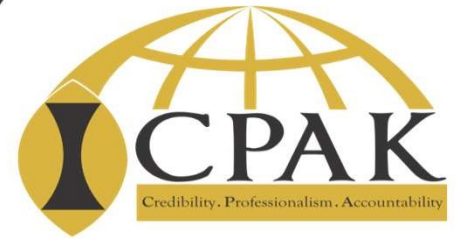
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# Objectives

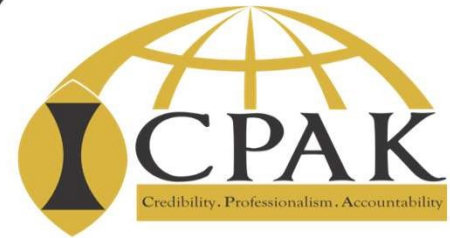


Firstly, to ascertain the human capital and competitiveness of the SMPs as of the year 2021.

Secondly, to undertake a comparison with the situation two years earlier (in 2019) and ascertain to what extent the Covid pandemic may have impacted their human capital and competitiveness.

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# Methodology

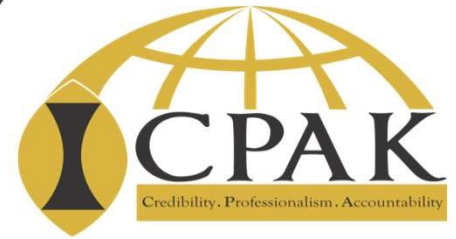


A sample of SMPs was obtained from a population of professional accounting firms licenced by respective regulators in East Africa

Country	Institute name	Website
Burundi	Ordre des Professionnels Comptables du Burundi	<a href="http://www.opc.bi">www.opc.bi</a>
Kenya	Institute of Certified Public Accountants of Kenya	<a href="http://www.icpak.com">www.icpak.com</a>
Rwanda	Institute of Certified Public Accountants of Rwanda	<a href="http://www.icparwanda.com">www.icparwanda.com</a>
Tanzania	National Board of Accountants and Auditors of Tanzania	<a href="http://www.nbaa.go.tz">www.nbaa.go.tz</a>
Uganda	Institute of Certified Public Accountants of Uganda	<a href="http://www.icpau.co.ug">www.icpau.co.ug</a>

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# Methodology



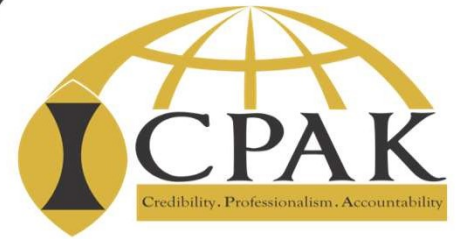
A questionnaire comprising concise questions was broadcast using the *SurveyMonkey*® tool to selected firms for a limited period of three months from July-September 2021. Key descriptive statistics as of 2021 were then extracted and compared to the same parameters in 2019.

Human capital variables were operationalized through

- i. the number of partners/staff,
- ii. the days spent on development/training and
- iii. the days deployed on client assignments.

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# Methodology

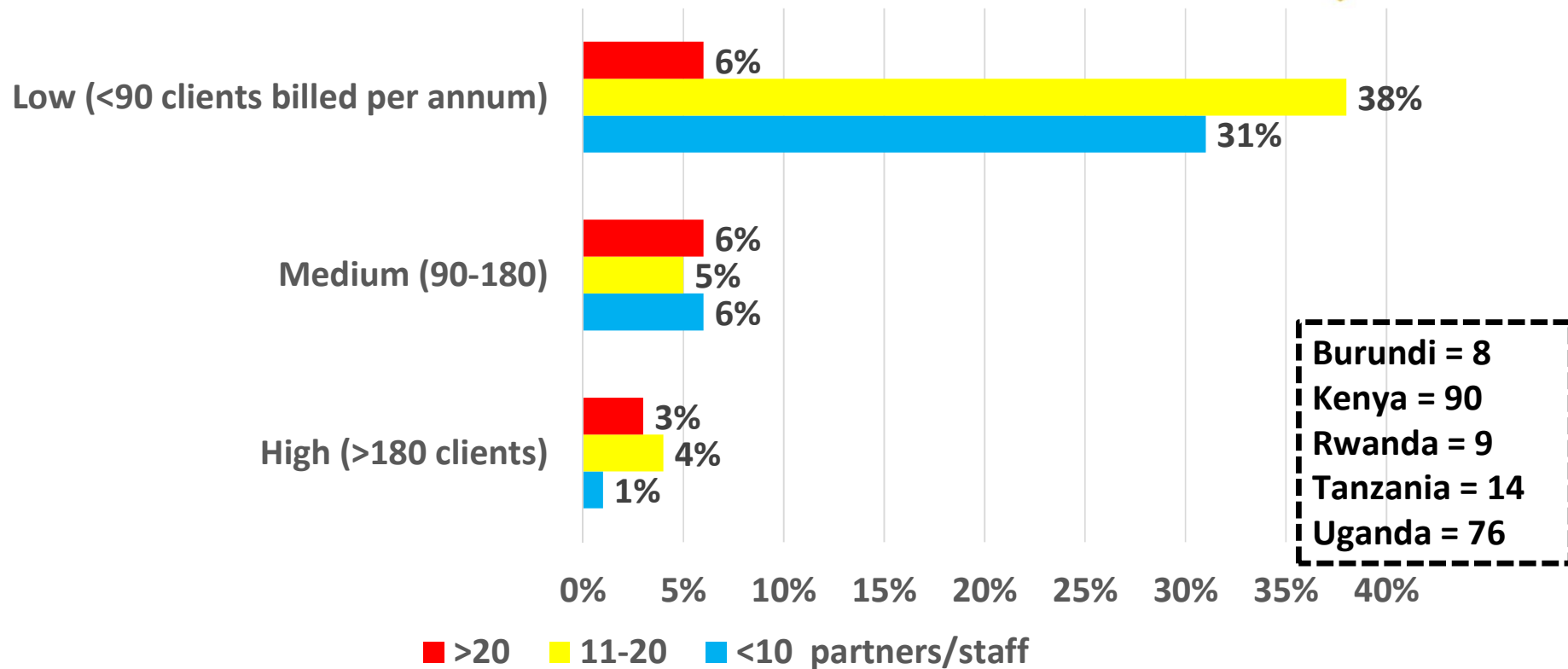
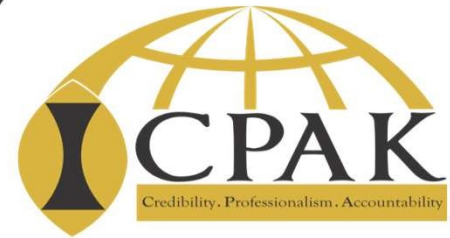


The Competitiveness variables were operationalized using

- i. the number of clients billed per annum and
- ii. the annual revenue (in USD).

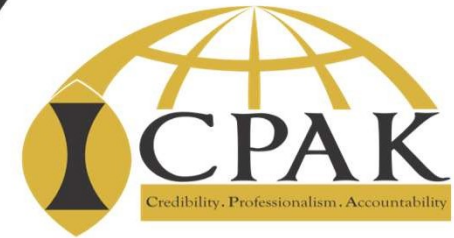
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# Findings – client billing



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# Findings – responses



## Age of the firms per country based on responses

Country	1-5 years	6-10 years	11-15 years	16-20 years	>20 years	Total
Burundi	3	1	1	2	1	8
Kenya	32	22	15	7	14	90
Rwanda	4	3	1	0	1	9
Tanzania	4	4	3	1	2	14
Uganda	23	22	19	6	6	76
<b>Overall</b>	<b>66</b>	<b>52</b>	<b>39</b>	<b>16</b>	<b>24</b>	<b>197</b>
%	34%	27%	19%	3%	1%	100%

Source: Researcher's own analysis, arranged alphabetically by country

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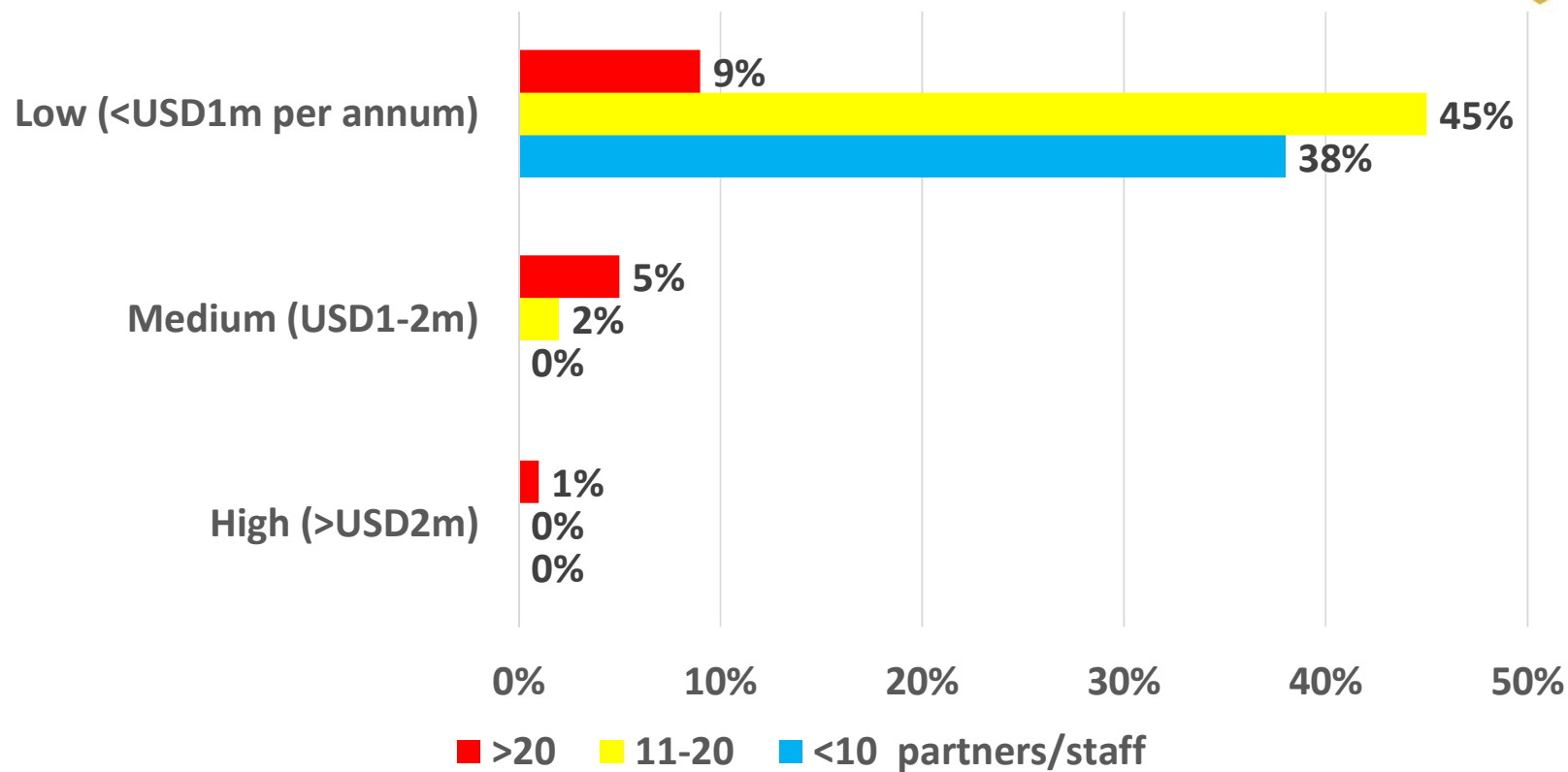
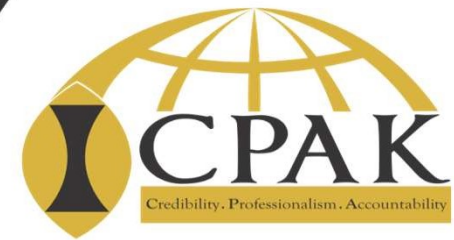
## Findings – Human capital



Operationalized variable	2019	2021
Number of partners/staff	16	15
Days spent on development/training	12	12
Days deployed on client assignments	152	125
Efficiency ratio	63%	52%

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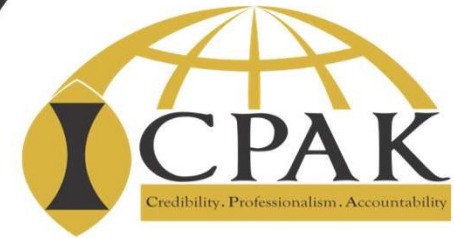
# Findings – annual revenue USD



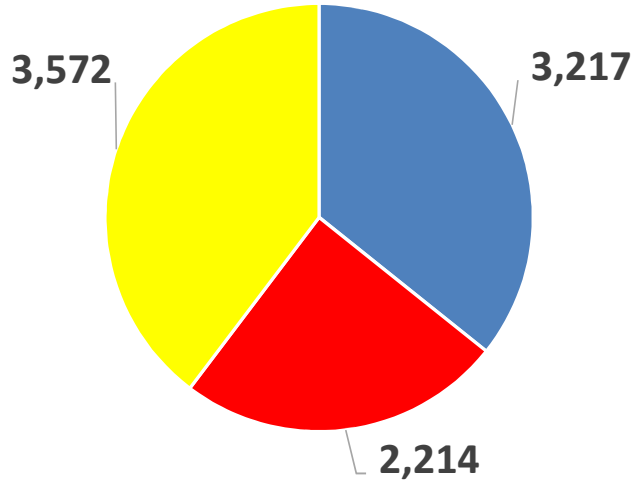
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# Findings – annual revenue USD

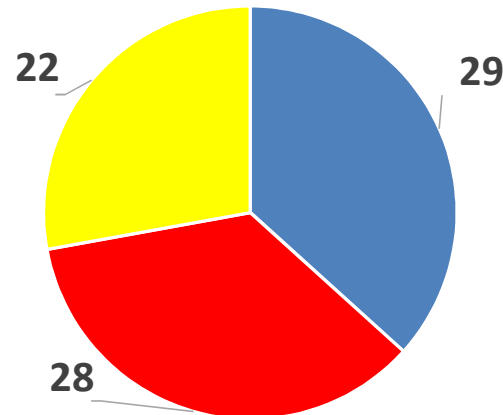


USD/Client



- Audit/assurance
- Tax advisory
- Consulting/business advisory

Clients billed per annum



- Audit/assurance
- Tax advisory
- Consulting/business advisory

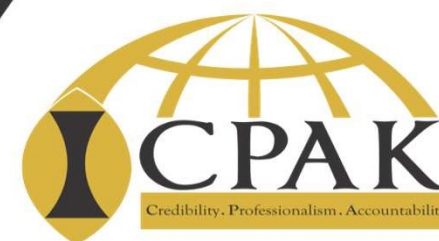
Average annual revenue  
**USD 234,000**

Average revenue/employee  
**USD32,000**

Average number of  
professional staff  
**5**

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# Findings – Competitiveness



Operationalized variable	2019	2021
Number of clients billed per annum	67	79
Change %		+18%
Annual revenue USD	235,000	296,000
Change %		+26%
Average fees per client	3,508	3,747
Change %		+6%

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## Conclusion



Contrary to the proposition that SMPs would have significantly suffered losses due to the pandemic, they were resilient in terms of client billing and revenue.

This means that had disruptions not affected the efficiency ratio, the performance would have been even better. Nonetheless, SMPs should increase their days spent on development/training so as to remain current, compliant and competitive.

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## Conclusion



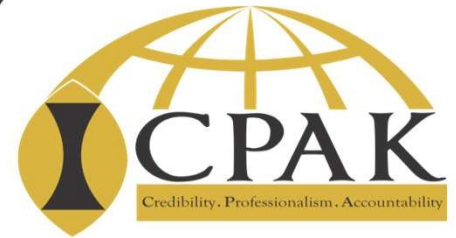
This data is presented in aggregate format.

Each SMPs can benchmark its own business performance over the years (2019-2021) and assess how far they are from the means reported in the study. For example, the study revealed that some SMPs billed only 30 clients in one year, but some few managed over 270 clients.

Secondly, some SMPs earned only USD37500 per annum but some few earned slightly over USD3million per annum.

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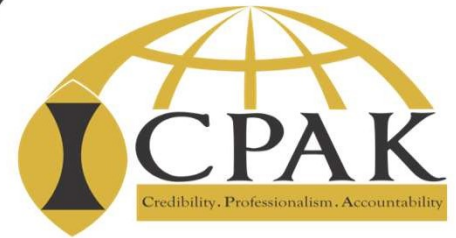
## Further research



The study was purely quantitative given the challenging times of Covid. Therefore, the qualitative aspects of how the SMPs fared through the pandemic have not been captured.

This was a first attempt to compare a pre- and a post-lockdown period, but some of the changes observed in 2021 may have been caused by factors other than the pandemic. Studies on SMPs remain quite few, hence any opportunity to do so should not be ignored.

## Other publications by author



**Adoption of audit software by Small and Medium-sized Practices in East Africa**, *European Journal of Accounting, Auditing and Finance*, Vol.8 No.9, pp25-40, October 2020: ISSN 2053-4094. Available at: <https://www.eajournals.org/journals/european-journal-of-accounting-auditing-and-finance-research-ejafr/vol-8-issue-9-october-2020/adoption-of-audit-software-by-small-and-medium-sized-practices-in-east-africa/>

**Adoption d'un logiciel d'audit par les petites et moyennes pratiques en Afrique de l'Est**, *European Journal of Accounting, Auditing and Finance*, Vol.8 No.9, pp41-55, October 2020: ISSN 2053-4094. Disponible à: <https://www.eajournals.org/journals/european-journal-of-accounting-auditing-and-finance-research-ejafr/vol-8-issue-9-october-2020/adoption-dun-logiciel-dauidit-par-les-petites-et-moyennes-pratiques-en-afrique-de-lest/>

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## Other publications by author



**Audit market dynamics and auditors' remuneration of listed companies in East Africa.** *European Journal of Accounting, Auditing and Finance*, Vol.6 No.6, pp1-21, September 2018: ISSN 2053-4094. Available at: <http://www.eajournals.org/journals/european-journal-of-accounting-auditing-and-finance-research-ejaaf/vol-6-issue-6-september-2018/audit-market-dynamics-and-auditors-remuneration-of-listed-companies-in-east-africa/>

**Determinants of external auditors' remuneration: Evidence from the Ugandan insurance sector.** *European Journal of Accounting, Auditing and Finance*, Vol.6 No.9, pp61-77, December 2018: ISSN 2053-4094. Available at: <http://www.eajournals.org/journals/european-journal-of-accounting-auditing-and-finance-research-ejaaf/vol-6-issue-9-december-2018/determinants-of-external-auditors-remuneration-evidence-from-the-ugandan-insurance-sector/>

## Other publications by author



**Financial reporting dilemmas for retirement benefit schemes: Evidence from the Uganda,** *European Journal of Accounting, Auditing and Finance*, Vol.7 No.10, pp59-73, December 2019: ISSN 2053-4094. Available at: <https://www.eajournals.org/journals/european-journal-of-accounting-auditing-and-finance-research-ejaaf/vol-7-issue10-december-2019/financial-reporting-dilemmas-for-retirement-benefit-schemes-evidence-from-the-uganda/>

**Human capital deployment and competitiveness: The case of Small and Medium-sized Practices in East Africa.** *European Journal of Business and Management*, Vol.10 No.24, pp 54-68, August 2018: ISSN 2222-2839. Available at: <https://iiste.org/Journals/index.php/EJBM/article/view/43984>

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