ISSUE 610 WWW.INTERNATIONALACCOUNTINGBULLETIN.COM JUNE 2020

# INTERNATIONAL Accounting BULLETIN

# INNOVATION BY TRANSFORMATION

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# THIS MONTH


## NEWS




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# JUNE 2020









# EDITOR'S LETTER
# ACCOUNTING INDUSTRY FACES BITTER-SWEET CHALLENGE

**Zoya Malik,** Group Editor

**AS MANY COUNTRIES START TO EMERGE FROM STRICT LOCKDOWNS, WE LOOK AT HOW A SUCCESSFUL REDUCTION IN THE 'R' NUMBER IS ALLOWING GOVERNMENTS TO SELECTIVELY REOPEN THEIR ECONOMIES. WE START TO TURN OUR ATTENTION TO SOME POST-COVID ISSUES AND THE LONGER-TERM IMPLICATIONS FOR THE PRIVATE SECTOR.**

Two pieces of data coming out of the UK – the number of jobs already potentially lost, and the level of debt accumulated substantially as a result of Covid-19 – paint a worrying picture. The Office of National Statistics (ONS) data for the three months to April does not suggest a huge increase in unemployment numbers, as compared to previous years, but the number of vacancies has dropped and, more importantly, these unemployment numbers do not include those furloughed under the Government's scheme. That represents a significant number of potentially unemployed individuals currently living in a sort of suspended animation. The private sector should be gearing up for significant fallout once the furlough scheme comes to an end in October, and there is no big reveal in saying that the road ahead is going to be tough.

Another ONS piece of data confirms that UK government debt, as of May 2020, stands at £1.95trn which is greater than the UK's GDP and at its highest level in 50 years, according to a *BBC News* report. As Chancellor of the Exchequer Rishi Sunak states: "The best way to restore our public finances to a more sustainable footing is to safely reopen our economy so people can return to work," but however soon that happens, clearly we are facing substantial rationalisation and the start of a long period of austerity from later this year.

One of the benefits of the furlough scheme is that it has given firms time to organise ahead of this future shock. Many sectors are looking at reducing their rent obligations by encouraging teams to work remotely. Others, especially in the retail sector, are considering moving to a digital platform. That is good news for technology firms, media providers and logistics companies. In theory, this is a bitter-sweet pill for the accountancy industry ensuring a continuity of demand, albeit at potentially reduced levels.

Widespread restructuring efforts will provide a short- to medium-term boom for advisory services and, with complex government regulations covering support schemes across the entire economy, demand for accountancy services should also remain buoyant.

In the June edition, read my CEO interview with DFK International CEO Martin Sharp about the organisation's disaster-response initiatives and the virtual onboarding of new members in challenging times.

In a feature with PrimeGlobal CEO Steve Heathcote, member firms around the world offer in-depth case studies that highlight lessons that have been learned and can be shared from digital investments to grow business opportunities.

A joint survey of Chinese businesses during the pandemic by the Shanghai National Accounting Institute and the IMA suggests there are gaps in competences of CFOs and finance executives.

A thought leadership piece by Kreston International CEO Liza Robbins centres on the accounting industry's pivotal role, now more than ever, in providing cohesion and stability to economic markets.

Also read *IAB's* country reports on South Africa, Côte d'Ivoire and Morocco, and country rankings that include Egypt's industry round-up.

I am pleased to say that, over the past three months since lockdown, *IAB* has made the best of opportunities to engage with many more of our industry partners, and has gained subscribers due to the in-depth nature of our reporting. This has come about by building even deeper relationships, with a view to getting more granular data on organisations' operations, business performance and network initiatives in terms of disaster response, and to identify trends for where accountancy advisory is heading and the potential for growth in practice lines.

Do visit the Coronavirus Timeline feature on *IAB's* website to read reactions from the profession and industry heads describing new initiatives in response to the pandemic. Keep well and safe. ■

GET IN TOUCH WITH THE GROUP EDITOR AT: **ZOYA.MALIK@GLOBALDATA.COM**

# NEWS UPDATE

## Black Lives Matter: update by PwC UK chair Kevin Ellis


Kevin Ellis, PwC

On 10 June, PwC chair and senior partner Kevin Ellis chaired a live webcast for all UK employees to discuss Black Lives Matter

The candid conversation, watched live by 8,000 employees who submitted 500 questions, centred on where PwC is on racial equality, barriers to progress, specific actions the firm has already committed to, and new actions being announced.

Ellis was joined on the webcast by three PwC leaders, Teresa Owusu-Adjei, Albertha Charles and Tunji Akintokun, who agreed fair work allocation, supportive relationships and tackling micro-aggressions as being key to improving inclusivity and equality at work.

Ellis said: "It should not have taken the events of the past few weeks to serve as a wake-up call, but it has. We need to redouble our efforts to improve racial equality at PwC, and this includes having more candid conversations about race.

"Yesterday I hosted a live webcast on Black Lives Matter for all PwC staff in the UK. It was the most uncomfortable webcast I have ever hosted, but the danger when you're uncomfortable is that you shy away from talking. To move the conversation on, the conversation has to happen, so it's time for many of us to step up and get comfortable with being uncomfortable."

Ellis continued: "I was joined on the webcast by three of our black leaders, who shared their experiences growing up navigating the sorts of daily prejudices that I have never had to face. Their stories and their asks of us all were powerful. But it is not up to our black colleagues to educate others. We all have a responsibility.

"We are a few years into our plans to create a more inclusive workforce, including how we allocate work and nurture relationships more fairly. For example, we're entering our fourth year of voluntarily publishing our ethnicity pay gap, and the data has shown us that a lack of representation at senior levels is one of our biggest issues. We now have career progression coaches in place for high-potential black directors."

Ellis added that PwC is looking to accelerate these plans, but also wants to do more. So far, PwC has made announcements on the following areas:

- Mandatory unconscious bias training for all staff;
- Well-being support for those affected by the Black Lives Matter movement;
- Increased support for social enterprises founded and run by black leaders;
- Work to identify charities PwC can support with donations and volunteering, which will allow it to maximise the number of black beneficiaries the business can reach;
- A staff diversity council, in addition to the existing partner diversity council, to make sure all voices are heard and represented as PwC continues to listen and use people's feedback to take further action.

In conclusion, Ellis stated: "We have a long way to go, but there is huge momentum across the firm." ■

## UK SMES CONCERNED ABOUT SOCIAL DISTANCING REQUIREMENTS

UK SMEs will struggle to trade if social distancing measures continue, according to the latest results from the Association of Chartered Certified Accountants UK and the Corporate Finance Network (CFN)'s SME Health Tracker.

Accessing accountants representing nearly 9,000 SMEs in the UK, the findings show that 16% of SMEs think social distancing measures will make it impossible or unviable to reopen their business. Notably, only 27% of SMEs have written financial forecasts or business plans that have been reviewed as a result of the Covid-19 pandemic.

Feedback also revealed ongoing worries about accessing finance some 13 weeks into lockdown. For accountants who have made enquiries for the Coronavirus Business Interruption Loan Scheme (CBILS) on behalf of clients, 37% have been approved and 21% declined. A third of accountancy respondents said their experience of applying for CBILS has affected clients' appetite for further applications, putting them off doing so.

As small businesses also look to funding through the alternative Bounce Back Loan Scheme, 40% of SMEs report that their Bounce Back Loan amount will not be enough to meet their liabilities over the next 12 months.

Tax deferments are still being used as a stop-gap, with 68% of SMEs deferring. Of those, 67% say it is likely they can meet their tax liabilities in six months.

CFN founder Kirsty McGregor said: "What's filtering through in this week's results is a sense that the Bounce Back Loans have worked compared to CBILs. Most of the Bounce Back Loans have been accepted and turned around quickly, which is great news, but the 40% who don't think this will stretch to meet their needs is concerning." ■

# FRC ANNOUNCES CLOSURE OF TESCO INVESTIGATION


The Financial Reporting Council (FRC) has announced the closure on 8 June 2020 of its investigation into accountants working within Tesco plc relating to its overstatement of profit of approximately £250m ($311m), as announced to the market in September 2014.

The investigation commenced in December 2014 with the following scope: "The conduct of members and a member firm in relation to the preparation, approval and audit of the financial statements of Tesco plc for the financial years ended 25 February 2012, 23 February 2013 and 22 February 2014, and the preparation, approval and review of financial information relating to the 26 weeks ended 23 August 2014 leading to the publication of the company's interim results on 23 October 2014."

The FRC previously closed the investigation into Tesco's former Chief Financial Officer in August 2016 and its former auditors in June 2017.

During the course of the wider investigation, a number of accountant employees within Tesco were added as subjects. The investigation into these individuals was subsequently paused pending the Serious Fraud Office (SFO)'s trial of three non-accountant senior Tesco employees on charges relating to the overstatement.

Following the conclusion of the SFO proceedings, and consideration of relevant material and information subsequently obtained from the SFO, Executive Counsel has decided to discontinue the matters in relation to each of the remaining subjects. Accordingly, the matter has been closed without service of a formal complaint. ■

# RISK COMMITTEE TERMS PUBLISHED BY CHARTERED GOVERNANCE INSTITUTE

The Chartered Governance Institute has published new *Terms of Reference* for risk committees, which are intended as a guide for companies to adapt to their needs where the board decides it is necessary or desirable to have a separate risk committee.

Peter Swabey, policy and research director at the institute, commented: "In recent years, the importance of the board's role in risk management has become increasingly clear, with attention turned to issues of liquidity, insolvency and market risk, among others, as rarely before."

He continued: "Beginning with companies in the financial services sector, we have seen an increasing trend for companies and organisations of all kinds to establish a separate, board-level risk committee to give specific focus to this area, rather than combine it with other committee responsibilities. This focus has been exacerbated during the Covid-19 pandemic.

"The risks each company faces will be very specific to the business. Terms of reference for a risk committee therefore require a great deal of thought, and need to be drafted with input from senior managers who have a good understanding of the risks associated with the operational activities of the company. Our guidance covers all the essential elements that a risk committee needs to consider, such as membership, frequency, engagement with shareholders, duties, risk appetite, tolerance and strategy and reporting requirements.


Peter Swabey, The Chartered Governance Institute

"The guidance should be used as a starting point only from which to develop company-specific terms of reference, with a remit covering the risks associated with the business of an individual entity. However, the guidance provides a long list of risks that are likely to be considered by companies, and a second list of risks that are specific to certain business sectors. These examples are intended to stimulate the board's thinking as to the risks that are particularly relevant to the company, and also to prompt consideration of other risks not mentioned in the guidance but important to the individual company.

"This guidance complements the updated *Terms of Reference* that we published earlier this year for audit, nomination and remuneration committees."

Swabey added: "Committees play an essential role in enabling the board to focus its efforts in a targeted manner and need to be structured in such a way that specific duties are allocated to just one committee, with no gaps or overlaps. The terms of reference for those three committees incorporate the requirements for an increased level of detail in reporting in the annual report, increased emphasis on committee chairs' engagement with shareholders on matters within the committee's remit, and the need for interaction between committees." ■

# FRC APPOINTS PRE-EXEMPTION GROUP CHAIR

The UK's Financial Reporting Council (FRC) has appointed Simon Fraser as chair of the Pre-Exemption Group (PEG).

A long-standing member of the PEG, Fraser has had a long career in investment management and corporate roles, including his current role as Investor Forum chair.

The FRC acts as secretariat to the PEG. The PEG's Statement of Principles provides guidance on the factors to be taken into account by companies and investors when considering the case for disapplying pre-emption rights.

Commenting on his appointment, Fraser said: "I am very pleased to be taking on the role of chair of the Pre-Emption Group. The rights of pre-emption are a cornerstone of the UK market. Safeguarding investor protections, whilst helping companies access the capital markets efficiently through this extremely difficult economic period, will continue to be a priority of the group."

FRC CEO Jonathan Thompson added: "I am delighted that Simon Fraser has agreed to continue his involvement with the Pre-Emption Group, now as chair.

"The Pre-Emption Group's statement on additional flexibility, offered on a temporary basis, has been well-received by the market. In the current economic circumstances, the Pre-Emption Group has an even more important role to play in supporting companies, but also ensuring that the important rights to which investors are committed continue to be upheld."

On 1 April 2020 the PEG issued a recommendation for investors to consider applying additional flexibility to company requests regarding pre-emptive issuances. The additional flexibility was put in place on a temporary basis, and the PEG continues to monitor the situation. ■

# Employer confidence slowly picks up in finance industry

Employer confidence rose in the UK finance industry last month as lockdown restrictions eased, with job vacancies rising by 22% month-on-month, according to UK job board CV-Library.

Applications for jobs in the finance sector rose by 11.2% in May, while online CV registrations rose by 12.8%. When compared to May 2019, the application-to-job ratio increased by 191.7% in May, suggesting an increase in competition for roles.

While applications increased, data from CV-Library showed that salaries for new finance jobs fell by 4.2% month on month. However, across the UK as a whole, average pay dropped by 23.1%.

CV-Library founder and CEO Lee Biggins said: "As lockdown restrictions begin to ease, the market is starting to show signs of recovery and it's promising to see job numbers picking back up. However, there's still a long way to go and we cannot expect figures to return to normal overnight, especially when businesses are under a lot of financial pressure." ■

# CORPORATE EXPENSE BILLINGS UNDER COVID-19 REALITY

Business travel and expenses app Rydoo has studied the expenses of 850 companies in the UK, including over 12,000 submissions that revealed the changing areas where people are claiming expenses while working from home to stop the spread of Covid-19.

Rydoo found that expenses for software have seen the biggest rise during lockdown, with a 28% increase as work teams sign up to Slack, Zoom, Skype and Dropbox.

Key findings include:

- Expenses for remote working IT equipment have risen by 18%, including working-from-home accessories;
- Office equipment expenses have seen a drop by nearly half (45%), as workers set up at home.

Overall, the UK has seen a 20% reduction in expenses being logged, with the biggest category drop affecting food delivery services such as UberEats and Deliveroo, as lunchtime treats, client meetings and late night dinners have been severely cut.

With social distancing measures expected to continue throughout the summer, companies across the UK are increasingly looking to ensure that processes are no longer paper-based but digitised, as ways of working change.

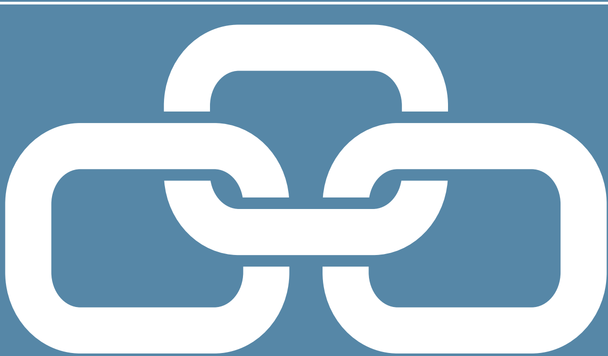
"The new working reality changes not only what is billed as expenses, but the process involved," commented Rydoo CEO Sébastien Marchon.

"Employees who work from home must be able to submit expenses digitally to ensure the processes are efficient and error-free. Digital billing ensures prompt reimbursement and supports the finance team with automatic category assignment, the implementation of company-wide accounting guidelines, and agile adaptation to new working environments."

Rydoo aims to reinvent travel and expense management by removing manual input. The streamlined app and desktop system lets users scan and submit receipts with just a few clicks, as well as verify flight information, and check in and check out.

Designed to let finance teams approve expenses in real time with its central billing system, a single invoice made up of all business travel-related expenses is also produced at the end of each month. ■

# DFK INTERNATIONAL: ENHANCING CO-OPERATION IN SUPPORT OF CLIENTS



**Martin Sharp, CEO at DFK International, speaks to *Zoya Malik* about the organisation's disaster-response initiatives, virtual onboarding of new members, and facilitating lead generation between member firms through the Covid-19 lockdown**

### *Zoya Malik: Has DFK changed any of its strategic plans for this year due to the impact of Covid-19? If so, how?*

**Martin Sharp:** DFK's strategic plans, which are based on ensuring the best possible support to clients of members, remain unchanged, but we are taking a different approach to achieving some of the objectives.

For example, one of our strategic goals is to enhance cooperation, and one of the ways we normally do this is through holding conferences and meetings, which enable members to get to know each other better and thereby increase understanding and trust. We are now seeking to achieve this through our online meetings and webinars.

### *ZM: In the wake of the Covid-19 pandemic, what support has the organisation extended to its members worldwide in terms of technical support and referrals?*

**MS:** We continue to provide the focal point for referrals between member firms, ensuring connections with the appropriate firms and timely follow-up. We do this based on our personal knowledge of the capabilities and specialities of our member firms and our strong relations with members worldwide.

For technical support, we have arranged a number of in-house webinars given by leading experts within the organisation, covering tax and A&A matters. Specific topics have included:

- Practical tips on working from home;
- Communicating through uncertainly;
- Tools for implementing the EU DAC-6 regulation;
- Details of the US CARES Act;
- Q&A on topical A&A matters, including going concern and post-event reporting;
- Transfer pricing – intra-group services and BEPS guidance, and
- Business development from home.

### *ZM: What is the Global Connect initiative, and how well has this scheme served your respective associations in supporting member firms' needs since it began and in facing Covid-19 challenges?*

**MS:** Global Connect is a strategic alliance between leading independent accounting associations DFK International, AGN International and MSI Global Alliance.

The idea of an alliance was born of the assessment that the accounting industry is facing an array of changes, most of them driven by technological innovations and market consolidation.

Global Connect was launched by DFK and AGN in 2018 to provide our members with greater resource and coverage to best serve the international business needs of clients, whilst continuing to operate as fully autonomous organisations. The success in its first year prompted the founders to welcome MSI to incorporate like-minded organisations representing other professional disciplines.

During the current crisis, we have held several teleconference calls between CEOs to share ideas and best practice for managing the associations during the crisis, covering strategic considerations, additional support for members, topics and speakers for webinars and support for staff while remote working.

Specific examples of cross-association referrals through Global Connect during the pandemic crisis have been as follows:

- A client of an MSI member firm in Germany was connected with the DFK member firm in Kuwait to provide tax advice for a client;
- A client of DFK India sought services in Indonesia that the DFK member there was not able to provide, so the client was referred to the AGN firm in Indonesia to the satisfaction of all parties, and
- A client of a DFK member in the UK that needed pension advice was referred to the AGN firm in Vancouver as it was better placed to provide the support than the DFK Canada firms

***ZM: How is DFK responding to new enquiries? How do you plan to virtually onboard new members in different geographies going forward? Can you talk us through the virtual process with a new entrant, under Covid-19 conditions?***

**MS:** We have brought on board two member firms during the current crisis: one in Mauritius and one in Senegal. The process was as follows:

1. The executive director conducts a preliminary review of the firm based on information provided during the initial enquiry – usually submitted through the DFK website – to check for suitability in terms of services and structure. This will usually involve the executive director having a telephone or teleconference call with a partner from the firm;
2. If potentially suitable, the executive director explains the criteria for membership and the process for joining, sending online pre-admittance forms for the firm to complete;
3. Once the firm completes and submits the forms, they are reviewed by a member of the DFK International Accounting and Assurance or International Tax Committee, depending on the services offered by the firm. If the firm meets the membership criteria, we arrange for a suitable partner from an existing member firm to conduct a remote 'desktop' review of the firm covering most of the matters that would normally be covered by an on-site visit. The reviewer has access to the DFK *Guideline for Reviews of Potential Member firms,* which details the qualifications, documentation, processes and procedures that need to be checked;
4. The reviewer submits a report on the review, which is reviewed by the executive director and the chair of the appropriate DFK technical committee, who make a recommendation to the Members' Council, a DFK body made up of 25 representatives of member firms covering each region and sub-region;

Martin Sharp, DFK

5. The Members' Council votes on whether to admit the firm as a member firm or correspondent member firm. Normally only larger firms and those with considerable experience of serving international clients are admitted as member firms in the first instance, with most admitted as correspondent member firms initially with a view to becoming member firms after a few years;
6. If the vote is positive, the firm is invited to sign an accession agreement that clearly sets out the terms of membership.

> “ WE WANT TO BE SURE TO ADMIT ONLY FIRMS IN WHICH OTHER MEMBERS CAN HAVE CONFIDENCE WHEN REFERRING THEIR CLIENTS

It is a rigorous and time-consuming process, but we want to be sure to admit only firms in which other members can have confidence when referring their clients. Conducting reviews remotely, rather than with an in-person visit, does mean that we lose some of the intangible insights that come only from person-to-person interaction, so we need to be especially rigorous in the desktop review process.

***ZM: How and where have you invested in tech to support members with knowledge-share, lead generation and work flow? How well has this been received?***

**MS:** We have launched a new year-round engagement mobile phone app that enables us to share information with members 24/7 and enables members to connect with each other directly, in a way similar to WhatsApp. It is fully integrated with the DFK website, which has the advantage of an embedded CRM with a member search function.

We have also established a WeChat group for our Chinese-speaking member firms to facilitate rapid communication between members in a familiar way.

In terms of knowledge-share, we have established a *Global Crisis Resources* page on the DFK website, on which we publish country-specific information. These resources have been extremely well received by members, especially the app, which is simple to use and provides hot information in a way that is easy to obtain.


Martin Sharp, DFK

*ZM: What are the main concerns for which members need data and information? How are you meeting this requirement?*

**MS:** Several firms have commented that one of the limitations of the current restrictions is that they have not had access to all the data that they need from clients, especially those clients that have not embraced cloud technologies or online portals.

To help members tackle this problem, we have held webinars run internally by our IT committee and by vendors that offer products that can assist in this area, such as Inflo.

*ZM: What is the demand currently for advisory from the emerging and developing market members versus Europe and the US?*

**MS:** All firms have faced enormous demand from their clients for advisory services, especially to help interpret the various government grants and to help with cash-flow forecasting.

However, there is clearly much less state aid or other interventions available for those businesses based in emerging and developing markets, meaning that businesses based in countries where the economy was already struggling, such as those in Central and South America, are facing much more desperate economic conditions.

*ZM: Which geographies are growth areas for your organisation in 2020? What are the indicators for growth?*

**MS:** Contrary to our initial expectations, we continue to receive enquiries about membership from firms in countries all over the world. As we already have strong representation and good geographic reach in North America, Europe, Asia and South America, we expect growth to come from areas where we are not currently well represented, notably sub-Saharan Africa and Central Asia.

In terms of organic growth, it is too early to tell which firms will fair best. Many in Europe and North America had positive signs at the start of the year, but the huge impact on clients in some sectors – such as hospitality, retail, travel and tourism – will inevitably flow through to accounting firms servicing these sectors, as recovery is likely to be slow throughout 2020.

However, the inevitable turbulence in the professional services market does present opportunities for independent firms, such as those that make up the membership of DFK, that are nimble enough to react quickly to changing client demands and can offer exceptional value for money that larger firms with big overheads might find harder to provide.

The vast majority of DFK member firms, being digitally enabled and future-focused, have already embraced cloud technology and digitisation of services, and are therefore very well placed to gain clients from those firms that are less well placed to service needs remotely.

*ZM: What sort of feedback have you had from members on your Covid-19 response initiatives?*

**MS:** We have been pleasantly surprised by how many of our members have taken the opportunities to engage with the various DFK initiatives, such as regional round-table discussions and webinars, and it is clear that the vast majority still continue to value highly the opportunity to share knowledge and experience with peers in different cities and countries.

> “ THE VAST MAJORITY OF OUR MEMBERS CONTINUE TO VALUE HIGHLY THE OPPORTUNITY TO SHARE KNOWLEDGE AND EXPERIENCE WITH PEERS

While we do not underestimate the enormous economic challenges that will face businesses worldwide as they emerge from the current crisis, we do believe that our members are well placed to respond, and will be able to continue to offer invaluable support to their clients who will continue to need the expertise that our members can provide. ■

# MOROCCO: STEPS TOWARDS A DIGITAL FRAMEWORK

**Accounting firms in Morocco are hoping that changing business models, and various amnesties and initiatives designed to increase tax compliance will create opportunities for new business. *Paul Golden* reports**

**Data on the size of the accounting and audit market in Morocco is in short supply.**

However, the market has recognised that one of the main measures that will contribute to its evolution is the directive of the OEC (Association of Chartered Accountants in Morocco) setting the minimum hourly rate at MAD500 or approximately $51 for audit assignments. According to Abdellatif Zarkal, managing partner at PKF Morocco, this measure will have the positive impact of curbing the unfavourable pricing policies practiced by some firms.

As with other countries, digital transition has led to key changes in the way accounting and audit firms work – especially during the Covid-19 crisis, which has accelerated the growth of digital services. The Moroccan state has taken major steps in this direction through its Digital Morocco framework, with the implementation of e-services including online filing and payment of taxes.

In recent years, each finance law has included measures to speed up the digitisation of tax administration, explains Chakib Zaari, managing partner at Baker Tilly Majer. "This has enabled the state, among other things, to achieve an unprecedented level of efficiency in terms of collecting, processing and using data submitted by companies. This digital transformation is a guarantee of a better service to the taxpayer, but is also synonymous with a greater requirement for tax compliance."

Accounting firms have been deeply involved in this transition, as they were initially solicited in the role of third-party declarants on behalf of their clients.

Morocco ratified the Convention on Mutual Administrative Assistance in Tax Matters in April 2019, and signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting in June 2019. The Financial Law 2020 introduced a number of developments to enable the tax system to comply with these standards, including the progressive removal of harmful practices such as the exporting tax regime.

## LEGISLATIVE CHANGES

Other changes include the adaptation of the Moroccan legislative framework to cross-border policy co-operation by setting up reporting that includes a country-by-country breakdown of tax and accounting information on the identity, location and nature of activities relating to the multinational company group to which Moroccan companies belong.

Morocco also introduced the obligation for companies with direct or indirect links with companies located outside Morocco to spontaneously provide to tax inspectors, at the start of the audit period, documentation to justify their transfer pricing policy.

Abdellatif Zarkal, PKF Morocco

Ben Cherif, managing partner at PrimeGlobal member firm Ben Cherif & Associés, observes that the discharge contribution on cash and undeclared assets in Morocco applies to natural persons whose tax residence is in Morocco and whose realised profits or income from professional and/or agricultural business were not declared to the tax administration before 1 January.

"Natural persons with undeclared cash (whether in cash or on deposit), securities or real estate assets acquired with this cash, or loans granted to third parties need to deposit the cash in a bank account or declare the assets other than cash to the tax administration and pay a discharge contribution equal to 5% of the value of those assets," he says.

This needs to be done between 1 January and 30 June, although this period could be extended by the government. Once the discharge contribution is paid, all personal expenses incurred by the beneficiary natural person from these assets cannot be taken into consideration in the examination of the taxpayer's overall tax situation in case of a tax audit in 2020 or in subsequent years.

There is also an amnesty for informal operators who identify for the first time with the tax administration from 1 January, based on the acquired income and transactions realised from that date. Tax identification procedures need to be realised no later than the end of this year.

"The transitional measure for corrected tax returns is applicable until 30 September, and covers corporate income tax, income tax on salaries and value added tax for the fiscal years 2016, 2017 and 2018," says Cherif.

Taxpayers who voluntarily subscribe to corrective tax returns and pay the excess tax will benefit from the cancellation of


Chakib Zaari, Baker Tilly Majer

related surcharges, fines and penalties, and exemption from a tax audit for the years covered by the corrective tax returns.

In order to benefit from this measure, the taxpayer needs to ask the tax administration to share the potential adjustment they might have identified as per their internal cross checking and verifications and should be assisted by an accountant or chartered accountant who can provide an explanatory note that describes the amendments made in the corrective return. Taxpayers who are under an ongoing tax audit procedure are not entitled to this measure.

"Over the course of this year, the state has introduced a number of amnesty procedures that aim to encourage non-compliant companies to regularise their situation as regards foreign exchange regulations," says Zaari. "All these new obligations are creating new market opportunities for accounting firms that deal with tax issues."

Mohamed Boumesmar, partner at MGI Worldwide member firm Audicis, observes that work to harmonise national accounting rules with IFRS has been ongoing since the middle of the last decade under the National Accounting Committee plan, but has not advanced greatly due to lack of resources. However, in November 2019 the project moved forward with the financing by the World Bank of a study carried out by the Moroccan Chartered Accountants Council.

"This study was completed in March 2020, despite the advent of the coronavirus pandemic," he explains.

"The next step is to collect comments from representatives of public and private operators as well as regulatory authorities. Once these comments have been collected and synthesised, the National Accounting Committee should approve the new modernised accounting framework."

Boumesmar notes that the investment and co-operation policy followed by Morocco over recent years requires the harmonisation of accounting rules, and describes international standards as the best option for achieving consensus for regional collaboration. "Another significant development has been clarification of the specifics of several emerging sectors including real estate investment trusts, crowdfunding, Islamic banking and insurance, and start up and innovation firms," he adds.

## AREAS OF DEMAND

Ahmed Cherradi, partner at Moore Stephens Casablanca, says areas where service demand is increasing include audit of financial reports issued by organisations (companies or associations) receiving state grants and certificates of turnover provided by auditors to supplementary pension funds for companies who want to postpone the payment of contributions.

"We are advising natural persons in bringing shares to holding companies and offering legal assistance following the tax act of 2020 and supporting both companies and natural persons in their compliance process with new tax and foreign exchange measures," he adds. "We are also drawing up business plans for companies requiring special bank financing due to the Covid-19 crisis, and providing cash-flow management and advisory to companies to help them when business restarts."

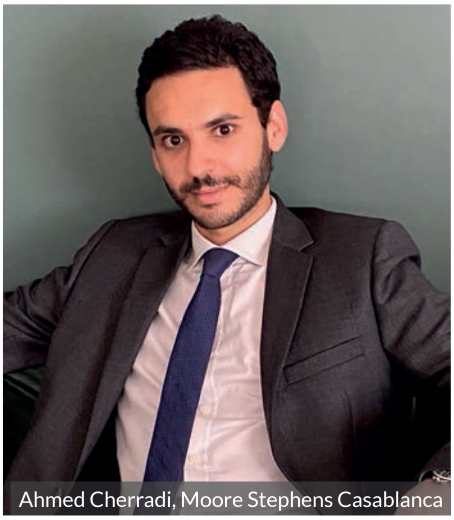
Services that are experiencing a high growth rate include accounting and payroll outsourcing, says Zarkal. "Indeed, given that the hourly rate charged by local firms is very competitive, several foreign companies have opted for accounting and payroll services provided by accounting firms in Morocco."

He also refers to interesting trends in remote working, the automation of tasks for the preparation of tax returns and payroll, and the use of cloud-based software.

Zaari suggests the market for traditional services such as preparation of financial statements, development of budgets and review of auditing records is saturated, and that firms must explore new opportunities and develop new skills in tax planning, global compliance and international accounting standards implementation.

Two of the inevitable impacts of Covid-19 will be service agreement termination and increased difficulty collecting outstanding invoices, suggests Cherradi.

Accounting firms will face short term challenges in the accounting treatment of the


Ahmed Cherradi, Moore Stephens Casablanca

consequences of clients' shutdowns, agrees Zarkal. "At the same time, firms will have to deal with the drop in the collection rate, which will have an impact on cash flow," he says. "Accounting firms will also continue to face the challenge of converting companies' accounts from local GAAP to IFRS."

Aside from Covid-19, Adib Benbrahim, director at Horwath Maroc Audit, puts the challenges facing Moroccan firms over the coming year into four categories: managerial, organisational, strategic and value creation.

"The first of these refers to the fact that all stakeholders must be integrated into the management of the company," he explains. "The organisational aspect refers to the need for firms need to look at the way they charge and their commitment to digitisation and automation."

When it comes to strategy, Benbrahim says a number of factors must be defined so that the firm can meet customer demand. "This requires focusing attention on customers. To do this, firms must improve their knowledge of the needs of their customers via the digital tools at their disposal. With the emergence of digital tools such as social networks, firms must also improve their brand image in order to attract and retain customers."

He describes changing business models as a vital step in creating value, suggesting that the challenge for firms is to position themselves as consulting businesses.

Boumesmar refers to monitoring of businesses in the post-Covid-19 period as an area of opportunity. "Customers will appreciate support from their accounting consultants during both the crisis phase and the recovery period," he concludes. "Optimisation of costs will certainly be accelerated by clients and could exacerbate competition between accounting and auditing firms." ■

# MOROCCO

## NETWORKS & ASSOCIATIONS: FEE DATA

| | Rank | Name | Fee income (MADm) | Fee income last year (MADm) | Growth (%) | Fee split (%) | | | | | Year end |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Audit & assurance | Accounting services | Tax | Advisory | Other | |
| NETWORKS | 1 | EY* (e) | 162.1 | 150.1 | 8% | n.d | n.d | n.d | n.d | n.d | n.d |
| | 2 | Mazars* | 123.9 | 113.2 | 9% | 23 | 26 | 5 | 46 | - | Aug-19 |
| | 3 | Deloitte* (e) | 121.4 | 112.4 | 8% | n.d | n.d | n.d | n.d | n.d | n.d |
| | 4 | PwC* (e) | 120.2 | 111.3 | 8% | n.d | n.d | n.d | n.d | n.d | n.d |
| | 5 | KPMG* (e) | 115.5 | 106.9 | 8% | n.d | n.d | n.d | n.d | n.d | n.d |
| | 6 | Grant Thornton* | 98.3 | 95.2 | 3% | 71 | - | 2 | 27 | - | Sep-19 |
| | 7 | BDO* | 35.7 | 34.8 | 3% | 32 | 24 | 16 | 28 | - | Sep-19 |
| | 8 | Moore Global* (1) | 20.2 | 11.8 | 71% | 38 | 45 | 5 | 5 | 7 | Dec-19 |
| | 9 | RSM* | 14.6 | 13.2 | 11% | 18 | 51 | 5 | 26 | - | Dec-19 |
| | 10 | HLB* | 11.5 | 11.5 | 0% | 45 | 5 | 20 | 20 | 10 | Dec-19 |
| | 11 | Kreston International* (2) | 11.3 | 10.5 | 8% | 45 | 15 | - | 35 | 5 | Oct-19 |
| | 12 | Crowe* | 11.0 | 10.8 | 2% | 60 | 3 | 12 | 23 | 2 | Dec-19 |
| | 13 | ECOVIS International* | 6.5 | 5.5 | 18% | 20 | 50 | 10 | 20 | - | Dec-19 |
| | 14 | UHY International* | 5.5 | 5.5 | 0% | 30 | 25 | 15 | 20 | 10 | Dec-19 |
| | 15 | Nexia International* (3) | 5.4 | 4.4 | 22% | 28 | 54 | 6 | 3 | 9 | Jun-19 |
| | 16 | TGS Global* | 5.4 | n.ap | n.ap | 3 | 20 | 33 | 41 | 3 | Sep-19 |
| | 17 | PKF International* | 4.8 | 5.2 | -8% | 40 | 34 | 17 | 4 | 5 | Jun-19 |
| **Total fee income/growth** | | | **873.1** | **802.3** | **8%** | | | | | | |
| ASSOCIATIONS | 1 | Praxity* | 154.9 | 139.5 | 11% | 34 | 23 | 6 | 37 | - | n.ap |
| | 2 | MGI Worldwide with CPAAI* | 11.8 | n.ap | n.ap | 23 | 42 | 10 | 10 | 15 | n.ap |
| | 3 | Antea* | 11.0 | 11.0 | 0% | 22 | 45 | 10 | 11 | 12 | Dec-19 |
| | 4 | PrimeGlobal* | 10.6 | 10.3 | 3% | 40 | 20 | 20 | 8 | 12 | May-19 |
| | 5 | IAPA* | 7.1 | 6.0 | 19% | 30 | 20 | 15 | 10 | 25 | Jun-19 |
| | 6 | DFK International | 6.6 | 5.6 | 17% | 40 | 50 | 6 | 4 | - | Dec-19 |
| | 7 | Allinial Global* | 4.8 | 5.5 | -13% | 8 | 31 | 25 | - | 36 | Dec-19 |
| | 8 | Morison KSi* (4) | 3.0 | 2.4 | 26% | 12 | 37 | 25 | 6 | 20 | Dec-18 |
| | 9 | Integra International* | 2.2 | 2.2 | 2% | 40 | 25 | 15 | 15 | 5 | Dec-19 |
| | 10 | EAI International* | 1.8 | 1.9 | -5% | 19 | 59 | 6 | 6 | 10 | Dec-19 |
| **Total fee income/growth** | | | **214.0** | **184.4** | **10%** | | | | | | |

**Notes: (e)** = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Increase in fee income attributed to organic growth, and addition of new clients and new service lines. (2) Restated its figures for last year, as they were *IAB* estimates. (3) Increase in fee income attributed to gaining new contracts and developing consultancy missions with public tenders. (4) Increase in fee income attributed to acquisition of new clients.

***Disclaimer**: Data relating to correspondent and non-exclusive member firms is not included. Where data for accounting services is not disclosed, it is included in audit and assurance.

**Source:** *International Accounting Bulletin*

# NETWORKS & ASSOCIATIONS: STAFF DATA

| Rank | Name | Total staff | | Growth (%) | Female | | Partners | | Professionals | | Admin | | Offices | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | 2018 | | Staff | Partners | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **NETWORKS** | | | | | | | | | | | | | | |
| 1 | EY* (e) | 193 | 179 | 8% | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| 2 | Mazars* (1) | 174 | 141 | 23% | n.d | n.d | 9 | 9 | 136 | 112 | 29 | 20 | 2 | 2 |
| 3 | PwC* (e) | 146 | 135 | 8% | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| 4 | Grant Thornton* | 121 | 118 | 3% | 44 | 3 | 8 | 9 | 104 | 89 | 9 | 20 | 2 | 2 |
| 5 | BDO* | 67 | 61 | 10% | 22 | 1 | 9 | 9 | 48 | 41 | 10 | 11 | 3 | 3 |
| 6 | Crowe* | 48 | 48 | 0% | 22 | 1 | 4 | 5 | 38 | 37 | 6 | 6 | 3 | 3 |
| 7 | Moore Global | 45 | 43 | 5% | 15 | 1 | 7 | 7 | 29 | 29 | 9 | 7 | 3 | 3 |
| 8 | HLB* | 38 | 43 | -12% | 12 | 2 | 3 | 3 | 31 | 34 | 4 | 6 | 3 | 2 |
| 9 | UHY International* | 25 | 25 | 0% | 9 | 1 | 1 | 1 | 21 | 22 | 2 | 2 | 2 | 2 |
| 10 | Kreston International* | 25 | 23 | 9% | n.d | n.d | 4 | 4 | 19 | 17 | 2 | 2 | 2 | 2 |
| 11 | RSM International* | 21 | 21 | 0% | 5 | 0 | 2 | 3 | 14 | 15 | 5 | 3 | 2 | 2 |
| 12 | PKF International* | 20 | 20 | 0% | n.d | n.d | 3 | 3 | 12 | 12 | 5 | 5 | 1 | 1 |
| 13 | ECOVIS International* | 19 | 14 | 36% | 9 | 0 | 2 | 2 | 15 | 10 | 2 | 2 | 1 | 1 |
| 14 | TGS Global* | 17 | n.ap | n.ap | 2 | 0 | 4 | n.ap | 11 | n.ap | 2 | n.ap | 1 | n.ap |
| 15 | Nexia International* | 12 | 12 | 0% | 4 | 0 | 2 | 2 | 8 | 8 | 2 | 2 | 1 | 1 |
| - | Deloitte* | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| - | KPMG* | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| **Total staff/growth** | | **971** | **883** | **8%** | **144** | **9** | **58** | **57** | **486** | **426** | **87** | **86** | **26** | **24** |
| **ASSOCIATIONS** | | | | | | | | | | | | | | |
| 1 | Praxity* (1) | 210 | 177 | 19% | n.d | n.d | 11 | 11 | 166 | 142 | 33 | 24 | 3 | 3 |
| 2 | PrimeGlobal* | 94 | 100 | -6% | n.d | n.d | 4 | 2 | 84 | 85 | 6 | 13 | 2 | 2 |
| 3 | DFK International | 53 | 50 | 6% | 22 | 3 | 7 | 4 | 42 | 31 | 4 | 15 | 4 | 5 |
| 4 | Antea* | 40 | 41 | -2% | 23 | 3 | 5 | 4 | 28 | 20 | 7 | 17 | 4 | 2 |
| 5 | Integra International* | 39 | 39 | 0% | n.d | n.d | 1 | 1 | 33 | 33 | 5 | 5 | 1 | 1 |
| 6 | MGI Worldwide with CPAAI* | 26 | 26 | 0% | n.d | n.d | 4 | 3 | 22 | 23 | | - | 4 | 1 |
| 7 | Allinial Global* | 17 | 16 | 6% | 0 | 0 | 3 | 2 | 12 | 12 | 2 | 2 | 1 | 1 |
| 8 | IAPA* | 15 | 23 | -35% | 5 | 1 | 2 | 2 | 11 | 11 | 2 | 10 | 1 | 3 |
| 9 | Morison KSi* | 12 | 12 | 0% | 5 | 0 | 2 | 2 | 8 | 8 | 2 | 2 | 1 | 1 |
| 10 | EAI International* | 9 | 8 | 13% | 6 | 0 | 2 | 1 | 4 | 5 | 3 | 2 | 1 | 1 |
| **Total staff/growth** | | **515** | **492** | **5%** | **61** | **7** | **41** | **32** | **410** | **370** | **64** | **90** | **22** | **20** |

**Notes: (e)** = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.

**(1)** Increase in staff number attributed to recruitment of teams to develop advisory and tax services.

***Disclaimer:** Data relating to correspondent and non-exclusive member firms is not included.

**Source:** *International Accounting Bulletin*

# SOUTH AFRICA: AN IMAGE CRISIS IN THE ACCOUNTANCY INDUSTRY

**South African accountancy firms are broadly supportive of recent regulatory efforts to improve the perception of the profession, increase accountability and boost competition, writes *Paul Golden***

**There is no hiding from the fact that public confidence in audit firms in South Africa remains below where it needs to be.**

A number of market participants suggest this is at least partly due to perceptions of a lack of accountability.

Negativity from the general public and media towards audit firms could be due to the slow turnaround when it comes to investigations being concluded by regulatory authorities and action being taken against those responsible, accepts Michelle Olckers, co-CEO Mazars South Africa.

"However, one must understand that getting through the evidence in these cases takes a very long time and the sheer volume of scandals in South Africa creates a scenario where authorities find it almost impossible to work through the evidence and build cases for all of them," she says.

"On the other hand, when we deal with people who are closer to the audit profession – for example, audit committees – we often find a warmer reception and an appreciation for the efforts put into improving quality of audits, both before and after the major recent scandals."

Relationships between engagement partners and their clients would be the deciding factor in the potential loss of business, and firms operating in the market outside that contested by the Big Four do not appear to have been affected to any significant degree. That is the view of Colin Elsworth, director at MSI Global Alliance member firm Aitken Lambert Elsworth, who refers to various statements made by regulators in recent months designed to boost confidence in the profession.

"The first came from the Minister of Finance in his annual budget speech in February 2020, when he announced that he was setting aside funds to allow for an independent panel to review practices in the auditing profession," he says.

The former CEO of the Independent Regulatory Body for Auditors (IRBA) has also made various statements about the role the IRBA would play, indicating it would ensure that it maintained its independence and would demonstrate a strong oversight of auditors.

"Unfortunately the IRBA has now become embroiled in its own scandal by appointing a new CEO who has not been well received," adds Elsworth. "The reason for the disquiet is that the appointee is a former director of one of the listed companies under investigation by the authorities for suspected accounting irregularities."


Michelle Olckers, Mazars South Africa

## NON-COMPLIANCE

Crowe southern Africa technical director Angella Mutonhora expresses confidence that the IRBA has managed to acquire more teeth when it comes to punishing non-compliance by registered auditors.

"By removing the cap on penalties it can now serve harsher punitive measures, which has upped its status given that the penalties issued on firms were disproportionate with the damage done," she says.

"Meanwhile, the South African Institute of Chartered Accountants has increased its investment in ethics education, and has become more transparent in how it embarks on the disciplinary process, with members that have been found to have transgressed the code of conduct being removed from the register."

Mutonhora is also encouraged by firms investing in quality improvement and monitoring, and producing 'transparency reports' where they disclose the results of regulatory and internal monitoring.

On the question of whether the planned implementation of mandatory audit firm rotation has benefited firms outside the top four – and especially locally owned firms – Abe Petersen, partner at MGI Worldwide with CPAAI member firm MGI Bass Gordon, says the move has had an indirect beneficial effect that may not have been initially envisaged.

"The spotlight has not only been placed broadly on audit tenure and the fact that a change of auditor could very well bring about an insightful new perspective," he explains.


Angella Mutonhora, Crowe

"It has also highlighted in the minds of audit committees and those charged with governance of private companies and groups that there are many other viable options for assurance service providers, which offer not only quality services but also a very reasonable value proposition when compared to the Big Four."

One of the provisions of the King Code of Corporate Governance is that the audit committee is required to appoint not only the audit firm, but the lead partner. PKF South Africa chair Theo Vermaak believes that this – compounded by the recent scandals – has resulted in the market recognising the value proposition and quality of mid-tier networks.

"It is, however, no secret that there are a number of studies that condemn mandatory audit firm rotation and point to a decrease in audit quality, among other criticisms," he continues.

"We believe that joint audits offer a better solution in at least some cases. Whether firms other than the Big Four will ultimately benefit from mandatory rotation remains to be seen, but we have seen an increase in tender opportunities for listed entity audits."

Roshan Morar, MD at Allinial Global member firm Morar Incorporated, reckons mandatory audit firm rotation will help to level the playing field for locally owned firms who in the past lost out to bigger rivals. He suggests long-term economic relationships with a specific company can compromise the independence of the audit process and that having new auditors is an opportunity for both parties to ensure greater accountability.

"The early adoption of mandatory audit firm rotation by many clients has resulted in our firm being invited to an increasing number of requests for proposal," says BDO South Africa CEO Mark Stewart. However, he adds that he has not seen any evidence to suggest that there is a decrease in market concentration, which is one of the objectives of the initiative.

"Our own regulator commented recently that other measures would need to be considered to reduce concentration, which would include a focus on joint audits and encouraging smaller firms to collaborate to perform larger audits," Stewart notes.

Anoop Ninan, co-CEO at Mazars South Africa, agrees that there has been a shift in the market where audit committees of companies who have Big Four auditors are more open to proposals from firms outside that group.

"We have definitely seen an increase in requests for proposals for audit, tax and advisory services across all sectors over the past 12 months," he says. He also agrees that in circumstances where the audit committee feels that a challenger firm does not have the experience in that sector, they should consider joint audits.

All firms are locally owned – firms that are part of international networks and use international brands are still owned by local partners or shareholders, and a distinction should not be made in that way, suggests Ninan.

"What is important here is giving exposure to the challenger7 firms," he says. "A few of the mid-tier firms have been investing in resources to increase capacity and expertise to handle certain clients in more specialised industries. We have seen some benefit from this – especially in the financial services sector – and we look forward to what we expect to be even more movement in the market as we get closer to mandatory firm rotation."

## QUALITY INDICATORS

In December 2019, the IRBA launched its feedback report on audit quality indicators. Stewart describes this as a useful development, given that most firms want to meet quality standards expected by clients and regulators.

"The audit quality indicators are particularly useful in benchmarking key indicators, and have forced our own firm to consider back-office systems that will provide critical information at the touch of a button," he says. "This additional cost of managing quality is significant, but the information derived from these systems will allow us to focus on areas where there may be gaps in audit quality management, and allow us to take necessary corrective action to improve audit quality."

Petersen suggests that audit quality indicators provide a depth of information and data that audit committees of primarily larger listed corporates could use in their role of promoting greater transparency and independence around the audit and assurance service providers engaged.


Roshan Morar, Morar Incorporated

"This could indirectly have a beneficial impact on medium sized practices, as the Big Four may start to focus on a certain class of core engagements, and even shed non-core clients such as private companies," he says.

The audit quality indicators placed an administrative burden on the Big Four firms, and it is hard to believe they welcomed this request for information, suggests Elsworth, who adds: "The most interesting part of the report was the significant under-recovery of fees – which was not addressed by the IRBA and probably should have been – as it shows that auditors are not being adequately compensated for audits. This may be the root cause of many audit failures."

Mutonhora describes the audit quality indicators as a welcome development since they gave guidance to typical indicators a firm might have as a way to manage their risk. She also notes that the new quality standard that is set to come into effect in 2022 (ISQM1) will put more emphasis on the relationship between risk and quality. "The IRBA has been proactive in providing examples of possible metrics we can use," she adds. "For some firms this was uncharted territory."

According to Vermaak the IRBA report was extremely insightful and provided a useful benchmarking tool for firms, helping to drive the quality conversation by emphasising the need to focus on a variety of quality indicators not previously reported on and potentially not monitored by many firms.

He believes it will help to educate the market and encourage audit committees and others to better evaluate audit firms before appointing them, based on measures beyond what many would traditionally have considered as part of 'quality'. ■

# SOUTH AFRICA

## NETWORKS & ASSOCIATIONS: FEE DATA

| | Rank | Name | Fee income (ZARm) | Fee income last year (ZARm) | Growth (%) | Fee split (%) | | | | | Year end |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Audit & assurance | Accounting services | Tax | Advisory | Other | |
| NETWORKS | 1 | PwC* | 5,000.0 | 4,400.0 | 14% | n.d | n.d | n.d | n.d | n.d | Jun-19 |
| | 2 | Deloitte* (e) | 4,616.5 | 4,482.0 | 3% | n.d | n.d | n.d | n.d | n.d | May-19 |
| | 3 | EY* | 3,200.0 | 3,190.0 | 0% | 46 | - | - | - | 54 | Jun-19 |
| | 4 | KPMG* | 1,784.0 | 2,677.0 | -33% | 56 | - | 16 | 28 | - | Sep-19 |
| | 5 | BDO* (1) | 1,200.3 | 705.0 | 70% | 50 | 8 | 13 | 22 | 7 | Sep-19 |
| | 6 | Grant Thornton* | 860.9 | 800.0 | 8% | 71 | - | 5 | 24 | - | Sep-19 |
| | 7 | Mazars* | 600.1 | 537.4 | 12% | 53 | 24 | 12 | 11 | - | Aug-19 |
| | 8 | PKF International* | 436.2 | 405.1 | 8% | 49 | 21 | 13 | 1 | 16 | Jun-19 |
| | 9 | Moore Global* | 382.0 | 341.3 | 12% | 43 | 23 | 11 | 12 | 12 | Dec-19 |
| | 10 | Nexia International* | 293.3 | 270.3 | 9% | 44 | 27 | 12 | 15 | 2 | Jun-19 |
| | 11 | RSM* | 184.0 | 179.1 | 3% | 45 | 16 | 21 | 18 | - | Jun-19 |
| | 12 | Baker Tilly International* (2) | 171.3 | 143.2 | 20% | 56 | 15 | 9 | 5 | 15 | Dec-19 |
| | 13 | Crowe* | 123.8 | 115.9 | 7% | 40 | 13 | 9 | 14 | 24 | Feb-20 |
| | 14 | Kreston International* (3) | 114.6 | 93.4 | 23% | 20 | 34 | 8 | 34 | 4 | Oct-19 |
| | 15 | HLB* (4) | 96.3 | 140.5 | -31% | 38 | 23 | 9 | 22 | 8 | Dec-19 |
| | 16 | TGS Global* (2) | 54.4 | 38.3 | 42% | 34 | 28 | 13 | 25 | - | Sep-19 |
| | 17 | UHY International* | 27.8 | 26.2 | 6% | 70 | 2 | 16 | 2 | 10 | Feb-20 |
| | 18 | ECOVIS International* | 14.2 | 14.2 | 0% | 55 | 14 | 14 | 12 | 5 | Aug-19 |
| **Total fee income/growth** | | | **19,159.7** | **18,558.9** | **3%** | | | | | | |
| ASSOCIATIONS | 1 | Praxity* | 600.1 | 537.4 | 12% | 53 | 24 | 12 | 11 | - | n.ap |
| | 2 | Allinial Global* (5) | 127.0 | 94.3 | 35% | 19 | 2 | 3 | 26 | 50 | Dec-19 |
| | 3 | LEA Global / Leading Edge Alliance* (e) | 94.2 | 85.6 | 10% | n.d | n.d | n.d | n.d | n.d | n.d |
| | 4 | MGI Worldwide with CPAAI* | 75.2 | n.ap | n.ap | 30 | 49 | 10 | 2 | 9 | n.ap |
| | 5 | GMN International* | 61.0 | 62.1 | -2% | 28 | 33 | 21 | 11 | 7 | Sep-19 |
| | 6 | BKR International* | 52.3 | 53.2 | -2% | n.d | n.d | n.d | n.d | n.d | n.ap |
| | 7 | Integra International* (6) | 51.0 | 45.0 | 13% | 47 | 18 | 19 | | 16 | Dec-19 |
| | 8 | Antea* (7) | 48.3 | 34.0 | 42% | n.d | n.d | 100 | n.d | n.d | Dec-19 |
| | 9 | Morison KSi* | 43.4 | 41.7 | 4% | 64 | 11 | 3 | 2 | 20 | Dec-18 |
| | 10 | PrimeGlobal* (8) | 35.3 | 29.6 | 19% | 33 | 33 | 20 | 13 | 1 | May-19 |
| | 11 | DFK International* | 29.9 | n.d | n.d | 40 | 23 | 6 | 4 | 27 | Dec-19 |
| | 12 | IAPA International* | 17.9 | 15.1 | 18% | 35 | 30 | 25 | 5 | 5 | Dec-19 |
| | - | Abacus Worldwide* (9) | n.ap | 8.5 | n.ap | n.ap | n.ap | n.ap | n.ap | n.ap | n.ap |
| **Total fee income/growth** | | | **1,235.6** | **1,006.5** | **13%** | | | | | | |

**Notes: (e)** = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Increase in fee income attributed to M&A, organic growth and reporting complete year data for its merged members, which was partly reported last year. (2) Increase in fee income attributed to merger(s). (3) Increase in fee income attributed to addition of new office and organic growth. (4) Decrease in fee income attributed to loss of some clients and decreasing fees from others. (5) Increase in fee income attributed to gaining more clients. (6) Restated fee income figures for last year, as data submitted for last year did not include all members. (7) Increase in fee income attributed to winning some tenders and adding new services to its portfolio. (8) Increase in fee income attributed to offering more advisory and consultancy services. (9) Lost its member firm in South Africa.

***Disclaimer**: Data relating to correspondent and non-exclusive member firms is not included. Where data for accounting services is not disclosed, it is included in audit and assurance.

**Source:** *International Accounting Bulletin*

# NETWORKS & ASSOCIATIONS: STAFF DATA

| Rank | Name | Total staff | | Growth (%) | Female | | Partners | | Professionals | | Admin | | Offices | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | 2018 | | Staff | Partners | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **NETWORKS** | | | | | | | | | | | | | | |
| 1 | Deloitte* (e) | 5,606 | 5,239 | 7% | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| 2 | PwC* | 5,100 | 4,952 | 3% | n.d | n.d | 275 | 284 | n.d | n.d | n.d | n.d | n.d | 21 |
| 3 | EY* | 2,965 | 2,602 | 14% | 919 | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| 4 | KPMG* | 2,012 | 2,317 | -13% | n.d | n.d | 138 | 156 | n.d | 1,759 | n.d | 402 | n.d | 6 |
| 5 | BDO* | 1,508 | 970 | 55% | 883 | 32 | 119 | 84 | 1,053 | 699 | 336 | 187 | 6 | 6 |
| 6 | Grant Thornton* | 1,178 | 1,093 | 8% | 673 | 21 | 66 | n.d | 977 | n.d | 135 | n.d | 13 | n.d |
| 7 | Mazars* | 993 | 957 | 4% | n.d | n.d | 51 | 51 | 742 | 713 | 200 | 193 | 11 | 12 |
| 8 | PKF International* | 883 | 781 | 13% | n.d | n.d | 70 | 67 | 681 | 591 | 132 | 123 | 12 | 12 |
| 9 | Moore Global* | 686 | 650 | 6% | 429 | 18 | 57 | 60 | 526 | 504 | 103 | 86 | 14 | 19 |
| 10 | Nexia International* | 573 | 506 | 13% | 286 | 16 | 44 | 44 | 439 | 396 | 90 | 66 | 11 | 10 |
| 11 | Baker Tilly International* | 385 | 335 | 15% | 245 | 8 | 22 | 18 | 296 | 206 | 67 | 111 | 4 | 3 |
| 12 | RSM* | 339 | 341 | -1% | 207 | 5 | 25 | 27 | 262 | 256 | 52 | 58 | 3 | 4 |
| 13 | Kreston International* | 242 | 242 | 0% | 65 | 9 | 28 | 21 | 166 | 162 | 48 | 59 | 10 | 6 |
| 14 | TGS Global* | 125 | 101 | 24% | 57 | 8 | 13 | 11 | 99 | 80 | 13 | 10 | 3 | 2 |
| 15 | Crowe* | 123 | 123 | 0% | n.d | 8 | 24 | 25 | 92 | 89 | 7 | 9 | 5 | 5 |
| 16 | HLB* | 102 | 153 | -33% | 40 | 4 | 18 | 24 | 67 | 82 | 17 | 47 | 8 | 7 |
| 17 | UHY International* | 44 | 43 | 2% | 24 | 0 | 3 | - | 32 | - | 9 | - | 1 | - |
| 18 | ECOVIS International* | 26 | 26 | 0% | 16 | 0 | 2 | 2 | 19 | 19 | 5 | 5 | 2 | 2 |
| **Total staff/growth** | | **22,890** | **21,431** | **7%** | **3,844** | **129** | **955** | **874** | **5,451** | **5,556** | **1,214** | **1,356** | **103** | **115** |
| **ASSOCIATIONS** | | | | | | | | | | | | | | |
| 1 | Praxity* | 993 | 957 | 4% | n.d | n.d | 51 | 51 | 742 | 713 | 200 | 193 | 11 | 11 |
| 2 | Allinial* | 171 | 171 | 0% | n.d | n.d | 13 | 13 | 125 | 125 | 33 | 33 | 10 | 10 |
| 3 | GMN International* | 129 | 133 | -3% | 80 | 4 | 16 | 19 | 92 | 88 | 21 | 26 | 6 | 7 |
| 4 | LEA Global / Leading Edge Alliance* (e) | 128 | 123 | 4% | n.d | n.d | n.d | 16 | n.d | 72 | n.d | 35 | n.d | 5 |
| 5 | Integra International* | 113 | 99 | 14% | n.d | n.d | 6 | 6 | 92 | 82 | 15 | 11 | 1 | 1 |
| 6 | BKR International* | 106 | 110 | -4% | n.d | n.d | 12 | 10 | 82 | 82 | 12 | 18 | 2 | 2 |
| 7 | Morison KSi* | 106 | 95 | 12% | 66 | 0 | 5 | 5 | 88 | 77 | 13 | 13 | 1 | 14 |
| 8 | MGI Worldwide with CPAAI* | 83 | n.ap | n.ap | n.d | 1 | 8 | n.ap | 75 | n.ap | - | n.ap | 1 | n.ap |
| 9 | PrimeGlobal* | 70 | 65 | 8% | n.d | n.d | 6 | 4 | 49 | 48 | 15 | 13 | 2 | 2 |
| 10 | Antea* | 60 | 59 | 2% | 41 | 1 | 2 | 1 | 18 | 38 | 40 | 20 | 2 | 1 |
| 11 | DFK International | 53 | n.d | n.d | 38 | 5 | 6 | n.d | 38 | n.d | 9 | n.d | 2 | n.d |
| 12 | IAPA* | 25 | 17 | 47% | 15 | 0 | 1 | 1 | 22 | 13 | 2 | 3 | 1 | 1 |
| - | Abacus Worldwide* | n.ap | 19 | n.ap | n.d | n.d | n.ap | 2 | n.ap | 12 | n.ap | 5 | n.ap | 2 |
| **Total staff/growth** | | **2,037** | **1,848** | **4%** | **240** | **11** | **126** | **128** | **1,423** | **1,350** | **360** | **370** | **39** | **56** |

**Notes:** **(e)** = IAB estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.

***Disclaimer:** Data relating to correspondent and non-exclusive member firms is not included.

**Source:** *International Accounting Bulletin*

# COTE D'IVOIRE: ECONOMY IMPROVES WITH PUBLIC SECTOR OVERSIGHT

**Unlike some of its neighbours, Côte d'Ivoire has overcome political tensions to create one of Africa's most resilient economies. However, smaller accounting firms may struggle to make their mark as the sector seeks to regain its pre-coronavirus momentum, writes *Paul Golden***

**Following a mission to the country in October 2019, the IMF noted that despite a deteriorating external environment, the Ivoirian economy had exhibited resilience, and that strong economic performance was set to continue.**

"Performance under the IMF-supported programme was satisfactory in the first half of 2019," said mission leader Céline Allard. "All performance criteria and indicative targets for end-June 2019 were met, and all but one of the structural benchmarks on public finance management, public enterprise monitoring, and tax policy and administration were also met." The mission noted improvements in the restructuring and the oversight of public enterprises and in custom administration.

Edouard Okoué, director of Crowe Horwath International member firm Uniconseil, explains that participants in the Ivoirian market consist of international firms with a base in the country, international firms that are not established in Côte d'Ivoire but can be selected during international competitive bids, and local firms constituted by qualified professionals who have received the approval of the Order of Chartered Accountants (Ordre des Experts-Comptables de Côte d'Ivoire).

"The founders of these 'local' firms and some of their staff members are former employees of the international firms, which has facilitated the availability of globally valid skills," he says. "Some of these firms have partnership agreements with some of the lesser-known international networks."

Okoué observes that over the past nine years, the economy has grown at an average of 8% per annum due to the regular arrival of large foreign investors. This influx of investment has created important referral engagements for international firms based or represented in Côte d'Ivoire.

"The variety of participants – local and international – as well as the diversity of services provided complicates the determination of market figures," he continues. "Services provided can be grouped into the main categories – audit, tax and advisory/consulting – all of which have shown an increase in parallel with the economic growth of the country."

According to Okoué, a detailed analysis of the different services reveals the possibility of increasing activity in business restructuring, financial planning, alternative dispute resolution, IT audit and consulting, strategic planning and valuation.

## STRUCTURE

Antoine Lawson, senior managing partner PKF Francophone West Africa, suggests that at the level of the French-speaking countries of the West African Economic and Monetary Union, Côte d'Ivoire has organised its accounting and fiscal structures most efficiently. For example, for the last three years all companies have been required to submit annual financial statements digitally under the control of a chartered accountant or accounting company.


Edouard Okoué, Uniconseil

Côte d'Ivoire is a member of the Organization for the Harmonization of Business Law in Africa (Ohada) with 16 other African countries, all of which have a common business law and a common accounting GAAP known as Syscohada (Système Comptable Ohada).

The revised Ohada Uniform Act on Accounting Law and Financial Reporting (UAAFR) and related revised accounting GAAP (revised Syscohada) entered into force on 1 January 2018 for personal accounts and 1 January 2019 for consolidated accounts, combined accounts and – especially for listed and publicly traded companies – financial statements prepared in accordance with IFRS. The revised UAAFR sets penalties for executives in the case of non-compliance with some requirements.

From an industry perspective, Armelle Dassi, senior auditor at Allinial Global member firm Evolutis Compta & Conseil International, refers to a surge in foreign investment and registration of small business. Since 2014, businesses and companies are registered through a single office, CEPICI, which delivers administrative documents; the service's rapidity allows Ivoirians to create companies in as little as two business days.

"In terms of regulation, the revised Ohada accounting system includes the Ohada General Accounting Plan (PCGO) applicable to all entities submitted since 1 January 2018 and the accounting system relating to the consolidated and combined accounts as regards entities having under control one or


Armelle Dassi, Evolutis

more other entities," she explains. "Those new norms will facilitate consolidations of accounts in Ohada forms and IFRS."

Dassi says firms such as hers have benefited greatly by providing training for accountants to help them better use the new PCGO and navigate the new accounting reforms.

Elvis d'Oliveira, advisory services partner at Mazars Ivory Coast, notes that while preparation of consolidated financial statements is not a new obligation, several companies prepared their first consolidated financial statements as of 31 December 2019. Listed and publicly traded companies are also preparing to publish their first IFRS standalone and consolidated financial statements as of this date.

"The requirement to produce financial statements in IFRS for listed and publicly traded companies is an important niche for the development of diverse and varied services (training, support for the application of IFRS, auditing of accounts established in IFRS) for accounting professionals in Côte d'Ivoire," says d'Oliveira. "Globalisation is on the way in terms of financial communication and the recent problems brought by the Covid-19 pandemic should not reverse this trend."

His colleague and Mazars Ivory Coast managing partner Zana Kone observes that since 2017, when filing financial statements to the Côte d'Ivoire tax administration companies must provide a tax visa issued by a certified public accountant.

"As a result of this obligation, companies of all sizes are increasingly outsourcing accounts management or using the services of accounting firms to support their finance teams," he explains. "Advisory services are also an area where accounting firms should invest. Companies need more and more support to implement stringent regulations issued by regulators of public interest entities."

According to d'Oliveira there are also new consulting opportunities related to the change of business models and governance including cybersecurity, management and protection of personal data, digital transformation, data management and automation, and sustainable development services.

"Although it appears to be less and less remunerative due to competition between professionals made possible by the standardisation of audit techniques, accounting and financial auditing remains important in the Ivoirian market because corporate law maintains the activity of the statutory audit," Kone adds.

## HUMAN RESOURCES

The most specific challenge for accounting firms in Côte d'Ivoire could be human resources, according to Kone and d'Oliveira. "They must be able to reinforce the skills of their staff – notably in IFRS – to meet all the stringent requirements of these standards," they say. "They should also invest in retention plans to keep trained employees in the firm."

Baker Tilly Ivory Coast director Noel Koffi Yao says demand for a full service – including legal and tax services as well as accounting – is growing as clients express greater interest in not just taxation, but also what he describes as social management services, including payroll and human resources.

However, he also accepts that supporting companies during the post-Covid-19 period will be a major challenge for accounting firms in Côte d'Ivoire over the next 12 months.

"We have seen increasing demand for outsourcing payroll services and bookkeeping as well from new entrants, mostly in the mining and telecom industries," says Hady Dramé, managing partner at BDO Francophone West Africa. "But firms require better management of productivity to stop margin erosion."

Lawson agrees that the accounting market in Côte d'Ivoire has been expanding, but acknowledges that much remains to be done to force certain companies to hire the services of a chartered accountant or accounting firm.

Dassi reckons the push for entrepreneurship is the most significant market trend. The government has invested in and created various agencies and websites such www.225invest.ci, which guides companies and potential investors through business registration and identifying profitable sectors. "Highlighted sectors include electricity production, construction, IT development and health and pharmaceuticals," she says. "New companies will need the assistance of experienced firms to ensure tax compliance and regulatory compliance. As a result, tax counselling and business registration services areas are growing and are provided by most accounting firms."


Elvis d'Oliveira, Mazars

Dassi agrees that client retention – especially for small clients with cash-flow issues – will present a major problem for most accounting firms in the coming months. "The current worldwide health situation has slowed down activities for most businesses," she says. "The Ivoirian government had taken, very early in the crisis, emergency decisions to financially support small and mid-size businesses. As costs are being re-evaluated, accounting firms will have to cope with delayed fee payments."

Another challenge is human resources. With curfews, health and travel restrictions, accounting firms have had to provide more work-at-home solutions for employees. "As we are moving towards a new normal with working conditions, it will be a challenge to apply labour laws while adapting to working outside the regular offices," she adds.

Apart from the consequences of Covid-19, short- and medium-term challenges lie in the absence of more equitable fees and conditions allowing local firms to continue to exist, alongside internationals says Okoué.

"A common handicap to the whole profession is the absence of a compulsory official scale of fees," he adds. "This situation allows international firms to apply – depending on the case – either high fees by asserting their international reputation for the jobs referred, or dumping to compete with local firms."

Ultimately, Okoué concludes that the main obstacles faced by local accounting firms lie in their ability to develop their turnover through networking and train their personnel as part of the modernisation of the profession. ■

# COTE D'IVOIRE

## NETWORKS & ASSOCIATIONS: FEE DATA

| | Rank | Name | Fee income (CFAm) | Fee income last year (CFAm) | Growth (%) | Fee split (%) | | | | | Year end |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Audit & assurance | Accounting services | Tax | Advisory | Other | |
| NETWORKS | 1 | PwC* (e) | 7,854.3 | 7,140.3 | 10% | n.d | n.d | n.d | n.d | n.d | n.d |
| | 2 | EY* (e) | 7,586.6 | 6,896.9 | 10% | n.d | n.d | n.d | n.d | n.d | n.d |
| | 3 | Mazars* | 3,139.8 | 2,812.3 | 12% | 68 | 8 | 12 | 12 | - | Aug-19 |
| | 4 | Grant Thornton* | 1,474.7 | n.d | n.d | - | - | 92 | - | 8 | Sep-19 |
| | 5 | BDO* (e) | 1,102.1 | 1,001.9 | 10% | n.d | n.d | n.d | n.d | n.d | n.d |
| | 6 | Baker Tilly International* | 515.0 | 492.0 | 5% | 47 | 34 | - | - | 19 | Dec-19 |
| | 7 | Crowe* (1) | 515.0 | 420.0 | 23% | 74 | 15 | 4 | 4 | 3 | Dec-19 |
| | 8 | PKF International* | 303.0 | 344.8 | -12% | 57 | 43 | - | - | - | Jun-19 |
| | 9 | HLB* (1) | 109.8 | 72.4 | 52% | 5 | 80 | - | 15 | - | Dec-19 |
| | - | Deloitte* | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| | - | KPMG* | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| **Total fee income/growth** | | | **22,600.3** | **19,180.6** | **10%** | | | | | | |
| ASS'NS | 1 | Praxity* | 3,139.8 | 2,812.3 | 12% | 68 | 8 | 12 | 12 | - | n.ap |
| | - | IAPA International* (2) | n.ap | 47.9 | n.ap | n.ap | n.ap | n.ap | n.ap | n.ap | n.ap |
| **Total fee income/growth** | | | **3,139.8** | **2,860.2** | **12%** | | | | | | |

**Notes: (e)** = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Increase in fee income attributed to gaining new clients. (2) Lost its member firm in Côte d'Ivoire.

***Disclaimer**: Data relating to correspondent and non-exclusive member firms is not included. Where data for accounting services are not disclosed, they are included in audit and assurance.

**Source:** *International Accounting Bulletin*

# NETWORKS & ASSOCIATIONS: STAFF DATA

| Rank | Name | Total staff | | Growth (%) | Female | | Partners | | Professionals | | Admin | | Offices | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | 2018 | | Staff | Partners | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **NETWORKS** | | | | | | | | | | | | | | |
| 1 | EY* (e) | 244 | 222 | 10% | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| 2 | PwC* (e) | 167 | 152 | 10% | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| 3 | Mazars* (1) | 89 | 67 | 33% | n.d | n.d | 2 | 1 | 75 | 55 | 12 | 11 | 1 | 1 |
| 4 | BDO* (e) | 79 | 72 | 10% | n.d | n.d | n.d | n.d | n.d | 63 | n.d | 6 | n.d | 2 |
| 5 | Baker Tilly International* | 31 | 33 | -6% | 11 | 0 | 1 | 1 | 22 | 23 | 8 | 9 | 1 | 1 |
| 6 | Crowe* | 31 | 33 | -6% | 8 | 1 | 4 | 4 | 23 | 24 | 4 | 5 | 1 | 1 |
| 7 | PKF International* | 28 | 27 | 4% | n.d | n.d | 4 | 4 | 17 | 16 | 7 | 7 | 3 | 1 |
| 8 | Grant Thornton* | 13 | 10 | 30% | 3 | 0 | 2 | 1 | 8 | 7 | 3 | 3 | 6 | 1 |
| 9 | HLB* | 10 | 14 | -29% | 3 | 0 | 1 | 1 | 8 | 10 | 1 | 3 | 1 | 1 |
| - | KPMG* | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| - | Deloitte* | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| **Total staff/growth** | | **693** | **630** | **10%** | **25** | **1** | **14** | **12** | **153** | **198** | **35** | **44** | **13** | **8** |
| **ASSOCIATIONS** | | | | | | | | | | | | | | |
| 1 | Praxity* (1) | 89 | 67 | 33% | n.d | n.d | 2 | 1 | 75 | 55 | 12 | 11 | 1 | 1 |
| - | IAPA International* | n.ap | 10 | n.ap | n.ap | n.ap | n.ap | 1 | n.ap | 7 | n.ap | 2 | 2 | 2 |
| **Total staff/growth** | | **89** | **77** | **33%** | **0** | **0** | **2** | **2** | **75** | **62** | **12** | **13** | **1** | **1** |

**Notes: (e)** = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.

(1) Increase in staff number attributed to recruiting teams to develop on-audit services.

***Disclaimer:** Data relating to correspondent and non-exclusive member firms is not included.

**Source:** *International Accounting Bulletin*

# EGYPT

## NETWORKS & ASSOCIATIONS: FEE DATA

| Section | Rank | Name | Fee income (EGPm) | Fee income last year (EGPm) | Growth (%) | Fee split (%) | | | | | Year end |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Audit & assurance | Accounting services | Tax | Advisory | Other | |
| NETWORKS | 1 | KPMG* | 401.7 | 366.8 | 10% | 64 | - | - | - | 36 | Dec-19 |
| NETWORKS | 2 | EY* (e ) | 290.2 | 268.7 | 8% | n.d | n.d | n.d | n.d | n.d | n.d |
| NETWORKS | 3 | PwC* (e) | 229.0 | 212.0 | 8% | n.d | n.d | n.d | n.d | n.d | n.d |
| NETWORKS | 4 | Deloitte* | 195.9 | 191.6 | 2% | 54 | - | - | - | 46 | Sep-19 |
| NETWORKS | 5 | Mazars* (1) | 69.1 | 58.6 | 18% | 47 | 12 | 31 | 10 | - | Aug-19 |
| NETWORKS | 6 | RSM* (2) | 62.8 | 44.9 | 40% | 20 | 12 | 28 | 39 | 1 | Dec-19 |
| NETWORKS | 7 | Baker Tilly International* (2) | 54.0 | 37.0 | 46% | 62 | 3 | 19 | 10 | 6 | Dec-19 |
| NETWORKS | 8 | Kreston International* (3) | 51.7 | 36.7 | 41% | 36 | 6 | 37 | 17 | 4 | Oct-19 |
| NETWORKS | 9 | BDO* (4) | 47.8 | 44.5 | 7% | n.d | n.d | n.d | n.d | n.d | Aug-19 |
| NETWORKS | 10 | Grant Thornton* | 43.4 | 34.2 | 27% | 37 | - | 7 | 51 | 5 | Sep-19 |
| NETWORKS | 11 | HLB* | 23.2 | 21.5 | 8% | 32 | 9 | 31 | 26 | 2 | Dec-19 |
| NETWORKS | 12 | Moore Global* (e) | 18.4 | 17.0 | 8% | n.d | n.d | n.d | n.d | n.d | n.d |
| NETWORKS | 13 | Crowe* (2) | 13.2 | 10.2 | 29% | 70 | 5 | 6 | 19 | - | Dec-19 |
| NETWORKS | 14 | Reanda International* | 12.0 | 11.5 | 4% | 17 | 3 | 29 | 33 | 18 | Dec-19 |
| NETWORKS | 15 | Nexia International* (3) | 7.8 | 3.8 | 106% | 46.6 | 23 | 21 | 8 | - | Jun-19 |
| NETWORKS | 16 | PKF International* (5) | 5.1 | 4.1 | 24% | 59 | - | 17 | - | 24 | Jun-19 |
| NETWORKS | 17 | ECOVIS International* | 3.7 | 3.3 | 12% | 17 | 36 | 42 | 4 | 1 | Dec-19 |
| **Total fee income/growth** | | | **1,529.0** | **1,366.4** | **12%** | | | | | | |
| ASSOCIATIONS | 1 | Praxity* (1) | 69.1 | 58.6 | 18% | 47 | 12 | 31 | 10 | - | n.ap |
| ASSOCIATIONS | 2 | BKR International* (e) | 22.9 | 22.0 | 4% | n.d | n.d | n.d | n.d | n.d | n.d |
| ASSOCIATIONS | 3 | Abacus Worldwide* | 19.0 | n.ap | n.ap | 20 | 5 | 25 | 10 | 40 | Dec-19 |
| ASSOCIATIONS | 4 | Morison KSi* | 18.7 | 17.4 | 7% | 53 | 13 | 25 | 6 | 3 | Dec-18 |
| ASSOCIATIONS | 5 | PrimeGlobal* (2) | 13.5 | 10.0 | 35% | 62 | 11 | 16 | 11 | - | May-19 |
| ASSOCIATIONS | 6 | MGI Worldwide with CPAAI* | 8.4 | n.ap | n.ap | 20 | 20 | 45 | - | 15 | n.ap |
| ASSOCIATIONS | 7 | GMN International* | 7.7 | 6.9 | 11% | 11 | 14 | 68 | 4 | 3 | Sep-19 |
| ASSOCIATIONS | 8 | DFK International* | 5.6 | 4.7 | 19% | 57 | 3 | 29 | 3 | 8 | Dec-19 |
| ASSOCIATIONS | 9 | EAI International* | 5.4 | 5.7 | -5% | 65 | 10 | 18 | - | 7 | Dec-19 |
| ASSOCIATIONS | 10 | Integra International* | 4.7 | 3.9 | 21% | 75 | 6 | 14 | 5 | - | Dec-19 |
| ASSOCIATIONS | 11 | IAPA* | 4.0 | 4.1 | -3% | 15 | 20 | 35 | 5 | 25 | Dec-19 |
| ASSOCIATIONS | 12 | Allinial Global* | 3.6 | 3.9 | -8% | 18 | 17 | 34 | 27 | 4 | Dec-19 |
| ASSOCIATIONS | 13 | Inpact* | 1.8 | 1.8 | 2% | 56 | 15 | 23 | 5 | 1 | Dec-18 |
| ASSOCIATIONS | 14 | Antea* | 1.8 | 1.6 | 11% | 29 | 33 | 24 | 14 | - | Dec-19 |
| **Total fee income/growth** | | | **186.1** | **140.6** | **13%** | | | | | | |

**Notes: (e)** = *IAB estimate*, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Increase in fee income attributed to relative growth in advisory and accounting service lines. (2) Increase in fee income attributed to gaining more businesses and new clients. (3) Added a new member firm. (4) Revenue does not include outsourcing service lines. (5) Increase in fee income attributed to organic growth.

***Disclaimer**: Data relating to correspondent and non-exclusive member firms is not included. Where data for accounting services is not disclosed, it is included in audit and assurance.

**Source:** *International Accounting Bulletin*

# NETWORKS & ASSOCIATIONS: STAFF DATA

| Rank | Name | Total staff | | Growth (%) | Female | | Partners | | Professionals | | Admin | | Offices | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2019 | 2018 | | Staff | Partners | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **NETWORKS** | | | | | | | | | | | | | | |
| 1 | KPMG* | 906 | 821 | 10% | n.d | n.d | n.d | 40 | n.d | n.d | n.d | n.d | 2 | n.d |
| 2 | Mazars* | 478 | 496 | -4% | n.d | n.d | 19 | 18 | 389 | 408 | 70 | 70 | 2 | 2 |
| 3 | EY* (e) | 356 | 330 | 8% | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| 4 | PwC* (e) | 321 | 297 | 8% | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d |
| 5 | Kreston International* | 285 | 260 | 10% | 48 | - | 11 | 7 | 249 | 232 | 25 | 21 | 5 | 6 |
| 6 | RSM* | 271 | 243 | 12% | 30 | 2 | 24 | 22 | 209 | 193 | 38 | 28 | 7 | 7 |
| 7 | Baker Tilly International* | 251 | 171 | 47% | 29 | 1 | 13 | 12 | 206 | 134 | 32 | 25 | 1 | 1 |
| 8 | Moore Global* (e) | 135 | 125 | 8% | n.d | n.d | n.d | 12 | n.d | 92 | n.d | 21 | n.d | 3 |
| 9 | HLB* | 116 | 117 | -1% | 32 | 5 | 8 | 8 | 93 | 94 | 15 | 15 | 6 | 4 |
| 10 | Grant Thornton* | 116 | 144 | -19% | 6 | 1 | 9 | n.d | 82 | n.d | 25 | n.d | 1 | n.d |
| 11 | Crowe* | 86 | 85 | 1% | 20 | 1 | 6 | 7 | 68 | 66 | 12 | 12 | 2 | 2 |
| 12 | Nexia International* | 65 | 26 | 150% | 5 | - | 8 | 3 | 50 | 19 | 7 | 4 | 4 | 3 |
| 13 | Reanda International* | 60 | 65 | -8% | 14 | 2 | 6 | 6 | 39 | 44 | 15 | 15 | 4 | 4 |
| 14 | PKF International* | 31 | 30 | 3% | n.d | n.d | 4 | 4 | 22 | 21 | 5 | 5 | 1 | 1 |
| 15 | ECOVIS International* | 25 | 27 | -7% | 8 | - | 1 | 1 | 19 | 20 | 5 | 6 | 1 | 1 |
| - | Deloitte* | n.d | n.d | n.d | n.d | n.d | n.d | 6 | n.d | n.d | n.d | n.d | n.d | n.d |
| - | BDO* | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | n.d | 3 | 3 |
| **Total staff/growth** | | **3,502** | **3,237** | **8%** | **192** | **12** | **109** | **146** | **1,426** | **1,323** | **249** | **222** | **36** | **34** |
| **ASSOCIATIONS** | | | | | | | | | | | | | | |
| 1 | Praxity* | 478 | 496 | -4% | n.d | n.d | 19 | 18 | 389 | 408 | 70 | 70 | 2 | 2 |
| 2 | PrimeGlobal* | 144 | 140 | 3% | n.d | n.d | 10 | 12 | 106 | 104 | 28 | 24 | 5 | 5 |
| 3 | Morison KSi* | 117 | 112 | 4% | 7 | 1 | 13 | 13 | 82 | 78 | 22 | 21 | 2 | 3 |
| 4 | IAPA* | 67 | 65 | 3% | 31 | - | 2 | 2 | 59 | 57 | 6 | 6 | 1 | 3 |
| 5 | Antea* | 60 | 50 | 20% | 23 | - | 6 | 8 | 51 | 37 | 3 | 5 | 2 | 2 |
| 6 | EAI International* | 54 | 51 | 6% | 0 | - | 3 | 3 | 45 | 41 | 6 | 7 | 1 | 1 |
| 7 | DFK International* | 45 | 49 | -8% | 3 | - | 4 | 4 | 35 | 38 | 6 | 7 | 1 | 1 |
| 8 | BKR International* (e) | 35 | 35 | 1% | n.d | n.d | n.d | 3 | n.d | 27 | n.d | 5 | n.d | 1 |
| 9 | GMN International* | 31 | 29 | 7% | 1 | - | 4 | 3 | 24 | 19 | 3 | 7 | 1 | 3 |
| 10 | Integra International* | 31 | 27 | 15% | n.d | n.d | 3 | 3 | 24 | 20 | 4 | 4 | 1 | 1 |
| 11 | Inpact* | 31 | 25 | 24% | 2 | - | 2 | n.d | 27 | n.d | 2 | n.d | 2 | n.d |
| 12 | Allinial Global* | 25 | 25 | 0% | 0 | - | 2 | 2 | 19 | 19 | 4 | 4 | 1 | 2 |
| 13 | MGI Worldwide with CPAAI* | 16 | n.ap | n.ap | n.d | n.d | 2 | n.ap | 14 | n.ap | - | n.ap | 1 | n.ap |
| 14 | Abacus Worldwide* | 16 | n.ap | n.ap | n.d | n.d | 4 | n.ap | 10 | n.ap | 2 | n.ap | 2 | n.ap |
| **Total staff/growth** | | **1,150** | **1,104** | **1%** | **67** | **1** | **74** | **71** | **885** | **848** | **156** | **160** | **22** | **24** |

**Notes: (e)** = *IAB estimate*, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.

***Disclaimer:** Data relating to correspondent and non-exclusive member firms is not included.

**Source:** *International Accounting Bulletin*

# PRIMEGLOBAL: LEADING THE WAY IN TECHNOLOGY AND INNOVATION

**PrimeGlobal CEO Steve Heathcote discusses with *IAB* the lessons learned from digital investments made by member firms, and the growing opportunities firms are finding in the technology space. He describes the benefits and the pain points, which extend beyond uncertainty around automation's impact and ways to adapt, with both large and small firms from various regions**

**"Technology adoption has accelerated throughout the crisis; it is now essential for the profession to go digital and for firms to help their clients make the leap so they are resilient, agile, efficient and can find new ways to grow. We have to be ready to learn from others to rapidly digitally transform," states PrimeGlobal CEO Steve Heathcote.**

Ulrich Britting, founder of PrimeGlobal German member firm ba tax gmbh works with clients in the tech industry, including SaaS and e-commerce companies.

The firm is particularly focused on entrepreneurial digital businesses younger than 10 years old, as well as SMEs that are starting to grow and scale up. Britting's firm moved to the cloud early, and led the way in a predominantly traditional market. Its services focus on helping clients move to a digital environment, offering consultancy support and identifying and connecting new tools and systems to digitise the accounting process.

Britting's advice to all accounting firms is to start embracing technology as soon as possible, in order to understand and see the full benefits from using different tools.

The firm has adopted a bold 'test and learn' approach, and Britting says: "It is OK to make a mistake, as that is the only way to learn and bring your people on the journey with you".

ba tax focuses on employing people who love innovation and has an 'innovation budget' for staff to apply for funds to develop new tech tools. Britting predicts the next big step will be optical character recognition (OCR), deep learning and analysis completed without structured data. During the Covid crisis this firm feels they are one step ahead in the move to digital and they plan to use this time to tidy up existing data as data integrity is critical for any successful digital activity and tech development. It will support the move to more effective data analytics which will be critical to provide the advisory services businesses will look for in a post-Covid world.

## ANALYTICS

Scott Sanders, CIO at PrimeGlobal US firm Sikich leads a tech team of 20 people, for a large firm that operates across 35 US states. Sanders' team deals directly with ERP platforms and implementations. Over the next five years, the firm plans to further develop a strong base in data analytics and RPA to expand offerings to clients.

Discussing the need to make partners and practice staff excited about RPA, Sanders says the key to managing job-loss fear is to highlight that RPA will not replace jobs, but can be used to augment and elevate roles and processes.

"By explaining to people that tech can help with mundane and routine tasks, you will get them excited about it and they will want to learn more," comments Sanders.

The firm has also been using data analytics for some time, and found it very useful in the context of outsourced accounting, audit and other such processes. The firm is using a 'dashboard view' across different platforms – some are internally built but also linking into existing platforms such as Salesforce, netsweep, MS ERP products, Power BI and Tableau.

RPA will expand rapidly as the business case is proven. Packages are becoming more readily available – so it is essential for firms to make this move.

In terms of people, Sanders shares that many of the positions in his team did not exist two years ago – for example the role of RPA manager. He understands that it is important to stop using tech from 10-plus years ago, and invest in young talent and graduates with knowledge of new tech.

In the future, Sanders feels the firm will continue to grow from both a revenue and headcount standpoint. There will not be more need for clerical or administrative back-office jobs, but business advisors and tax specialists will always be needed and will continue to have broader impact that cuts across the economy.


Steve Heathcote, PrimeGlobal

Ultimately this means that tech will not replace people, but will help to develop roles and make these coexist successfully with tech.

## SOLUTIONS

Karan Gupta, partner at top 20 Indian firm SP Chopra & Co, manages a technology-led team to provide high-impact solutions to global clients.

Even before the Covid-19 crisis, Gupta helped clients understand that unification of governance, risk and compliance with the emerging technologies in analytics, AI and Blockchain are prerequisites for modern businesses.

Gupta says that adoption and realignment are not just buzzwords of today, but tools that provide significant measurable benefits to organisations. In a post-Covid world, he expects that clients will be seeking help with disaster-recovery, business-continuity and resilience planning through business processes redesign and through technological solutions.

Gupta says that with the world moving towards a "new normal", clients are more open to technology and data analytics, and are ready to experiment with emerging technologies. Now is the time, therefore, to train teams in tech and start talking to clients about emerging services and their role in better control and real-time monitoring.


Karan Gupta, SP Chopra & Co

The firm is also assisting clients in the adoption of remote working tools and sensitisation of staff towards phishing, malware and hackware protections, alongside cybersecurity for the organisation as a whole.

The firm is using a variety of tech software, and has seen great benefits in using Tableau in conjunction with Caseware applications and Excel, to provide data analytics and real-time updates to internal audit and consulting clients. This has also had a far-reaching impact on the firm's due diligence and forensic practice in terms of analysing and presenting voluminous data. SPC has worked alongside a number of PrimeGlobal firms to help clients across geographies, including large PrimeGlobal US-based firms.

By using the new tech tools, Gupta feels the firm saved hundreds of man hours, had easier turnaround time for preparation of reports without errors, and clients and partners are happier to see more intelligent and navigable deliverables. He adds that the forecasting function helps to broadly see the direction in which the business is heading, so adequate steps can be taken to modify the direction, if required, and provide business consulting services in the long run.

In the future, SPC plans to work on server integration for live and real-time data analysis instead of historic audits, with the help of various API integrations that would help decision making at board level.

Patrick Armknecht, technology advisor at PrimeGlobal US firm Schneider Downs, works with clients to help identify technology solutions that can enhance their businesses. This firm has extensive experience with the use of RPA, starting with bank reconciliations, deposits and cheque postings, and then expanding the offering to support clients.

It is now using RPA beyond finance – for background checks as part of recruitment, staff onboarding and so on – as it finds that RPA creates value quicker than other tools such as AI.

The firm is using the RPA as a line of business and in the audit procedures, completing 100% review of transactions. Armknecht says, "Anything that can be automated benefits from a bot. Bots are great to reduce the risk of business interruption. They don't need a vacation. They can't get a virus. Following this pandemic, it is likely that there will be a wider adoption of bots to reduce risk."


Ulrich Britting, ba tax

In the future, Armknecht predicts bots will be analysing unstructured data, through chat boxes and OCR. Furthermore, data analytics might start to analyse data and instruct Bots to complete the follow-on work. He adds that we may also see the rise of predictive AI.

## PUSH BECOMES PULL

In terms of people, Armknecht agrees with Sanders that first reaction of staff is sometimes negative, but once they see the benefits of tech they quickly embrace the tools and "push very quickly becomes pull".

The current crisis is an opportunity as people have no alternative – they have to change. He sees this trend continuing and being accelerated during and after the Covid-19 crisis.

Armknecht concludes: "The firms that have led the way in technology adoption have been better placed to respond to the crisis. PrimeGlobal is committed to help all our members learn from each other, so they have the confidence to digitally transform." ■


Patrick Armknecht, Schneider Downs

# KEY AUDIT MATTERS: DISCLOSURES BY LSE INDUSTRIES

**Following the implementation of key audit matters (KAMs), Audit Analytics analysts *Jessica McKeon, Steven Dixon* and *Krystle Beaubrun* highlight risk assessment reporting topics that have been disclosed relatively frequently in the past year**

**According to Audit Analytics, revenue and other income was the most reported KAM in 2019 among companies listed on the London Stock Exchange (LSE), accounting for roughly 20% of all disclosed KAMs. Though, asset impairment and recoverability and valuation of investments follow very closely behind at 18% and 14%, respectively.**

The disclosure of KAMs is intended to increase the usefulness and information provided in the auditor's opinion. These disclosures made by the auditor are meant to describe the area of significant audit risk, a summary of the auditor's procedures to test the audit area, and any key observations of the auditor with respect to that risk, where appropriate.

Audit Analytics found that revenue and other income appears to be a popular KAM across the services industry, accounting for over 40% of KAMs across LSE companies, while valuation of investments is frequently cited for LSE companies in the finance, insurance and real estate sector, totalling over 50% of KAMs disclosed.

And while it is evident that asset impairment and recoverability is a frequently occurring KAM for all five industries listed, it is dominant in the retail trade sector, accounting for almost 60% of all KAMs.

However, as the world faces an unprecedented pandemic, businesses and audit firms are navigating uncharted territories when it comes to assessing risk. As of 22 April 2020, Audit Analytics has come across more than 40 disclosures from UK companies citing the coronavirus as a KAM.

Of course, some industries are being impacted more than others. Finance, insurance and real estate companies, which comprise roughly 40% of all LSE companies disclosing key audit matters in 2019, have seen the most KAMs citing the pandemic to date, accounting for more than 30% of those disclosed. Services and manufacturing sectors follow, totalling roughly 25% and 20% of these KAMs respectively.

The 6 April 2020 audit opinion of RockRose Energy, an independent oil and gas production and infrastructure company listed on the main board of the LSE, cited Covid-19 as a KAM because it may cause a "long-term decrease in commodity prices, including oil.

"The pandemic could also cause a disruption to operational activities and impact earnings, cash flows and financial conditions. In addition, the auditor notes: "The group has made an assessment of the impact of Covid-19 on its operations and ability to continue as a going concern."

Meanwhile, the audit opinion signed on 11 March 2020 of Royal Dutch Shell – more commonly known as Shell – an oil and gas company headquartered in the Netherlands and incorporated in the UK, also felt as though the impacts of Covid-19 rose to the level of a KAM. "Auditing the recoverable amounts of assets and investments is complex and subjective due to the significant amount of judgement involved

"Forming a view on long-term oil and gas prices is inherently difficult, in particular with significant demand uncertainty due to factors such as world trade disputes, political instability, fears over a global recession and the pace of decarbonisation."

The audit opinion of Hilton Food Group, a food packaging business listed on the LSE and a member of the FTSE 250, also listed Covid-19 as a KAM, citing key challenges that could be faced by the company including the availability of labour and the continued supply of raw materials, as well as packaging materials. Although the business is considered essential and activities are permitted to continue, the company may not have the workforce to do so in the event a multitude of personnel become infected.

As the circumstances surrounding the pandemic continue to evolve, it would not be surprising to continue to see KAMs related to Covid-19. Considering no one knows what the full extent of the impact will eventually be, auditors may address the risk of that uncertainty in a KAM. ■

## FREQUENCY OF KAM TOPIC BY INDUSTRY, 2019

| | FINANCE, INSURANCE AND REAL ESTATE | MANUFACTURING | RETAIL TRADE | SERVICES | WHOLESALE TRADE |
|---|---|---|---|---|---|
| Revenue and other income | 32% | 29% | 36% | 43% | 37% |
| Asset impairment and recoverability | 12% | 40% | 58% | 38% | 42% |
| Valuation of investments | 53% | 1% | 15% | 3% | 0% |
| Going concern | 6% | 8% | 17% | 11% | 17% |
| Subsidiary/affiliate | 5% | 11% | 14% | 8% | 19% |

Data as of 22 April 2020

Source: Audit Analytics

# RESTATING THE PURPOSE OF THE PROFESSION

**As countries take tentative steps to emerge from lockdown, there is much comment about whether we will all adapt, and what lessons organisations can learn from the pandemic. *Sharon Machado,* head of business reporting at ACCA, looks at how we can build back better**


Sharon Machado, ACCA

**To carry out this rebuilding, a clear purpose is needed. And purpose is all about why something exists, why it is relevant and why it is useful.**

This purpose, relevance and use are the central themes of a new report from ACCA called *Accountants, Purpose and Sustainable Organisations.* Here, we ask two fundamental questions: what is the purpose of the accountancy profession? And why trust the profession?

As an accountant myself, I had been pondering the profession's purpose well before the pandemic broke. At a time when trust in professions is declining, as reported in January 2020's *Edelman Trust Barometer,* and as organisations and societies struggle with issues like climate change, I believe it is important the profession's contribution to business and society is championed.

So why the profession? I think in answering this question we must ask another: what would the world be like with no accountancy profession?

Demonstrable accountability of business leaders may be compromised. Recording of business transactions will be inconsistent and poorly communicated. Trust will be thwarted through a lack of scepticism and assurance, meaning capital markets would falter. Society's understanding of business activities will be compromised, paving the way for fraud.

Accountancy brings an order to things that we can trace back thousands of years to the first clay tablet etchings by Kushim, an ancient Sumerian, recording measures of barley and thereby enabling his community to make growing and consumption decisions to ensure their sustainability.

Today the need for sustainability is just as important, especially during times of dynamic change and turbulence. Here in the 21st century, the profession works hard to support organisations in meeting this need, recognising the importance of its public interest remit. It has a role in creating, protecting and communicating value.

It is well equipped to do this because the modern accountant has fundamental characteristics that define accountancy's unique place in society and business. These are ethics and integrity, technical and professional skills, and connectivity.

Ethics and integrity drive professional accountants to do the right thing; technical and professional skills give the profession its unique know-how and expertise. The profession's connectivity is evident in the fact it speaks the global language of business.

## CONNECT AND IMPLEMENT

The profession is also one of immense breadth. Business issues and finance touch practically every part of an organisation. The networks the profession builds are key to coordinating and connecting different parts of organisations to make and implement decisions.

Better connections drive more effective governance over emerging and changing risks. These connections mean professional accountants understand others and can influence them positively.

Accountants are value creators, value protectors and value communicators. It is a profession about putting safeguards in place, something that is incredibly important as economies strive to recover from the impacts of Covid-19.

We know from speaking to over 10,000 of our members that the pandemic's impacts are expected to be hard-hitting: 80% of business leaders polled for our Covid-19 research expect a significant downturn in expected revenues and profit year on year.

The profession's role as a rebuilder will be much needed in the weeks and months to come. It will be part of the blueprint to build back better, to sustain that blueprint and face down the challenges and identify the opportunities ahead.

The profession's purpose is transformative, and it is well placed to support organisations, and more broadly the societies in which we all live and work, to be sustainable and prosperous for the long term.

One such opportunity is the chance for accountants and their professional bodies to reshape the reporting and assurance landscape. This is both an immediate and long-term role, where we can ask the right questions to get the most from the technology revolution which has really come to the fore during these Covid-19 times.

The profession has an enduring value, and I truly hope this article has helped you rethink what purpose means to you. We want our report to prompt a discussion about the point of the profession in this increasingly challenging global environment. ■

# CORPORATE INSOLVENCY, RESTRUCTURING AND RESCUE PLANS

***Benjamin Wiles,*** **MD – restructuring advisory at Duff & Phelps, looks at how the proposed changes of the Insolvency and Governance Bill will impact moratorium procedures for UK businesses and the accountancy sector to reformulate rescue plans for businesses suffering difficulties due to Covid-19**

Benjamin Wiles, Duff & Phelps

**Introduced on 20 May 2020, the Corporate Insolvency and Governance Bill is a welcome development that will deliver a number of changes to UK company law, enabling companies undergoing a restructuring and rescue process to continue trading.**

The bill itself contains a number of temporary and permanent provisions to assist companies through the Covid-19 crisis. However, some of these proposals have been in consultation for some time – originally outlined in a March 2018 consultation, albeit with some significant changes.

These reforms also reflect a number of provisions contained in a European Commission Directive from November 2016. Under this directive, the Commission proposed that the insolvency legislation of each EU member state should include three of the key elements set out in the government's proposals: a moratorium, a prohibition on 'ipso facto' clauses, and the ability to confirm a restructuring plan if it complies with the cross-class cram-down requirements.

The bill contains a number of temporary changes to prevent winding-up petitions and statutory demands, together with the temporary suspension of wrongful trading provisions until 30 June 2020 at the earliest – allowing directors to continue trading without the threat of personal liability.

In addition, the bill will ease regulatory requirements enabling companies to delay annual general meetings until late September 2020 or hold 'closed AGMs' online.

## THREE CHANGES

Of the three permanent changes to the insolvency regime, the most impactful is the introduction of a 'company moratorium'. This provision will give distressed companies that are viable 20 business days – extendable to 40 or longer by agreement – to pursue a rescue plan.

To qualify for the moratorium, a company must be unable to pay its debts and it is likely that a moratorium would result in a rescue of the business as a going concern.

The exit from the moratorium may be achieved in a number of ways, including a rescue, sale, refinance, company voluntary arrangement, scheme of arrangement or restructuring plan.

While the company remains under the control of its directors throughout the moratorium, it is envisaged the appointed 'monitor', who must be a licensed insolvency practitioner, will be comfortable that a rescue is achievable and then monitor the process throughout.

This means that protection is provided to the company, and the creditors are unable to commence legal action via winding up petitions or by other enforcement avenues available to them.

The second new provision in the bill is a change to existing supplier contracts so that termination clauses do not trigger, and supply issues or price increases cannot be implemented. This will mean that contracted suppliers will have to continue to supply companies despite the pre-insolvency arrears, unless they can demonstrate 'hardship' as a result.

The third key element of the bill will enable companies in financial difficulty, or their creditors, to form a 'restructuring plan'.

Although similar to a scheme of arrangement, the major difference is that it can impose the restructure on any dissenting creditors, be it secured or unsecured, who voted to reject it. But these dissenting creditors cannot be put into a worse position than what the court considers would have been the most likely outcome if the plan was rejected.

In enabling businesses to continue trading even if they are undergoing a rescue or restructure process, the changes introduced are designed to avoid insolvency, and preserve employment along with potential enterprise value, and should therefore be welcomed. But the key test will be in the detail and practical implications of the new measures.

The challenge now is how fast these changes can be made. With Parliament now sitting, this significant support for the UK economy is being fast-tracked through, with the aim of enacting the bill by June at the earliest.

It is our contention that this might not be the end of the reforms to the existing legal framework. We could potentially see a flattening out of the global insolvency framework, moving to a more level, fairer playing field. In doing so, the international business community, and the small to mid-sized enterprises they support, will be better placed to restart and return to trading. ■

# THE FALLOUT FROM COVID-19: LESSONS FROM CHINA'S FINANCE PROFESSION

***Ji Zhou,* assistant professor, SNAI, and *Shan Yufei,* knowledge manager, IMA, discuss a joint survey of Chinese businesses during the pandemic which suggests that there is a gap between the competences demonstrated by CFOs or finance executives, and the capabilities they are expected to have**

**The Covid-19 crisis has been an unusual challenge, impacting every major country and continent, but its timing – in terms of when it arrived and when it will peak – has varied immensely.**

Enough time has elapsed since Covid-19 first struck in China for Europeans and Americans – and those in a similar trajectory – to begin looking for clues as to what the near future will look like. Business leaders – including CFOs and other leaders in the finance function – can benefit from a detailed analysis of how China's companies were able to cope with the sudden challenges presented by Covid-19.

To this end, the Shanghai National Accounting Institute (SNAI), in conjunction with the US-based institute of Management Accountants (IMA), conducted a survey of Chinese finance and accounting professionals. The survey covered challenges related to business operations, financial and employee management, and corporate social responsibility, and used a sample of respondents from multiple regions of China and across industries.

The survey report, *Chinese Enterprises Facing the Impact of The Covid-19 Crisis,* revealed key findings that will have relevance for European and US businesses as they look toward economic reopening in the coming weeks and months:

- The top three challenges for enterprises during the pandemic were poor cash flow, labour shortage and sharp drops in revenue;
- The complete resumption of domestic production would depend on the resumption of upstream and downstream operations and production along the supply chain;
- Small and micro-sized enterprises lacked crisis-response capacity and risk-management preparedness, which led to poor operational results;
- More than half of respondents were cautiously optimistic about the complete resumption of business operations in China by the first half of 2020. More than 80% believed that the R&D investment and employee training expense as a percentage of sales would remain the same or slightly increase in 2020;
- Enterprises perform their corporate social responsibility through donations and welfare activities;
- Strong financial leadership is particularly important for the stability and sustainability of these enterprises.

Based on these findings, we were able to make recommendations for businesses in countries that have yet to reach China's stage in this crisis, one where the health challenge has subsided, but economic challenges remain and stretch into the future.

## Improve management of cash flow

Having three to six months' worth of cash flow is the key to survival for companies during a crisis like Covid-19. Enterprises should allocate resources and optimise management through better assessing cash on hand, cutting down unnecessary expenses and expenditures, accelerating AR recovery, seeking funding through capital markets and applying for emergency loans and other endeavours. Meanwhile, enterprises should take precautions, and create a more comprehensive financial plan including near- and medium-term cash-flow arrangements and a reasonable debt-leverage ratio.

## Protect and enhance access to credit

For any company, credit is an intangible but indispensable asset that has great bearing on long-term development. Financial professionals should evaluate contractual fulfilment ability by analysing aging of accounts receivables and payables to forecast supply chain risks. They should also actively communicate with stakeholders to reduce the credit risk potentially caused by emergency events.

## Strengthen risk preparedness

Small and micro-sized enterprises' lack of preparedness for Covid-19 reflected their dearth of risk prevention awareness and crisis management. These enterprises should incorporate major emergencies – such as pandemics – into their corporate risk management spectrums and establish emergency decision-making committees. Enterprises should also track the latest policies on bank financing and lending issued by central and local governments. During the pandemic, tax cuts and government subsidies proved highly beneficial for struggling enterprises, especially small and micro-sized ones.

## Keep investing in R&D

More than half of respondents believed that it is necessary to continue to increase investment in R&D and employee training, as well as in digital technologies. Therefore, management should reevaluate their enterprise development strategies and business models, soliciting responses from every business unit to bolster productivity that improves business capital efficiency and restores growth in the aftermath of the pandemic.

Covid-19 has proven to be an enormous and unprecedented challenge for China and its economy. Given that China has gone through much of the pandemic already and is now addressing the fallout, the findings and recommendations in this survey would be beneficial to finance professionals in other parts of the world– and hopefully would enable them to get "ahead of the game" and ensure their companies' survival during the pandemic and return to growth afterwards. ■

# LOOK EAST TO FIND RECOVERY IN THE FIRM M&A MARKET

**There is no point in beating about the bush: the global coronavirus crisis has put a halt on mergers and acquisitions in the accountancy market. *Keith Underwood,* MD and *Tim Underwood,* Asia MD at Foulger Underwood, comment**

**Practices are naturally focused on short-term operational and client-focused requirements. Being acquired, or acquiring another practice, requires focus and effort – which are not possible at the moment.**

However, this paralysis is temporary. It will ease and move, with different time scales for different jurisdictions – and we will explain why.


Keith Underwood, Foulger Underwood

### *Deal drivers in the European markets*

Professional services firms face many challenges in running a successful firm. They must invest in IT, keep track of customer service, consider if they can scale their offering, while managing process efficiency – and if all is well, make a sound profit.

If these become a struggle, then a firm may look to merge or be acquired. But if you are looking to scale up your operations and broaden your services, you may look to acquire. These fundamental M&A drivers are unaffected in the medium and long term by the impact of coronavirus.

Indeed, the current situation is likely to prove a stimulus or catalyst for further consolidation and M&A. Some firms will struggle to adapt to an environment where employees demand and need a much higher level of management in the longer term. Working from home and flexible hours look set to be the rule rather than the exception.

Another driver may be increased demand from clients for a closer relationship with their accountant, following an increased level of support through the pandemic crisis. Maintaining this support may mean permanently restructuring service offerings, and ultimately the work that your people undertake. Such an upheaval over the longer term will be impossible for some firms.

In other words, some practice owners may feel it is the right time for a new owner to step in to lead these client developments.

### *A view from Asia*

Moving on to reviewing the Asian accountancy and corporate services market, having suffered the coronavirus before Europe, gives us the best opportunity to gauge what will happen globally in professional services M&A in the future.

China, which first faced coronavirus, is the furthest down the track in terms of operating in the 'new normal' world – in other words, restarting business while maintaining diligence measures against the coronavirus's return. Other Asian countries have similarly been relatively successful in managing its spread again and containment.


Tim Underwood, Foulger Underwood

Asia, from an accountancy market perspective, tends not to have the same succession pressures as in the UK and Europe. M&A deals are more focused on smaller firms merging into larger multi-country entities – exposing themselves to more territories.

These fundamentals of the Asian market have not been altered because of the pandemic. In fact, the appeal for a smaller firm to join a larger grouping of firms is probably greater than it was before the coronavirus crisis.

The pipeline of deals was certainly held up by six weeks when lockdowns and travel restrictions were in place. Deals cannot be truly signed off over a Zoom call. Meeting in person is an important element of M&A, as with most types of major contract.

Deals where the basics were in place 'pre-coronavirus' are back on, and slowly moving as restrictions ease. Remote due diligence work between parties has now resumed, with a view to on-site work in the coming weeks.

But where certain Asian countries are still under lockdown, deals and sign-off have been hampered, which is frustrating where one party is free to travel and ready to move. Hong Kong, for example, is virtually back to business as normal.

The importance of online meetings should not be underplayed, though. Zoom and other tools are allowing exploratory discussions to take place and much more effectively than by previous phone or email.

The negative impact of the lockdown upon general accountancy business, no matter what jurisdiction, will be either a lack of work or difficulties in collecting cash, even when busy. Where and when this happens, we would expect to see buyers look to swoop for these practices, if they become distressed. But this is not happening in Asia – yet.

It will be dependent on accountants successfully receiving payments from clients, over the coming weeks – if not, then it will precipitate deals.

### *The new normal*

Ultimately, coronavirus has had a huge impact on business across the globe.

Professional services organisations tend to be called on most in times of economic strife and this has been no exception. As a result, they will be looking to build new working models, using tech and recruit newly skilled people to build profitable advisory-led organisations to support new ways of working and new demands on the business.

Whether traditional partnerships look to merge together, or private equity-backed firms see opportunities to build up these businesses, deals will happen. ■

# WHY ACCOUNTANTS PLAY A PIVOTAL ROLE IN SOCIETY

**Kreston International CEO *Liza Robbins* explores the critical role accountants can play as trusted advisors to clients, and the contribution of the profession towards creating cohesion and stability in uncertain times**

Liza Robbins, Kreston International

**The coronavirus crisis has prompted many people to rethink the way they live.**

On every online platform, many people are confessing that, secretly, they relish the slower pace of life under lockdown, which enables them to enjoy quality time with their immediate family, devote more time to pursuits they enjoy, and cut out much of the hustle and bustle that previously left them feeling busy – but unfulfilled.

As lockdown eases, they are asking themselves: how do we lead more purposeful, meaningful lives going forward? This is a good time for accounting firms to ask themselves a similar question.

You see, for most businesses, profit will always come first. But most people also want to have an impact on the world around them, and the work they do is an essential vehicle for this. It is not just millennials who prefer to work for companies whose work inspires them – people of all ages do. And it is easier to sell your services when you give clients a vision they want to be part of.

Traditionally, accounting firms have had a difficult time communicating a larger sense of purpose which both employees and clients are drawn to. All too often, we have been stereotyped – or maligned – as boring bean-counters. And like in so many industries, our proposals often focus on the technical work that we do rather than the value that we offer and how we can transform businesses and improve people's lives.

But our experience during coronavirus has given us fresh answers to this conundrum. Talking to Kreston network members all over the world during lockdown, I was struck by the deep difference they were making.

Again and again, they were essential in helping companies access emergency funding from governments. This is not just about untangling bureaucracy – their actions helped save thousands of companies, jobs and livelihoods. And they gave many desperate company owners relief and hope during a fiendishly difficult time.

They also helped companies file accounts and taxes on time during a period of unparalleled turmoil. Again, this was not just a tick-box exercise – without them, companies could not continue operating smoothly. And now they are working hard to help businesses navigate harsh new economic conditions, with valuable consultancy.

While we may not be physically saving lives like NHS workers, I have no doubt that we are saving lives in the broader sense, helping to prevent bankruptcies and job losses on a massive scale.

## PROUD CONTRIBUTION

I am sure your own firm can tell a similar story – and if this were all we accountants were contributing right now, we would have every reason to be proud, but our contribution goes even further.

As recent weeks have shown, civil society is easily disrupted. We have seen trust in our government undermined, contributing to the fraying of the lockdown. Across the ocean, we have seen trust in the police undermined, leading to wide unrest and a deep sense of injustice. These events have shown how essential it is for people to have confidence in our systems, for society to run smoothly.

But one thing that has, thus far, not been questioned is our financial systems.

Given that we are facing one of the greatest financial crises of our time, this would perhaps have been expected. But despite everything, people do not seem to feel that our financial institutions are unreliable or that there was a lack of oversight of companies' financial affairs. Had that been the case, we could easily have seen a run on the banks, just as there was during the Northern Rock crisis over a decade ago.

It has not happened, though – and our firms have played a role in this, keeping businesses running smoothly, and providing essential checks and balances as auditors, accountants and tax advisors.

The truth is, the role we play is essential to civil society – in fact, it underpins it! And this is something we should be communicating proudly to our teams, clients and prospects. The work we do is of national and international importance – it is truly meaningful. The more clearly we say this, the more respect our profession will earn, the easier it will become to attract and retain good talent, and the more inspired and loyal our clients will be.

There has been an uplifting sense of 'we have all been in this together'. We have clapped for the NHS, we have shopped for neighbours, cooked for key workers and we have cared. Accountants have played a role in this national and international effort – but their pivotal role in society goes beyond the current crisis.

Post-Covid-19, our firms will still have a key role to play, advising clients on the appropriate tax to pay, keeping firms operational, and most of all, acting in a way that helps build a sustainable and inclusive society we would all be proud to be part of. ■

# CHINA CHANGES POLICIES TO: SUPPORT COMMERCE AND INDUSTRY AFTER COVID-19

**Since the outbreak of the Covid-19 pandemic in China, a plethora of policies to help bring it under control and encourage the resumption of production have been issued by government bodies at all levels. *Dandan Guo,* general manager at Nexia International member firm Chung Rui Tax Group, comments**

Dandan Guo, Chung Rui Tax Group

**Currently, the Chinese member firms of global network Nexia International are actively helping to interpret new policies for thousands of enterprises in the country.**

The Covid-19 policies were released by the government in four stages, with different focuses in each.

The first batch focused on epidemic prevention and control. The second focused on reducing the burden of social insurance premiums on enterprises, and enhancing their confidence and determination for economic recovery in order to resume business life quickly.

The third tranche focused on small and micro enterprises plus other industrial and commercial businesses owned by individuals, to help them overcome the difficulties. The final batch aims to maintain stable foreign trade and foreign investment to counteract the negative impacts of the epidemic.

## PREFERENTIAL POLICIES

The preferential policies introduced involve corporate income tax, VAT, consumption tax, urban maintenance and construction tax, customs duties, personal income tax, urban land use tax, national and local education surcharges, social security and housing funds.

In most provinces of China, small-scale taxpayers have benefited from reduced VAT rates until 31 May in order to encourage the resumption of business, economic activity and production. In Hubei Province, the worst-hit province in China, small-scale taxpayers are exempted from VAT, while the VAT rate for small-scale taxpayers outside Hubei is reduced from 3% to 1%.

In most provinces, employers are exempt from paying pension contributions and unemployment and employment injury insurance payments for a maximum of five months. For large enterprises, contributions for these are reduced by half for a maximum of three months. Medical insurance costs for both SMEs and larger enterprises are reduced by half for no more than five months.

The country is implementing a temporary reduction and exemption of pensions and unemployment insurance for industrial and commercial businesses owned by an individual. The government has also implemented policies relating to reductions and exemptions from urban land-use tax, supporting landlords to reduce and exempt property rents for these businesses.

## FOREIGN INVESTMENT

In terms of maintaining foreign investment, the government is increasing the export tax rebate rate for exports from China, but excluding energy intensive and highly polluting products.

The Chinese government is also expanding its official list of industry categories in which foreigners are allowed to invest.

## ACCOUNTANCY INDUSTRY

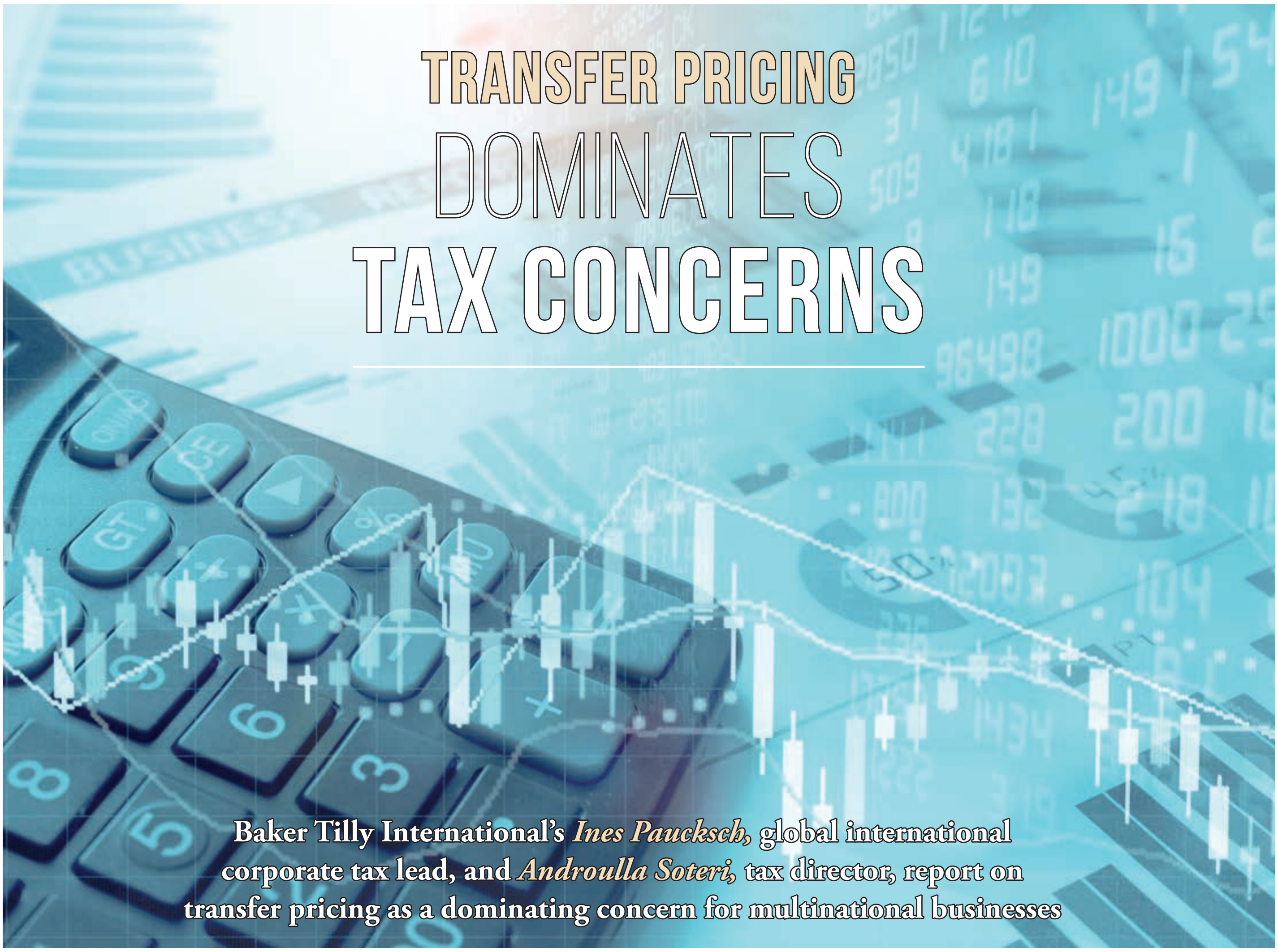
Professional service providers in China, such as accounting and tax-specialist firms, have had their social security contributions halved, while small-scale taxpaying firms are benefiting from VAT reduction and exemption policies.

In addition, the Chinese Institute of Certified Public Accountants, the accounting industry regulator, has exempted all membership dues for Chinese accountancy firms. The China Certified Tax Agents Association, the country's tax regulator, has also halved its membership dues.

Firms in some provinces and cities are also receiving stabilising employment subsidies issued by their local provincial and municipal governments, and special subsidies for recruiting new graduates.

## LEGISLATIVE CHANGES

The Chinese Ministry of Finance intends to draft a new VAT law, plus new consumption tax and customs laws and other regulations later this year. It is also planning to complete the revision of the Accounting and CPA laws in China. ■



# TRANSFER PRICING DOMINATES TAX CONCERNS

**Baker Tilly International's *Ines Paucksch*, global international corporate tax lead, and *Androulla Soteri*, tax director, report on transfer pricing as a dominating concern for multinational businesses**

**In 2018-19, the Baker Tilly network conducted its first international tax survey exploring the sources of tax uncertainty in an increasingly globalised economy, and the impact of these on daily business.**

Findings revealed that transfer pricing and permanent establishments topped the list of concerns for multinational businesses. A year later, and those concerns continue to dominate.

These were among several of the key findings from the network's 2019-20 international tax survey, which was released early in the first quarter of 2020. The survey was conducted before the global Covid-19 pandemic struck.

While transfer pricing and permanent establishments continue to top the list of concerns keeping the C-suite awake at night, concerns over the handling of tax disputes with authorities and the impact of technology have rocketed.

Ines Paucksch, Baker Tilly

Androulla Soteri, Baker Tilly

Legislative changes such as the ATAD, DAC 6 and the US Tax Reform, along with any expected changes resulting from Brexit, surprisingly featured lower down on the list of concerns for clients, possibly indicative of businesses being attuned to dealing with changes of this nature in a way that they are not equipped to address the heightened use of technology by tax authorities and the consequential impact on how tax is assessed and enquiries arising. ■