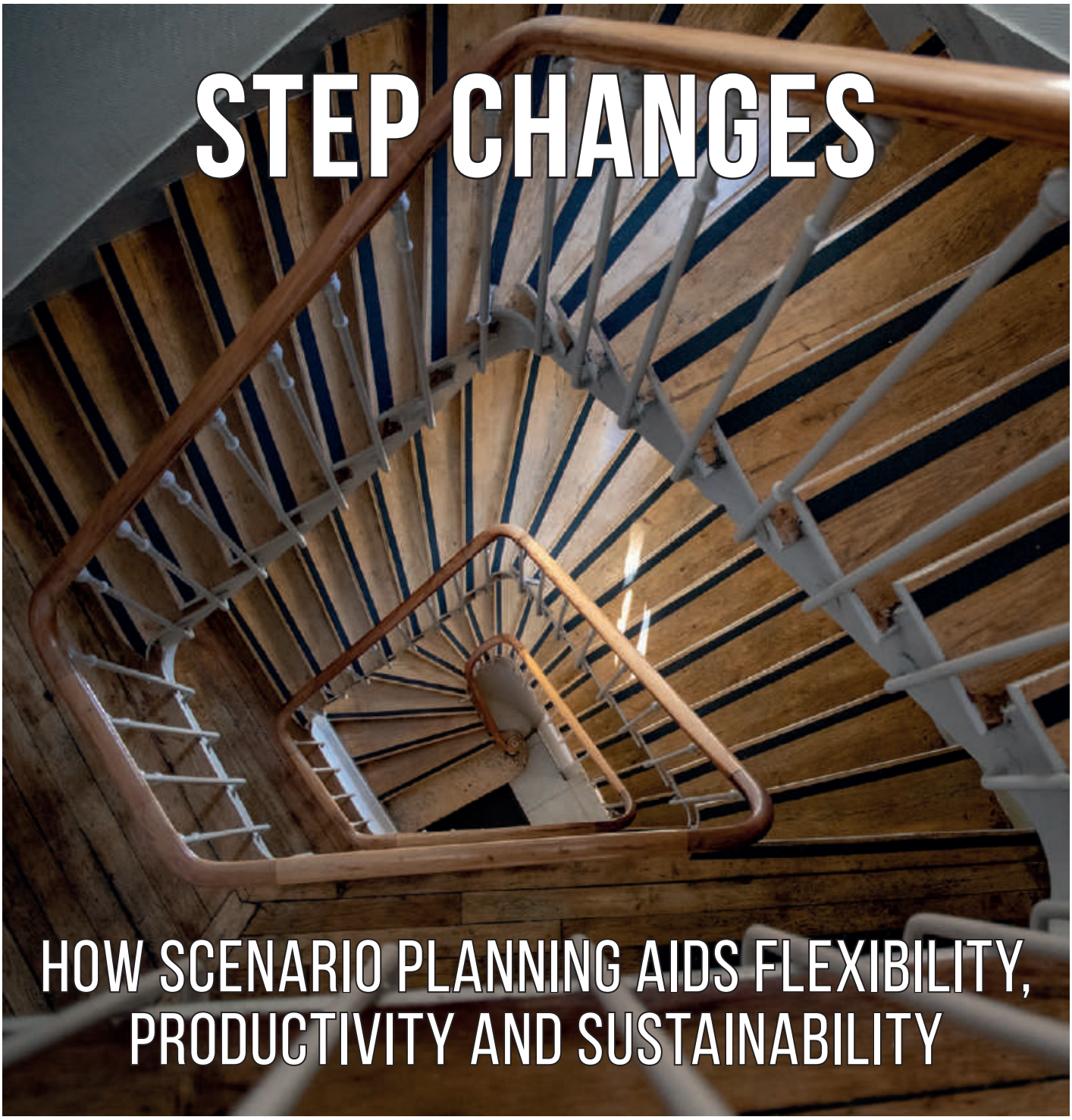
ISSUE 611 WWW.INTERNATIONALACCOUNTINGBULLETIN.COM JULY 2020

INTERNATIONAL Accounting BULLETIN



STEP CHANGES

HOW SCENARIO PLANNING AIDS FLEXIBILITY, PRODUCTIVITY AND SUSTAINABILITY

COUNTRY SURVEYS

Key insights and market data for the professions in Australia and Singapore

PEOPLE

How Kreston International is using technology to make the world a smaller place

INDUSTRY FOCUS

The explosion of data enables us to pinpoint areas that need attention

THIS MONTH

NEWS

Group Editor:
Zoya Malik
+44 (0)20 7832 4315
zoya.malik@globaldata.com

Group Editorial Director:
Ana Gyorkos
+44 (0)20 7832 4396
ana.gyorkos@globaldata.com

Director of Events:
Ray Giddings
+44 (0)20 7936 6512
ray.giddings@compelo.com

Data researcher:
Sarajuddin Isar
+44 (0)20 7832 4363
sarajuddin.isar@progressivemediagroup.com

Production editor:
Nick Midgley
+44 (0)161 359 5829
nick.midgley@uk.timetric.com

Head of Subscriptions:
Sharon Howley
+44 (0)20 7936 6587
sharon.howley@verdict.co.uk

Sub-editor:
Andrea Minter

Customer Services: +44 (0)20 7936 6587, briefings@verdict.co.uk
PR: accountingpr@verdict.co.uk

Financial News Publishing, 2012. Registered in the UK No 6931627. ISSN 0956-5558

For more information on Verdict, visit our website at **www.verdict.co.uk**.
As a subscriber you are automatically entitled to online access to International Accounting Bulletin.
For more information, please telephone +44 (0)20 7406 6536 or email briefings@verdict.co.uk.

London Office: John Carpenter House, John Carpenter Street, London, EC4Y 0AN

Image resources: shutterstock.com

INTERNATIONAL Accounting BULLETIN

SHORTLIST DATA & DIGITAL PUBLISHING

MEDIA PIONEER AWARDS COMMENDED 2011

FOLLOW IAB ON TWITTER
@WAI_NEWS

JULY 2020

PEOPLE

INDUSTRY FOCUS

COUNTRY SURVEYS

PARTNERSHIP

FEATURE

RANKINGS

EDITOR'S LETTER
TIME TO REASSESS THE RULES OF ENGAGEMENT

Zoya Malik, Group Editor

THE COVID-19 PANDEMIC HAS ACCELERATED CHANGE AND TRANSITION ALONG ALL AVENUES OF AN ORGANISATION'S MANAGEMENT. NOW, SIX MONTHS ON, THERE IS AN INWARD LOOK AT REASSESSING THE RULES OF ENGAGEMENT WITH INTERNAL AND EXTERNAL STAKEHOLDERS, RESOURCING, SUPPLY CHAIN AND SUSTAINABILITY OF DELIVERY.

Firms have been grappling with a number of agendas that call for immediate investment into scenario planning management for crisis response, cashflow forecasting to identify cost reductions to improve their and clients' liquidity positions, modelling changing customer behaviours to adjust stock-level volatility, and applying for loans and subsidies from government schemes to keep clients' businesses buoyant. Corporates small and large are also looking to ramp up tech resilience to combat fraud and bolster cybersecurity. On a daily basis, firms need to communicate critical information to staff on matters of retention and employability.

IAB is tackling all of these topics through C-suite and industry expert commentary as we move through stages of the pandemic's impact on our industry and the global community. Do visit *IAB's* Coronavirus Timeline feature online to read my quick-fire Q&A rounds with industry CEOs on how they are meeting Covid-19 challenges.

In this month's issue, read the CEO interview with Liza Robbins of Kreston International, who speaks about bringing the global cluster together into a focused community via technology, and creating a platform for information sharing and recruitment of new members.

Experts at BakerTilly talk about the future of remote working and the need to renegotiate our relationships with technology, the workplace, corporate travel and, going forward, the need to stabilise and heal workforces that have been dispersed.

Alice Ko, head of content at purchasing software company Procurify, investigates a hot topic of crisis scenario planning, strategies that all businesses must explore if they are to survive and lead. She demonstrates cross-sector firms' various modelling and implementation techniques.

This month's country surveys cover Singapore and Australia, and also include industry rankings for Japan, New Zealand and India.

IAB and *The Accountant* will be holding our joint annual DAF Awards on 30 September 2020. Do contact me with how your business is future-proofing and planning for the second half of 2020. ■

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

NEWS UPDATE

AICPA urges IRS to 'act immediately' to provide penalty relief due to pandemic

The American Institute of CPAs (AICPA) has urged the Internal Revenue Service (IRS) to provide broader tax administrative and penalty relief ahead of the 15 July filing and payment deadline, due to concerns that taxpayers and preparers may struggle to calculate and pay tax bills as a result of the Covid-19 pandemic.

AICPA has made the following recommendations:

- **Penalty relief**
  - Current state: Taxpayers who fail to file a return or fail to pay an amount shown as tax on the return on or before its due date are subject to a penalty;
  - AICPA recommends that the IRS automatically waives penalties for the 2019 tax year through the extended filing deadline for all taxpayers. Additionally, AICPA asks that the IRS reassesses the impact of the coronavirus during 2021, and determines the appropriateness of offering similar penalty relief for the 2020 tax year.
- **Instalment agreements**
  - Current state: Taxpayers who are unable to pay the full amount of tax due in one payment may enter into an agreement with the IRS to pay any tax due in instalments;
  - AICPA recommends that the IRS establishes an expedited process to approve new instalment agreements or modifications of existing instalment agreements based on realistic and affordable payment arrangements for taxpayers impacted by the coronavirus.
- **Delay in IRS collections**
  - Current state: If taxpayers do not pay their tax obligation in full at the time it is due, they generally will receive a series of escalating automated notices reminding them of the amount owed, including any penalties and interest accrued, and demanding payment. These notices precede the automated collection process, which continues until the account is satisfied, the case is transferred to a revenue officer or until the IRS is no longer able to legally collect the tax;
  - AICPA recommends that the IRS continues to halt its automatic collections activities of liens and levies by at least an additional 90 days after 15 July. At that time, the IRS should reassess the appropriateness of re-establishing any collection activities.

AICPA VP of taxation Edward Karl said: "The coronavirus pandemic has created a tremendous amount of hardship and uncertainty for taxpayers and their advisers, and for the IRS. We are asking the IRS to do its part to help businesses and individual taxpayers by waiving penalties and delaying collections as the country begins the process of reopening and operating in only a limited capacity." ■

FRC ANNOUNCES PRINCIPLES FOR AUDIT OPERATIONAL SEPARATION

The FRC has announced its principles for operational separation of the audit practices of the Big Four firms.

The objectives of operational separation, which the FRC says is world leading, are to ensure that audit practices are focused above all on delivery of high-quality audits in the public interest, and do not rely on persistent cross-subsidy from the rest of the firm.

The FRC's desired outcomes include:

- Audit practice governance prioritises audit quality and protects auditors from influences from the rest of the firm that could divert their focus away from audit quality;
- The total amount of profits distributed to the partners in the audit practice does not persistently exceed the contribution to profits of the audit practice;
- The culture of the audit practice prioritises high-quality audit by encouraging ethical behaviour, openness, teamwork, challenge and professional scepticism/judgement; and
- Auditors act in the public interest and work for the benefit of shareholders of audited entities, and wider society.

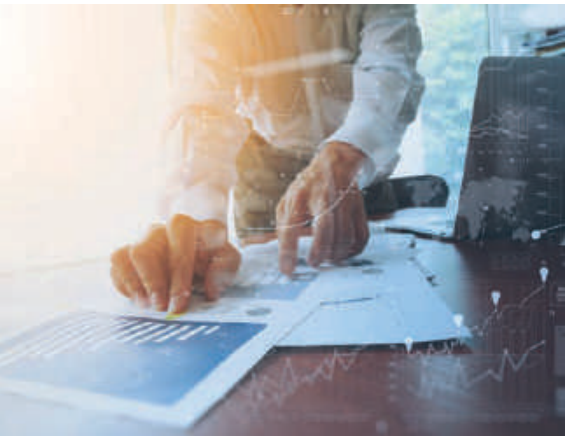
These final principles follow extensive discussions with audit firms. The FRC is now asking the Big 4 firms to agree to operational separation of their audit practices on this basis, and to provide a transition timetable to complete implementation by 30 June 2024 at the latest.

An implementation plan should be submitted to the FRC by 23 October 2020. The FRC will then agree a transition timetable with each firm. Thereafter the FRC will publish annually an assessment of whether firms are delivering the objectives and outcomes of operational separation.

FRC CEO Sir Jon Thompson said: "Operational separation of audit practices is one element of the FRC's strategy to improve the quality and effectiveness of corporate reporting and audit in the UK following the Kingman, CMA and Brydon reviews."

Thompson added: "The FRC has delivered a major step in the reform of the audit sector by setting principles for operational separation of audit practices from the rest of the firm. The FRC remains fully committed to the broad suite of reform measures on corporate reporting and audit reform, and will introduce further aspects of the reform package over time." ■

FINANCIAL FORECASTING AND ACCOUNTING SOFTWARE SKILLS DESIRED BEYOND 2020



Accountants must become more proficient in financial forecasting and using accounting specific software if they are to be of value in the future, according to a new survey of professionals by Caseware.

While the majority (56%) of accountants say they currently carry out tasks manually that could be automated, only 43% believe this will continue beyond 2020. Instead, they believe that the profession will take on a more consultative role for clients in the next few years, advising on issues such as financial planning and strategy, with automation taking on the majority of analytical and data entry tasks.

The findings are part of a new report by accounting automation software specialist Caseware, analysing what accountants believe will be the biggest changes in the industry in the next five years – particularly around skills and the use of technology.

According to the survey of 1,000 accounting and finance professionals in the UK, while 41% of accountants view analytical skills as among the most important today, this drops to 37% when asked what skills will be most important during the next five years.

The need to accurately record data, while viewed as the most important skill for an accountant today by 61% of respondents, is set to become less important in the next half decade, and just 41% believe it will continue to be a key skill in the future.

These downward trends are in contrast to the rise of 'soft skills' and specific software use. While a quarter of accountants say financial reporting is a vital skill today, 30% say it will become the most important by 2024.

Similarly, while 24% of accountants say being able to use specific software is important today, 33% see it as growing in importance in the near future.

Whether accountants have the necessary skills to add value in the future, however, remains in question among those in the industry, with 62% of accountants agreeing that there is a growing skills gap in the sector. This is up from 51% in a similar study conducted by Caseware in 2016, and is not something accountants see as improving anytime soon.

Caseware director Shez Hamill said: "Whether 2020 marks the beginning of the age of accounting automation remains to be seen, but it is definitely where accountants expect the industry to go. Most accountants recognise that technology will change their day-to-day job, and that they will have to take on a new role that is more consultative and about adding value to clients.

"The area of concern, however, is not about whether automation will take jobs, but rather if the industry as a whole has the skills it needs to take on this new, more strategic and planning-focused role. Based on what our research has found, there is serious doubt about this, and it is something accountants and finance teams should be looking to address from 2020 and beyond." ■

CORPORATE INSOLVENCY AND GOVERNANCE ACT PASSES INTO LAW

Organisations from across the insolvency and restructuring framework have welcomed the passing of the Corporate Insolvency and Governance Act into law, following its Royal Assent on 25 June.

Insolvency and restructuring trade body R3, the Institute of Chartered Accountants in England and Wales (ICAEW), the Insolvency Practitioners' Association (IPA), ICAS, and Chartered Accountants Ireland have all welcomed the passage of the act.

The act introduces the biggest reforms to the UK's corporate insolvency framework for almost 20 years, and makes a series of temporary changes to corporate governance requirements for companies and other entities.

In particular, the new business rescue moratorium and new restructuring plan are designed to give companies breathing space and tools to maximise their chances of survival, and are measures for which the profession has been campaigning for a number of years.

Colin Haig, president of insolvency and restructuring trade body R3, said: "Our members already play a key role in assisting struggling firms through financial difficulty, and the act gives them additional tools with which to support this important work at a critical time for the economy. These tools now need to be tested in practice, but we are hopeful that they will prove to be successful."

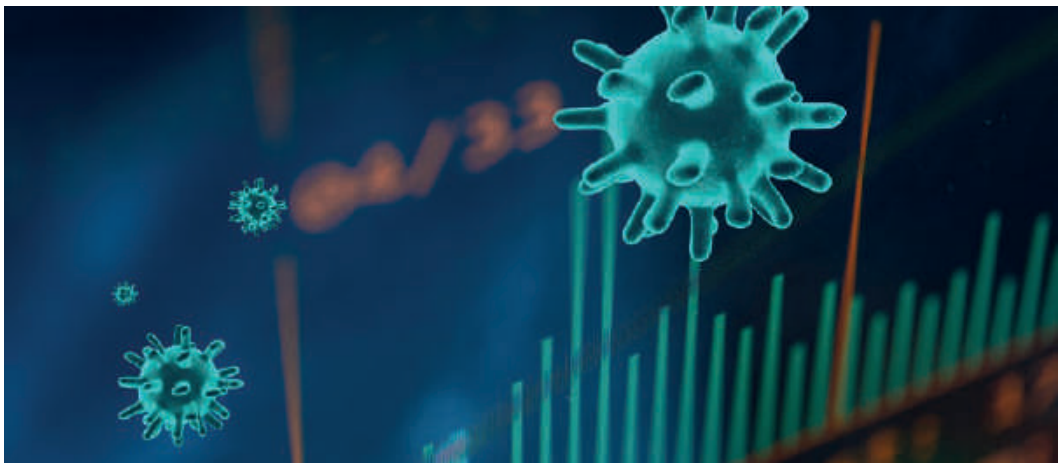
ICAEW director Bob Pinder said: "This act contains both short-term measures and long-term reforms, and our licensed insolvency practitioners will have a key role to play as the changes take effect.

"Our licensed insolvency practitioners are responsible professionals who are committed to helping companies restructure and survive where possible. They will take every step necessary to ensure the legislation works in the best possible interests of all stakeholders. This legislation has been designed to save businesses and jobs; we hope it's a success."

IPA CEO Michelle Thorp said: "We welcome the bill and its objective to support businesses. We will monitor the bill in practice, offering input where required to help ensure that the measures serve all stakeholders in insolvency processes correctly."

David Menzies, director of practice at ICAS, added: "The new corporate restructuring tools and temporary suspension of parts of insolvency law are welcomed by ICAS members and will benefit many of their clients during what is likely to be a period of significant and sustained economic turmoil." ■

UNEMPLOYMENT TO RISE DESPITE COVID-19 FIGHTBACK



Accountancy experts expect UK unemployment to increase sharply, despite economic confidence in the second quarter showing small signs of recovery, the 2020 Global Economic Conditions Survey (GECS) has found.

A national survey of senior accountancy practitioners, who reflect the outlook of nearly 1,000 businesses they advise, found that confidence picked up by five points to -34, after capitulating in the first quarter as Covid-19 took hold. The survey highlighted an employment index fall of 21 points to an eight-year low of -54.

The GECS report, jointly published by the Association of Chartered Certified Accountants (ACCA) and the Institute of Management Accountants (IMA) reveals:

- Measures of orders – or incoming business – are weak across all regions of the global economy, reflecting the collapse in activity caused by the crisis;
- Global confidence recovered slightly from the record low reached in the first quarter's survey;
- Optimism that recovery is in prospect in the second half of the year, notwithstanding the collapse in activity through the first half, and
- Recovery will not prevent a sharp rise in unemployment in coming months.

ACCA chief economist Michael Taylor revealed there was relatively little divergence in confidence between regions owing to the global nature of the coronavirus economic shock.

Taylor said: "UK economic sentiment is in line with the rest of Western Europe, recording a bounce in confidence in the second quarter. This indicates a degree of optimism about future prospects.

"In response to the Covid-19 pandemic, the government has provided support to households and businesses through its furlough scheme, business interruption and microbusiness loan schemes. But as lockdowns are lifted and the economy begins to recover, a fiscal stimulus to boost demand is likely to be needed."

He continued: "Another indication of the severity of the present global slowdown is the change in measured concern about customers and suppliers going out of business. Both these series had trended sideways at relatively low levels in recent years, but shot up to record highs in the second quarter – to 23% for suppliers and 47% for customers."

ACCA UK head Claire Bennison added: "These results reveal deep-rooted concerns as the government focuses on economic recovery. GECS highlights concerns businesses have over supply chains, new orders and more pressingly, employment.

"Many businesses await Rishi Sunak's economic statement this week, and whether there will be an emergency budget or spending review. Business owners need to be clear about exactly what they need to do in order to move forward with confidence, save jobs and reboot their business.

"Uncertainty breeds inaction, this is something businesses simply cannot afford in these difficult times."

Looking ahead, Taylor concluded: "Special Covid-19-related questions in this GECS show an overall 50-50 split between those expecting economic recovery this in the second half of this year and those not expecting this until 2021.

"There may not be unity on when economic recovery is likely to take place; however, a collective effort will be required to ensure a return to economic prosperity as quickly as possible." ■

HIGHEST EARNING VIRTUAL JOBS

Almost 30,000 people in the UK searched Google for 'virtual jobs' in June, which has been directly linked to the influx of people on furlough leave and working from home during the pandemic.

Resume.io has researched the highest earning virtual jobs for those interested in what the new world of working can offer. The 31 jobs analysed have been broken down into three tiers: top, mid and bottom.

Jobs in the top-tier, and therefore the highest-paid virtual job roles and industries, include web developer, software developer, consultant, e-commerce and property lawyer, all at an average salary of £47,500 ($60,100).

Mid-tier roles include interpreter (£41,570), teacher, writer, auditing, instructor and conveyancer, all at £37,500.

The bottom tier includes tutor, editor, £32,500, baker, copywriter, proofreader, crafter and estate agent, all at £32,500.

Resume.io spokesperson Menno Olsthoorn commented: "Even before the pandemic struck, the way we work was changing.

"Success is no longer defined by the hours we put in at the office. For some employers and employees it works, but generally, it's an outdated mind-set. What we can see, from analysing Google search volumes, is people want the option to cultivate their own success, with flexibility that promotes a better work-life balance."

He added: "Taking a look at the sheer choice of 'virtual' or remote working roles available, success can be achieved in myriad ways. At the end of the day, it's about putting in the work not where you work." ■

KRESTON INTERNATIONAL: USING TECHNOLOGY TO MAKE THE WORLD A SMALLER PLACE

***Zoya Malik* speaks to Kreston International CEO Liza Robbins about the part technology is playing in creating a platform for information sharing and recruitment of new members, and her strategic plans for the business across multiple jurisdictions under pandemic conditions**

Zoya Malik: What have Kreston's activities and webinars focused on through lockdown? What have the technical challenges been, and what are the operational and client-concern key takeways?

Liza Robbins: The Kreston network continues to overcome the many challenges of the coronavirus crisis, focusing on finding ways to remain connected effectively with one another while physically apart.

As an international organisation, we are used to remote working, using technology to make the world feel like a smaller place and communicating with people in different locations and time zones. I have been thoroughly impressed at how quickly Kreston firms have adapted to both their local and the global environment which has been a huge benefit to their clients and colleagues.

In light of the coronavirus pandemic, our webinars have covered a range of topics to help guide firms through the challenges and impacts that this crisis has brought. We know that close communication, sharing information and mutual cooperation are more important than ever right now, and are key to restoring a sense of normality in these abnormal times.

When it comes to webinars, we have looked at the impact of Covid-19 on financial reporting and auditing, business continuity, building personal resilience and effective communications, which are all areas that are at the top of the agenda at the moment. Along with webinars, we have also created a closed LinkedIn support hub, which enables Kreston members to share their experiences, guidance and information on support available in different jurisdictions.

> "WE TOOK THE TOUGH DECISION TO PUSH ALL OUR 2020 SCHEDULED CONFERENCES TO 2021

We have also had to think fast and look to new solutions to ensure we continue to deliver everything that our members expect from us as a network. We took the tough decision to push all our 2020 scheduled conferences to 2021, which was a hard but appropriate decision, giving all our members clarity. But that doesn't mean everything has stopped. In June we hosted our first Kreston Virtual Meeting for Latin America which brought together, virtually, over 80 participants from across the continent, sharing experiences and innovative ideas on how to flourish in the current climate.

The meeting was extremely well received and the challenges of working in an online environment, across languages and time zones, were overcome without any technical glitches!

It was remarkable to see the natural collaboration of Kreston members, reinforcing the strength we have as a network. Having proved the concept and received very positive feedback, we are looking at where it is appropriate for us to use these types of meetings in the future.

ZM: How has Kreston International been involved in delivering a learning and development programme? What has the take-up of these seminars and courses been like, and why has this initiative been critical during lockdown?

LR: Learning and development is always a top priority for Kreston. Our member firms invest in their staff, and the focus is always on quality. Being able to identify emerging trends in the industry and being prepared for whatever economic environment we may face is critical to keeping our competitive advantage.

At the beginning of each year, we publish our training programme, detailing all the

webinars, online courses and resources we plan to release over the course of the year; we also have an option to offer bespoke training through our partners as needed. We then update our programme and release new training initiatives on a monthly basis, allowing us to respond to the needs of our members.

We have also seen there has been an emphasis on producing content for managing teams remotely, quick changes in the law and accounting rules, and other areas that allow our members to serve their clients in a timely manner.

Being able to react quickly to a developing situation is hugely important. Coronavirus has shown everyone that it is possible to do a lot of work virtually, saving both time and money. We must embrace the change and do what is necessary to operate in a leaner way, and take advantage of the opportunities to innovate that this crisis has thrown up.

ZM: What has the strategy been for new member recruitment through this challenging time, and what has the remote process been for new sign-offs? How has Kreston supported onboarding new members?

LR: We continue to receive regular requests and applications from prospective new member firms, and we will always look to add firms to our network where it makes sense to do so. We set a high bar for entry, and any firm that does join is expected to maintain our high standards and buy into our Kreston vision. Our most recent firms to join us include Mozambique, Cyprus and Zimbabwe, and we have more in the pipeline to come in the coming months.

Once accepted for membership, we have a tried-and-tested onboarding process. The current situation means that doing in-person quality reviews has had to be done in other ways or postponed temporarily. But, as borders around the world slowly start to reopen, we can get back to doing this in person where appropriate to do so.

It remains to be seen whether international travel returns to its previous levels, and firms will be ever more reliant on their international partners. Knowing you have colleagues around the world that you can rely on is a major advantage.

ZM: What new regulations are upcoming across Kreston's network jurisdictions that will impact members' operations and client engagement?


Liza Robbins, Kreston International

LR: Our firms are excellent at staying on top of their local regulations and the frequent changes that are taking place at the moment. A key upcoming change in regulations is the expected release of the International Standard on Quality Management 1 and 2. These changes will have a significant impact on quality management and processes at both the firm and network level. We are already working on the support to our members to implement this change.

The audit profession continues to be subject to scrutiny in a number of jurisdictions. The recent announcement in the UK regarding operational separation of the Big 4 audit firms, while not having a direct impact on Kreston members, may lead to some wider changes. This is an area that we will continue to monitor carefully.

ZM: What engagement has Kreston had with government bodies to support clients in various jurisdictions in terms of the various schemes available to support staff retention and cashflow during the pandemic?

LR: Kreston firms have been heavily involved in supporting clients through the current crisis and have interacted where appropriate with government bodies to gain access to the available schemes in each respective country to help their clients through this difficult period. It is in times like these that you see the real depth of expertise and experience that our member firms have at their disposal, so when the going got tough, our firms went into battle for their clients and the results have been really impressive.

We know from experience, that even in a chaotic environment, trust, experience, quality, and really knowing your clients wins.

ZM: What are your strategic plans for the future?

LR: We are currently in a high-risk moment. All over the world coronavirus restrictions are being lifted, and there is a cautious sense that we are, however gradually, returning to something resembling 'normality'.

Right now, it's vital to build up long-term business resilience but we must go much further than that – this is an opportunity to become even more dynamic.

The coronavirus is not over yet and we may very well face a 'second wave' later in the year, leading to more restrictions, dents in consumer confidence and potentially even further lockdowns as we have seen locally. So it would be a terrible mistake to be complacent right now. The most sensible thing to do right now is to build up your firm's long-term business toughness, because there are likely storms ahead and we are going to have to weather them.

> "THE MOST SENSIBLE THING TO DO RIGHT NOW IS TO BUILD UP YOUR FIRM'S LONG-TERM TOUGHNESS, BECAUSE THERE ARE LIKELY STORMS AHEAD

Economies will always change, new businesses will emerge from the crisis, and Kreston firms will be the people advising these new businesses. Our firms are the emergency services for these businesses – and those who are suffering need us. Being able to identify emerging trends in the industry and prepare for them is critical if we are going to stay competitive and forge ahead.

It is imperative to learn from what the crisis has bought. I believe we will emerge from this challenging period stronger, better – and more resilient for the future. ■

AUDIT ANALYTICS: TRANSPARENCY REPORTS ACROSS EUROPE

More than six months have passed since the Brydon Review announced its recommendation to create a more transparent audit profession. In the wake of recent scandals involving companies such as Thomas Cook and Patisserie Valerie, these changes may be long overdue. While audit firms are already investing significant effort into creating long-winded, complex transparency reports, they are not providing the insight requested, according to *Krystle Beaubrun,* research analyst, and *Maripat Brown,* research team lead at Audit Analytics

The FRC noted in its September 2019 *AQR Thematic Review* that these reports are "not visible enough and ineffective". Additionally, the regulatory body noted that the reports are "too long and overly positive to be useful".

To emphasise, PwC's 2019 report is packed with 134 pages of information. KPMG provided 92 pages in its 2019 report. However, neither compare to Deloitte's two transparency reports in 2019, one specifically being for local audits.

According to Article 13 of the Audit Regulation of 2014 (Regulation EU 537/2014), a statutory auditor of a public interest entity (PIE) must publish an annual transparency report on the firm's website, at the latest, four months after the end of each financial year.

The reports must include detailed information about the firm's structure – network and locations, governance and internal quality-control system – including the last quality assurance review and total turnover broken down by types of revenue. For the purposes of independence, they must also disclose the names of every PIE they have audited in the past year.

Audit Analytics, an independent research and data provider, collects and analyses transparency reports, making it easy to identify the auditors of PIEs in the UK and across the European Economic Area.

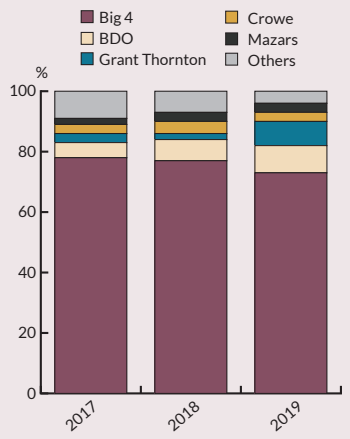
Since 2017, overall market share has remained relatively consistent, with the Big 4 firms covering more than 70% of the market each year. The next four firms averaged 16%, and the remaining 28 firms combined consistently claimed less than 10% each year.

Of the Big 4, only Deloitte reported a year-on-year increase in the number of PIEs audited – from 267 in 2017 to 343 in 2019. The other three firms reported an average decrease of 100 entities from 2017 to 2019, with KPMG's reports showing the largest drop – from 710 PIEs in 2017 to 542 in 2019 – losing 5% of its PIE clientele over the three-year period.

Immediately following the Big 4 is BDO, whose market share doubled between 2017 and 2019, reporting 170 PIE clients in its fiscal year ending 5 July 2019. A portion of this is attributable to the merger with Moore Stephens in February 2019. Looking forward, BDO's July 2020 report is expected to show an even greater increase in market share among all PIE clients, as it has picked up a number of FTSE 350 audits in recent months.

PIE MARKET SHARES

Top 8 firms vs others



Source: Audit Analytics

Grant Thornton, which in April 2018 pulled out of the FTSE 350 audit market, has increased its number of PIE clients by 50% since 2017. Like BDO, Mazars also doubled the number of PIE clients over the three years analysed, yet still claims just 4% of the market in 2019. Crowe UK finished 2019 with just 3% of the market, according to the number of PIEs reported.

The remaining firms that account for the final 5% of the PIE market in 2019 are led by UHY Hacker Young, RSM UK Audit, Nexia Smith & Williamson Audit (which has yet to publish its 2019 transparency report), PKF Littlejohn and haysmacintyre. Only eight other firms reported PIE audits in 2019, with four reporting just one PIE client.

Although this analysis shows that mid-tier firms are increasing their number of PIE clients and that the majority of the Big 4 are auditing fewer PIEs, the changes themselves are too minuscule to have any significant impact on the overall market share of PIEs when comparing the Big 4 to all others.

Nevertheless, market share competition remains tight among these entities, and having some insight into the audits through transparency reports is invaluable.

While the information and disclosures provided within these reports are still not quite where users would like them to be, it is encouraging to know that the audit profession is striving to increase overall levels of transparency. ■

circit

Next Generation Financial Audit Verification

Centralised Global Confirmation Platform

Real-Time Bank Confirmations

Verified Transactions

PBC Client Collaboration

Audit **Quality & Fraud Identification**

20+ Hours per Engagement

Time **Saving**

Staff Progression & **Client Experience**

Get in Touch

+44 (0) 20331 81277 | team@circit.io

www.circit.io

EBA REGULATED & SUPPORTS GDPR COMPLIANCE

ISO 27001 CERTIFIED

AUSTRALIAN REGULATORS NEED TO GUIDE THE INDUSTRY TO RECOVERY

Many Australian accounting firms are hoping that the outcome of various governmental and professional body reviews will give the industry a post-coronavirus boost. *Paul Golden* investigates

Firms across the accounting profession in Australia agree that there were a number of sectors showing growth before the Covid-19 crisis.

However, in the 'new normal', Mazars refers to the need for companies to focus on their core business and the importance of up-to-date information with key business performance metrics to enable clients to make timely adjustments.

Before the pandemic struck there was much interest in the parliamentary inquiry into regulation of auditing and this interest will only have heightened. Clayton Hickey, audit partner at PKF Sydney & Newcastle, outlines three outcomes he would like to see from the inquiry, the first of which relates to the impact of competition on independence.

"So few firms commanding such significant market share restricts the ability of audit committees to make an independent choice, which is becoming a significant issue as the larger firms focus on growing non-audit services," he says. "Regulators have a key role in levelling the playing field, and consultation is also required with the second and mid-tier firms to provide greater choice and support the sustainability of the profession."

Hickey also calls for greater transparency around the audit quality ecosystem and those involved in upholding audit quality, specifically the role key stakeholders – audit firms, boards of directors and audit committees – play in promoting and upholding audit quality.

"Finally, it is important that these stakeholders embrace the outcomes of the inquiry and use it as a genuine opportunity to collaborate and improve their practices," he adds.

In addition to stronger independence requirements – especially for multidisciplinary firms – and greater focus on audit quality, Craig Stanmore, CEO of Allinial Global member firm Enspira Financial, is looking for simplification of the different reporting frameworks and more clarity on their application, simplification of the audit requirements for SMEs and other privately held entities, and greater transparency and review of auditor removals and resignations.

CLEARER GUIDANCE

BDO would like to see a detailed review of the future scope of an audit, and clearer guidance on non-audit services that are prohibited says BDO Australia's national head of clients and markets, Janet Glasper.

"In order to restore public confidence in the independence of auditors of the largest companies, there should be consideration of a restriction on the provision of non-audit services to companies in the ASX 300," she says. The firm would also like to see directors required to provide a statement on how the company manages risk and the adequacy and effectiveness of the internal control environment, a greater focus by directors and boards to ensure that the information to complete an audit in an effective manner is provided, and an extension of the financial reporting timeframes to allow more time to prepare and have audited financial reports or changing the financial years of companies to spread these throughout the year.


Clayton Hickey, PKF Sydney & Newcastle

Martin Phelan, partner BKR International member firm Walker Wayland Advantage, suggests that the whole financial reporting ecosystem requires a revamp to clarify the responsibilities of stakeholders involved in the financial reporting process, review audit process limitations, re-evaluate the cost-effectiveness of existing audit and financial reporting processes, review auditor responsibility, and encourage standard-setting bodies and regulators to transform audit in line with modern requirements.

Mazars observes that the Parliamentary Joint Committee has an opportunity to consider resilience risks that arise from having the Big 4 audit 95% of the ASX 300 listed companies in Australia. Based on its experience in France, the firm suggests joint audit is the only approach that shows tangible changes to market dynamics, and recommends that the committee look at introducing a joint audit mandate for the Australian market.

CPA Australia, CA ANZ and the IPA have been reviewing the frameworks that regulate how tax advice is provided in Australia. The long term debate has been whether financial advisers and planners should be permitted to provide tax advice. Every investment strategy has tax implications, so it is logical that financial advisers cover this in their advice, but the accounting bodies have had concerns about this and whether financial advisers are suitably qualified to provide tax advice.

As the accounting profession lost the battle


Martin Phelan, Walker Wayland Advantage

in the advisory sector for superannuation advice, Lorin Joyce, partner at MGI Joyce|Dickson and chair at MGI Australasia, says this area needs a lot of work so that clients can receive advice that is relevant and cost effective. "The current licensing requirements are cumbersome and inefficient to deliver quality and cost-effective outcomes to superannuation clients," he adds.

Walker Wayland Advantage audit partner Awais Ur Rehman describes the current boundaries between the functions of accountants and financial planners as overly complex, and in many cases artificial, and believes they are not in clients' best interests.

"We have seen the Banking Royal Commission in Australia conduct inquiries into various scandals including provision of financial advice," he explains. "One of the hallmarks of these scandals was the lack of independence between the providers of financial products and some financial advisors. We welcome and support the work of the three accounting bodies to revise the regulation of advice to remove barriers which disadvantage our clients."

TAX ADVICE

Gary Calford, taxation partner at PKF Brisbane, reckons the issue is broader than simply financial advisers not being qualified to provide tax advice while accountants are, noting that there are qualified accountants who are incapable of giving quality tax advice.

"Often, clients would not appreciate this and would not know they were receiving a lower-quality product," he says.

"I would like to see a regulatory framework that governs who can provide tax advice. The framework should focus on academic qualifications in tax – such as having a graduate diploma or masters in tax law or an equivalent technical tax programme – as well as demonstrated experience in providing tax advisory services. The regulatory framework can be open to accountants, lawyers and financial advisers."

Stanmore observes that a self-regulated profession needs to be proactive in ensuring quality standards are high and reflect community attitudes. "Regular reviews are part of our profession's vigilance, and possible areas of improvement include a review of the qualification and approval arrangements for tax agents to improve the quality of advice, further protections on who can provide taxation advice and clarification of taxation advice permissible by financial planning professionals," he says. "Perhaps there needs to be more clarity over what is financial advice and what is tax advice."

As the industry moves toward Covid-19 recovery, it should be advocating for reform across all the financial and tax regulatory frameworks. There is therefore a need to co-design the future tax regulatory framework to dovetail with the regulation of financial advisers in Australia to ensure that the respective regulatory regimes are fit for purpose. That is the view of Glasper, who says BDO also advocates for tax reform so Australia can reposition its tax system to restart the post-coronavirus economy, while acknowledging that this will require targeted consultation.

"More broadly, the regulatory framework needs to be designed so it is fit for a future tax profession, tax system and economy that are each very different to the ones we have now owing to the advent of digitalisation, automation, global mobility and now the economic impact of coronavirus," she adds.

In 2018, *IAB* reported on how small and medium sized practices in Australia were facing a squeeze on fees. "It is essential that small and medium practices look at opportunities in the advisory space," says Joyce. "Compliance-only firms have probably felt more fee pressure than those that offer a holistic service."

According to Mazars, advisory and consulting services have not experienced the same fee pressure with clients valuing the "trusted adviser" service and the cost-benefit realisation being easy for the client to justify.

Firms are responding in a number of ways, according to Phelan; for example, by harnessing the skillsets of millennial and Generation Z team members to implement systems that fully integrate monthly accounting, year-end financial reports and


Lorin Joyce, MGI Joyce|Dickson

income tax returns, and then expand the product and service offerings so that the total offering meets not only compliance obligations but also adds value to clients.

"Within the audit practice, we have seen a very competitive landscape where when clients tender audit services there is normally an expectation that this will lower the current cost of the audit," says Glasper.

"Recent changes in financial reporting including new standards on revenue, financial instruments and leases have all added increased complexity to the audit, requiring additional work. In many cases we have not fully recovered the increased audit time associated with these changes."

BUSINESS UNDER STRESS

Glasper's expectation is that in industries heavily impacted by Covid-19, clients will be reluctant to incur additional audit costs while their businesses are under stress, which will continue to put pressure on audit fees.

Price pressure remains in traditional compliance services, but these areas also provide opportunities to provide a wider range of services where better pricing can be attained suggests Stanmore.

"The ability to price is a function of the perceived value to a client of the service," he says. "For example, tax compliance tasks that are seen as an obligation and adding no value to the client are facing pricing challenges, whereas tax advisory work is seen as valuable to clients and can attract a better price because of the perceived value."

Stanmore also believes coronavirus has provided advisors with the opportunity to consolidate and deepen relationships with clients if they chose to engage at the right level, and that this deepening of relationship also impacts the ability to price. ■

AUSTRALIA

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (AUDm)	Fee income last year (AUDm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	PwC* (1)	2,600.0	2,350.0	11%	25	-	-	-	75	Jun-19
	2	Deloitte*	2,293.0	2,030.0	13%	16	-	-	-	84	Jun-19
	3	EY *	1,887.0	1,785.0	6%	21	-	-	-	79	Jun-19
	4	KPMG*	1,780.0	1,640.0	9%	29	-	-	-	71	Jun-19
	5	Crowe*	425.8	432.4	-2%	61	-	6	-	33	Jun-19
	6	BDO*	305.3	270.3	13%	26	32	17	24	1	Jun-19
	7	Baker Tilly International*	277.4	252.2	10%	18	28	13	14	27	Dec-19
	8	Grant Thornton*	256.1	246.7	4%	31	-	37	31	1	Sep-19
	9	RSM*	199.8	193.8	3%	18	28	20	30	4	Jun-19
	10	PKF International* (2)	109.9	96.8	14%	22	25	18	5	30	Jun-19
	11	HLB*	107.9	102.2	6%	29	43	7	19	2	Jun-19
	12	Nexia International*	96.7	91.9	5%	23	34	14	21	8	Jun-19
	13	Moore Global*	76.7	78.1	-2%	19	24	35	17	5	Dec-19
	14	Shinewing Australia*	58.5	55.0	6%	29	42	24	4	1	Dec-19
	15	UHY International*	38.1	37.0	3%	11	41	34	6	8	Jun-19
	16	Mazars* (3)	34.7	16.9	105%	18	5	2	75	-	Aug-19
	17	Russell Bedford Int'l* (4)	33.5	20.4	64%	30	31	25	2	12	Dec-19
	18	Kreston International*	20.2	19.8	2%	19	40	28	9	4	Oct-19
	19	ECOVIS International*	8.5	8.2	4%	5	-	65	30	-	Jun-19
	20	TGS Global*	5.6	5.4	5%	-	12	62	26	-	Sep-19
	21	Reanda International*	2.5	3.2	-20%	5	39	43	10	3	Dec-19
Total fee income/growth			**10,617.45**	**9,735.30**	**9%**						
ASSOCIATIONS	1	Praxity* (3)	199.6	172.8	16%	20	38	13	21	8	n.ap
	2	Allinial Global*	129.9	127.7	2%	18	30	32	7	13	Dec-19
	3	PrimeGlobal* (5)	73.6	80.3	-8%	14	12	55	18	1	May-20
	4	MGI Worldwide with CPAAI*	70.8	n.ap	n.ap	15	44	17	2	22	n.ap
	5	Morison KSi* (6)	20.7	30.1	-31%	13	33	30	13	11	Dec-18
	6	AGN International* (e)	19.0	18.8	1%	n.d	n.d	n.d	n.d	n.d	n.d
	7	Integra International*	16.5	16.6	-1%	10	40	40	10	-	Dec-19
	8	Abacus Worldwide*	13.5	14.0	-4%	21	22	16	3	38	Dec-19
	9	IAPA* (6)	8.8	14.1	-38%	5	40	30	5	20	Dec-19
	10	Inpact Global*	7.0	7.1	-1%	9	61	21	9	-	Dec-19
	11	BOKS International*	3.9	2.8	39%	-	60	20	10	10	Dec-19
	12	BKR International* (6)	3.6	16.3	-78%	30	-	45	10	15	Dec-19
	13	GMN International* (6)	3.5	16.7	-79%	18	32	42	-	8	Sep-19
	-	Antea* (6)	n.ap	0.7	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap
Total fee income/growth			**570.3**	**518.0**	**10%**						

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Restated last year's figures as there were errors. (2) Increase in fee income attributed to organic growth. (3) Increase in fee income attributed to integration of two firms into partnership. (4) Added a new member firm. (5) Restated staff figures for last year as they were for end of May 2018; now they are for end of May 2019. (6) Lost member firm(s).

***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* (e) (1)	7,245	6,835	6%	n.d	n.d	582	n.d	n.d	n.d	n.d	n.d	14	n.d
2	PwC* (e) (1)	6,919	6,527	6%	n.d	n.d	734	n.d	n.d	n.d	n.d	n.d	8	n.d
3	Deloitte* (e) (1)	5,840	5,509	6%	n.d	n.d	883	n.d	n.d	n.d	n.d	n.d	12	n.d
4	EY* (1)	n.d	n.d	n.d	n.d	n.d	569	n.d	n.d	n.d	n.d	n.d	7	n.d
5	Crowe*	2,776	2,832	-2%	1,620	43	251	328	1,697	n.d	828	n.d	110	113
6	BDO*	1,684	1,504	12%	877	33	187	171	1,175	1,064	322	269	10	10
7	Baker Tilly Int'l*	1,424	1,348	6%	707	17	122	115	1,057	996	245	237	6	6
8	Grant Thornton*	1,167	1,184	-1%	581	29	159	166	800	804	208	214	6	6
9	RSM*	1,162	1,091	7%	601	9	100	95	883	791	179	205	31	30
10	HLB* (2)	746	624	20%	234	9	83	79	531	409	132	136	11	9
11	PKF International*	700	608	15%	n.d	10	86	85	477	431	137	92	13	13
12	Nexia International*	605	587	3%	251	9	78	71	438	419	89	96	19	10
13	Moore Global*	484	470	3%	271	8	69	72	327	317	88	81	15	15
14	Shinewing Australia*	260	264	-2%	134	6	31	34	185	179	44	51	3	3
15	Mazars*	226	99	128%	n.d	n.d	18	9	160	71	48	19	4	2
16	UHY International*	214	205	4%	123	6	32	36	144	133	38	36	8	11
17	Russell Bedford Int'l*	211	139	52%	n.d	n.d	31	20	148	98	32	21	8	7
18	Kreston International*	117	101	16%	61	1	16	14	80	71	21	16	3	2
19	ECOVIS International*	41	45	-9%	14	2	6	6	30	31	5	8	1	2
20	TGS Global*	31	30	3%	12	0	3	3	23	24	5	3	1	1
21	Reanda International*	21	26	-19%	11	0	4	6	11	8	6	12	2	2
Total staff/growth		**31,873**	**30,028**	**6%**	**5,497**	**182**	**4,044**	**1,310**	**8,166**	**5,846**	**2,427**	**1,496**	**292**	**242**
ASSOCIATIONS														
1	Praxity*	1,109	936	18%	n.d	n.d	128	120	768	629	213	187	14	12
2	Allinial Global*	806	758	6%	0	0	85	85	688	606	33	67	12	23
3	Abacus Worldwide*	559	550	2%	n.d	n.d	9	9	539	531	11	10	2	2
4	PrimeGlobal*	439	428	3%	n.d	n.d	40	61	318	304	81	63	10	11
5	MGI Worldwide with CPAAI*	367	n.ap	n.ap	n.d	13	65	n.ap	302	n.ap	-	-	16	n.ap
6	AGN International* (e)	147	139	6%	n.d	n.d	n.d	24	n.d	87	n.d	28	n.d	3
7	Integra International*	100	96	4%	n.d	n.d	9	9	75	71	16	16	3	3
8	Morison KSi*	97	149	-35%	33	2	16	25	66	98	15	26	3	4
9	Inpact Global* (3)	85	57	49%	n.d	2	14	9	59	36	12	12	4	3
10	IAPA*	67	92	-27%	n.d	n.d	9	14	41	62	17	16	2	3
11	BOKS International*	33	30	10%	24	0	1	2	26	23	6	6	3	3
12	GMN International*	22	128	-83%	10	0	3	14	16	82	3	32	1	6
13	BKR International*	18	143	-87%	10	0	4	n.d	12	n.d	2	-	1	5
-	Antea*	n.ap	12	n.ap	n.ap	n.ap	n.ap	3	n.ap	8	n.ap	1	n.ap	2
Total staff/growth		**3,849**	**3,518**	**-1%**	**77**	**17**	**383**	**375**	**2,910**	**2,537**	**409**	**464**	**71**	**80**

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

(1) Data is for partners and offices according to Chartered Accountants Australia and New Zealand, published November 2019. (2) Increase in staff attributed to opening two offices. (3) Increase in staff number due to merger with a firm.

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

Source: *International Accounting Bulletin*

SINGAPORE: COMPETITION FOR TALENT ABOUNDS

Addressing challenges in human resources and the currently slow transition to digitisation will be vital components of the post-coronavirus recovery for Singapore's accounting profession, reports *Paul Golden*

At the start of 2020, most accounting firms in Singapore would have been looking ahead with confidence, anticipating strong demand for technology-related services to enhance risk management practices amid growing concerns around cyber and digital risks.

Non-audit services such as valuations, corporate finance and transaction support services (financial due diligence) were expanding, SMEs were adopting cloud accounting solutions, and interest in tax and corporate advisory across multiple jurisdictions was also increasing, while private client advisory services were attracting enquiries from across north Asia.

This was, of course, before coronavirus. But even *IAB's* previous Singapore survey found that the accounting profession was experiencing a tightened labour market, with competition for talent driving up costs and retention at associate level posing a challenge.

Joe Tan, managing partner at PrimeGlobal member firm Joe Tan & Associates, observes that in recent years the government has directed accounting firms to give priority to Singaporeans when hiring.

"Due to new graduates from the universities, accounting firms in general do not have much of an issue when it comes to hiring," he suggests. "ISCA continues to engage future accounting professionals through partnerships with secondary schools and institutions of higher learning to jointly organise career talks and fairs."

Mazars Singapore managing partner Denis Usher takes a different view, suggesting the recruitment market remains competitive for accounting firms in Singapore, with experienced local hires especially challenging to recruit. "In addition to competition from financial institutions and other corporate organisations, accounting-trained individuals are increasingly opting for other careers," he says. "Accordingly, it takes longer to fill roles."

TRAINING AND EXPOSURE

Working in an accounting firm is still seen as an excellent start to a professional's career because it gives them extensive experience, broad-based training and exposure. However Baker Tilly Singapore partner Susan Foong accepts that graduates perceive problems with maintaining a healthy work-life balance and a less attractive starting salary.

According to Neo Keng Jin, audit and assurance partner at Moore Stephens Singapore, the challenge is in obtaining the right skillsets at the right cost given that skilled professional labour costs in Singapore have been rising.

Fintechs and start-up businesses are also attractive options for millennial graduates, explains MGI Alliance partner Imran Assan. "Experienced hires tend not to change firms once they reach a certain level of seniority, which is especially true in the current uncertain climate," he adds.

Henry Tan, Nexia TS

Kelvin Cheah, assurance partner at Morison KSi member firm Paul Wan & Co, refers to polls indicating that two-thirds of audit staff intend to leave their current employer in the next three years. "The frustration many of the respondents expressed concerned work-life imbalance, which they linked to various factors including preparers' lack of strong bookkeeping and financial reporting skills and poor appreciation of the value of audit," he adds.

Firms face high attrition rates, losing accountants after the first three years of them gaining experience – typically to the commercial sectors agrees BDO Singapore managing partner Frankie Chia. "Firms also lose experienced accountants when they decide to move to a different career path at some point in their career, for example after getting married or starting a family."

Given the slight decline in the average salary for an entry-level role, new recruits and graduates will find themselves earning less in 2020 than those hired last year. As employers continue to grapple with the effects of the pandemic, they will increasingly look beyond a disciplinary skillset according to Nexia TS Public Accounting Corporation Singapore group CEO Henry Tan.

"This will be the challenge for all of us," he says. "Candidates who are agile and equipped with a good understanding of IT and digital innovation, or are comfortable with technology tools and software, will stand a higher chance of gaining employment."

Steven Tan Russell Bedford partner Andrew Lim observes that to help SMEs and new graduates weather the tough economic environment brought about by coronavirus, the Singapore government has introduced the SGUnited Traineeship programme which co-funds 80% of trainees' allowances.


Andrew Lim, Steven Tan Russell Bedford

On the question of whether accountants in Singapore have access to sufficient professional development support to help them develop their skills, PKF-CAP partner Lee Eng Kian observes that there are a number of professional bodies that offer courses. "There is also a skills future framework jointly developed by SkillsFuture Singapore, Workforce Singapore, the SAC and ISCA," he says. "In addition to the universities, polytechnics are providing training courses for adult learners."

Angeline Tan, partner and head of audit at Crowe Horwath First Trust (Crowe Singapore), notes that ISCA has developed a learning roadmap as part of its effort to promote lifelong learning. The map is tailored to auditors and professional accountants – both financial and management accountants – in business with professional proficiency levels ranging from three to 12 years.

"ISCA has also in recent years provided specialisation pathways for accountants in Singapore including the financial forensic accounting qualification, infrastructure and project finance qualification, and business analytics certification programme," she says.

Chia recommends that accountants look into the development of new skillsets the industry is currently lacking, such as family office governance.

To develop Singapore into a leading global accountancy hub, S$2.4m ($1.73m) has been allocated to the Digital Transformation for Accountancy (DTACT) programme to help small and medium practices adopt practice management, tax and internal audit software. The programme – which ends on 31 December 2020 – gives firms funding support of up to 80%, capped at S$30,000.

Cheah says that following the DTACT programme initiative, more small and mid-sized practices are adopting technology. "One of the beneficiaries of the programme is Singtax Corporate and Singtax Personal. By fully automating the tax calculation process, Singtax radically reduces the time taken to finish a tax computation, and the resultant productivity growth translates to substantial cost savings for firms performing these computations."

Nexia TS is one of the approved DTACT applicants for an internal audit programme that significantly increases productivity gain, explains Henry Tan. "Menial tasks such as audit planning and scheduling now require only two hours maximum, while audit testing has reduced the need for work done on site by more than half, allowing audit teams to focus on other important tasks."

Usher says the programme has encouraged greater utilisation of data analytics for internal audit engagements. "As a result, our internal audit coverage provides a larger sample population scanned for potential anomalies," he adds.

DIGITAL PLAN

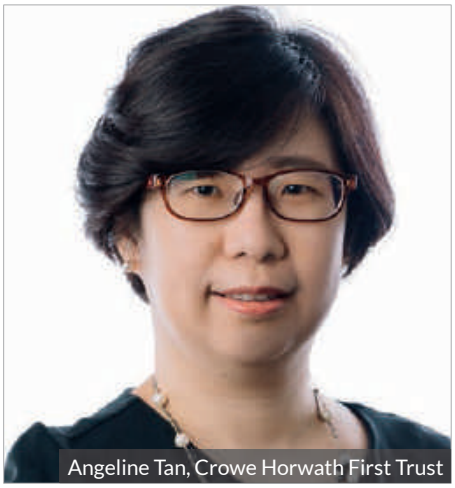
Since the launch of the Accountancy Industry Digital Plan encouraging accounting firms to make more use of digital technology to deliver services, there has been greater awareness of the importance of adopting digital solutions to stay competitive, according to Foong.

"This plan – together with the DTACT programme – has seen small and medium-sized firms in Singapore embrace technology solutions and share feedback that they have seen improvements in productivity and efficiency," she says.

DFK International member firm JK Medora & Co director Xerxes Medora explains that professionals can check against a list of training courses to acquire new digital skills such as tax data analytics and an introduction to cybersecurity risks.

"By 2020, under the accountancy roadmap, the sector is expected to see 2,000 new jobs created and an annual growth of 5.6% to reach S$2bn in value-add," he says. "We understand take-up of this programme has been good. Our firm has benefited by being able to refer to a curated list of solutions and tap into significant funding to help implement such systems."

However, Assan warns that while there is a plethora of software available to accounting firms who wish to embark on digitisation, levels of adoption have not been significant. He refers to various reasons for this lack of engagement, including reluctance to move


Angeline Tan, Crowe Horwath First Trust

to the cloud over privacy and data protection concerns, and software that is seen by smaller firms as not offering value for money.

The success of the government's initiatives will depend on the ability of accounting firm partners to have an open mind and eventually break away from their current practices, observes Joe Tan. "It is common for partners even in large accounting firms to be doing things in the traditional way, such as reviewing work in paper form," he says.

Firms looking to transform into progressive, lean organisations can leverage the Sapphire initiative, developed by the Singapore National Employers Federation and the SAC, explains Lim. Participants could receive a 70% subsidy that covers up to 100 hours of consultancy advice.

The October 2019 Accounting and Corporate Regulatory Authority (ACRA) practice monitoring programme public report reiterated the plan to amend the Accountants Act to introduce statutory quality-control inspection of audit firms.

"We believe that these amendments are still being finalised and can be expected to be enacted in due course," says Angeline Tan. "This will be a positive step to further strengthen Singapore's reputation as a pro-business and trusted regulatory environment."

The Singapore government's review of the Accountants Act would give ACRA the regulatory teeth to mete out sanctions for firm-level review lapses, says Keng Jin. The authority is already able to sanction firms in respect of anti-money laundering lapses.

Medora notes that ACRA's power to conduct firm-level inspections was designed to raise audit quality for all firms in Singapore. "The trend of findings suggests that firms are showing an improvement. An unsurprising correlation was found between time spent by partners on an engagement and eventual audit quality," he concludes. ■

SINGAPORE

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (SGDm)	Fee income last year (SGDm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	KPMG* (e)	258.9	250.9	3%	n.d	n.d	n.d	n.d	n.d	n.d
	2	PwC* (e)	230.1	223.1	3%	n.d	n.d	n.d	n.d	n.d	n.d
	3	EY* (e)	210.2	204.2	3%	n.d	n.d	n.d	n.d	n.d	n.d
	4	Deloitte* (e)	196.3	190.3	3%	n.d	n.d	n.d	n.d	n.d	n.d
	5	BDO* (e)	37.3	36.3	3%	n.d	n.d	n.d	n.d	n.d	Sep-19
	6	HLB*	28.1	29.4	-4%	58	16	13	12	1	Dec-19
	7	Baker Tilly International*	24.4	23.6	3%	57	14	12	16	1	Dec-19
	8	Moore Global*	20.3	19.4	4%	57	10	14	11	8	Dec-19
	9	Nexia International*	20.0	17.9	12%	60	5	12	7	16	Jun-19
	10	Mazars*	19.1	18.5	3%	57	22	14	7	-	Aug-19
	11	Crowe*	17.0	17.7	-4%	42	23	10	14	11	Dec-19
	12	Grant Thornton*	10.8	9.7	11%	65	-	30	5	-	Sep-19
	13	Kreston International*	10.4	10.7	-3%	76	7	6	-	11	Oct-19
	14	PKF International*	7.4	8.4	-12%	43	19	12	10	16	Jun-19
	15	TGS Global* (1)	6.7	3.7	82%	33	33	17	17	-	Dec-19
	16	Reanda International*	3.6	3.5	1%	42	11	10	30	7	Jun-19
	17	Russell Bedford International*	3.4	3.0	12%	45	22	20	-	13	Dec-19
	18	Kudos International Network*	1.3	1.3	3%	19	28	13	11	29	Sep-19
	-	RSM*	n.d	79.7	n.d	n.d	n.d	n.d	n.d	n.d	Dec-19
Total fee income/growth			**1,105.3**	**1,151.3**	**3%**						
ASSOCIATIONS	1	Praxity*	19.1	18.5	3%	57	22	14	7	-	n.ap
	2	MGI Worldwide with CPAAI*	13.7	n.ap	n.ap	47	16	9	5	23	n.ap
	3	AGN International* (e)	8.4	8.2	3%	n.d	n.d	n.d	n.d	n.d	n.d
	4	Morison KSi*	7.9	8.1	-3%	68	5	14	1	12	Dec-18
	5	PrimeGlobal*	7.4	7.4	1%	59	16	13	8	5	May-20
	6	Allinial Global*	5.1	5.0	2%	74	8	11	3	4	Dec-19
	7	IAPA*	4.8	4.6	5%	50	20	10	15	5	Dec-19
	8	Abacus Worldwide*	3.0	2.9	3%	38	10	15	15	22	Dec-19
	9	Integra International* (2)	2.1	1.0	110%	65	20	5	5	5	Dec-19
	10	BOKS International*	1.2	1.2	-6%	41	21	12	3	23	Dec-18
	11	Antea*	0.9	0.9	1%	79	-	18	-	3	Dec-19
	12	GMN International*	0.9	0.9	-4%	59	20	21	-	-	Sep-19
	13	EAI International*	0.8	0.9	-13%	72	15	9	-	4	Dec-19
	14	BKR International* (e)	0.8	0.8	3%	n.d	n.d	n.d	n.d	n.d	n.d
	15	Inpact*	0.6	0.7	-20%	87	-	-	-	13	Dec-19
Total fee income/growth			**76.8**	**61.1**	**3%**						

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Added new member firm(s). (2) Gained a larger member firm and lost a smaller one.

***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* (e)	3,258	3,017	8%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
2	PwC* (e)	2,899	2,684	8%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
3	EY* (e)	2,651	2,455	8%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
4	Deloitte* (e)	2,472	2,289	8%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
5	RSM*	1,002	976	3%	n.d	n.d	34	33	935	910	33	33	1	1
6	BDO*	507	479	6%	248	15	31	28	433	400	43	51	1	1
7	HLB*	387	405	-4%	243	9	26	29	329	339	32	37	2	2
8	Baker Tilly Int'l*	291	300	-3%	192	6	15	15	247	255	29	30	1	1
9	Nexia International*	251	239	5%	124	9	20	20	196	193	35	26	4	4
10	Moore Global*	215	214	0%	134	6	14	14	170	180	31	20	1	1
11	Crowe*	207	194	7%	146	4	12	13	176	160	19	21	2	2
12	Mazars*	200	187	7%	n.d	n.d	8	8	158	149	34	30	1	1
13	Kreston International*	131	118	11%	75	6	14	11	109	96	8	11	4	4
14	PKF International*	95	94	1%	n.d	n.d	9	8	80	80	6	6	1	1
15	Grant Thornton*	92	83	11%	49	1	8	5	77	73	7	5	1	1
16	TGS Global*	70	40	75%	38	0	2	9	60	26	-	5	1	1
17	Russell Bedford Int'l*	34	31	10%	n.d	n.d	5	5	27	24	2	2	1	1
18	Reanda International*	29	49	-41%	17	0	1	5	28	34	-	10	1	1
19	Kudos International*	14	13	8%	8	2	3	3	11	10	-	-	1	1
Total staff/growth		**14,805**	**13,867**	**8%**	**1,274**	**58**	**202**	**206**	**3,036**	**2,929**	**279**	**287**	**23**	**23**
ASSOCIATIONS														
1	Praxity*	200	187	7%	n.d	n.d	8	8	158	149	34	30	1	1
2	AGN International* (e)	193	180	7%	n.d	n.d	n.d	13	n.d	145	n.d	22	n.d	5
3	PrimeGlobal*	125	136	-8%	n.d	n.d	13	11	93	83	19	42	6	6
4	MGI Worldwide with CPAAI*	116	n.ap	n.ap	n.d	4	12	n.ap	104	n.ap	-	-	4	n.ap
5	Morison KSi*	79	79	0%	50	8	11	11	62	62	6	6	2	2
6	BKR International* (e)	70	65	7%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
7	Integra International*	65	17	282%	n.d	n.d	3	1	60	13	2	3	1	1
8	Allinial Global*	57	57	0%	0	0	6	6	45	45	6	6	2	2
9	IAPA*	52	53	-2%	n.d	n.d	4	4	41	43	7	6	1	1
10	Abacus Worldwide*	45	45	0%	n.d	n.d	5	5	15	15	25	25	2	2
11	GMN International*	15	14	7%	4	2	3	2	11	10	1	2	1	1
12	BOKS International*	14	n.d	n.d	9	0	1	n.d	11	n.d	2	n.d	1	n.d
13	Antea*	11	11	0%	8	0	2	2	8	8	1	1	1	1
14	EAI International*	11	9	22%	4	1	2	2	9	7	-	-	1	1
15	Inpact*	7	13	-46%	5	1	2	2	4	10	1	1	1	1
Total staff/growth		**1,060**	**866**	**7%**	**80**	**16**	**72**	**67**	**621**	**590**	**104**	**144**	**24**	**24**

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

***Disclaimer:** Only data from named or exclusive member firms within a network or association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

NEW ZEALAND

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (NZDm)	Fee income last year (NZDm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	PwC* (1)	250+	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
	2	Deloitte* (1)	250+	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
	3	KPMG* (1)	150 - 199	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
	4	EY* (1)	150 - 199	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
	5	BDO* (1)	100 - 149	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
	6	Baker Tilly International*	70.0	69.3	1%	12	73	7	-	8	Dec-19
	7	Grant Thornton International* (e)	38.6	37.8	2%	n.d	n.d	n.d	n.d	n.d	n.d
	8	Moore Global*	28.6	32.0	-11%	10	75	10	5	-	Dec-19
	9	PKF International* (2)	22.5	16.9	33%	11	73	5	1	10	Jun-19
	10	RSM*	21.3	21.4	0%	32	47	8	13	-	Jun-19
	11	Nexia International*	10.4	10.1	3%	5	59	1	35	-	Jun-19
	12	HLB*	4.8	4.8	1%	10	65	8	9	8	Jun-19
	13	ECOVIS International* (e)	4.4	4.3	2%	n.d	n.d	n.d	n.d	n.d	n.d
	14	Kreston International*	3.1	3.6	-14%	-	65	13	20	2	Oct-19
Total fee income/growth			**703.7**	**200.2**	**2%**						
ASSOCIATIONS	1	Praxity*	11.7	9.4	24%	37	40	20	-	3	2019
	2	MGI Worldwide with CPAAI*	5.1	n.ap	n.ap	-	52	10	2	36	n.ap
	3	BKR International*	4.3	4.5	-4%	n.d	n.d	n.d	n.d	n.d	n.d
	4	Allinial Global*	2.8	2.7	5%	-	33	31	11	25	Dec-19
	5	AGN International* (e)	2.6	2.5	3%	n.d	n.d	n.d	n.d	n.d	n.d
	6	PrimeGlobal*	1.5	1.3	13%	40	37	6	12	6	May-20
	7	IAPA*	1.2	1.1	13%	-	10	50	15	25	Dec-19
	8	Integra International*	0.9	n.ap	n.ap	-	80	10	10	-	Dec-19
	-	Morison KSi* (3)	n.ap	5.4	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap
Total fee income/growth			**30.2**	**26.9**	**12%**						

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Data is according to Chartered Accountants Australia and New Zealand published in November 2019. (2) Increase in fee income attributed to organic growth. (3) Lost its member firm in New Zealand.

***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	PwC* (1)	1,420	n.d	n.d	n.d	n.d	131	n.d	n.d	n.d	n.d	n.d	n.d	n.d
2	Deloitte* (1)	1,339	n.d	n.d	n.d	n.d	125	n.d	n.d	n.d	n.d	n.d	n.d	n.d
3	EY* (1)	1,000	n.d	n.d	n.d	n.d	56	n.d	n.d	n.d	n.d	n.d	n.d	n.d
4	KPMG* (1)	966	n.d	n.d	n.d	n.d	89	n.d	n.d	n.d	n.d	n.d	n.d	n.d
5	BDO* (1)	733	750	-2%	n.d	n.d	88	89	n.d	n.d	n.d	n.d	n.d	15
6	Baker Tilly International*	506	506	0%	343	14	61	62	350	361	95	83	7	8
7	Grant Thornton International* (e)	213	212	0%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
8	PKF International*	192	145	32%	n.d	n.d	25	19	137	101	30	25	12	10
9	Moore Global*	182	197	-8%	112	6	27	30	126	133	29	34	8	11
10	RSM*	152	150	1%	99	5	19	21	110	107	23	22	3	3
11	Nexia International*	67	75	-11%	33	3	8	9	47	58	12	8	1	1
12	HLB*	31	31	0%	12	0	4	4	22	22	5	5	1	1
13	Kreston International*	23	24	-4%	9	1	7	7	14	15	2	2	1	1
14	ECOVIS International* (e)	18	18	0%	n.d	n.d	n.d	4	n.d	12	n.d	2	n.d	1
Total staff/growth		**6,842**	**2,108**	**0%**	**608**	**29**	**640**	**245**	**806**	**809**	**196**	**181**	**33**	**51**
ASSOCIATIONS														
1	Praxity*	85	75	13%	n.d	n.d	11	10	69	58	5	7	2	2
2	AGN International* (e)	27	24	12%	n.d	n.d	n.d	4	n.d	n.d	n.d	n.d	n.d	1
3	BKR International*	24	33	-27%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	1
4	MGI Worldwide with CPAAI*	23	23	0%	n.d	2	3	3	20	20	-	-	1	1
5	IAPA*	12	10	20%	n.d	n.d	6	6	2	2	4	2	1	1
6	PrimeGlobal*	12	9	33%	n.d	n.d	2	1	7	7	3	1	2	1
7	Allinial Global*	11	9	22%	0	0	2	2	8	6	1	1	1	1
8	Integra International*	9	n.ap	n.ap	n.d	n.d	1	n.ap	6	n.ap	2	n.ap	1	n.ap
-	Morison KSi*	n.ap	38	n.ap	n.ap	n.ap	n.ap	4	n.ap	28	n.ap	6	n.ap	2
Total staff/growth		**203**	**221**	**13%**	**0**	**2**	**25**	**30**	**112**	**121**	**15**	**17**	**8**	**10**

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Data according to Chartered Accountants Australia and New Zealand published November 2019.

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

Source: *International Accounting Bulletin*

JAPAN

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (JPYm)	Fee income last year (JPYm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	Deloitte* (e)	204,069.1	202,048.6	1%	n.d	n.d	n.d	n.d	n.d	n.d
	2	EY* (e)	130,305.7	129,015.5	1%	n.d	n.d	n.d	n.d	n.d	n.d
	3	KPMG* (e)	128,807.3	127,532.0	1%	n.d	n.d	n.d	n.d	n.d	n.d
	4	PwC* (e)	77,409.3	76,642.9	1%	n.d	n.d	n.d	n.d	n.d	n.d
	5	Grant Thornton* (e)	20,570.7	20,367.0	1%	n.d	n.d	n.d	n.d	n.d	n.d
	6	Crowe*	6,923.1	6,309.2	10%	62	5	13	16	4	Jun-20
	7	Baker Tilly International* (1)	6,000.0	5,100.0	18%	38	15	24	23	-	Jun-19
	8	RSM*	4,946.8	4,594.1	8%	15	3	14	11	57	Jun-19
	9	BDO* (2)	3,893.9	7,562.1	-49%	74	7	8	-	11	Jun-19
	10	Nexia International*	3,258.0	2,888.0	13%	88	1	4	7	-	Jun-19
	11	Reanda International*	2,785.0	2,584.0	8%	8	-	28	62	2	Jun-19
	12	Kreston International*	2,731.8	2,425.2	13%	78	13	2	1	6	Oct-19
	13	PKF International* (1)	1,941.1	1,631.0	19%	66	14	14	-	6	Jun-19
	14	HLB*	1,385.7	1,293.0	7%	38	1	60	-	1	Dec-19
	15	Mazars* (1)	1,196.6	919.8	30%	27	55	7	11	-	Aug-19
	16	ECOVIS International*	1,130.1	1,000.3	13%	1	88	10	1	-	Aug-19
	17	Moore Global*	1,033.3	950.6	9%	52	18	25	5	-	Dec-19
	-	TGS Global* (3)	n.ap	35.8	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap
Total fee income/growth			**598,387.3**	**592,899.1**	**1%**						
ASSOCIATIONS	1	PrimeGlobal* (1) (4)	2,268.4	1,899.1	19%	48	41	2	2	7	May-20
	2	Praxity* (1)	2,154.2	1,868.1	15%	15	44	21	7	13	2019
	3	Integra International*	1,370.1	1,370.1	0%	-	10	80	10	-	Dec-19
	4	Morison KSi*	1,167.6	1,035.9	13%	83	2	5	9	1	Dec-18
	5	IAPA International* (5)	1,018.6	967.0	5%	5	10	75	5	5	Dec-19
	6	MGI Worldwide with CPAAI*	945.1	n.ap	n.ap	50	17	18	-	15	n.ap
	7	Allinial Global* (6)	676.9	162.2	317%	-	59	16	5	20	Dec-19
	8	BKR International* (7)	590.0	301.3	96%	90	5	-	5	0	Jun-19
	9	AGN International* (e)	170.3	160.7	6%	n.d	n.d	n.d	n.d	n.d	n.d
	10	Antea*	61.0	60.0	2%	-	50	50	-	-	Dec-19
Total fee income/growth			**10,422.3**	**7,824.4**	**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 organic growth. (2) Lost a member firm. (3) Lost its member firm in Japan. (4) Restated figures for last year as they were not updated. (5) Restated figures for last year as it had mistakenly included non-accounting-related services. (6) Added a new member firm. (7) Increase in fee income attributed to merger with another firm.

***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														
5	Grant Thornton* (e)	1,621	1,544	5%	n.d	n.d	n.d	118	n.d	1,319	n.d	107	n.d	29
6	Crowe*	567	584	-3%	169	5	87	104	417	406	63	74	17	17
7	Baker Tilly International*	350	380	-8%	40	3	80	80	180	180	90	120	14	14
8	Nexia International*	314	281	12%	48	5	50	45	241	213	23	23	4	4
9	RSM*	280	251	12%	118	0	23	22	218	194	39	35	4	4
10	BDO*	262	667	-61%	94	2	36	122	191	490	35	55	6	9
11	PKF International*	259	254	2%	n.d	n.d	28	29	217	211	14	14	4	4
12	Reanda International* (1)	250	197	27%	86	0	16	11	212	168	22	18	10	9
13	Kreston International*	239	231	3%	91	2	42	44	161	151	36	36	5	4
14	HLB*	149	147	1%	32	2	20	21	82	82	47	44	5	5
15	ECOVIS International*	134	115	17%	104	3	7	7	120	101	7	7	1	1
16	Mazars*	96	73	32%	n.d	n.d	5	4	83	64	8	5	1	1
17	Moore Global*	57	55	4%	22	4	16	20	38	33	3	2	2	1
-	TGS Global*	n.ap	8	n.ap	n.ap	n.ap	n.ap	3	n.ap	3	n.ap	2	n.ap	1
Total staff/growth		**4,578**	**4,787**	**-4%**	**804**	**26**	**410**	**630**	**2,160**	**3,615**	**387**	**542**	**73**	**103**
ASSOCIATIONS														
1	PrimeGlobal*	259	217	19%	n.d	n.d	15	13	70	168	174	36	3	3
2	IAPA International*	204	203	0%	n.d	n.d	5	5	109	102	90	96	1	1
3	Praxity*	190	160	19%	n.d	n.d	13	12	156	128	21	20	3	3
4	Integra International*	137	137	0%	n.d	n.d	11	11	116	116	10	10	1	2
5	MGI Worldwide with CPAAI	82	n.ap	n.ap	n.d	1	20	n.ap	62	n.ap	-	n.ap	6	n.ap
6	Allinial Global*	82	14	486%	0	0	9	3	59	7	14	4	2	1
7	BKR International*	80	48	67%	10	0	22	12	53	33	5	3	2	1
8	Morison KSi*	71	56	27%	21	4	16	13	46	37	9	6	4	3
9	AGN International * (e)	33	30	11%	n.d	n.d	n.d	8	n.d	14	n.d	8	n.d	n.d
10	Antea*	7	7	0%	2	1	2	2	4	4	1	1	1	1
Total staff/growth		**1,145**	**872**	**22%**	**33**	**6**	**113**	**79**	**675**	**609**	**324**	**184**	**23**	**15**

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 increase in number of offices.

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

Source: *International Accounting Bulletin*

INDIA

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (INRm)	Fee income last year (INRm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	5	Grant Thornton* (1)	7,593.0	6,266.0	21%	37	-	19	34	10	Sep-19
	6	BDO*	3,872.4	3,489.0	11%	26	21	19	34	-	Mar-20
	7	RSM* (2)	2,892.2	2,113.1	37%	28	5	18	45	4	Dec-19
	8	Nexia International*	1,990.4	1,894.2	5%	30	21	24	10	15	Jun-19
	9	HLB*	1,423.3	1,438.0	-1%	57	18	11	12	2	Mar-19
	10	Mazars* (e)	827.3	787.9	5%	n.d	n.d	n.d	n.d	n.d	n.d
	11	Moore Global* (e)	611.0	581.9	5%	n.d	n.d	n.d	n.d	n.d	n.d
	12	PKF International* (1)	563.6	468.6	20%	49	-	3	15	33	Jun-19
	13	Reanda International*	461.3	514.2	-10%	47	3	1	4	45	Dec-19
	14	Kreston International* (3)	426.5	510.6	-16%	42	7	31	9	11	Oct-19
	15	TGS Global* (2)	63.2	40.0	58%	20	10	10	50	10	Sep-19
	16	ECOVIS International* (2)	55.0	40.0	38%	25	9	19	38	9	Mar-19
	17	Kudos International* (4)	29.0	22.8	27%	48	24	22	5	1	Sep-19
Total fee income/growth			**20,808.1**	**18,166.3**	**15%**						
ASSOCIATIONS	1	Allinial Global* (4)	973.6	721.5	35%	22	14	25	29	10	Dec-19
	2	Praxity* (5)	650.4	549.7	18%	29	7	43	16	5	2019
	3	Morison KSi*	551.1	474.3	16%	62	1	28	4	5	Dec-18
	4	PrimeGlobal* (6)	382.4	572.6	-33%	45	17	23	14	1	May-20
	5	IAPA*	204.2	191.3	7%	37	9	17	30	7	Mar-19
	6	GMN International* (4)	195.0	171.0	14%	26	24	4	9	37	Sep-19
	7	MGI Worldwide with CPAAI*	189.7	225.3	-16%	21	24	27	5	23	Dec-19
	8	Inpact Global* (3)	144.1	178.1	-19%	33	15	14	23	15	Dec-19
	9	BOKS International* (4)	130.6	43.2	203%	32	22	26	20	-	Dec-18
	10	Integra International* (7)	109.3	84.2	30%	50	20	20	10	-	Dec-19
	11	Antea* (4)	93.8	46.3	103%	38	19	14	27	2	Dec-19
	12	AGN International* (e)	66.2	61.2	8%	n.d	n.d	n.d	n.d	n.d	n.d
	13	Abacus Worldwide* (4)	57.0	41.8	36%	22	13	8	13	44	Dec-19
	14	EAI International* (1)	55.3	38.9	42%	15	10	20	55	-	Dec-19
	-	UC&CS Global* (3)	n.ap	6.4	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap
Total fee income/growth			**3,512.1**	**3,248.7**	**8%**						

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. (2) Increase in fee income attributed to gaining new clients. (3) Lost member firm(s). (4) Added new member firm(s). (5) Increase in fee income due to not including data from one member firm, which is included now. (6) Decrease in fee attributed to loss of major clients for a member firm. (7) Increase in fees due to additional partners brought into firms.

***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														
5	Grant Thornton*	4,832	3,950	22%	1,267	10	120	105	4,414	3,662	298	183	16	15
6	BDO*	2,736	2,557	7%	940	12	102	112	1,108	1,164	1,526	1,281	14	16
7	RSM*	1,767	1,496	18%	648	13	75	55	975	775	717	666	21	21
8	Nexia International*	1,180	1,166	1%	148	3	41	37	449	393	690	736	10	9
9	Moore Global* (e)	1,123	1,101	2%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
10	HLB*	1,119	1,236	-9%	445	7	69	89	957	1,018	93	129	29	32
11	Kreston International*	677	973	-30%	194	5	55	80	489	731	133	162	19	34
12	PKF International*	666	619	8%	238	8	19	20	621	572	26	27	6	6
13	Mazars* (e)	650	637	2%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
14	Reanda International*	413	369	12%	87	1	10	7	253	220	150	142	4	4
15	TGS Global*	110	125	-12%	25	3	13	13	92	102	5	10	7	5
16	Ecovis International*	69	65	6%	23	5	23	19	31	31	15	15	16	14
17	Kudos International*	31	21	48%	12	0	9	3	30	18	1	-	2	1
Total staff/growth		**15,373**	**14,315**	**7%**	**4,027**	**67**	**536**	**540**	**9,419**	**8,686**	**3,654**	**3,351**	**144**	**157**
ASSOCIATIONS														
1	Allinial Global*	1,371	1,131	21%	0	0	84	67	963	1,007	324	57	40	35
2	Praxity*	731	385	90%	n.d	n.d	45	30	609	297	77	58	21	11
3	PrimeGlobal*	675	892	-24%	n.d	n.d	74	103	319	626	282	163	32	42
4	Morison KSi*	608	625	-3%	159	6	39	40	496	519	73	66	15	10
5	IAPA* (1)	322	386	-17%	72	4	32	31	153	254	137	101	16	14
6	GMN International*	286	90	218%	26	4	23	16	63	39	200	35	11	7
7	BOKS International*	277	83	234%	n.d	n.d	33	24	53	43	191	16	12	6
8	Inpact Global*	271	330	-18%	n.d	n.d	28	39	215	257	28	34	15	16
9	Antea*	176	86	105%	50	8	23	13	133	62	20	11	13	9
10	Integra International*	168	150	12%	n.d	n.d	24	20	124	102	20	69	5	4
11	Abacus Worldwide*	150	59	154%	n.d	n.d	18	4	67	48	65	7	14	3
12	MGI Worldwide with CPAAI*	125	116	8%	n.d	1	27	20	98	96	-	-	7	5
13	EAI International*	107	107	0%	9	1	6	6	93	93	8	8	4	4
14	AGN International* (e)	90	83	8%	n.d	n.d	n.d	7	n.d	61	n.d	15	n.d	6
-	UC&CS Global*	n.ap	32	n.ap	n.ap	n.ap	n.ap	3	n.ap	25	n.ap	4	n.ap	1
Total staff/growth		**5,357**	**4,555**	**18%**	**316**	**24**	**456**	**423**	**3,386**	**3,529**	**1,425**	**644**	**205**	**173**

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Decrease in staff due to exclusion of apprentices, which were mistakenly included in last year's staff figures.

***Disclaimer:** Only data from the named member firm or the exclusive member firms within a network or association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

PRIMEGLOBAL-THOMSON REUTERS: A STRATEGIC AND GLOBAL PARTNERSHIP

In April 2020, PrimeGlobal and Thomson Reuters joined forces to launch a multi-year global partnership hosting a series of events and thought leadership content on diversity and women's leadership. *IAB* takes a closer look


Charlotte Rushton, Thomson Reuters

The PrimeGlobal-Thomson Reuters partnership represents a significant step in international cooperation throughout the accounting profession.

PrimeGlobal is one of the largest associations of independent accounting firms in the world, comprising around 300 independent public accounting firms in 90 countries. Thomson Reuters offers robust tax, accounting and auditing software, research guidance and services using the latest cutting-edge innovation to bolster the capabilities of tax professionals around the globe.

This partnership was born from an eye-opening session given by Charlotte Rushton, president – tax and accounting professionals at Thomson Reuters, at last year's PrimeGlobal *Women's Leadership Conference.* Rushton presented staggering statistics from recent studies, suggesting that women in the accounting profession still struggle to bridge the gender gap. The PrimeGlobal-Thomson Reuters partnership came from the need to address these issues and focus on diversity and the advancement and career development of women in the CPA environment.

"The past few months have served as a stark reminder on how interconnected we all truly are, and in that spirit, what better way to empower the next phase of our profession's development than by finding new ways to inform and cultivate a community of stronger, more capable professionals," says Rushton.

"We're proud to enter into this partnership that will allow for not only a free flow of ideas and experiences, but foster the careers of these executives both burgeoning and advancing in the industry, putting them on a path to success for years to come."

PrimeGlobal CEO Steve Heathcote celebrates the partnership and the opportunities it will create for developing inclusivity, diversity and women's leadership in the accounting profession.

He says: "During these challenging times, the world needs the strongest leadership possible to help business build resilience and, ultimately, drive the recovery. Although there have been significant steps taken towards gender equality, there are still challenges which prevent women from taking on leadership positions – a huge loss of leadership potential for us all. That's why we're excited to work with a partner like Thomson Reuters that shares our values.

"Over the months ahead and during our *Women's Leadership Conference,* we will focus on shining a light on the many inspiring women leaders across PrimeGlobal member firms and within Thomson Reuters, while creating a forum that allows for everyone to participate in the future of our industry."

THOUGHT LEADERSHIP

Since the partnership launch in April, PrimeGlobal and Thomson Reuters have hosted a series of events and launched a thought leadership campaign around PrimeGlobal women leaders.

Initiatives included a webinar titled *Stepping up into tomorrow: making your development plan work for you,* hosted by Thomson Reuters' Nora Morales. The webinar focused on empowering women to take their career trajectory into their own hands. The session explored objectives for a designed pathway, detailing why a developed career plan needs to be a priority, and the steps that should be considered in developing one.

A year-long thought leadership campaign, the *Women in Leadership Spotlight,* highlighted PrimeGlobal's women leaders and champions to demonstrate how women are levelling up in the industry. This global campaign includes thought leadership articles by leaders from across the globe, and it will be followed with webinar series hosted by Thomson Reuters and women leaders from North American, European, Asian and Latin American PrimeGlobal firms.

A highlight of the partnership has been the virtual *Women's Leadership Conference,* jointly hosted by PrimeGlobal and Thomson Reuters in early June. The event was attended by nearly 300 participants from four continents.

As part of the conference Rushton hosted a panel discussion titled *Life, Liberty and the Pursuit of Boldness,* together with leaders from PrimeGlobal firms, where both male and female partners discussed how the firms are involving, promoting and empowering women in the firm environment.

The conference also hosted an interactive session titled *Building Meaningful Client Relationships,* where female leaders shared strategies for developing connections virtually, both with existing and new clients.

PrimeGlobal and Thomson Reuters are currently working on adding webinars to the summer and autumn schedule. The goal is to continue to bring value to members, with novel and thought-provoking content.

While this initiative, in its first year, focuses on including and enhancing female leadership, it will progress to address larger issues of inclusivity and diversity in the industry. ■

A FIVE-STEP PROCESS FOR FLEXIBLE SCENARIO PLANNING

Facing a prolonged period of uncertainty due to Covid-19, finance executives are now investing in new tools for scenario planning to increase productivity and uphold fiscal sustainability. *Alice Ko,* head of content at Procurify, investigates

Covid-19 and the consequential effects of the economic downturn are the black swan events for 2020.

Many companies have changed the way they operate. Organisations that were once against the remote working model are now fully distributed, disrupting the norm for what is yet to come.

Forward-thinking finance leaders realise that going back into the office is now wishful thinking, and the new normal will truly never be normal in the same way again. Most organisations are considering different workplace scenarios and what makes the most sense right now, in the future, and for their company: stay 100% distributed or transition to a hybrid model?

According to a recent study conducted by Nilly Essaides from The Hackett Group (see chart), the biggest disruption to finance operations was keeping up with the speed of change, and responding to the rising demand for forward-looking information.

Facing a prolonged period of uncertainty, finance executives are now embracing a more flexible planning process and investing in new tools to increase productivity. More importantly, CFOs and business leaders are now faced with the immediate challenge of accurate scenario planning to uphold fiscal sustainability and survival, to maintain targeted runways and build contingencies. They need new frameworks, new processes and new tools in order to help them implement various scenarios to control spend and quickly adjust between different models.

Creating a scenario planning framework

There are many ways to identify the range of possible scenarios that could maintain a sufficient cash runway.

VC firm Sequoia Capital developed a decision-making matrix to outline potential strategies to counter each of the uncontrollable situations start-ups are facing during the pandemic (see table overleaf). A common frame of reference is to outline scenarios for a worst, a neutral and a best case, modelled against the expected duration of the uncontrollable event. In Sequoia's matrix, different scenarios are based on assumptions on how long the lockdowns will last.

Superhuman, the popular email platform giving Gmail a run for its money, recently released a useful scenario-planning calculator. Companies can enter their cash balance and desired runway to calculate how much they must reduce burn by each year. There are many templates available for scenario planning, but it is essential first to understand your company's current position to most accurately plan for your unique case.

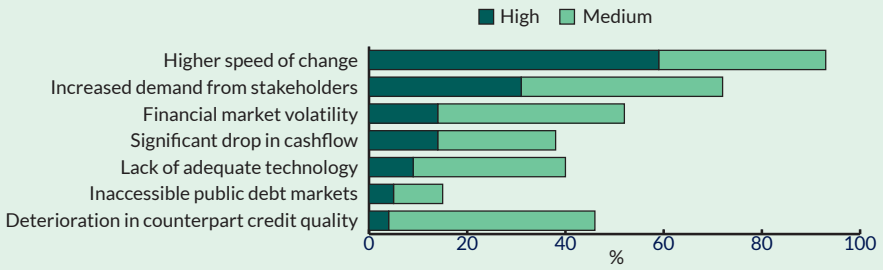
"Scenario planning helps companies to navigate uncertainty and plan ahead, so they can anticipate and quickly respond to changing landscapes," comments Debbie Rosler, on-demand CFO at Burkland & Associates. "While we are currently facing an economic downturn, there is a lot of uncertainty as to how deep the recession will be and how long it will last. By planning ahead for a range of economic scenarios, companies can develop plans that respond to each of the landscapes to ensure they survive – or potentially even thrive."

How should companies plan for the new normal and extend the runway?

Here are recommendations for a five-step process to help CFOs scenario plan and budget for the future:

DISRUPTIVE INFLUENCES

Degree of disruption to finance operations



Source: The Hackett Group


Debbie Rosler, Burkland & Associates

1. **Calculate the optimal runway** that your company needs to maintain regular business operations and positive operational health;
2. **Identify cash burn** and the key uncertainties that affect cashflow in a negative way;
3. **Bucket key uncertainties into scenarios** and identify pivotal drivers;
4. **Craft a business contingency plan** for each scenario, and
5. **Reforecast and monitor each scenario** using models such as waterfall analysis on a regular basis.

1. How to extend your cash runway

"The companies that survived the 2008 recession were the ones that cut expenses early and deep," says Uncork Capital's Jeff Clavier. "It's about survival again, not growth rates or market share. Cut expenses, extend runway, raise additional financing if ever you can – we don't know when things will get back to normal, so 18-24 months is your minimum target."

When facing a downturn or a period of economic uncertainty, cash is definitely king. There are differing opinions on how much runway companies should maintain, but according to angel.co, the standards are 24, 36 or 48 months. According to the accounting experts at Burkland & Associates, a broad rule of thumb is to start planning for an immediate 18-24-month cash burn right after a capital raise.

"We are recommending at least 24 months of runway for all of our companies, preferably more. The reason for that is it could be tough to raise money. It goes from a four-week process for many people to a six-month process in terms of fundraising," according to Bill Trenchard at First Round Capital in *The Founder's Field Guide for Navigating this Crisis.*

2. How to adjust your burn and revenue forecast

After you have chosen the appropriate runway to maintain for your organisation, adjust annual net burn so the runway is always at this level.

Companies can reduce burn by growing revenue and reducing costs, but burn rates can also be affected by adding personnel or increasing marketing costs. Managing and controlling burn can be easier to manage when you have a spend management system in place, and a comprehensive approval process to catch spending before it hits accounts payable.

Reducing burn is often a challenging task for founders and CFOs, as start-ups still need to remain nimble and grow while being more fiscally responsible during times of crisis.

Procurify outlines four spend-management strategies to help companies proactively revise spend controls and lockdown spending in our guide, *Control in a Crisis.*

Revenue, COGS, operating costs and personnel are four key levers that impact the burn rate. During a recession, organisations can only control everything related to cash outflows costs, personnel and marketing.

Unfortunately, there is no silver bullet or one-sized approach that will work for all organisations. Here are some examples of compromises and tactics that other companies have taken to mitigate these risks while avoiding personnel cuts:

- Downsizing facilities and office space in preparation for a hybrid remote-work model;
- Reducing staffing hours and salaries instead of making headcount cuts;
- Moving previously contracted projects in house to save costs;
- Reallocating trade show and travel budgets to revenue-generating activities;
- Deferring costs and giving clients and customers different payment options to reduce churn;
- Conducting a product-market fit score to gauge product stickiness and requirements during times of downturn, and
- Carefully managing discretionary spending using spend management software.

3. Identifying key uncertainties and scenarios

How can companies and finance professionals actually identify the right core scenarios to model? By answering three key questions:

1. What could happen?
2. What is the potential impact?


Jake Grimm, Summit CPA Group

3. What are the implications of these impacts on our organisation?

The secret to crafting an appropriate response plan to different scenarios is a mix of agility, responsiveness and the right tools. As important as it is to identify the fundamental drivers of each scenario, creating an achievable action plan is just as important. Having accurate real-time information and the right fintech stack and systems help companies adjust quickly.

Working on scenario planning for the first time can be overwhelming and challenging. Here are some common situations to avoid:

- **Decision Paralysis.** It is easy to get caught up in the number of different options that could address each situation. When you are in 'the weeds', it is helpful to take a step back and survey the situation with your team and collaborate. Other colleagues may be able to provide a fresh and innovative perspective that has not yet been considered.
- **Getting Stuck on 'one right way'.** There is no rule that you should only pick one scenario and run with it. There is also no one right way to approach scenario planning. The framework is simply there to help companies design an action plan around the different possibilities. Stay flexible, nimble and organised.
- **Getting trapped in short-term thinking.** A common mistake leaders often get trapped into is chasing short-term numbers within a time of crisis. Never forget why you joined your organisation, and what value your product or service is providing your clients. In a downturn, it is easy to forget about the purpose and long-term vision of the company and how you will continue to serve your audience. Keep the big picture in mind.

- **Getting team buy-in on the changes.** Change management in a new environment is hard. As teams scale back on spending, and strategies and priorities are adjusted, it takes time for teams to adapt. Leaders need to communicate with integrity on the 'what' and 'why' of these changes to ensure employees continue to stay motivated and ready to take on the challenges together.

4. Creating a contingency plan

As companies prepare to head back to the office or continue working remotely, crafting a workplace-readiness plan for each scenario is essential. The following factors should be taken into consideration with each model:

- **Different workforce scenarios.** Hybrid, fully remote, or a complete in-office: each model comes with unique costs, policies and change-management processes;
- **Health and safety.** How will companies ensure that everybody who returns to the office has access to sufficient PPE? Will the same costs cover remote employees? What additional equipment and safety costs may need to be incurred? How will you track the PPE you have provided in the event you need to demonstrate your safety efforts? Auditable tracking of spending is another value provided by Procurify's spend management system;
- **Preparation for the next wave.** A vaccine for Covid-19 will not be available until autumn 2021, or even longer. According to experts, a second wave is almost certain. Knowing the virus will likely come back, what do companies need to do today to prepare for the future? Having the right software in place for remote order purchases and approvals can help make the transition fast, and easy.

"We're doing a lot of scenario planning with our clients. The starting point is reviewing what they need to do and what areas they need to trim. Understand the overall impact, then make decisions, specifically when it comes to trimming down costs", states Summit CPA Group CFO Jake Grimm.

Future Firm founder and CEO Ryan Lazanis adds: "What tools allow you to do is scenario-plan. You can use these tools to make decisions such as: what happens if I have to lay off five people? What do my cashflow resources look like? If my target income is going to take a 50% hit over the next six months, what would my cash reserves look like?

THE PLANNING MATRIX

		Macro scenarios (outside our control)		
		Scenario A 3 months lockdown X% Revenue loss	**Scenario B** 6 months lockdown Y% Revenue loss	**Scenario A** 9 months lockdown Z% Revenue loss
Potential strategies (in our control)	**Plan A** No change to plan	12 months runway $XM cash end 2020	9 months runway $XM cash end 2020	6 months runway $XM cash end 2020
	Plan B -15% opex	18 months runway $XM cash end 2020	12 months runway $XM cash end 2020	9 months runway $XM cash end 2020
	Plan C -25% opex	24 months runway $XM cash end 2020	18 months runway $XM cash end 2020	12 months runway $XM cash end 2020

Columns represent drops in operational expenditure, rows revenue losses

Source: A Sequoia-backed company

"There are different types of scenarios that you have to look at. You have to be prepared as a business for the most likely scenario, the conservative estimate, but also an aggressive estimate."

5. Monitor and be ready to respond to each scenario

Any economic crisis requires organisations to continually monitor and be agile to adjust between models when necessary. As the survey from The Hackett Group shows, finance and operations teams are being challenged by the speed of new information and requests for updated forecasts and budgets, while keeping their eye on real-time cashflow.

Cash conservation is critical in the current environment. What more can companies do to conserve cash?

Key strategies to extend cash runway

"Start-ups need to extend their cash runway; ideally companies should defer their next outside capital raise to 24-plus months from now if possible. Venture capital fundraising is very challenging right now, and it's unclear when this will improve," comments Rosler.

Some key strategies that companies should focus on to extend their cash runway include:

- **Reduce spending on people costs.** Delay new hires, don't backfill, freeze pay raises, consider pay cuts, furloughs and terminations when applicable;
- **Other expense savings.** Review costs associated with office leases, marketing and promotion, software, and other expenses. Consider tools to help control costs and control spend such as spend management software to approve spending in advance and to track real-time budgets to actuals;
- **Working capital optimisation.** Prioritise faster collections from customers and make slower payments to vendors. Consider tools like YayPay for smarter accounts receivable and cash management;
- **Bringing in revenue and minimising churn.** Offer deeper discounts or more flexible terms, increase value of what is offered, offer options to customers to prevent churn, and
- **Fundraising.** Try to focus on existing investors if possible, plan for longer lead time to raise capital and smaller round size, explore venture debt.

In general, the approach to extending cash runway may not vary much between Seed, Series A and Series B companies. However, one thing that could drive a difference in approach based on the company funding stage would be if the market for raising VC funding becomes more challenging for one funding round stage versus another.

For example, in the 2008 recession, there was a much more dramatic decline in Series B and Series C funding rounds than Series Seed and Series A, according to a March 2020 article by Tomasz Tunguz, venture capitalist at Redpoint. However, it is too soon to tell if this same pattern will be prevalent for the current recession, which has substantially different drivers.

The new normal: what now?

We hope our recommended five-step approach for scenario planning will provide clarity and guidance for finance executives and business leaders who are planning for uncertainty. Organisations should be open to using new models, methods and tools for change management, and should evolve their planning process as new risks will emerge.

The new normal has arrived, and it is anybody's guess what the future will hold. As Charles Darwin famously said, it is not the strongest who will survive, nor the most intelligent, but the ones most adaptable to change. Embrace a flexible scenario-planning process, extend your runway, and know your spend inside out. ■

COULD COVID-19 MAKE VIRTUAL REALITY MAINSTREAM?

While experiencing work during lockdown, *Jonathan Berry*, European practice director at Expressworks, turned his thoughts to the opportunities offered by connecting with colleagues by virtual reality

In recent weeks we have all become used to holding meetings and connecting with colleagues via videoconferencing tools such as Zoom and Teams, but we have not always found the experience to be very satisfactory.

As humans we are social animals and require the stimulus of other humans. We rely on more than words to communicate, and many of the cues we are used to picking up on are lost through videoconferencing, as useful as it has been during this time. Could there be a better way?

More commonly thought of as a science fiction plot device or gaming accessory, virtual reality (VR) has been gaining ground in real life applications. In a trial conducted by Oxford academics in 2018, they discovered that nearly three out of four patients with a serious phobia of heights could overcome it using VR. The study led them to believe that VR could be the way forward for treating a number of mental health issues.

Expressworks recently decided to hold a few key company meetings in VR to see if there could be potential benefits to the workplace too. It was agreed that the experiment would be a success if the VR enhanced rather than distracted us from the meeting, if it allowed us to easily share the materials we needed to discuss, if we had better focus during the meeting and if we had better recall after the meeting.

We had meetings in space stations, beach resorts, mountaintop retreats and futuristic offices. Initially, the novelty of each setting was exciting; however, by the end of an hour-long meeting, the tiny lag between movement and result had us feeling physically sick.

Having your colleagues or employees feel sick is never a good idea when trying to hold a meeting, so the technology has some way to go before mainstream adoption is possible. One of the reasons why its full potential has still to be realised may be that VR for meetings has not been properly commercialised yet.

There are a number of different platforms available, but none are specifically focused on meetings. AltspaceVR offers an amazing social experience, but it does not have the professional feel necessary for the corporate world. Rumii is great for training and education, but it is not versatile enough for large meetings with input required from multiple sources. MeetinVR looks the most promising solution at the moment, but it is not on general release yet.

In our experiment there was a point in between the initial location excitement and the onset of movement lag-induced nausea at which the enormous potential for this technology was clear. You are immersed in a virtual world that allows for almost complete concentration and focus. The illusion is, in fact, so complete that you hear the sound from a speaker who appears to be on your left, from that direction. And because it feels like a game, it is both fun as well as serious.

> “ WITH SOCIAL DISTANCING SET TO CONTINUE AND FUTURE LOCKDOWNS A DISTINCT POSSIBILITY, VR MEETINGS LOOK CERTAIN TO HAVE THEIR DAY

This lockdown came too early for VR meetings, but with social distancing likely to continue for some time and future lockdowns a distinct possibility, VR meetings look certain to have their day.

The technology is not there yet, but it feels close. Maybe our ‘new normal’ will provide the catalyst needed to encourage the investment required to make this possibility mainstream. ■

CLIENTS' CHALLENGES FOR SELLING THEIR BUSINESS

Many are wondering if the UK businesses sale market and process will continue this year due to Covid-19. This applies to people looking to sell, and also to transactions at various stages of completion but now on hold. *Ken Gorman,* senior director at Transworld London South West comments

Business buyers and sellers generally have a long-term mindset – five years or more.

A seller may have already run a business for 20 years, so their desire to retire and sell up remains. In fact, after enduring yet another challenge, following previous financial crises and recessions, they may be more motivated than ever to pass their business onto the next generation!

A buyer will normally have strategic purpose for wanting to buy a business; starting a new career or expanding a business are key examples. Buyers generally consider a ROI horizon of at least five years.

As with all downturns, there are winners and losers. The losers cannot survive and run out of cash or become unviable. The winners survive and get the trade the losers left behind. Businesses with a strong recurring revenue base, that focused on essential services, were profitable before the downturn and have resources to weather the storm, are generally well placed for the long term.

For over 40 years, Transworld has seen economic ups and downs, and business sales have continued regardless; last year we did over 1,000 transactions globally. Sometimes there needs to be adjustments to pricing and terms, sometimes more reliance on seller financing is needed, but sales continue.

Accountancy practices for sale

The majority of accountancy practices will fall into the category of an essential service with good long-term recurring revenue with value to a buyer. Its client base must still file taxes and keep books and records up to date. The client base tends to be sticky – it is difficult to switch accountants – and settles their accounts as they need future work. In fact, our brokers who focus on financial services are seeing an uptick in activity, as with the last recession: when times are good, people get lazy and do not pay as much attention to financial detail. When money is tight, companies want to take a hard look at the detail to help conserve cash and make important decisions.


Ken Gorman, Transworld London South West

The typical reason people buy accountancy practices is that it is an efficient way to expand, and much easier than acquiring clients organically. While not every buyer is in a strong position during a downturn, many are flush with resources, take a long-term view and see the downturn as an opportunity to grow.

As typically only 20% of practices are for sale at any one time, only 20% of buyers need to be looking in order to fully satisfy supply and demand. It is not a requirement that everyone, or even most people, are doing well for there to be vibrant buying and selling in a given sector, as long as that sector is inherently viable in the long term.

As with all businesses, the buyer will be looking for a return on investment over time. They are typically buying the cashflow from the client base, and maybe some professional people to expand. Calculating profit after acquisition is tricky for an accountancy practice, as the buyer may have a different cost model. For this reason, as a short cut, the discussion on accountancy practice valuation usually starts at around the value of their annual billings.

The challenges of selling a business

The current situation presents two main challenges that need to be worked through, and that may slow, but not derail, the process.

Firstly, businesses are generally purchased according to a ratio of free cashflow. The Covid-19 shut-down will negatively impact the cash flow of the majority of UK businesses. It is unknown how long this will continue, but being optimistic, it will be an interruption lasting several months.

After a period of recovery, many buyers will want to see that profits have returned to normal and be confident that cashflows have resumed and will support a purchase price and the debt service on the business. If the current situation continues for three more months, it probably requires a further quarter for profits to return to either 'normal' or the 'new normal'. In some cases, but not all, this may require a valuation adjustment.

The second challenge is that most businesses are bought using some type of leverage or debt, like a 'buy to let' flat. Generally, this debt is asset-backed, and in business acquisition, the biggest asset is often the debtor book.

In a shutdown like Covid-19, if a business is not operating and billing customers as normal, debtors will be paying down the debtor book, so there will be a reduction of assets to leverage against. It may take two or three months to complete work, issue invoices and rebuild the debtor book back to normal levels. This is purely hypothetical as all businesses and situations are different, but it supports the assumption that some transactions will be delayed.

How to approach this period

It usually takes two to four months to complete a sale. This period begins the moment a buyer and seller agree to do business. It includes due diligence, and the drafting of financial and legal contracts, which all take time. So, if a buyer and seller have decided they are a good fit, there is good reason to commence a transaction while the recovery of profit or cashflow and the debtor book is taking place. Full recovery becomes a proof point at the end of the process.

Most businesspeople have experienced economic crises in many forms alongside the usual business cycle. The task is always to keep strategy moving forward despite short-term challenges. The fundamental reasons for people wanting to buy and sell remains as strong as ever. So, regarding the current crisis, remember: this too shall pass. ■

HOW TO RETAIN MARKET PRESENCE AND BRAND EQUITY

Using your digital marketing strategy as a means of retaining your business's market presence and maintaining brand integrity over the coming few months is essential, advises Search Laboratory CEO *Chris Attewell*


Chris Attewell, Search Laboratory

While managing communications during a crisis is not a new phenomenon in accountancy, the scale at which the pandemic has impacted different industries is unlike that which many will have seen in a lifetime.

The majority of those in the sector will be dealing with clients that have been impacted by events over the past few months.

Whether advising on collection of owed monies, recording and analysing expenditure or acting as a financial interpreter during such uncertainty, the role of the accountant has never been more important for businesses looking for reassurance and clarification on where they stand financially amid the chaos. Using a digital marketing strategy to retain your market presence and maintain brand integrity over the next few months is essential.

Consistency is key

Having a consistent brand message across all channels and platforms is a simple way to help clients to identify who you are and what you have to offer. In a time where brand trust, particularly around finances, is so important, consistency will help to paint a picture that your brand is trustworthy and can be relied on. Being a dependable and credible brand during such uncertainty will pay dividends when things fully start to recover.

Be transparent

Being transparent about what you can and cannot do is essential if you are to retain brand integrity over the next few months.

Review your website and marketing channels and ensure that your messaging is accurate and that there is no chance of consumers being misled about your services. Will replies take longer than usual over the next few months? Are there limited options for your clients due to the pandemic?

While it may seem better to gloss over any issues, being transparent will help your clients make informed decisions and ensure their expectations are managed.

Be honest about your values

By exemplifying your company values and being honest about these with potential clients, you are afforded the chance to stand out from the competition and truly demonstrate how your business aligns with customers' needs and requirements. This has become even more prevalent over the past few weeks, when community spirit and helping others has been amplified in importance.

Consider how your values are relevant to the daily lives of your customers, and how useful they are. If they have led you to provide usually paid-for expertise for free, or you have extended your services to certain groups – such as financial advice at a discount to the self-employed or key workers during this tricky time – then shout about it.

Another way of successfully communicating your values to both current and potential clients is to demonstrate how they translate practically in any corporate social responsibility activity you may do, such as through ongoing charity partnerships or fundraising drives, or even volunteering efforts from your team.

Position yourself as an industry leader

The path digital marketing is taking is all about expertise; consumers are becoming savvier than ever before, so now is the time to really demonstrate the knowledge you possess within your business in order to stand out from the rest.

Seek out opportunities for you to share this knowledge and expertise; for those in the accountancy industry providing large-scale or corporate services, look to become a key voice within the industry by taking part in roundtables or speaking at events. For those who deal more directly with individuals and consumers, take part in business forums in your local area and draft opinion pieces for external publications.

The final step to take, regardless of your individual business expertise, is make sure the content you share to your own channels – whether via social media or content marketing – is insightful and practical for your community.

Keep your audience at the forefront

Perhaps the most important consideration when refining your digital marketing in a post-Covid climate is to be sensitive to your client's needs, and to make sure these needs are being met.

By providing digital content that is genuinely of value to your clients, both current and potential, you will help to paint your brand in a positive light and demonstrate your trustworthiness as a business.

It is also key to make sure you maintain an active digital presence, and that you are proactively engaging with your community in order to retain brand presence and put your business at the forefront of clients' minds.

By putting your audience first, you will be rewarded by being a first port of call once they are ready to commission services. ■

CLIENT-ORIENTED SYNERGIES FOR BAKODAH & ABULKHAIR AND NEXIA SA

With new tax and regulatory pressures in Saudi Arabia, *Zoya Malik* spoke to Abdullah Bakodah, managing partner at Bakodah & Abulkhair, Nexia, to find out how the partnership is tackling operations and client demand in shifting times

Zoya Malik: How strong is the reporting regulatory framework that will give new and foreign investors confidence in Saudi Arabia?

Abdullah Bakodah: The regulatory framework in Saudi Arabia is well structured, maintained and governed. It is administered by the Saudi Organisation for Certified Public Accountants, which was founded in 1992 under the Ministry of Commerce.

It was established for many reasons, among which is to ensure that certified public accountants implement professional standards and comply with the regulations. It is worth mentioning that Saudi Arabia adopts the International Financial Reporting Standards, and ranks among the top 20 largest economies worldwide. These and many other factors demonstrate the extent to which the Saudi regulatory framework is strong and reliable.

ZM: Why did your firm choose to be affiliated with Nexia International over other networks? What have the benefits been on both sides?

AB: Nexia, undoubtedly, is a leading worldwide accounting firm that ranks ninth worldwide in 2020. Its endeavour towards transcending on all fronts was very obvious.

Likewise, Bakodah & Abulkhair ranks among the top 10 accounting firms in Saudi Arabia. In addition, both of us embarked upon a client-oriented strategy that is tailored around professionalism, ethics, integrity and excellence. Our strategic partnership has proven itself to be a win-win on many aspects such as sharing best practices and technical resources, creating platforms for professional development, and maintaining strong collaborative bonds between the firms.

ZM: How much business or referral work is your firm conducting with overseas member firms and clients? What type of demand is there for your services in Saudi Arabia to these firms?

AB: Well, our overseas business is approximately 20% of our clients' database. The high demand on our services is mainly concentrated on different types of tax, including corporate tax, withholding tax and VAT, plus formation of companies.

Abdullah Bakodah, Bakodah & Abulkhair, Nexia

ZM: How will introduction and rise of VAT impact your advisory services? How will this impact the economy and household spend?

AB: We believe the rise in VAT will definitely have a positive impact on our advisory services and the accountancy industry in general, as businesses will value auditing firms more than before. It will drive companies to be extra careful not to incur penalties. This will also result in additional thorough measures to be taken in the audit plan.

It is hard to tell the amount by which it could rise at this point; however, its reason will be due to companies' maturity with respect to VAT, and their eagerness to ensure full compliance.

From an economic point of view, the tax will lead to a sustainable growth in GDP. On the other hand, the impact on household spending is still unclear, as it is subject to many variable factors such as policy on what is exempted and what is not, and the incentive programmes that were set in motion by the government to support households with limited income. The VAT increase was introduced in response to the Covid-19 pandemic, which made recovery a necessity.

ZM: What has the impact of Covid-19 been on daily office operations, and staffing and retention? How is the government assisting with this?

AB: We believe that agility and flexibility are the key factors for any company to survive, and that is exactly what we have counted on in our firm. Since the start of the pandemic, we have set stringent contingency plans and precautionary measures to ensure the safety, health and well-being of our employees.

We have had our people work from home since the beginning; we counted on technological tools such as Skype and other platforms to keep business up and running smoothly. Despite this change in our daily operations, productivity and service delivery were not impacted at all.

None of our employees has been laid off or left their job for any reason since the pandemic. The incentives provided by the government, such as delaying the financial statements deadlines for our clients, as well as incurring some Saudi national employees' compensations, were of great help and support.

ZM: What has the impact of Covid-19 been in terms of business advice and support to your clients?

AB: We have managed to maintain a good level of engagement with our clients. In fact, we managed to serve them according to our scope of work, and even beyond, by sharing our insights with respect to the pandemic. We have provided an economic outlook based on different scenarios, considering the uncertainty of the pandemic, to aid them in making better financially driven decisions.

ZM: How has Nexia International engaged with and supported your firm in terms of knowledge sharing, operations and client assistance during Covid-19?

AB: Nexia's engagement and support has been very noticeable since the beginning of the pandemic. There has been a lot of information circulated and valuable publication on how to lead during such hard times. On top of that, Nexia has introduced a Covid-19 hub on its website to promote awareness. ■

CFO-CIO COLLABORATION TO NAVIGATE THE COVID LANDSCAPE

It is no surprise that CFOs are under pressure to dissect company spend; however, the explosion of data enables us to pinpoint areas that need attention. Often this involves IT spend, writes Park Place Technologies CFO *Andrew Gehrlein*


Andrew Gehrlein, Park Place Technologies

IT has evolved from being a background cost centre to a critical department, partly due to it becoming a place where data is housed, manipulated and made available.

Especially during times such as these, data is core to providing a more informed and strategic voice helping CFOs improve and adapt their strategies; however, while the CFO is adept at measuring costs, managing the balance sheet and navigating murky waters, determining capabilities and staying ahead of tech trends requires partnership with the CIO – now more than ever as IT formats data and provides insight into what might be most helpful to finance.

The Covid-19 landscape

Since late March 2020, the UK and its respective businesses have had to adapt to a new set of challenges atypical to the familiar 'business as usual' way of working.

Increased working from home hours applies added stress to both bandwidth and server accessibility for businesses' IT departments, and it is easy for a CFO to become unaware of their company's specific technological nuances. The pandemic brings unprecedented financial challenges and pressures on CIOs to offer the CFO a new perspective on which tech costs are presently needed and which can be done without.

For example, buying equipment is a cash outlay, and companies are currently laser-focused on cashflow and expenses. Some expenditures will have to be delayed as cash is prioritised away from capital expenses. Many CFOs may be unaware of which IT costs to reduce without a collaborative conversation with the CIO.

A top tip for CFOs to consider using with their CIO is a regular, detailed review of all ad hoc expenses across the company. Together, the two can look for technology items that should be aggregated or that do not comply with expected standards. This process requires CIO input and experience.

What IT can offer

In collaborating with IT leaders, I have learned that IT is uniquely positioned to scan a company for technology-enabled improvements: revenue opportunities, productivity increases, and cost savings. When the CIO and CFO work together to find and implement improvements, the company becomes more effective than when they take a siloed approach.

The Covid-19 pandemic presents an opportunity to identify improvements. As people are suddenly forced into new models, traditional ways of work can change. A CFO-CIO collaboration can present opportunities in office utilisation, software purchases and hardware deployment, just to name a few.

While hardware and software expenses are relatively easy to monitor and measure against company metrics, the implementation of IT projects is a key area for CFO-CIO collaboration. Every project brought to IT can have cost structures that include outside purchases as well as internal labour. Projects need to bring value to the company, and the calculation of that value, perhaps in the form of ROI, requires the CIO and CFO to jointly calculate the value accurately, and measure the results once the project is in place.

Consulting your CIO with the ongoing process analysis team enables the CFO to look and find cost-reduction opportunities that do not impact customer satisfaction. This input is key to ensuring a potential financial decision that may benefit the company and does not touch customer service.

CFOs and CIOs can also protect revenues and business-critical IT by 'sweating' IT assets for longer through value-added life-cycle support services. Maximising payback and ROI on hardware infrastructure can also yield financial benefits for the longer term.

Dual dependence

It can be very difficult for CFOs to keep up with IT; it evolves so rapidly and requires such specialist knowledge that generalists can be left in the dust when it comes to progress.

At the same time, technology often offers glitzy new products, and it is imperative that IT professionals stay focused on what type of capital is available, where they want to spend it, and how their values align with the business. CIO collaboration helps to validate the financials of development projects. A working knowledge of ever-changing standards in technology protects financial projections and budgets.

CFOs focus on maintaining activity without increasing expenses. Gartner has reported that third-party maintenance is less expensive than what OEMS offer, and the service is just as good. If anybody came to you and said: "You're paying £100,000 for this service. I can do it for £50,000-60,000 and I'm going to do it better," then any CFO would take that deal – but it requires CIO scrutiny and expertise.

We all hope the pandemic passes quickly, but the long-term necessity of CFO-CIO collaboration will remain a part of any business's evolution, strategy and health. ■

LEADING FROM AFAR: LESSONS FROM COVID-19 AND THE FUTURE OF WORK

At the start of 2020, the option of working from home was a perk largely available to a relative few. But the evidence that remote working is not only possible, but often more productive and satisfying, is one lesson from managing workforces that has come out of Covid-19 – and a key positive that should be kept as lockdowns lift, comment *Baker Tilly* experts

Working from home is one of several important learnings that could improve the way businesses manage teams and create a more effective, happy and sustainable workforce.

But it requires business leaders to rethink how they lead, and how their workers feel about their roles and workload. While lockdown was swift and gave little time to consider the 'best' way to bring about workplace change, the protracted return requires more thought.

Unusual impacts of Covid-19 on our working lives – engage and connect

At the front of mind for Baker Tilly teams around the world has been the task of keeping a suddenly remote workforce engaged and connected.

For some, like Baker Tilly Canada, this has meant linking mentors with mentees, structuring into smaller teams with daily virtual check-in meetings, and weekly town hall meetings to ward off the potential for workers feeling isolated.

Others, like Baker Tilly US, have been working on how to connect thousands of staff over large distances, using technology to bridge the gap.

Even in countries with limited official lockdowns, there have been changes in the way many employers work. At Baker Tilly Sweden, for example, some offices have divided their workforce in two, and they work one week at home and one week at the office, but not at the same time.

A learning experience for all – provided you are willing to honestly assess how you have dealt with it

How businesses come out of Covid-19 is one of the most interesting issues from a people management perspective, both in mitigating the physical risks to staff and in ensuring people remain engaged and feel safe on their return.

Businesses that have gone above and beyond to look after the well-being of their people during the pandemic will be the ones that emerge with the strongest culture.

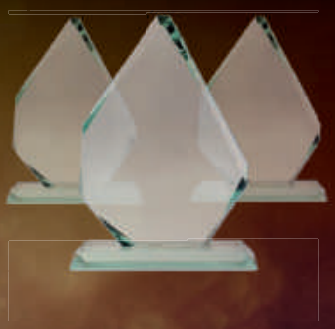
It is another exercise in which companies must engage closely with their employees and empower them to make choices best suited to their needs and comfort levels. It is akin to a disaster recovery programme: you ask the worst-case scenario questions but then you have all the answers, so that the plan is there, and you are prepared.

The future of work is an area often debated. For Baker Tilly Mooney Moore, Ireland, the realisation following Covid-19 is that the future is now here. Renegotiating our relationships with technology, with the workplace and with travel are going to influence how and where work gets done in the future, and the types of work that we do.

From a people perspective, going forward, we need to stabilise and heal the workforce because it has been dispersed. Finally, we need to reconnect the workforce in terms of new emerging recruitment and emerging talent strategies. ■

Baker Tilly contributors: Kari Viglasky, Canada; Todd Stokes, US; Donal Laverty, Ireland; Bengt Johnsson, Sweden

THE
Digital Accountancy Forum and Awards
VIRTUAL EXPERIENCE



LIVE ON 30 SEPTEMBER 2020

Bringing together leading accounting firms, regulators and industry bodies, consultancies and advisors, law firms and tech vendors to debate key issues impacting the sector and opportunities for growth.

15+ SESSIONS

300+ ATTENDEES

10+ SPEAKERS

UNLIMITED NETWORKING OPPORTUNITIES

WINNERS 2020

NOW ACCEPTING NOMINATIONS

The Digital Accountancy Awards 2020 (incorporating The Accountant & International Accounting Bulletin Awards) will be announced LIVE during the virtual ceremony which will take place just after the conference. This year, as before, there are 16 corporate Awards categories and three Awards for individuals.

SUBMIT YOUR NOMINATIONS BY MONDAY, 24 AUGUST

@ArenaFinancial www.arena-international.com/dafawards

ARENA INTERNATIONAL EVENTS GROUP