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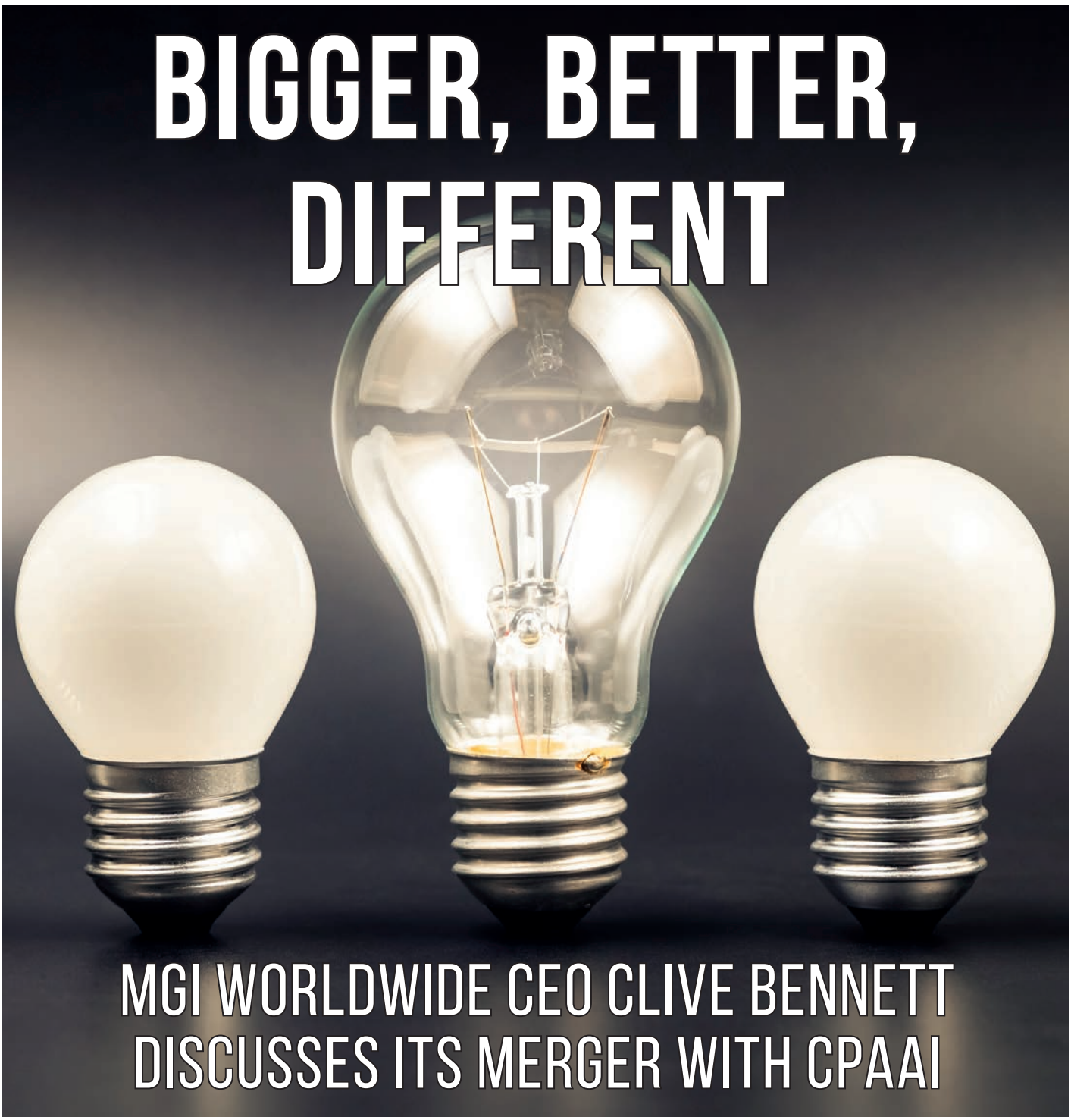
INTERNATIONAL Accounting BULLETIN

BIGGER, BETTER, DIFFERENT



MGI WORLDWIDE CEO CLIVE BENNETT DISCUSSES ITS MERGER WITH CPAAI

FEATURE

CEOs reflect on 2019's milestones, and outline ESG initiatives for 2020

RANKINGS

Key industry data and business rankings for the UK and the eurozone

INDUSTRY FOCUS

Why the widening skills gap in accounting differs from those in other sectors

THIS MONTH

NEWS

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Chris Biggs, Theta FR

Andrea Bruckner, BDO Wirtschaftsprüfungsgesellschaft

Tim Wilson, MSI Global Alliance

GROUP EDITOR'S LETTER

HAPPY NEW YEAR 2020 TO ALL

Zoya Malik, Group Editor

AT THE START OF A NEW YEAR AND A NEW DECADE, I HAVE BEEN BUSY PLANNING IAB'S CONTENT FOR THIS YEAR, IN CONJUNCTION WITH THE EDITOR OF THE ACCOUNTANT, TO ENGAGE WITH OUR READERS, CLIENT-PARTNERS AND SUBSCRIBERS, TO COVER THE MOST CURRENT AND IMPACTFUL TRENDS IN THE INDUSTRY GLOBALLY.

The *Global Economic Conditions Survey* has brought a modicum of positivity, stating that global economic confidence bounced back in the fourth quarter of 2019 to around its level in mid-2019, after completing what has been a volatile year.

The global poll of 2,560 accountants shows that all key regions reported recoveries in confidence, with an especially strong bounce in North America. However, global confidence remains below its long-run average, and the message is of continued modest expansion in the world economy early in 2020.

From my discussions with CEOs and practice heads at leading accounting networks and associations around the world this year, I hope to bring you their strategic vision on company growth plans, their market and regulatory concerns, and views on their leadership approach that will serve to drive that vision, through highly competitive and transitioning markets.

This month, read my CEO interview where I speak to Clive Bennett, CEO at MGI Worldwide, about the network's recent merger with US-based CPAAI, on how the two entities have found a fit, and their objectives for reaching new growth markets.

A feature by Theta FR looks at the skills gap that highlights an increasing requirement by recruiters for accountancy professionals to show that they can be more entrepreneurial in the workplace, in response to industry trends where audit and non-audit services may divide, and with tech disruption coming into every business.

Also in this issue, Rob Mander, head of international tax services at RSM examines the "herculean" task of implementing the OECD's proposed global tax on digital giants, and Nexia International CEO Kevin Arnold highlights points of differentiation that are being brought about through member firms offering specialist services. In *IAB's Year In Review*, CEOs look back at corporate milestones achieved in 2019, and forward look to 2020.

There are also country reports on the UK and the eurozone, along with corresponding industry rankings.

Our team is also working hard this month to collate all the responses from the data submitted for *IAB's* pre-eminent *World Survey 2020*, which will be released in the February edition.

Do contact me with your industry concerns. ■

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

NEWS UPDATE

UN SDG disclosure recommendations

Leading accounting bodies have called for corporate and asset owner action and improved reporting on the UN's Sustainable Development Goals (SDG) in an attempt to meet goals set for 2030.

The recommendations are detailed in the report, *Sustainable Development Goals Disclosure (SDGD) Recommendations,* authored by Carol Adams, professor of accounting, with Paul Druckman and Russell Picot, honorary professors at Durham University Business School.

The report has been published by global accountancy bodies International Federation of Accountants (IFAC), Association of Chartered Certified Accountants, Institute of Chartered Accountants of Scotland (ICAS), Chartered Accountants Australia and New Zealand, the International Integrated Reporting Council (IIRC) and the World Benchmarking Alliance. It is also endorsed by the Director of SDG Impact from the United Nations Development Programme (UNDP).

The SDGD recommendations offer a new approach for businesses and other organisations to address sustainable development issues aligned to the three most influential and popular reporting frameworks. They attempt to establish best practice for corporate reporting on the SDGs, and enable more effective and standardised reporting and transparency on climate change, social and other environmental impacts.

The SDGD recommendations were developed in consultation with accounting and finance professionals, sustainability experts, academics, consultants, framework and standard setters, asset owners and managers and civil society participants.

Responses to the consultation show strong support for the alignment of SDGD recommendations with other key reporting frameworks and standards. Respondents agreed that accountability for value destruction and negative impacts are critical.

The SDGD recommendations call on organisations to consider sustainable development risks and opportunities relevant to their long-term value-creation strategy and communicate the actual or potential impacts on achievement of the SDGs. This will require relevant and material disclosures about the factors that influence long-term value creation or destruction for the organisation and society, or that impact the achievement of the SDGs in the annual report.

Adams said, "There is increasing awareness in both business and investment communities that the health and wellbeing of the planet and its people impact on the longer-term success of business. The SDGs offer an opportunity to collaborate and address this. A change in what and how business is done is essential to the achievement of the SDGs. Key to driving change is the requirement for a statement from the board chair that the board accepts responsibility for the SDG disclosures in the annual report."

The recommendations are built on a suggested five-step approach for contributing to the SDGs, aligned with long-term value creation, previously developed by Adams and published by the IIRC and ICAS.

Elizabeth Boggs-Davidsen, director of SDG Impact at the UNDP said, "To achieve the SDGs, companies and investors will need to move away from mapping existing activities to the goals to a more integrated practice of directing and disclosing on investment activities that create more impact and contribute to progress towards the SDGs."

Gerbrand Haverkamp, executive director at the World Benchmarking Alliance, added, "Without companies aligning their business models and operations with the SDGs, they simply won't be achieved. We therefore need to work together in translating scientific and societal expectations into clear reporting guidance for companies. This will create the data the World Benchmarking Alliance and others can use to assess and rank corporate performance in a manner that is transparent and free for everyone to see."

IFAC CEO Kevin Dancey said, "Achieving the SDGs requires dedication from business, and the urgency continues to grow. We fully support global best practices that enable effective, transparent reporting on sustainability measures. It's imperative that we act together and that we act now to secure a sustainable future." ■

FRC: INVESTORS CALL FOR IMPROVED WORKFORCE REPORTING

Reporting on workforce-related issues needs to improve to meet investor needs and reflect modern-day workforces, according to a report from the UK Financial Reporting Council (FRC)'s Financial Reporting Lab.

Operational issues such as working conditions, changing contractual arrangements and automation have all become areas of increasing investor focus in recent years, and the Lab's report shows investor support for clearer company disclosures.

The report provides practical guidance and examples on how companies can provide improved information to investors. It encourages companies to think of the workforce as a strategic asset and explain how it is invested in, underpinned by data on the composition, engagement, retention and diversity of the workforce.

FRC Lab director Phil Fitz-Gerald said, "As the nature of the workforce has evolved, so too have the opportunities and risks for investors who are rightly demanding improved reporting on workforce matters, such as what the workforce is, retention and turnover, and workforce engagement.

"Reporting on culture should be informative and provide investors with a clearer insight into risks, setting out how the workforce contributes to value and how that value is maintained.

"Given the competition for talent, investors are also interested in how companies intend to support the development of their workforces in a sustainable, long-term fashion." ■

ICAEW UPDATES ASSURANCE GUIDANCE ON INTERNAL CONTROLS

The Institute of Accountants in England and Wales (ICAEW) has updated its guidance on conducting assurance engagements on the internal controls of services organisations, following a public consultation last year.

Assurance reports on internal controls of service organisations made available to third parties, TECH 01/20 AAF, replaces TECH 01/06 AAF and will come into effect for periods starting on or after 1 July 2020.

The ICAEW noted that organisations often outsource aspects of their activities to third-party service organisations, and that the guidance provided aims to enable service organisations to engage an independent practitioner to provide an assurance opinion on the controls in place over those outsourced activities.

The opinion can then be made available to user organisations and their external auditors, avoiding the need for several different user organisations to test the same controls. Changes to the technical release include expanded guidance for conducting the assurance engagement and senior management of service organisations.

ICAEW director of technical strategy accountability Nigel Sleigh-Johnson said: "The changes made to this key technical release will make it more accessible and are intended to enable a broader range of accountancy firms to conduct this type of assurance engagement.

"The feedback we've received from stakeholders throughout the consultation period has been invaluable, and we are grateful to everyone who commented." ■

BRUCE MACKENZIE TO JOIN INTERNATIONAL ACCOUNTING STANDARDS BOARD

The trustees of the IFRS Foundation have appointed Bruce Mackenzie as a member of the International Accounting Standards Board (IASB) from 1 October 2020.

Mackenzie, from Johannesburg, South Africa, has more than two decades of technical accounting experience. He joins the board for an initial term of five years from W Consulting, an international firm providing advisory and technological solutions to companies applying IFRS Standards.

He is a chartered accountant and registered auditor in South Africa. He chairs the Pan African Federation of Accountants' technical standard-setters forum and has been a member of the Financial Reporting Standards Council of South Africa.

Mackenzie has previously been a member of the IFRS Foundation's IFRS for SMEs Implementation Group and the IFRS Advisory Council. He is currently a member of the IFRS Interpretations Committee, where his term ends on 30 June 2020.


Bruce Mackenzie, IASB

The board comprises members from varied backgrounds. Mackenzie will fill the Africa position, succeeding Darrel Scott who steps down at the end of September 2020 when his second term ends.

Trustees nominating committee chair Michael Madelain commented, "I am pleased to welcome Bruce as a valuable addition to the board. I would also like to thank Darrel for the excellent contributions he has made to the organisation over the past 10 years."

Mackenzie added, "I look forward to becoming a board member and continuing my contribution to the important mission of the IFRS Foundation of bringing transparency, efficiency and accountability to the world's capital markets." ■

Chartered IIA launches new internal audit code

The Chartered Institute of Internal Auditors (Chartered IIA) has published a new code with the goal of increasing the effectiveness of internal audit functions.

The Internal Audit Code of Practice aims to strengthen corporate governance, following a number of high-profile collapses linked to governance deficiencies, such as the collapse of UK construction company Carillion.

The code aims to increase the status, scope and skills of internal audit, and makes 38 recommendations for business including:

- Unrestricted access for internal audit so it is not stopped from looking at any part of the organisation it serves and key management information;
- The right to attend and observe committee meetings;
- A direct line to the CEO and a direct report to the audit committee chair to increase the authority and status of internal audit;
- The direct employment of chief internal auditors in every business, even when the internal audit function is outsourced. This is to ensure chief internal auditors have sufficient and timely access to key information and decisions, and
- Regular communication and sharing of information by the chief internal auditor and the partner responsible for external audit to ensure both assurance functions carry out their duties effectively.

The Internal Audit Code of Practice was developed by an independent steering committee set up by the Chartered IIA and chaired by BP audit committee chair Brendan Nelson. The final version follows a 12-week public consultation in which more than 100 stakeholders participated.

Nelson said: "High-profile corporate collapses linked to governance deficiencies have led to a wide-ranging review of the audit and corporate governance framework. Strong, effective and well-resourced internal audit functions have a central role to play in supporting boards to better manage and mitigate the risks they face.

"The Code makes 38 important recommendations, including the right for internal audit to attend executive committee meetings, unrestricted access for internal audit to all parts of the business and a direct line for internal audit to the chief executive.

"I urge boards, and in particular audit committees, to apply appropriately the Internal Audit Code of Practice to increase the effectiveness of their internal audit functions, in the pursuit of stronger corporate governance and risk management."

UK Financial Reporting Council CEO Jon Thompson said: "I commend the IIA for developing and introducing this new code of practice, which sets a high standard of best practice." ■

BDO UK'S 3STEPIT READINESS

The 3Step approach gives BDO UK LLP a unified, consistent solution to its IT asset management, one that has helped it successfully tackle the challenges of changing technology over nearly a decade

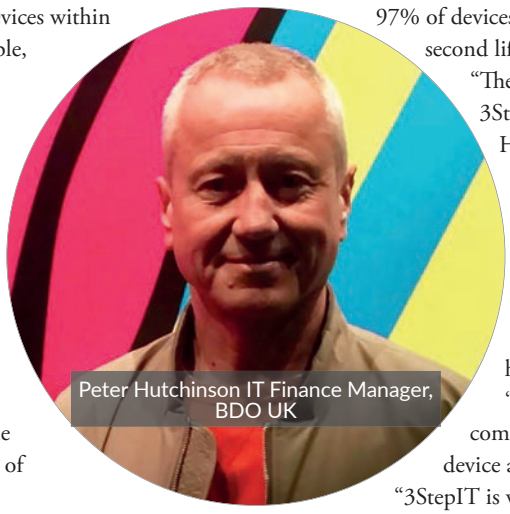
There's going to be so much progress with automation, it's hard to say what technology is going to look like even in five years' time," explains Peter Hutchinson, IT finance manager at BDO UK.

"Whatever happens is bound to give rise to major changes in what we do on a daily basis, and what we use to do it."

But even in the present, there are always challenges in IT management. With a significant proportion of the BDO workforce operating remotely, keeping track of all the devices within the company, and ensuring that they are reliable, secure and functional is a critical task.

Hutchinson comments, "We have a large transient workforce, alongside staff such as auditors who are constantly out on the road at client's premises to perform audits or advisory services. So it is important that they have technology with them that is reliable.

"We also have to make sure everyone is armed with all the kit that they need, to be able to do their work anywhere. And from a personal perspective, there's always a lot for me to do, so having a simple, comprehensive way of overseeing everything is a huge thing for me."


Peter Hutchinson IT Finance Manager, BDO UK

BDO UK began its relationship with 3StepIT in 2011, with a complete approach to IT lifecycle management that covers three interconnected elements.

The first is the ability to lease a wide range of devices from 3StepIT instead of buying them, meaning BDO UK can manage its budget better, and ensure that its workforce always have advanced, reliable devices that allow them to do their jobs wherever they are.

"It's extremely reassuring to know that all our staff have the most up-to-date kit," Hutchinson says. "It makes our lives easier, too: more reliable devices mean we get fewer complaints of problems that need fixing, and fewer nasty surprises of broken devices that hurt our budget when they need replacing."

The second is using 3StepIT's online asset management platform, which includes details of every IT asset within BDO UK – whether leased or owned – so it always has total oversight of its IT estate.

"Being able to have all the kit supplied and then recorded on the asset register is really good," Hutchinson says. "The register records everything about the asset that we have, and that helps us to manage it. We know what we've got, where it is and who it is being operated by. It's a big plus for us."

The final element kicks in when leased devices need replacing before they become obsolete. 3StepIT provides BDO UK with a sustainable disposal service. Any data is destroyed to Infosec 5 standards, then 97% of devices are refurbished and given a responsible second life. The remaining 3% are recycled.

"The environmental disposal services that 3StepIT offers really inspire peace of mind," Hutchinson says. "It's comforting to know that it is going to dispose of old equipment in an environmentally considered way, with data being scrubbed clean from the devices before they're re-used or sold on. I feel completely confident that the devices or our data are not going to end up in unscrupulous hands.

"This isn't just about one single benefit: it's the combination of all three steps of the service, from device acquisition to disposal," Hutchinson explains. "3StepIT is very easy to deal with: I have a single point of contact for everything, they're quick to respond to requests and find solutions, and the whole process is pretty slick."

The impact of the partnership on BDO UK's wider business has been profound. A change in IT asset strategy has not only had positive effects on IT, but throughout the workforce, too.

"Our employees, especially client-facing ones, need to be able to do their jobs with the highest standards of professionalism," Hutchinson says. "Thanks to 3StepIT, we can make sure they've got devices with the best possible functionality, that work all the time and that allow them to focus on the important stuff that really helps us grow our business. That we're able to do all that sustainably and in a way that doesn't cost us the Earth, makes it beneficial for us all round." ■

For more information about 3StepIT and how IT lifecycle management can enable your business, get in touch with our UK programme leader, Ronan Glennon, at Ronan.Glennon@3stepit.com or +44 (0)7867 487087

INDUSTRY FOCUS: THE SKILLS GAP IN ACCOUNTANCY

Having spent most of his professional life at the Big Four firms, *Chris Biggs,* managing director at Theta FR says with some certainty that there is a widening skills gap in accounting – although maybe not in the ways that many other sectors are developing

I have worked for listed companies, non-governmental organisations, private companies and the largest accounting firms in the world.

I have been recruited by and recruited for all of these firms, and now, at Theta, I am responsible for growing a full-service accounting advisory and consulting firm, so I have seen the recruitment process from beginning to end, from every angle.

From what I have observed, there is a skills gap in experience rather than core skills, which are more crucial to the success and the employability of the individual. There is a gap of experience within many roles where professionals need greater commercial and real-life applicable experience to apply their auditing and accounting knowledge.

Within each individual, there is a 'breadth' of a skills gap. I am not expecting all accountants trained in the profession to have every skill; however, the training environment encourages trainees to work within a specific area of a firm, which gives them deep experience and skills in one area, but often not decent exposure to other areas.

For example, trainees in auditing will often have little exposure and experience of 'non-audit' advisory services. This means they develop deep and valuable expertise in audit but not accounting issues and challenges from a non-audit perspective, which is a key requirement and skill outside of the audit profession.

In my current role at Theta, I often see qualified accountants from large firms who have very little – if any – experience in accounts preparation, and this fundamental understanding of how financial reporting comes together is so key to be an effective advisor in practice and in industry.

As well as impacting their ability to take skills from the profession into life outside of practice, their breadth of experience is fundamental to their ability to add wider insights and support to clients while still in the profession.

If the current drive to 'split' the audit and non-audit functions of firms goes ahead, either voluntarily or by legislation, this is likely to exacerbate further the narrowing of the individual's breadth of experience across the skills in both audit and non-audit services. This will impact what they can take out of the profession to industry, and will be detrimental to the profession as a whole.

DEVELOPMENT IMPACT

Within life in professional practice, this breadth of a skills gap is having an impact on business development. Many firms will be affected by this. At Theta, we struggle to identify prospective candidates who have both relevant technical and business development skills. The latter is critical to the ability to grow and develop business within the profession.

Candidates typically fall into either being a 'technical' person or someone with a proven record of growing opportunities and developing businesses while not being technically strong – it is exceptionally rare that you find one with both skill sets; if you do, grab them!

This issue is inherent in the structure of firms where the business development responsibility is generally at the partner or director level. Staff below that level are encouraged to support and start to develop such a mindset, but are not invested in fully by the firms or asked to act as entrepreneurs or owners of the business.

Personally, I have seen big firms recruit the business development experience they need from other firms to fill the skills gap as an easier and more cost-effective approach than to develop from within. This is where we, as a sector, need to realign training in the industry. This is not necessarily just an issue in accounting but is being experienced by other professional service sectors such as law.

While I accept that audit professionals are restricted by professional standards from selling add-on services to audit clients, as the profession becomes more disrupted, business development and an entrepreneurial spirit will become more and more a 'required' skill. The millennial generation is often labelled as 'lazy', but I have found them to be actually incredibly proactive and innovative, with more and more professionals having projects and secondary revenue streams supplementing their main nine-to-five job.

This has been seen in the amount of young professionals going freelance, but this entrepreneurial attitude needs to be developed in house to help firms retain the best talent and grow their own business at every level, not just at partner or director level.

One observation that I have seen over the last decade that is particularly on the rise in professional social networks, is that people are not properly developing and growing their networks and business development skills at an early enough stage for success.

While it may seem easier than ever to build and nurture a great network, candidates looking to move within the profession or progress to partnership level struggle to demonstrate both skills. When these candidates are looking to move out of their current roles to another firm in a role that includes business development, they become

an 'expensive' candidate if they do not have the skills needed and require significant development and training. This can seriously hinder the applicant, and firms are struggling to employ candidates with both sets of these skills.

However, not all accountants are natural or capable of preforming in a business development role to a strong level. This is a risk for a future employer to take on someone who needs development, but may not be a natural fit for such a role and, ultimately, may not be successful.

This is a fundamental issue in the marketplace currently – there is a scarcity of resources, and the industry has a fundamental issue of finding the right mix of experience. The question is: how, as an industry, are we reacting to the skills deficit?

The Big Four training, from personal experience, can cover a wide range of areas; however, those areas outside the trainee's 'day job' (e.g. the core disciplines of audit, tax, non-audit services etc) tend to be limited to the theoretical, with limited practical application of that knowledge to develop practical experiences, skills and understanding.

I am not advocating everyone becoming an expert in everything, but a good working understanding based on practical experiences of the wider key areas of the profession is to all's benefit. Therefore, the day-to-day practical training provided by firms has to also provide practical experiences in wider topics to benefit the individual, the employer and the wider world outside of practice.


Chris Biggs, Theta FR

> "INVESTMENT INTO SKILLS IS AN INVESTMENT INTO THE BUSINESS AS WELL, SO LONG AS THE FIRM CAN RETAIN THE TALENT IT CAN DEVELOP

COST SENSITIVITY

There will always be a cost associated with providing trainees with a wide range of experiences and skills, which is accepted by the firms. However, regulatory pressures and downward pressure on fees – the required audit rotation and tenders generate a lot of fee-reduction pressure – will make firms even more sensitive to costs. I am interested to see the impact this has on the willingness of firms to incur costs, make investments and accept non-chargeable time etc. inherent in providing a range of experiences more than the individual needs for their current role.

What firms must remember is that this investment into skills is an investment into the business as well, so long as the firm can retain the talent that it can develop. This is another development that firms must make in order to make a decent return on investment and thrive in the next decade.

Saying this, where firms do provide internal secondments and periods of experience to widen their people's skills, the inherent additional costs resulting from splitting audit and non-audit disciplines is likely to have a significant impact on the investment available to continue to do this – firms will have to hire more specialists to sit in audit full time rather than utilise specialists from their non-audit disciplines when needed – this will potentially limit not just the obvious chance for individuals to get the wider experiences, but the investment available to provide internal secondments, training and those experiences.

Things are changing, but not necessarily in favour of the firms. At Theta, we are interviewing people from the big firms who are getting 'burnt out' at a more and more junior level. When I first trained myself, you would hear about an occasional partner who had reached this point, now its senior managers and managers.

In founding Theta, we deliver the same quality and skills as the big firms; however, we are doing this in a way that does not sacrifice the work-life balance of our team. It is a hard balance, but very much worth it, and its down to me and our senior team to make it work for everyone.

It is often a cliché, but we strongly believe in getting it right. We offer part-time working, flexible working, the 'normality' of people working from home rather than feeling they need to 'show face' in an office when not out at clients etc.

The challenge for the big firms that are operating a model where people step out of the firm from a full-time employed basis to stay on 'reserve' to work with them as and when needed, is that they must offer such people more than a choice of whether to work or not to work – the environment they come into when they do work, needs to realign to a true work-life balance.

SKILLS AND INDIVIDUALS

Outsourcing or using subcontractors is a valid model; however, firms need a large volume of individuals to make sure the right skills are available when needed – and trusted individuals. Theta's associates (subcontractors) are still very much part of our firm, our brand and 'our' people. We only ever engage associates we completely trust to be part of our team and deliver the quality our clients expect from us

With the upcoming IR35 tax rule changes in the UK, some large companies are already moving away from the subcontractor model. It will be interesting to see the impact of the new rules, and whether the new government readdresses them to see how they affect the industry.

To conclude, the skills gap we are facing in the industry is one that both employees and employers have the capacity and the responsibility to fill.

There is a wealth of talent out there, but we need to harness and grow the crucial, applicable skills in candidates to help grow business at every level and retain the best talent in the marketplace today.

At Theta, we have recognised these issues at an early stage, and other firms must adapt soon in order to remain competitive in their particular service offering. ■

BIGGER, BETTER, DIFFERENT: MGI WORLDWIDE AND CPAAI MERGE

Global accountancy network MGI Worldwide, headquartered in the UK, recently announced its merger, from 1 January 2020, with US-based CPA Associates International (CPAAI), to create a new organisation with over 250 member firms in 100 countries around the world. and nearly $1bn of revenue. *Zoya Malik* caught up with Clive Bennett, CEO of MGI Worldwide, to chat about what the merger means for the organisation

Zoya Malik: What have been the main objectives of this merger?

Clive Bennett: Both parties had been looking for a merger partner for a while, and we had three main objectives: first, to strengthen our position on the East Coast of the United States. We're very strong on the West Coast but have lost important firms on the East Coast through consolidation in the market, so we needed a partner with a significant presence there to strengthen our US offering.

Second, to maintain our position in the rankings of the mid-tier networks. Staying within the top 20 networks is important to our members, our marketing, our reputation and our influence.

Finally, we have ambitious plans for our members and the extra resources will enable us to carry them out. In turn, CPAAI needed the West Coast and, outside the United States, to join up with a more global organisation like ours, which is very diverse and has advanced marketing, governance and management.

ZM: What were the criteria when you were looking for partners?

CB: Apart from the needs I mentioned before, we wanted an organisation of a similar size; there's no point going through a merger if it's just going to add a small amount to the bottom line.

We also didn't want ourselves to be swallowed up by a giant and end up losing our brand. CPAAI was particularly attractive to us because our strengths are complementary. Its strength east of the Mississippi in the US and our strong global presence, organisation, branding and marketing made for an ideal fit.

ZM: You mentioned having "ambitious strategies". How do those manifest themselves for your member firms?

CB: We believe we're ahead of the curve in understanding that brand strength is not about logos and colours: it's about building and articulating values and capabilities.

We're never going to match the brand recognition of the Big Four, because we're never going to spend serious money on promotion and advertising, but when clients and firms come into contact with our brand, we want that experience to leave the very best, memorable impression. That means investing in marketing and communications.

> "THE BETTER THE GLOBAL BRAND, THE HIGHER THE LOCAL BRAND VALUE

As an example, nearly 50% of MGI Worldwide firms now adopt our brand in their names. In that way, the strength of the global brand enhances their local reputation, while their own strength in their local markets supports the global brand. The better the global brand, the higher the local brand value.

It's a symbiotic relationship. We're mid-tier, but we've got 130 years of experience between the two merger partners and, for the foreseeable future, we are strong, confident and gaining recognition.

ZM: With that ambition, what are the challenges for MGI Worldwide during the merger with CPAAI?

CB: For at least the medium term, there is little financial effect. This is not a merger of two commercial, profit-making enterprises, where you would immediately look to reduce administrative cost by sharing services and cutting headcount. We are already both lean organisations with very little functional overlap.

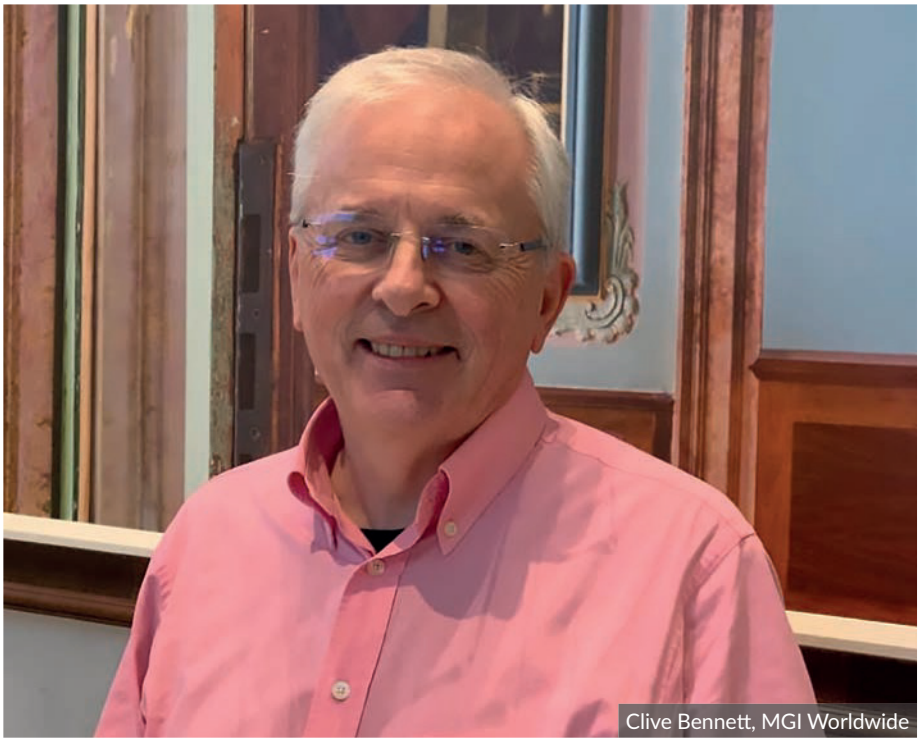
Going forward, there will be synergies and we'll be able to grow our teams and do more. We don't focus on cost savings, but more on what we can achieve together, on strategic, operational and cultural synergies using complementary resources.

Long term, we will be looking at our cost structure and seeing what we can do. MGI Worldwide has considerably more resources than CPAAI, so that is a benefit for it, and we benefit because its best expertise and people are coming on board and strengthening our team.

ZM: What about the benefits for member firms?

CB: We don't determine which business areas firms go into, or how they manage their businesses.

We don't share methodologies, human resources, systems nor business strategies, but we do have a strategy covering global marketing, communications and quality assurance. We want to do more work together, such as business development, referrals and knowledge exchange.


Clive Bennett, MGI Worldwide

I visited one of our smaller firms in Brazil about two years ago, and they were talking about our head office. I realised they assumed the global HQ must be this massive organisation, with scores or even hundreds of staff: it's not, it's tiny, and we can make that more effective without increasing the size. We already outsource services such as accounting, digital, design and the operation of our quality assurance system. Our ambition is to give our member firms a lot more support.

On quality, we want to make sure that the quality of what a member firm in Nairobi offers is comparable to what you would find in Chicago, even though their markets and requirements may be very different. The focus is on technical and commercial quality, and we can support those firms by giving them tools, training and customised marketing provision.

ZM: Where does the merged entity go from here?

CB: In certain aspects, we think we are ahead of the curve developing regional aspirations. We are organised into eight regions. While nearly all our competitors view their three or four regions as just lines on a globe, we take the view that businesses work best together in geographic clusters that share cultural, economic and business values and needs.

For example, we have the UK and Ireland as separate from Europe. That is nothing to do with Brexit; I found very early on that our British and Irish members take a close relationship with European colleagues and their meetings very seriously and, as a result, cooperate on numerous projects.

What makes this small region effective is that the members have a commonality of purpose and needs – language, training, legal and fiscal systems, regulatory regimes and business approach. You can't get that across 28 jurisdictions, so carving a dozen UK and Ireland firms out as a separate region over a decade ago made sense. We are looking to continue promoting that level of regional cooperation, rather than viewing all territories through the same prism. Our regional structure is important to us, and is something we're very keen to maintain and enhance.

> “ WE WANT TO MAKE SURE THAT THE QUALITY OF WHAT A MEMBER FIRM IN NAIROBI OFFERS IS COMPARABLE TO WHAT YOU FIND IN CHICAGO

ZM: Will there be a shift to any new target markets? Is there a different kind of criterion applied to more developing geographies and economies, where members are coming from?

CB: Firstly, we have very rigorous due diligence and quality assurance processes for all firms entering the network. We are aware that there are some countries where there is less regulation and we have to take that into account. We give them a lot of support and our aim is to ensure quality is at the highest level in all parts of the globe.

Secondly, there are ways we give members access to various tools to assist them in a variety of areas such as finding business in their markets, improving their quality, communicating with their markets and clients, using membership to leverage their market positioning. That's why we've invested a lot in training and communication.

Finally, we see our role as being a 'mentor' to our members, helping them achieve their potential by leveraging their membership of a global organisation.

ZM: Finally, where is new investment focused to strengthen the network?

CB: We are investing in the way that we will use the back office of our website and have a large extranet members' portal. We want to be more efficient and better at all we do.

With the cloud proposition, AI, blockchain, you name it, all these technologies are 'mass effect' and we are helping our members to build closer relationships, globally, with technical partners and to share knowledge and expertise to transform their businesses.

We invest in continually improving our conferences. We typically hold around 15 regional and global conferences every year. These get-togethers create an environment to bring people together, make friendships, build relationships and focus on debating new trends, business issues and technological change.

For example, five years ago we thought that since KPMG was spending $100m on artificial intelligence, it was limited only to the very biggest firms. Well, guess what, just as for the whole history of computing and digital information, since then AI has radically rescaled and now you can get very, very good artificial intelligence systems for a fraction of the cost, accessible to even quite small practices and their clients.

We're confident that this merger and the resultant sharing of resources, ideas and relationships will have a transformative effect for many of our members, their clients and our brand. ■

DIGITAL ACCOUNTING AWARDS: CRM SOFTWARE OF THE YEAR, 2019

Leading accountancy firms have turned to award-winning client relationship management (CRM) and practice management software solution provider Symphony, to help them implement software platforms to enable higher levels of client management and the ability to gain greater visibility of the opportunities being pursued in their firms. *Brian Coventry,* CEO at Symphony – APS, writes

All too often we hear about the challenges of firms not being connected with relevant information that will allow them to benefit from the insights that can be gained from having a unified view of client data.

This is usually as a result of fragmented data formed over many years from systems that lack integration capability.

With years of expertise behind the team at Symphony, we have met this challenge by building stronger collaboration between non-integrated systems and teams that use them as part of the introduction of CRM to a firm.

SymphonyCRM, ClientSense, Practice Portal and Advance Practice Management are our prime platforms that facilitate the creation of a new centralised approach, truly integrated, that unlocks the doors to enable opportunities with both prospects and existing clients.

We create a platform that integrates disparate systems including CRM, Practice Management, Marketing Automation, Client Take-On and systems that support the various services accounting firms provide.

ABOUT SYMPHONY – APS

SYMPHONY

Since 1999, Symphony has partnered with accounting firms, initially in practice management software solutions and then CRM in 2012. Symphony has evolved to develop holistic, across-platforms expertise mixing application software and technical disciplines with a consultative capacity.

We aim to see the whole picture. We analyse, we work to understand the issues that are holding you back. We are here to build a coherent, comprehensive transformation strategy aligned to your business ambitions. ■

CRM: Understanding why change is necessary

The introduction of a CRM platform brings new challenges, and firms can get lost in the options available to them. That is why we created a unique methodology called Envision, to ensure firms understand why change is required.

A technology platform change, such as CRM, on its own will never deliver optimum success. All too often, technology choices are seen to be 'the panacea to cure all ills', with key elements of change overlooked – or worse, ignored.

Most firms will know that they should focus on enhancing processes beyond their current state to become more responsive to client management and new opportunities. Platforms that embrace flow, that support behaviour change and process, will develop assets that the firm of tomorrow will benefit by as it seeks competitive advantage and transformation in readiness for the future economy.

The Envision process acts as a precursor to both these change dynamics, forcing the business to gain clarity of the dynamics within the business that hold it back or restrain it from achieving optimum outcomes. By understanding why these retraining forces exist, the firm is able to establish a clear focus on why change initiatives need to happen. To quote Simon Sinek, "People don't buy what you do, they buy why you do it."

CRM specifically designed with focused modules for accounting firms

SymphonyCRM is powered by SugarCRM through a global OEM licence that Symphony has for accounting firms.

Symphony has received the Most Innovative OEM Partner of the Year Award by SugarCRM, as a result of the creation of unique modules and extensions that have been specifically created for accounting firms.

The specific modules we have created include Event Management, Referral Management, Client Take-On and Engagement, Richer Relationships and Publication Management. These modules are positioned alongside Opportunity Management and Marketing Automation.

A HOLISTIC APPROACH FOR INCREASED VISIBILITY OF OPPORTUNITIES

Pitcher Partners in Sydney looked to Symphony to meet the challenge of getting stronger collaboration between the systems and team. The move to a new centralised system, truly integrated, helped unlock the doors to enable opportunities with both prospects and existing clients.

Adam Irwin, chief operating officer at Pitcher Partners – Sydney, says: "Future-proofing the accountancy practice was top of the agenda, with the main purpose of centralising systems for increased efficiency and visibility, but we needed to link different systems, with multiple data sources, to achieve this.

"Initially, through its Envision process of analysing our existing systems, Symphony helped us to understand the key drivers and inhibitors to making the proposed changes within the business. Once this process was complete, they partnered with us in deploying a client lifecycle management platform, offering consistency of communications to clients, prospects and contacts. It is tailored to our business."

Irwin continues, "The platform integrates a number of disparate systems including CRM, time and billing, marketing automation and compliance. In doing so, it provides a 'single source of truth' and the potential for us to automate a number of repetitive and compliance-based tasks."

Cloud-based and mobile CRM

Irwin explains, "This whole process of change is assisting the practice in continuing its shift from predominantly compliance-based to more of a consultative client focus. It has also allowed us to move, or at least start to move, a number of business activities into the cloud, meaning an employee can log and complete any elements of the system on the move, rather than when they return to the office."

Centralise for a holistic view

Irwin says, "With Symphony's expertise, we've now got a complete holistic overview of clients and potential prospects. The integrated system has not only allowed us to centralise solutions, providing full visibility across the entire practice, but also to develop systematic automation to some key compliance processes and repetitive tasks, positioning us as consultative, rather than compliance-based.

"Symphony had a great understanding of our business, and intimate knowledge of the key systems used within the practice. Therefore, they were able to provide a truly tailored solution. The team's willingness to work with the practice to arrive at outcomes tailored to our requirements, and being prepared to start the process without having all the answers and then invest the time in finding them, is second to none," adds Irwin. ■

CRM: Integration and automation

A vital component of the SymphonyCRM platform is the integration methodology using SymConnect. This module ensures that firms achieve their desired integration and automation goals. Mazars UK worked closely with Symphony to get SugarCRM integrated to Advance Practice Management, and create efficiencies by getting the systems working better together.

We already had a close relationship with Mazars, providing it with our Advance Practice Management system. As an OEM partner of SugarCRM, we were able to help Mazars when it decided to invest in SugarCRM, which meant that it had two strong relationships it could rely on to drive the success of the implementation.

Mazars has seen an improvement in its business processes, a reduction in the amount of time spent on data entry, and better integration of its systems. Prior to SugarCRM, the business required a manually generated internal billing code for each new client in its finance system. This time-consuming task has now been removed by the new platform, with billing codes generated within minutes automatically.

By working to deliver one data entry point and improve processes to ensure quality control, Mazars estimates that it has already witnessed a significant 200-hour reduction in manual processing times per month. The firm has also been able to enhance its audit trail and improve its new business processes by integrating risk assessment forms and capability to better monitor its pipelines and analyse bid losses and wins.

CRM is a game-changer

Co-ordinating data and processes within a modern CRM platform is transformational. The database is unified, it is up to date, and information can be accessed in real time. The whole client journey is easily accessible to all your team – from lead stage through winning the business to ongoing client management. ■

For more information about SymphonyCRM, visit www.whysymphony.com or email hello@whysymphony.com

UK ACCOUNTANCY: FACING UP TO A TRUST ISSUE

The new decade has started with UK accounting firms facing familiar challenges – some of which are beyond their control, but others that they will need to take steps to address if the profession is to thrive, cautions *Paul Golden*

The ACCA/IMA *Global economic conditions survey report Q3 2019* found that although UK accounting firm confidence rose slightly between July and September, the small increase was on the back of a significant fall during the previous three-month period. UK firms also reported a modest decline in orders.

The report authors noted that confidence in the UK remained at low levels, with continued uncertainty about Brexit holding back business investment. However, they predicted that growth in 2019 would be slightly above 1% and that there would not be a recession, despite the quarterly contraction in the second quarter.

"The UK economy is on a modest expansionary trend," states the report. "Growth will almost certainly have returned in Q3, avoiding a technical recession. Consumer spending is likely to rise steadily, supported by a strong jobs market and rising real wages."

The main drag from continued Brexit uncertainty was on business investment, which at that stage of the business cycle is usually quite strong. Instead it was declining, and the UK capital expenditure index fell close to a six-year low in the latest survey. But the report did not point to corporate distress or imminent recession – the percentage of respondents concerned about suppliers or customers going out of business remained at low levels.

A study published by Hitachi Capital Business Finance in November 2019 underlined the concerns of accounting firms about their immediate future prospects. It found that in the space of six months, there had been a 26% rise in the number of small businesses saying that market uncertainty was holding their business back from growing. Firms in the accounting sector were most likely to identify market uncertainty as a barrier to growth. Although the finance and accounting sector saw the most significant rise in the number of small businesses feeling that growth plans were being held back by market uncertainty, a growing number of businesses in agriculture and manufacturing also admitted that market uncertainty was a bigger issue than six months previously.

AUDIT QUALITY

Also, in November 2019, the Financial Reporting Council's *Developments in Audit* report suggested that audit quality in the UK was still not consistently reaching the necessary high standards expected, particularly when challenging management and performing routine procedures such as revenue recognition.

The report found that too many auditors were not properly identifying relevant controls in areas of significant risk or were not adapting their audit approaches sufficiently when controls were found to be deficient.

However, Jane Lowden, partner at MGI Worldwide member firm FW Smith, Riches & Co, does not accept that auditors in the UK are failing to challenge management and perform routine procedures such as revenue recognition to the required standard.

"We have a large number of audit files independently reviewed each year, and have set a high threshold for each file to be deemed of sufficient quality," she explains. "Partners and managers are made aware that any file failing to meet this standard will be subject to detailed scrutiny, and we regularly communicate the importance of maintaining a high standard of audit quality to staff at all levels within the firm."

As a result, none of the current responsible individuals have any audit files that have failed to meet the firm's standards.

According to Scott Knight, head of audit at BDO, audit has a critical role in capital markets, and there are some notable instances of companies being pressed into making disclosures, write-downs and provisions due to auditor intervention.

"These are outside the public view – the profession's successes are private but its failures are very public," he says. "However, it is true that the accountancy profession has a long way to go in restoring lost trust, and ensuring auditor independence is a key part of that."

A Mazars study published in October 2019 found that nearly two-thirds (62%) of respondents did not trust the current audit system to provide independent and accurate assessments of a company's financial position. In addition, nearly three-quarters (72%) supported the introduction of joint audit as a solution to the accounting scandals and corporate failures of recent years.


Scott Knight, BDO

Knight adds that trust will only be regained if the related issues of audit quality and audit competition are addressed. "There are plenty of recommendations now for the Government to take forward and these must be addressed as a matter of urgency," he says.

Last month, *IAB* reported on the findings of a salary survey conducted by SJD Accountancy, which found that despite improving by 6% since 2018, the accountancy gender pay gap was still worryingly high at 22%.

"Our staff is aware that pay is based on merit and seniority only, and we have promoted a significant proportion of women to senior positions within the firm," says Lowden. "There is no difference in mean salary between men and women within our firm and, in fact, the median salary is higher for women, reflecting our high proportion of female managers."

A BDO spokesperson says it is important to clarify that men are not paid more than women to perform the same role at the firm, although it has a larger proportion of females in business support roles and men in partner roles, hence the earnings disparity.

"Our mean gender pay gap is now 16.7%, which is an improvement on last year and in line with the industry average," explains the spokesperson. "While this is consistent with our peers, we know it is not good enough and much more needs to be done – as an industry and as a firm – to attract and retain female talent."

This is not an issue that will be resolved overnight, but the firm is taking steps to make changes, he adds. "We are investing in our Early in Careers recruitment programme to encourage more females into our profession, and have been working with head hunters to comply with the Davies report recommendations of having 30% of shortlists composed of women.

"We have also been encouraging senior women to participate in the 30% Club's mentoring programme – in the past five years, more than 85 of our senior women have taken part, and a record number are taking part this coming year. These measures will, of course, take time to become sustainable, long-term fixes, but improving diversity is one of our cultural priorities for the firm."

In the same month as the Mazars study, the FRC published research suggesting the audit and accountancy profession is lagging behind other businesses when it comes to the diversity of senior management. It found that one in three UK audit and accountancy firms do not collect diversity data on their workforce, and suggested that firms need to do far more to improve the pipeline of future talent and promote women, BAME and disabled employees to the top levels of management.

The FRC also revealed that while women make up 46% of manager roles, just 17% rise to partner level roles.

DIVERSITY AND INCLUSION

The importance of taking diversity seriously was further underlined by recruitment firm Hays's latest diversity and inclusion report, which found that more than half (52%) of accountancy and finance professionals in the UK look for an organisation's diversity and inclusion policies when researching a potential employer.

Echoing the concerns raised by the FRC, the Hays report suggested that two-thirds of potential recruits found it hard or extremely hard to find evidence of these commitments before applying. The survey also found that professionals in more senior positions place greater importance on profiling a commitment to diversity and inclusion in recruitment materials than those less senior. More than three-quarters (73%) of respondents at director level said doing this would have a positive impact, compared to 67% at junior level.

"As a small firm we have not implemented a formal inclusion strategy," says Lowden. "However, we do strive to maintain an open and supportive culture within the firm. We do our best to ensure that all staff feel valued and respected as well as giving them confidence that they will have opportunities to progress within the firm."


Jeff Singer, ILV Silver and Morison KSi Europe

He continues, "When recruiting new staff, we feel that the best way for them to learn about our culture is to meet current staff at manager level and below in an informal setting during the interview process in order that they can hear at first hand, what it is like to work with us."

Of course, no discussion of the UK accounting profession would be complete without a nod to the potential impact of Brexit. Tim Morris, executive director EMEA region at BKR International, strikes an upbeat note, suggesting that it will create opportunities.

"In the UK there will be new, external markets, whilst between the UK and the EU there will still be a demand for goods and services," he says. "Depending on the details of the final deal, there will be an opportunity for firms to assist their clients in the new environment."

Bureaucracy must be kept to a minimum to ensure that Spanish students will still be able to access the ICAEW's ACA training qualification scheme easily once the UK leaves the EU, adds Jeff Singer, partner at ILV Silver and chair of Morison KSi Europe.

"If that is the case, I do not see Brexit causing a significant impact on the desire of Spanish graduates to work in the UK – and especially in London, which remains extremely popular," he concludes. ■

THE UK

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (GBP)	Fee income last year (GBP)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	PwC* (1)	3,460.0	3,110.0	11%	28	-	n.d	n.d	72	Jun-19
	2	Deloitte* (1)	3,427.0	3,091.0	11%	14	-	n.d	n.d	86	May-19
	3	EY* (1)	2,447.0	2,412.0	1%	19	-	n.d	n.d	81	Jun-19
	4	KPMG* (1)	2,398.0	2,338.0	3%	27	-	23	50	-	Sep-19
	5	BDO* (2)	586.3	478.0	23%	35	3	29	33	-	Jun-19
	6	Grant Thornton Int'l* (1)	482.3	497.5	-3%	29	-	22	49	-	Sep-18
	7	Nexia International*	361.4	370.6	-2%	21	22	25	17	15	Jun-19
	8	RSM*	334.9	314.3	7%	23	18	26	33	-	Mar-19
	9	Moore Global* (3)	192.0	169.3	13%	21	44	20	14	1	Dec-18
	10	Mazars*	183.0	168.8	8%	31	10	22	37	-	Aug-19
	11	Crowe*	175.2	170.2	3%	42	10	23	17	8	Mar-19
	12	Kreston International*	170.6	166.3	3%	25	31	22	12	10	Oct-19
	13	Baker Tilly International*	155.6	154.8	0%	29	28	21	18	4	Dec-18
	14	PKF International* (4)	137.5	163.2	-16%	26	29	25	11	9	Jun-19
	15	HLB*	119.9	111.6	7%	29	19	23	21	8	Sep-18
	16	UHY International*	49.0	52.1	-6%	22	37	23	4	14	Apr-19
	17	MGI Worldwide* (5)	37.3	37.6	-1%	15	39	17	17	12	Jun-19
	18	Russell Bedford International*	24.1	21.5	12%	23	31	24	10	12	Dec-18
	19	Reanda International*	5.8	5.2	10%	12	58	21	1	8	Mar-19
	20	Ecovis International*	5.2	5.7	-8%	38	39	21	2	-	Jun-19
Total fee income/growth			**14,752.1**	**13,837.7**	**7%**						
ASSOCIATIONS	1	Allinial Global* (6)	284.8	78.3	264%	22	43	24	6	5	Dec-18
	2	IAPA* (7)	271.7	165.0	65%	20	25	17	26	12	Dec-18
	3	Praxity*	246.0	228.3	8%	27	16	21	31	5	n.ap
	4	PrimeGlobal*	152.3	133.7	14%	17	24	21	12	26	May-19
	5	AGN International*	53.2	46.6	14%	13	24	20	3	40	Dec-18
	6	BKR International*	48.4	52.9	-8%	nd	nd	nd	nd	nd	nd
	7	BOKS International* (8)	31.1	13.0	139%	8	24	10	54	4	Sep-19
	8	Morison KSi* (4)	19.8	44.0	-55%	18	37	25	16	4	Dec-17
	9	CPA Associates International*	13.9	13.9	0%	16	50	16	10	8	Mar-19
	10	GMN International*	13.1	12.0	9%	17	14	16	6	47	Sep-19
	11	Inpact*	10.8	10.4	4%	31	32	22	13	2	Dec-18
	12	Abacus Worldwide* (8)	10.0	4.0	150%	38	20	15	2	25	Dec-18
	13	EAI International*	7.4	6.6	12%	29	33	27	-	11	Jun-18
	14	Integra International*	6.3	5.5	15%	40	40	20	-	-	Dec-18
	15	UC&CS Global*	0.1	0.1	3%	-	-	90	10	-	Dec-18
Total fee income/growth			**1,169.0**	**814.4**	**44%**						

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available. (1) Accounting services are included in audit and assurance. (2) Increase in fee income was attributed to merger with a firm. (3) Figures for last year were restated as they were *IAB* estimates. They are actual now. (4) Lost a member firm. (5) Last year's figures for fees were restated as there was an error in the exchange rate. (6) Gained larger member firms and lost smaller ones. (7) Increase in fee income attributed to new member acquisition. (8) Added a new member firm.

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

Source: *International Accounting Bulletin*

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2018	2017		Staff	Partners	2018	2017	2018	2017	2018	2017	2018	2017
NETWORKS														
1	PwC* (e)	19,253	18,336	5%	n.d	n.d	899	887	n.d	n.d	n.d	n.d	n.d	n.d
2	Deloitte* (e)	18,396	17,520	5%	n.d	n.d	n.d	992	n.d	n.d	n.d	n.d	n.d	n.d
3	EY* (e)	15,316	14,587	5%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
4	KPMG* (e)	15,225	14,500	5%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
5	BDO*	5,047	3,996	26%	2,421	44	236	205	4,022	3,417	789	374	23	19
6	Grant Thornton Int'l*	4,685	4,555	3%	2,200	32	189	187	3,306	3,252	1,190	1,116	30	30
7	RSM*	3,569	3,466	3%	1,640	71	348	337	2,649	2,808	572	669	35	35
8	Nexia International*	2,745	2,553	8%	791	77	350	361	1,562	1,429	833	763	28	26
9	Kreston International*	2,707	2,500	8%	n.d	n.d	237	235	1,851	1,852	419	439	53	56
10	Baker Tilly International*	2,313	2,311	0%	1,063	34	199	201	1,743	1,429	371	681	54	53
11	Crowe*	2,231	2,194	2%	n.d	20	210	240	1,634	1,589	387	365	59	59
12	Mazars*	2,090	1,906	10%	n.d	n.d	92	98	1,766	1,606	233	202	17	17
13	Moore Global*	2,052	1,962	5%	961	29	166	169	1,588	1,515	298	278	37	33
14	PKF International*	1,874	2,288	-18%	n.d	22	158	195	1,297	1,657	419	436	28	29
15	HLB*	1,468	1,439	2%	835	22	137	142	1,073	1,026	258	271	27	27
16	UHY International*	700	770	-9%	348	10	67	76	521	572	112	122	22	22
17	MGI Worldwide* (1)	451	374	21%	n.d	17	71	66	380	308	n.d	n.d	20	19
18	Russell Bedford Int'l*	304	285	7%	n.d	n.d	38	30	214	204	52	51	4	5
19	Reanda International*	70	70	0%	30	0	7	8	52	50	11	12	2	1
20	Ecovis International*	63	68	-7%	29	1	6	8	51	55	6	5	1	1
Total staff/growth		**100,559**	**95,680**	**5%**	**10,318**	**379**	**3,410**	**4,437**	**23,709**	**22,769**	**5,950**	**5,784**	**440**	**432**
ASSOCIATIONS														
1	Allinial Global*	3,738	859	335%	n.d	n.d	382	96	3,033	646	323	117	98	22
2	Praxity*	3,123	2,912	7%	n.d	n.d	160	166	2,506	2,336	458	410	41	42
3	IAPA* (2)	2,503	2,014	24%	n.d	n.d	433	312	1,015	1,197	1,055	505	119	91
4	PrimeGlobal*	1,657	1,525	9%	n.d	n.d	191	184	1,173	1,092	293	249	55	54
5	AGN International* (1)	702	549	28%	n.d	n.d	74	61	412	328	216	160	27	11
6	BKR International*	445	522	-15%	0	0	56	64	336	385	53	73	3	5
7	BOKS International*	323	169	91%	88	1	43	n.d	147	n.d	133	n.d	25	n.d
8	CPA Associates Int'l*	197	194	2%	103	3	14	16	159	154	24	24	6	6
9	Morison KSi*	185	522	-65%	53	2	25	59	130	369	30	94	2	7
10	Inpact*	170	165	3%	91	0	12	13	136	130	22	22	5	5
11	Abacus Worldwide*	129	60	115%	n.d	n.d	14	6	92	42	23	12	3	1
12	EAI International* (3)	121	84	44%	52	2	9	8	91	59	21	17	1	1
13	GMN International*	120	124	-3%	52	2	15	15	85	94	20	15	1	1
14	Integra International*	95	94	1%	95	n.d	8	14	74	58	13	22	4	4
15	UC&CS Global*	3	3	0%	1	1	2	2	-	1	1	-	1	1
Total staff/growth		**13,511**	**9,796**	**38%**	**535**	**11**	**1,438**	**1,016**	**9,389**	**6,891**	**2,685**	**1,720**	**391**	**251**

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available. (1) Increase in staff figures was attributed to addition of a new member firm. (2) Restated staff figures as there were errors in submission. (3) Increase in staff figures attributed to inclusion of staff figures of a firm that merged before but its data was not included in previous surveys. It is included now.

***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*

THE EUROZONE: KEEPING AN EYE ON SALES MARKETS FOR GROWTH

Accounting firms across the eurozone are entering the new decade with high levels of uncertainty, due to a variety of economic and political factors. *Paul Golden* reports

The most recent report from the IMF, published in July 2019, suggested that eurozone growth would be higher than in 2018, on the back of an improvement in external demand.

Growth is forecast to pick up from 1.3% in 2019 to 1.6% in 2020, before moderating to slightly below 1.5% over the medium term. The OECD is more cautious however, forecasting that eurozone output will rise by only 1.1% in 2019 and just 1% in 2020.

Despite its more positive outlook, the IMF has warned that prolonged or elevated trade tensions could undermine exports and investment, and that the risk of a no-deal Brexit remains high. If realised, this could cause short-term disruption as well as longer-term output losses.

Even in the absence of a major shock, the IMF says there is a risk that the eurozone could experience a prolonged period of anaemic growth and inflation. The organisation has called for a deepening of the EU single market for services, and also believes EU policymakers need to find a consensus on completing the architecture of monetary union, although it states that efforts to improve capital markets through enhanced transparency, better regulatory oversight and more efficient insolvency regimes are welcome.

According to the ACCA/IMA Global economic conditions survey report for the third quarter of 2019, accountants in Europe were among the most pessimistic about their growth prospects. Even though orders in Central and Eastern Europe remained strong during the third quarter of the year – new business growth in this part of the continent between July and September 2019 was higher than in any other part of the world – business confidence was lower only in Asia-Pacific, where order volumes were down significantly, compared to the second quarter of the year.

The IMF report authors also observed that in Western Europe, orders were at the lowest level since early 2016, and acknowledged that the eurozone economy is being dragged down, by the downturn in the global industrial cycle. Low inflation may help to lift real income growth and consumer spending, but this is expected to only partially offset the downward influence from the industrial and export cycle.

UNEVEN IMPACT

Of course, the impact of political and economic upheaval is felt unevenly across networks, and even among firms in the same country. Tim Morris, executive director EMEA region at BKR International, observes that some member firms have seen their turnover rise during 2019 – particularly in the tax and payroll service areas – while business has fallen for others.


Tim Morris, BKR International

He suggests that his eurozone members will benefit from the UK's eventual exit from the EU as trade reverts to within the single market. "For example, many US or Far East-based groups have used the UK as a hub to set up their EU business, which will have to be revised," he says. "The important thing is that member firms are not complacent with the business they currently derive from UK work, and actively seek out new opportunities."

Morris says firms have been taking steps to try and replace business that may be lost when the UK is no longer a member of the EU, and that since the referendum, some firms have expanded their range of services to take advantage of Brexit-related opportunities.

The French market suffered at the beginning of 2019 due to the *gilets jaunes* strikes and blockages and at end the year due to transport strikes, mainly in Paris, in protest against the government's retirement reform project, explains Pascal Ferron, president of Allinial Global member firm Fimecor.

"The retail sector is fragile, and all related tourism activities have seen their occupation rates fall, although some of the damage was reversed during the spring and summer," he adds. "The focus for firms has been on increasing margins and digital investment. Major issues for clients include recruiting and retaining the required level of staffing to satisfy customer demand."

Ferron suggests that organic growth for accounting firms has been at a very low rate, if not negative. "There are more and more distinctions in strategy between firms that have modified their strategy in order to maximise automation and marketing through digital channels, and those who have not pursued this strategy to increase the level of added value to customers," he says.


Pascal Ferron, Fimecor

According to the president of Fimecor, small and medium-sized companies are more demanding when it comes to accounting firms anticipating their needs and offering advice, not only in relation to tax, but also in terms of seeking assistance with KPIs, project management, investment and recruitment. As a result, he suggests accounting firms' strategy across the eurozone is increasingly moving towards that of added-value services firms.

Ferron says it is impossible to assess the impact of Brexit on the accounting profession across the eurozone, given that most entrepreneurs would be unable to answer this question.

"We cannot imagine the impacts that could arise until the new agreements have been discussed and signed," he continues. "Clients who are currently trading with UK have prepared themselves for harder transaction processes and administrative procedures, so they are aware that there will be challenges without knowing exactly what will happen."

Because of this situation, he refers to a growing number of clients looking to develop new business with other European countries or the Asian market rather than withdrawing from the UK market.

"The baseline is 'agile adaptation'," he adds. "Larger firms that had set up offices in the UK to take advantage of lower tax or social charges are in the process of modifying their plans and repatriating staff to France or other European countries, although we do not yet see large volumes of movement."

In November, Alexander Boersch, chief economist and head of research at Deloitte Germany, noted that the eurozone was suffering from uncertainties related to global trade conflicts and the resulting unwillingness of corporates to invest.

Owing to headwinds from international trade and the ongoing uncertainty surrounding Brexit, the manufacturing sector in the eurozone was in recession the whole year. Germany's car exports to the UK have fallen by almost a quarter since 2016, mainly due to Brexit-related uncertainties and the appreciation of the euro versus the pound.

While the *Ifo Business Climate Index* indicates that the German manufacturing sector might have bottomed out, a rapid recovery seems unlikely given the uncertain external environment.

Among the other major eurozone economies, Italy also has a strong manufacturing base. Conversely, countries that are less reliant on exports and manufacturing are doing better. Looking at third-quarter growth rates, Spain was the best performing of the major eurozone economies, followed by France.

Boersch observes that growth impetus is mainly coming from consumption rather than investment or trade, and that the strength of private consumption in the eurozone owes much to the strong performance of the labour market, as employment and consumption growth have accelerated in tandem.

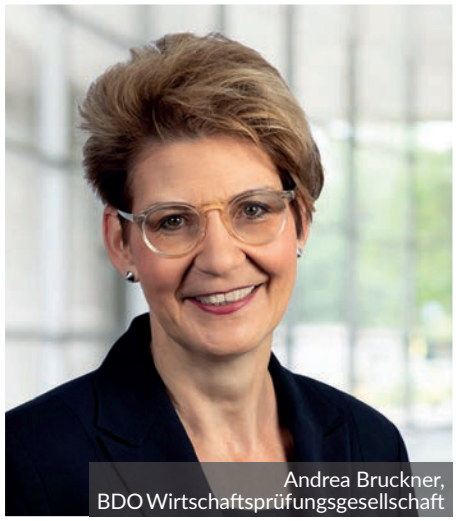
However, the results of Deloitte's *European CFO Survey* reveal that the hiring intentions of employers are falling in general, and in some sectors very significantly. Hiring sentiment has turned negative for automotive, industrial goods and consumer goods, although it remains positive for the services sectors.

INVESTMENT CHALLENGES

Andrea Bruckner, member of the executive board of BDO Wirtschaftsprüfungsgesellschaft, agrees that the export-oriented German economy is facing challenges from weak global trade, which is dampening the propensity of domestic businesses to invest in the country.

"However, the losses in industry are still largely offset by growth in the service and construction sectors which have – surprisingly – even led to a decline in unemployment figures," she says.

"The turbulent times have not yet arrived in Germany. As far as our profession is concerned, we have not yet noticed any significant changes compared to previous years. Demand in the restructuring sector is slowly increasing, and we are waiting for the first trends in the coming year, which will be reflected in the consumption and labour market data."


Andrea Bruckner, BDO Wirtschaftsprüfungsgesellschaft

When asked in which segments of the German market demand for accounting services is strongest, Jens Freiberg, BDO Wirtschaftsprüfungsgesellschaft partner and head of the firm's accounting advisory group, says that in principle, the need for advice is greater for listed companies. However, he also notes that listed companies differentiate much more strictly between consulting and auditing.

International companies need international auditors – who audit according to globally uniform rules – for the audit of their consolidated financial statements. In recent years, efforts have been made to create uniform standards and professional supervision for these worldwide audits.

As for what firms across the eurozone should be doing to try to replace business that may be lost when the UK is no longer a member of the EU, Bruckner notes that as a matter of principle, companies should align their business model to what customers want – and keep an eye on their sales markets.

"Due to the special situation of Brexit, they have been challenged even more intensively in this respect," she says. "Many companies have already organised their supply chains differently, so that they are excluded from the UK – depending, of course, on the possibilities of the respective industry. Automotive suppliers, for example, have less leeway than other suppliers."

She adds that financial institutions have set up branches in Germany and applied for approval there while others are trying to compensate for lost business with digital online models.

"We assume that many companies are not yet sufficiently prepared, and now that Brexit surely will happen, we urgently advise them to obtain approvals and certificates in good time," she concludes. ■

THE EUROZONE

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (EUR)	Fee income last year (EUR)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	BDO*	1,230.1	1,105.4	11%	34	23	21	18	4	Sep-19
	2	Mazars*	760.1	698.0	9%	47	18	15	17	3	Aug-18
	3	Grant Thornton International* (1) (2)	703.3	611.0	15%	39	-	16	42	3	Sep-18
	4	Nexia International*	624.9	582.6	7%	23	28	29	11	9	Jun-19
	5	Baker Tilly International*	543.1	494.3	10%	25	28	27	14	6	Dec-18
	6	HLB*	540.8	488.8	11%	34	16	28	12	10	Dec-18
	7	Crowe*	435.3	419.0	4%	44	10	24	13	9	Dec-18
	8	Moore Global* (3)	423.3	417.5	1%	25	29	24	10	12	Dec-18
	9	RSM*	375.6	351.9	7%	32	27	21	18	2	Dec-18
	10	Kreston International*	342.9	328.4	4%	45	14	22	8	11	Oct-18
	11	PKF International*	302.2	283.4	7%	29	27	23	8	13	Jun-19
	12	Ecovis International*	223.2	204.7	9%	17	30	34	14	5	Dec-18
	13	MGI Worldwide*	137.4	129.0	7%	25	32	17	13	13	Jun-19
	14	Russell Bedford International*	129.2	125.0	3%	27	31	19	9	14	Dec-18
	15	TGS Global* (4)	122.1	114.8	6%	7	60	21	5	7	Sep-19
	16	Auren*	95.6	91.6	4%	25	26	29	16	4	Dec-18
	17	UHY International*	90.3	87.1	4%	33	25	24	14	4	Dec-18
	18	Reanda International*	19.7	17.1	15%	15	32	22	7	24	Dec-18
Total fee income/growth			**7,099.2**	**6,549.4**	**8%**						
ASSOCIATIONS	1	Praxity*	990.5	919.4	8%	41	17	22	15	5	n.ap
	2	IAPA* (5)	598.8	26.8	2134%	2	57	21	20	-	Dec-18
	3	PrimeGlobal*	548.6	504.0	9%	25	31	21	15	8	May-19
	4	BKR International* (6)	486.0	337.0	44%	nd	nd	nd	nd	nd	n.ap
	5	Allinial Global*	330.7	324.1	2%	21	18	38	17	6	Dec-18
	6	Morison KSi* (7)	210.5	171.7	23%	17	41	22	8	12	Dec-17
	7	Antea*	160.4	138.5	16%	23	25	26	21	5	Dec-18
	8	AGN International*	139.0	129.9	7%	24	13	12	48	3	Dec-18
	9	GMN International* (8)	137.6	57.0	141%	17	41	23	9	10	Sep-18
	10	Integra International* (2)	106.7	77.6	38%	20	30	40	10	-	Dec-18
	11	Inpact*	60.8	59.3	2%	20	29	31	16	4	Dec-18
	12	EAI International*	54.1	63.8	-15%	50	14	14	10	12	Dec-18
	13	CPA Associates International*	51.9	53.8	-4%	24	36	17	15	8	Dec-18
	14	BOKS International* (7)	34.1	22.7	50%	9	30	9	9	25	Sep-19
	15	Abacus Worldwide* (5)	28.0	13.1	114%	34	4	17	15	30	Dec-18
	16	UC&CS Global* (1) (9)	3.1	4.1	-24%	32	-	58	10	-	Dec-18
Total fee income/growth			**3,940.9**	**2,902.9**	**36%**						

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Accounting services included in audit and assurance. (2) Increase in fee income was attributed to merger(s). (3) Restated its figures for last year as they were *IAB* estimates. They are actual now. (4) Restated its figures for last year as they were for end September 2017. Data for last year updated to end September 2018; for this year it is for end September 2019. (5) Added new member firm(s). (6) Increase in fee income attributed to inclusion of data for a member firm which was not included in previous year. (7) Growth in fee income was attributed to new member acquisition. (8) Gained a larger firm and lost a smaller one. (9) Lost a member firm.

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Source: *International Accounting Bulletin*

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2018	2017		Staff	Partners	2018	2017	2018	2017	2018	2017	2018	2017
NETWORKS														
1	BDO*	11,725	10,344	13%	5,777	122	771	688	9,213	8,032	1,741	1,624	189	177
2	Grant Thornton International*	7,317	6,767	8%	3,791	104	547	554	6,034	5,573	736	640	137	134
3	Mazars*	7,265	6,695	9%	n.d	n.d	382	368	5,953	5,452	930	875	100	92
4	Nexia International* (1)	6,628	5,507	20%	2,791	125	536	510	4,960	4,078	1,132	919	187	168
5	HLB*	5,756	5,375	7%	1,379	61	553	524	4,523	4,122	680	729	239	226
6	Baker Tilly International*	4,808	4,200	14%	n.d	80	413	337	3,733	3,140	662	723	168	138
7	Crowe*	4,551	4,214	8%	1,557	157	760	726	3,201	2,962	590	526	175	168
8	Kreston International*	4,484	4,324	4%	n.d	n.d	427	389	3,524	3,433	533	502	232	230
9	Moore Global*	4,406	4,424	-0.4%	2,079	59	438	478	3,297	3,265	671	681	142	148
10	RSM*	3,686	3,433	7%	1,900	49	371	347	2,777	2,671	538	415	86	87
11	PKF International*	3,221	3,054	5%	n.d	n.d	344	342	2,406	2,282	471	430	106	89
12	Ecovis International* (2)	2,437	2,147	14%	1,674	68	292	274	1,886	1,680	259	193	151	143
13	TGS Global*	1,629	1,513	8%	n.d	28	135	123	1,310	1,236	184	154	132	126
14	Russell Bedford International*	1,429	1,350	6%	n.d	n.d	142	129	1,053	1,060	234	161	69	67
15	MGI Worldwide*	1,338	1,405	-5%	n.d	40	184	199	1,154	1,206	n.d	n.d	84	86
16	Auren* (3)	1,314	1,010	30%	636	30	193	169	1,038	773	83	68	32	28
17	UHY International*	1,039	1,011	3%	n.d	28	151	150	761	724	127	137	65	76
18	Reanda International*	345	311	11%	212	6	29	27	277	247	39	37	32	28
Total staff/growth		**73,378**	**67,084**	**9%**	**21,796**	**957**	**6,668**	**6,334**	**57,100**	**51,936**	**9,610**	**8,814**	**2,326**	**2,211**
ASSOCIATIONS														
1	Praxity*	9,767	9,124	7%	n.d	n.d	671	651	7,760	7,194	1,336	1,279	169	169
2	PrimeGlobal*	6,535	6,455	1%	n.d	n.d	612	527	5,085	5,197	838	731	303	313
3	BKR International*	5,715	3,899	47%	n.d	n.d	405	221	4,798	3,091	512	587	297	162
4	IAPA*	5,251	419	1153%	n.d	n.d	241	49	3,918	249	1,092	121	46	22
5	Allinial Global*	2,559	2,515	2%	n.d	n.d	346	340	1,944	1,911	269	264	139	137
6	Morison KSi*	2,176	1,793	21%	756	85	238	230	1,686	1,297	254	266	73	74
7	Antea*	2,019	1,732	17%	936	47	298	287	1,561	1,288	160	157	104	98
8	GMN International*	1,592	802	99%	n.d	14	118	79	1,246	573	228	150	80	42
9	AGN International*	1,534	1,780	-14%	n.d	n.d	200	261	964	1,116	370	403	65	75
10	Integra International*	1,409	971	45%	n.d	n.d	111	97	1,092	711	206	163	42	37
11	Inpact*	753	749	1%	n.d	23	119	122	541	534	93	93	67	63
12	EAI International*	747	797	-6%	356	18	91	110	568	613	88	74	45	63
13	CPA Associates International*	599	595	1%	248	12	70	78	430	423	99	94	28	35
14	BOKS International*	484	344	41%	282	11	68	51	343	n.av	73	n.av	36	n.av
15	Abacus Worldwide*	342	186	84%	n.d	n.d	48	28	216	101	78	57	19	12
16	UC&CS Global*	60	72	-17%	32	3	12	13	39	49	9	10	6	6
Total staff/growth		**41,542**	**32,233**	**29%**	**2,610**	**213**	**3,648**	**3,144**	**32,191**	**24,347**	**5,705**	**4,449**	**1,519**	**1,308**

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 organic growth. (2) Growth in staff number attributed to increase in the number of offices. (3) Added a new member firm.

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Source: *International Accounting Bulletin*

UNITY IS THE ULTIMATE TEST FOR THE GLOBAL TAX SYSTEM

Global tech giants such as Google and Facebook wield tremendous influence, but their growth has left taxation and regulatory authorities lagging behind, suggests *Rob Mander,* head of international tax services at RSM International

The OECD has gained significant momentum towards reaching a level playing field when it comes to taxing the digital behemoths fairly.

In proposals presented in 2019, the OECD said the international tax system is "no longer sufficient to ensure a fair allocation of taxing rights in an increasingly globalised world".

The OECD's solution is a new rule to state where taxes should be paid and, ultimately, allow countries to tax a portion of the profits of multinational companies where services are consumed, regardless of physical location. This is a huge shift in thinking, and has already proved popular with some of the world's largest economies – winning support from France on the day it was announced.

However, in introducing a fair, multilateral tax system, the OECD faces the herculean task of implementing a complex and time-consuming change – not ideal in a world where technology continues to evolve faster than the rules that regulate it. As a result, some are taking matters into their own hands.

France implemented an independent, unilateral digital services tax of 3% on tech companies whose revenues exceed €25m in France and €750m worldwide in June 2019. The UK, Italy, Spain, India and New Zealand have proposed similar schemes of their own, which they have said they will introduce if the OECD cannot deliver on its plans.

These differing, fragmented approaches are exactly what the OECD wanted to avoid. If tax revenues generated from new digital businesses are to be fairly shared, a solution must be found that commands wide support.

Although the OECD has set itself the goal of finding a solution by the end of 2020, an enormous amount of detailed work and negotiation still needs to happen.

If a solution cannot be found, it is likely that more countries will go it alone with their own digital services tax. The concern is that a universal tax could have a detrimental impact on some national economies, because of its effect on downstream business and future investment. That is why it is so important that the OECD's global approach continues to build on its momentum.

MULTINATIONALS AND TAX

RSM recently found that 84% of European businesses do not believe large multinational digital companies pay a fair amount of tax. This view is shared by governments, which believe that authorities should be collecting more from these companies. However, while many believe a digital services tax will allow smaller businesses to compete with larger operators, it can have the opposite effect.

Such a tax may see local downstream industries, which provide digital content and services in the supply chain, lose out on contracts as larger tech companies are forced to look to move to other countries with more favourable tax arrangements. This impacts smaller, innovative firms, from digital advertisers to content developers, and could harm creative industries and economies.

Last year, President Macron announced his administration's plans to reinvent France as a "start-up" nation, putting in place measures to simplify the previously complex process of starting a company in France. But young start-ups and early-stage companies across Europe will feel the pinch if more countries impose a digital services tax. This ripple effect is worrying because it arguably poses a risk to smaller businesses, and disincentivises future investment in innovative digital companies.

A system where each country imposes its own tariff would result in a higher risk of buyers, sellers and suppliers working across multiple territories being taxed more than once. To complicate matters, most companies now deliver at least part of their service or products online while maintaining a physical presence. Accordingly, the future of the global tax system impacts nearly all companies, not only those regarded as being digital-based.

With such large revenues, the global tech giants will be able to navigate through the tricky landscape of unilateral taxes anyway. But the consequences of such a system will have a devastating impact on small and middle market businesses across Europe that cannot move about as they see fit.

Ultimately the OECD's newly proposed unified, digital services tax will benefit better-connected global accountancy firms and networks. Those with the advantage of local knowledge will be able to focus on strengthening cross-border relationships to better serve the needs of global clients. Premium skills will become essential, but are likely to be in short supply because the new tax rules will be complex and untested.

Technology increasingly allows more services to be provided across borders, more information to be shared and new products and services to be supplied. These technology-based solutions involve both system efficiency improvements and new ways of doing business. Overall, successful networks will be those able to collaborate more closely with their clients to provide the range of services that global companies require, such as:

- Detailed local country knowledge set in the context of its global application;
- Analysis of the taxation consequences that flow from BEPS, as well as delivering the digital system changes needed to record, analyse and report required data, and
- A commercial understanding of the client's business, supported by an ability to work alongside the client to adapt for its future.

The OECD will not find it easy to strike a deal, but it is essential if sustainable growth is to be achieved. Growth in tax revenues cannot be separated from broader economic growth; whatever happens, entrepreneurial sovereign states like Ireland, Hungary, Israel and Singapore will still find ways to create tax incentives to attract investment. This means the OECD will need to ensure its new policies will still encourage businesses and economies to develop sustainably without triggering a race to the bottom. ■

NEXIA INTERNATIONAL: ADVISORY SERVICES BOLSTER NETWORK

***Zoya Malik* speaks to Kevin Arnold, CEO at Nexia International, about points of differentiation through member firms offering specialist services and investing in digital solutions for clients to win business**

Zoya Malik: What has been the growth of Nexis International over the past three years?

Kevin Arnold: We have grown regularly and strongly over the last 10 years and have grown 34% in the last three years.

ZM: What have been the reasons for this growth?

KA: Organic growth among our firms – especially larger ones – plus steady recruiting of new firms and, more importantly, we have been able to hold on to existing strong firms.

ZM: How do you assess areas for development to support member firms to broaden traditional practices and also to scope new specialisms?

KA: Our people are the key differentiating factor in our Nexia network of member firms. Our members work closely together and we encourage collaboration, best practices and knowledge sharing of advisory services to help members and their clients achieve their strategic objectives; from financing growth to managing risk and operational efficiency to exit and/or succession matters, in our ever-changing and fast-moving climate.

At Nexia International, we constantly invest resources to identify and adopt advisory and business consulting solutions that will support the business needs of members' clients, and market and industry concerns. This is a priority of our members, and aligns with our Nexia International strategy.

Through our international advisory committee, advisory service line business groups and network of advisory experts, we constantly challenge our members to think more strategically to develop and grow their advisory and business consulting capabilities and skills, supporting both local and international markets. Through specialist advisory training programmes, for members and run by members, we share best practices and knowledge, connecting with advisory colleagues to discuss industry challenges and effective solutions that support our members and their clients' needs.

ZM: How much investment is being made into digital solutions for clients to meet their future demands and to win international business from multinational clients?

KA: We have recently recruited a chief digitisation officer from BDO, who has been active on our behalf.

As a network of independent firms, it is one of our priority strategic objectives to ensure that we leverage our combined size and strength to collaboratively deliver secure and effective digital solutions to meet changes in our clients' needs, and remain competitive in a world where technology is disrupting and challenging our industry.

Where our service line offerings cross borders, for example within audit, we are investing time, our people and financially to deliver standardised methodologies and technologies to meet today's needs, ensuring we maintain focus and continually evolve to deliver for the future of audit.

We are investing considerable time and within our people to collaborate on technologies like analytics, AI and RPA that will bring automation, efficiencies and insights into the services we offer for all our firms.

Cybersecurity not only as a service offering to our clients but also internally within our firms, is an area of focus and investment, to ensure we have a consistent approach internationally to provide assurances to ourselves and clients when working cross-border.

ZM: What is your growth strategy for 2020?

KA: We are currently in the middle of a thorough, far-reaching strategic review, which we have entitled: *A strategy for the members, by the members.* ■

Kevin Arnold, Nexia International

IN REVIEW 2019 & 2020 EXPANSION PLANS

IAB **spoke to CEOs at accounting networks, associations and regulators to reflect on 2019's business milestones, and find out about their environmental, social and governance (ESG) initiatives for 2020**

TIM WILSON, MSI GLOBAL ALLIANCE

IAB: What have been business milestones in 2019?

In 2019, MSI set out a new five-year strategy. This included greater emphasis on regional support, some governance changes, increased emphasis on firms understanding each other's capabilities and enhanced member support.

We worked hard on increasing our marketing support with a biannual think-piece called *Pulse,* and other marketing material designed to explain the power of MSI to our firms' clients. Our conferences were highly successful, with record attendances for our International Conference and our three regional conferences in EMEA, the Americas and Asia-Pacific.

The implementation of the strategy and the enhanced support to our members was well received, with very high levels of satisfaction in our annual member questionnaire. A multidisciplinary association of 260 legal and accounting firms in 100 countries, MSI's firm income stands at $1.5bn.


Tim Wilson, MSI Global Alliance

IAB: What are your business's expansion plans for 2020?

In 2020, we will look to continue to grow the membership. We had net growth of five firms in 2019, and look to expand on this in 2020, although we are clear that we do not want growth for growth's sake. We are not in the game of flags on a map; rather, our emphasis is on support to current members and ensuring we respond to individual, regional and global needs. We are increasing the number of conferences to 17 meetings over the course of 2020. The aim is to provide a greater opportunity for member firms to get to know each other, build trust and generate business. We are now one year in with our partnership with AGN and DFK as part of Global Connect, which has been useful in providing an additional referral opportunity where there may be geographical gaps, and MSI's law firm offering has provided an extra bonus for all three Global Connect members.

IAB: How is your business improving on ESG goals?

In 2019, we supported an initiative called Women in the Professions and this will continue in 2020. In addition, our annual conference in 2020 will include a theme of sustainability. ■

LIZA ROBBINS, KRESTON INTERNATIONAL

IAB: What have been business milestones in 2019 and how does this reflect your organisation's success?

Liza Robbins: 2019 has been a year of significant change and development for Kreston. I joined at the end of 2018, with a commercially focused remit. In 2019, the network moved to a vibrant central London office, with a refreshed team focused on pro-active business development and marketing. We substantially strengthened new marketing and initiated business development projects.

IAB: What are your business's expansion plans for 2020?

LR: We will be making significant investment in technology to provide a community for member firms' business and knowledge exchanges. ■


Liza Robbins, Kreston International

MEMORIA LEWIS, MORISON KSI

In 2019, we welcomed significant new members from the UK and France, and we are seeing a strong pipeline that will improve our diversity and reach. We are therefore genuinely excited by the year to come – though it will certainly be a busy one!


Memoria Lewis, Morison KSi

We are looking forward to an extremely bright 2020. Since September 2019, our team has done a huge amount of work evaluating our systems and processes to determine what resources we need to deliver our ambitions for the organisation and our members. We now have a full programme of work for the next six to eight months that will see us making substantial changes and laying the foundations for innovation.

In addition, we are working with our members to develop a strategy that will take us forward for the next three to five years. The engagement has been substantial, and our members have already contributed significantly during the consultation period. Since the new year, our consultations continue to create a draft strategy ready for our board in April 2020. ■

DR CHRISTIAN GORNY, ETL GLOBAL

IAB: What have been business milestones in 2019, and how does this reflect your organisation's success?

Christian Gorny: 2019 has been a very successful year for ETL Global as we have continued to grow our network considerably and sustainably.

The ETL Global network is built on two pillars. On the one hand, ETL Global invests into the acquisition of professional service firms in selected focus markets in order to create strong local groups of firms focussing on SME clients. In this area, we were able to achieve some major acquisitions in our core markets (Germany, Spain, UK, Netherlands, Czech Republic, Poland), which secured and/or enhanced ETL Global's market position in these markets. This success is reflected by local rankings where ETL Global shows as fifth in the German Market, seventh in the Spanish market and among the Top 15 firms in the UK, the Netherlands and the Czech Republic.

On the other hand, ETL Global consists of a network of legally independent professional service firms which use the ETL Global brand and cooperate on cross-border engagements. In this area, we were able to attract new members from previously untapped countries to our network in 2019, which enables us to service our SME clients worldwide with tailor-made solutions. On this basis, the amount of referred work within our network grew by 25% compared to 2018.

IAB: What are your business's expansion plans for 2020?

CG: In 2020, ETL Global will continue to expand through acquisitions with the goal to become the primary supplier of professional services for SME clients in selected focus markets. Looking at the pipeline of potential acquisitions, we expect to grow our business inorganically by 10-15% compared to 2019.


Christian Gorny, ETL Global

In addition to our M&A activity, we will invest heavily in the development of IT-based solutions, which should help our partners in the digitisation and automation of their services. Having an IT company like eurodata as a 100% subsidiary in the ETL group will give us the opportunity to achieve this goal efficiently and effectively.

IAB: How is your business improving on ESG goals?

CG: As a people-based business, the essential pre-condition for improving on ESG is raising awareness amongst our staff and partners on ESG matters. We encourage each ETL Global partner to take on one ESG project that they can develop in their particular firm. This may start as small initiatives and changes within administration and career development, such as avoiding print-outs with people working towards the paperless office or balancing gender equality in terms of staffing and career advancement opportunities; that includes creating a family-friendly environment allowing for paternity leave and flexible working hours.

Due to the size of ETL Global, such small initiatives will hopefully have a noticeably positive societal impact. In some cases, they grow into large-scale CSR projects. The best example is the Kinderträume Foundation set up by ETL Germany as a long-term social involvement to support materially, or physically or mentally disadvantaged children and teenagers with their quality of life. ■

HONG YUE, DAXIN GLOBAL

Since its establishment in 2017, Daxin has progressed very positively. The *IAB* Rising Star Network Award in 2018 for Daxin Global was a clear appreciation of this progress. In 2019, Daxin added new member firms in France, Malaysia, Canada and the US to the network, and discussions with firms in Germany are progressing positively. Daxin's fee income from full members in 2019 is expected to grow by 10% on the basis of 2018's $310m.

Daxin Global is also at the forefront of technology, which is reflected in the award as *IAB* 2019 finalist of Accountancy Software, for the digital auditing system which is enhanced with RPA solutions. In addition, Leonard Huang, chief technology officer at Daxin Global, made a keynote speech about the E-invoice at *IAB's Digital Accounting Forum 2019*, that achieved a good response from the plenary session. It indicates that Daxin has boarded the world platform with a more professional image. Daxin's leadership is positive about the BRIC countries driving global economic growth. Therefore, we have clear plans to add four to six member firms in South Asia, the Middle East, Latin America and Africa.

Hong Yue, Daxin Global

Daxin is constantly developing our ESG agenda. One example is that Daxin executives actively promote the concept of green environmental protection and therefore support the development of new technologies. These include a digital auditing system developed by a Chinese member, and the LUCA E-Invoicing platform developed by a Daxin Australian member, which will allow a fully digital and hence paperless office. This is certainly contributing to decreasing the carbon footprint of our firms.

Between 2017 and 2018, Daxin set up scholarships and bursaries in institutions such as the University of International Business and Economics and Beijing Jiaotong University, to help students from families with limited budgets to complete their studies successfully. In 2019, the Wu Yige Charity Foundation was initiated by Daxin founder Wu Yige to focus on poverty alleviation and education, and to use charitable donations in a fair, just and open manner to make a positive contribution to building a harmonious society. With the growth of the Daxin network, the corporate governance model was updated in 2019 to further develop clear rules and procedures for member firms. There was also the set-up of a new quality control committee, in accordance with the IFRC's FOF standards, to improve the quality of Daxin's transnational auditing.

Daxin is excited about the progress made in 2019, and is looking forward with enthusiasm to 2020. We will continue to focus on high-quality audits in more countries with strong governance, and the raising of our standards and people. ■

BERNARD AGULHAS, IRBA


Bernard Agulhas, IRBA

The state of the profession in 2019

In South Africa, given widespread corruption in both the public and private sectors, and an increasing number of governance failures, it is clear that the country has been beset by a leadership crisis in recent years, where commercial and self-interest has taken precedence over ethical leadership and public interest.

As a result, public criticism of accountants and auditors continues; however, the IRBA believes the current business failures may not always be audit failures, and that there is significant reason to believe that corporate governance has contributed to recent business failures.

As the audit regulator, the IRBA has responded by broadening its focus to highlight its concerns around the financial reporting chain, including concerns of the independence of boards and audit committees, and the responsibilities of boards and audit committees to exercise professional scepticism and hold management to account. It has also concluded a number of projects which will assist audit committees with increased insight into audit firm quality.

It has launched *Feedback Report on Audit Quality Indicators*. This report provides feedback on a set of measures that audit firms reported on to the regulator, and also provides audit committees with insights relevant to the appointment, performance, independence and reappointment of the auditor.

The report was launched on the IRBA website in December, and is the culmination of a project started by the IRBA in 2017, as part of the IRBA's restoring confidence efforts. We believe it is one of the first of its kind globally.

The IRBA has also called for Audit Firm Transparency Reports on a voluntary basis and in the last year, a number of firms have published such reports to assist the market to understand the firm's operations, governance, ethics and quality.

As a result of these initiatives, and others in the IRBA's restoring confidence strategy, we are confident that the perception of the profession will improve. Furthermore, the profession has responded positively and if the improvements proposed by the firms are implemented, then audit quality will improve. A turnaround in the state of the profession is possible with the cooperation and participation of all parties.

Two other initiatives of importance include a proposal to the Treasury to regulate all role-players in the financial reporting chain, and not only auditors – a comprehensive regulation model – and proposed amendments to the audit legislation which are currently before parliament.

These amendments will provide the IRBA with more powers to conduct its investigations and provide for increased monetary sanctions levied on auditors for misconduct.

Challenges and what is in store for 2020

The profession has been challenged by the public's expectation of the auditors to identify fraud and has consequently been heavily criticised as a number of corporate collapses due to fraud have been exposed in the media.

While the audit standards do not require the auditor to uncover fraud, given the high levels of corruption, auditors should in the coming year consider the increased risk of fraud in the prevailing corporate culture.

The appropriate response would be to strengthen professional scepticism and pay specific attention to procedures to manage the risk around the possibility of fraud.

The IRBA is reviewing the competencies required of auditors and it is considering whether auditors should have specific competencies in the area of identification of fraud. In the short term, this may require specific continual professional development to upskill, but may require changes to the curriculum. Other changes to auditor competencies which are widely discussed at the moment include a response to 4IR and disruptive technologies.

We will also be adopting the new Quality Management Standards (International Standard on Quality Management 1 and 2) once they are finalised by the International Audit and Assurance Standards Board of the International Federation of Accountants, the improved Risk Standard (International Standard on Auditing 315) and monitoring auditors' compliance with the enhanced IRBA Code of Conduct, which became effective in June 2019.

We believe that the recent crises provided an excellent opportunity for the profession and regulators to revisit any shortcomings and respond in a manner that will restore trust in the profession again. ■

AMIR GHANDAR, CA ANZ


Amir Ghandar, CA ANZ

Trust in the accounting profession is in the midst of a dramatic change – not a slow movement such as erosion, but more like the rupture associated with an earthquake.

This is a challenge our profession does not face alone. Many institutions, industries and professions are confronting challenges on trust, which is reflected in the scrutiny on audit and other regulated activities around the world, including in Australia and New Zealand.

As the accounting profession deals with change in the face of new public expectations, digital disruption, more regulatory demands and transforming workplaces, trust and ethics must remain at the core of what we do. Individual accountants and firms may be buffeted by change, but the profession will remain strong and trusted if we remain true to our ethics and distinctive values.

A Chartered Accountants Australia and New Zealand (CA ANZ) thought leadership paper released earlier this year shows that accountants are among the most trusted professionals. We have also undertaken a study of retail investors indicating healthy levels of confidence in listed company audited financials; however, this is no immunity from the challenges to trust and social license that have become a norm of the 21st century.

In Australia, a parliamentary inquiry into regulation of auditing is underway. This is an important public conversation at this time, notwithstanding we have not had the same catalysts as some countries. Our ability to embrace this dialogue, being open to where change is needed, along with our willingness to champion audit's central and evolving role in integrity across the economy is a vital test.

We have spent the past year workshopping the future of audit across Australia and New Zealand with chartered accountants, investors, regulators and other stakeholders in a series of roundtables covering trust, the scope and expectations on auditing, confidence and quality.

We have also reached out to average investors, the 'mums and dads', and members of the public to understand their views, concerns and confidence levels, and completed a series of research projects to underpin this outreach with an evidence base.

Pulling together what we heard, we have put forward a comprehensive 15-point plan on audit and risk. The plan presents a roadmap that would change the game in terms of tackling confidence and quality in audit, and veracity in how risks facing investors and consumers are covered. The plan focuses on:

- Safeguarding confidence in audit by tightening the regulations and governance around how potential conflicts of interest are dealt with.
- Covering the risks that matter to citizens and businesses – not just financial but also emerging risks, fraud and misconduct risks – by integrating the lines of defence and ensuring there is personal accountability along the full chain, for effective systems and controls.
- Improving audit quality through strengthening regulator and audit committee oversight and a focus on the skills of auditors.

There is substantial support for these ideas in submissions to the Australian audit inquiry, including among regulators and standard setters, investors, academics, and the profession – which comes as no surprise given the extensive outreach. We have developed the plan by listening to these voices.

Looking ahead to 2020, small and medium-sized accounting firms will continue to face existential challenges from digital disruption. They will need to deliver a broader range of services, built on their expertise, innovation and trust. While the public scrutiny around auditing has been generally at the 'big end of town', the challenges of scalability and relevance in the SME space continue, and the welcome efforts of audit standard setters internationally – and in Australia and New Zealand – in this regard are critical.

Professional bodies such as ours have a part to play in helping firms survive and thrive in the evolving tech environment. One CA ANZ initiative that has been a great success has been our technology-focused CA Catalyst programme, which helps members keep pace with new solutions, technologies and insights, and connects directly with cutting-edge start-up businesses.

Our members have shown a hunger for the information the programme provides, selling out webinars in a matter of hours. The enthusiasm of the next generation of accountants collaborating with the start-up community and creating value greater than the sum of its parts bodes well for the future. Our fundamental roles of translating, advising, critiquing, exercising judgement and providing independent assurance, while drawing on our ethical foundation, remain essential. ■