

# INTERNATIONAL Accounting BULLETIN

## NOW, FOR TOMORROW



### BAKER TILLY CEO TED VERKADE DISCUSSES THE NETWORK'S FUTURE POSITIONING

#### PEOPLE

HLB's Marco Donzelli discusses his strategy for investment and expansion

#### RANKINGS

Key industry data and business rankings for the US and Canada

#### INDUSTRY FOCUS

CABA's post-Brexit assistance and advice on career transition

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## COVER STORY



# BAKER TILLY

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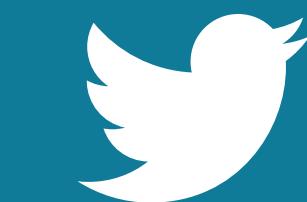


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# EDITOR'S LETTER

## CHALLENGES, INVESTMENTS AND OPPORTUNITIES



**Zoya Malik, Editor**

AB LAUNCHED THE WORLD SURVEY 2020 RANKINGS TO GREAT SUCCESS IN FEBRUARY, AT A BREAKFAST BRIEFING THAT WAS WELL RECEIVED AND ATTENDED BY 20 GLOBAL ACCOUNTING NETWORK AND ASSOCIATION CEOs AND SENIOR MANAGEMENT.

This year, 51 organisations took part in the survey that included 29 networks and 22 associations with combined fee income of \$234.5bn.

Three new organisations joined the rankings: one network and two associations, namely ETL Global, and BOKS International and Daxin Global respectively. The average growth among networks in 2019 was 4%. The Big Four's average growth was also 4%, as compared to 5% for the mid-tier networks. For associations, the average growth was 10%.

Staff increases were reported by networks as 7%, and 8% for associations, with this impressive growth coming from the addition of new members.

There is a feature on page 8 where I report on global accountancy CEOs' outlooks for the industry in terms of their challenges, investments and opportunities in 2020.

This month, the CEO interview is with Ted Verkade at Baker Tilly, who explains his strategic vision for 2020 and the organisation's new brand positioning. Also, HLB CEO Marco Donzelli discusses his strategy and investment towards a three-year plan for business expansion.

ICAEW wellbeing charity CABA tells of its commitment to assist and advise accountancy practitioners through the uncertainty caused by Brexit, and offers a case study showcasing its support to those facing career transitions.

There are country reports this month on the US and Canada markets by Paul Golden, and with the Covid-19 virus pandemic encroaching, Granville Turner advises on asset protection to mitigate risk on page 22.

New member firm RomanSam has joined Nexia International, and CEO Sanaullah Rahimi gives us insights into the challenges faced by industry practitioners and clients alike of operating in a developing economy such as Afghanistan. He also talks of synergies, and how the firm met the stringent criteria for joining the global network.

With digital transformation an ongoing concern for all industries, PrimeGlobal CEO Stephen Heathcote shares member firms' feedback on their investments and applications in the tech space. He says: "Enabling the profession to embrace digital and use it to create business growth benefits all of us. Our collective ambition should go beyond avoiding extinction or just evolving current practices and firms. We need to enable the profession to be the leaders in harnessing the power of data for business growth and creating a trusted, safe digital landscape."

I wish everyone all the best of health and safe travels. ■

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# NEWS UPDATE

## Insolvency and restructuring trade association R3 gains new CEO



Liz Bingham, R3

Liz Bingham OBE has been appointed CEO of R3, the insolvency and restructuring trade association.

She joins R3 after a 35-year career in the insolvency and restructuring profession, during which she was a managing partner at EY, and was R3 president in 2013-14.

Bingham replaces Emma Lovell, who is leaving R3 to become CEO of the Lending Standards Board. As R3 CEO, Bingham will

oversee R3's work to protect and promote the strong restructuring and insolvency framework which is required to enable the association's members to fulfil their vital role in the economy and in society. She will also manage the execution of R3's Strategic Plan, which was launched in 2019 and is the association's roadmap for the next three years.

The plan commits R3 to being the home to a diverse insolvency and restructuring

community, the voice of the profession, a provider of career-long learning for members, a driver of innovation and insight, and to be a thriving, dynamic organisation.

Bingham said: "My year as R3 president was one of the proudest moments of my career in insolvency and restructuring. My long history with the association leaves me well placed to help continue the great work Emma and the team have started to ensure R3 remains at the heart of the UK's insolvency and restructuring community."

R3 president Duncan Swift added: "Liz's experience and understanding of R3 and her extensive experience of insolvency and restructuring will be assets to her and to us as she takes charge of R3 at a crucial time."

"The insolvency and restructuring profession plays a really important role in the economy. From returning money to creditors to helping turn around distressed businesses, and of course helping people access debt relief, the profession's work is absolutely vital in supporting lending, trading and investment, and the overall smooth functioning of the business environment."

"I look forward to working with Liz to ensure that the profession is able to continue this work, and that R3 acts as the voice and home for its members." ■

## CHARTERED IIA: 163% MORE INTERNAL AUDITORS AT EXECUTIVE MANAGEMENT LEVEL IN FINANCIAL SERVICES

Half of all chief internal auditors are now employed at executive management level in their businesses, operating at a rank equivalent to CFO, according to a new survey published by the Chartered Institute of Internal Auditors (Chartered IIA).

The figure is up from 19% in 2013, when the Chartered IIA published its Financial Services Code, which was launched with the aim of raising the scope and status of internal audit in financial services. The survey also found that more resources are being spent on internal audit teams.

Since 2015 there has been a 30% rise in the number of internal audit teams reporting that their staff numbers had increased, from 40% to 52%.

More audit committee chairs are also now responsible for the recruitment, management and budgeting of internal audit teams.

Chartered IIA interim chief executive John Wood said: "This survey shows our Financial Services Code is making a real difference to the status and influence of internal audit since its launch six years ago.

"There has been a 163% increase in the number of chief internal auditors working in roles equivalent to executive management since the Financial Services Code was launched in 2013," added Wood. "And staff numbers have risen in over half (52%) of internal audit teams in financial services."

He continued: "We now want our new Internal Audit Code of Practice to achieve the same success as the Financial Services Code to help more businesses better manage the risks they face." ■

# FRC CALLS FOR OPERATIONAL SEPARATION



The Financial Reporting Council (FRC) has written to the UK's largest audit firms setting out the regulator's expectations for operational separation to bring about audit quality improvements and audit market resilience.

Everyone, not just in the UK but globally, is affected in some way by the quality of external audits that serve multiple functions – that is to give a picture of a company's financial performance, pick up on any warning signs, create market confidence and to protect shareholders and customers.

In the UK, there have been well-publicised short comings in how audits have been performed, with resultant corporate failures and the eventual collapse of construction firm Carillion and retailer BHS, and now according to the regulator, it is down to the big firms and the industry to address and enhance existing frameworks to improve audit quality and transparency.

What is proposed is to split audit from non-audit business to avoid a conflict of interest. This conflict could occur if an auditor is tasked with providing an independent error-free audit of a large business, and then if that same auditor is also performing services for the company or person they are auditing.

Claire Lindridge, director of audit firm monitoring and supervision at the FRC, commented: "The FRC's focus is

to ensure audit firms put audit quality front and centre, with new independence and financial transparency guidelines to support this.

"We expect the firms to put in place independent governance for the audit practice and ensure that the audit practice is appropriately ring fenced from the rest of the firm so that financial results are clear and transparent."

When approached by IAB for its position on audit and non-audit business separation, a spokesperson from EY said: "EY continues to believe that the right set of comprehensive changes is needed to enhance protection for UK pensioners, employees and investors.

"We are reviewing the FRC's proposals and the implications for our business and remain committed to playing an active and constructive role in their development. While the detail of these proposals is still to be established, careful consideration will need to be given to the impact on audit quality, attractiveness of the profession, resilience and financial stability."

A representative from PwC stated: "We are committed to playing our part in introducing changes which improve audit quality, help rebuild confidence in audit and the corporate reporting system, and ensure the UK remains a leader in audit. We will engage constructively in discussions with the regulator and other stakeholders." ■

## FASB APPOINTS MEMBERS TO EMERGING ISSUES TASK FORCE



The US's Financial Accounting Standards Board (FASB) has appointed two new members to its Emerging Issues Task Force (EITF), effective immediately

The two new members are Kevin McBride, corporate controller and principal accounting officer at Intel Corporation, and Jeffrey Nickell, a partner at Deloitte.

The EITF assists FASB in improving financial reporting through the timely identification, discussion and resolution of financial accounting issues. Members are chosen from a cross section of FASB stakeholders, including public accounting firms, and preparers and users of financial statements.

EITF chair and FASB member Susan Cosper said, "On behalf of the EITF and the FASB, I am pleased to welcome Kevin McBride and Jeffrey Nickell to the Task Force. Each brings to his new role extensive experience in technical accounting issues, and we look forward to their contributions to EITF discussions."

McBride and Nickell fill seats vacated by James Campbell, vice-president and corporate controller at Alphabet, and Robert Uhl, a partner at Deloitte, whose EITF terms concluded.

Cosper said: "Jim Campbell and Bob Uhl contributed valuable, expert insights to EITF discussions. On behalf of the FASB and the EITF, I am pleased to thank them for their service on the task force." ■

# AICPA: FLEXIBLE WORKING HELPS FIRMS RETAIN FEMALE EMPLOYEES



US CPA firms that offer modified work arrangements have significant advantages in terms of recruiting and retaining female employees, according to research by the American Institute of CPAs (AICPA).

Approximately half of the firms surveyed by AICPA reported that flexible schedules (56%), reduced hours (50%), compressed work schedules (49%) or telecommuting options (56%) helped attract employees, while about 80% of firms said those arrangements helped retain employees.

AICPA's women's initiatives executive committee chair, Jacquelyn Tracy, said:

"While perspectives are changing, women are still more likely to handle duties involving childcare and managing households. At the same time, many younger workers expect employers to offer them some flexibility as to where and when their work is done."

"Modified work arrangements allow women to more successfully manage their careers as CPAs and the priorities in their personal lives."

Research by think tank Pew Research Center found that mothers spend over 31% of their day on childcare and housework, compared to 17% for fathers.

AICPA's biennial CPA Firm Gender Survey, conducted in August 2019, received responses from more than 1,100 firms. In addition to asking firms about working arrangements, the survey also questioned respondents about gender distribution on executive committees, formal programmes to advance women, and succession planning.

The survey found that 39% of firms monitor gender pay parity, and 85% of those that monitor disparities took action to close gaps. Other findings included:

- One in five firms offered unconscious bias training, with 59% of the firms with more than 100 CPAs offering it;
- The larger the firm, the more likely it is to have formal mentor and sponsorship programs to help advance women and minorities;
- Women in small firms (2-10 CPAs) comprise 53% of executive committees, but only 16% of firms with more than 100 CPAs;
- An analysis of job titles found that women were nearly equally represented or outnumbered men in CPA firms through the senior manager level, after which the ratio declines, and
- Only 44% of firms have a succession plan, down from 47% in 2017. But 6% included a gender component in their plan, up from 2%. ■

## Tom Seymour elected CEO at PwC Australia

PwC Australia's partners have elected Tom Seymour as their next CEO, succeeding Luke Sayers who has served as CEO for the past eight years.

Peter van Dongen, chair of PwC's board of partners, said: "We are delighted to announce Tom Seymour as the next CEO. Having led our financial advisory business and served as a member of the executive board for the past eight years, he is well placed to ensure a smooth transition of leadership."

Seymour has been managing partner of the firm's financial advisory business for the past four years, a business which brings together the firm's tax, private clients, deals, legal, and infrastructure and urban renewal businesses. Prior to this, he was managing partner for tax and legal. Seymour was admitted to the partnership in 2002.

"PwC Australia is well on the way to becoming a \$3bn business, and is proud to employ more than 8,000 people. There is no doubt that the next few years will present many challenges and opportunities as business navigates a more complex environment."

"Our businesses themselves are all at different stages of maturity, requiring bespoke leadership. But so too our clients are grappling with extremely complex and evolving challenges."

"Tom's vision for the future of our firm, and how we assist our client's solve their most important problems has been supported by partners today, and we look forward to working with him to deliver on this strategy in the months and years ahead," van Dongen said.

CEO-elect Seymour said: "I absolutely love this firm. We attract and develop amazing people, we work with the very best companies on their most complex and important issues, and we play a critical role in building the community's trust in businesses and government."

"The professional services industry has been through a period of significant growth as we have evolved our services to help clients anticipate and respond to the incredibly complex challenges they are facing. We need to understand the expectations of multiple stakeholders: our clients, people, regulators, government and the broader community."

"I look forward to working with all our stakeholders to ensure our business is meeting and exceeding expectations and continuing to build trust. PwC's business is built on providing quality advice and outcomes for our clients, which is essential to maintaining our premium brand in the market and goes directly to trust."



Tom Seymour, PwC Australia

Sayers added: "Leading this firm over the past eight years has been an extraordinary privilege, and I feel tremendously proud of all we have achieved over that time. It has been profoundly rewarding to see our business overcome challenges and evolve with the times, and our outstanding people grow and thrive. Tom has demonstrated his remarkable leadership skills and passion for our firm over many years, and he has the trust and confidence of our partnership. I look forward to seeing what PwC achieves under his stewardship."

The firm will now enter a period of transition, which will conclude by 30 June. ■

# ACCOUNTANCY OUTLOOK FOR 2020: MARKET CHALLENGES AND OPPORTUNITIES

**Over 20 global accounting CEOs responded to the *IAB* questionnaire that summarised their outlooks for the industry in terms of the challenges, investments and opportunities that will shape 2020. *Zoya Malik* reports**

**F**rom accounting C-Suite responses, the *IAB* team has identified emerging themes that will create challenges and opportunities in the market over the coming year.

Firstly, on the socioeconomic front, post-Brexit uncertainties and now, more critically, fears from the Covid-19 pandemic have caused panic in the stock markets.

The threat of contagion has impeded production centres with an impact on businesses closures, affecting supply chains. There is a knock-on effect on airlines and flights due to lack of demand for travel, with the oil price dropping to under \$30 per barrel (at the time of writing). The US-China trade war is also having a ripple effect on trade, demographics and industry.

As the saying goes, where there is pain, there is gain.

As seen with previous economic cycles, market challenges and fallout can create opportunities for advisory, a revenue and practice-line area that is projected for growth by the industry in the years to come.

In the SME space, as smaller firms come under market pressure, there will be a look towards consolidation, which in turns offers an opportunity for accountancy advisory services to expand. As new

demand for tax advice grows, so this too will create an opportunity to step up tax consulting.

Cybersecurity is an area under surveillance by all firms, and they need to ramp up investments in order to future-proof their business. Along with this, there is seen to be a need for balancing growth and quality within the accounting industry, which means simultaneously maintaining standards.

Avenues for underpinning much-required confidence and transparency within the industry will be also developing audit quality through adopting auditing standards and the IESBA Code of Ethics and creating robust global audit manuals.

Alongside this will be audit review programmes that will need to evolve to keep pace with regulatory developments, and that means extending the programme to cover new firms joining networks and associations. Above all, there will be a strengthening of quality assurance by investing in assurance review procedures.

The New International Standard in Quality Management, proposed by the IAASB in February 2019, will be key to firms needing to put more thought into risk and quality management.

Most importantly, recruitment has been highest on the industry's agenda, in the search for talent that combines numeracy

with emotional intelligence and commercial awareness. It is seen as a tall order to find these skills, at both board and entry level, with the view taken that for the industry to succeed in this next generation, everyone needs to be business-minded in the workplace.

In terms of investment into recruitment and HR, many networks and associations have launched initiatives for specialist audit training and network-provided training.

There are also a number of organisations that have set up initiatives for hosting partners and their staff in 'train the trainer' sessions, for knowledge exchange.

There is AI investment for automating repeatable compliance processes.

In terms of M&A and investment in digital tools for business transformation, there are concerns about the technological readiness of new-recruit member firms to engage and modify systems and practices.

Investment in IT has seen technology advisory schemes kick-off with monthly webinars for firms to negotiate partnerships with key software suppliers; there are specialist webinars set up for audit training, and the greater investment emphasis has been on moving company and business information to cloud-based platforms to access client data for analysis advisory and exchange across networks and geographies. ■

# INTERNATIONAL WELLBEING SUPPORT FOR ACCOUNTANTS

CABA services director *Kelly Feehan* discusses the organisation's new Brexit support initiative, and highlights through a case study the depth and reach of critical assistance for accountants to establish them on their career journey

In February 2020, CABA, the wellbeing charity for ICAEW chartered accountants and their families, launched its Brexit campaign to support those affected by the UK's upcoming departure from the EU.

Over 6,500 ICAEW members living in the UK and Europe now have access to vital support services, including specialised legal advice and professional counselling.

For those who are facing potentially life-changing challenges around issues such as citizenship and residency, healthcare and employment, these services will provide a much-needed lifeline.

But the Brexit campaign is just the tip of the iceberg of the services CABA provides for chartered accountants living abroad. In the countries where the charity has clients, which spans much of the globe, it offers services such emotional support, career coaching, financial assistance, health and carer support, personal coaching and access to its extensive online learning resources.

In cases where it does not have a presence in a certain country where a member needs support, it will still look to provide bespoke support to meet their individual needs.

How it delivers these services varies across the different regions, particularly if face-to-



Kelly Feehan, CABA

face communication is not possible, but most are available online or over the phone. While the services are available in English, CABA also works with local service providers to provide face-to-face support in a member's local language. In some cases, it can also provide translation support, if required.

As part of its commitment to expand its international reach, CABA also holds events and workshops in key countries around the globe. This year, its planned itinerary already includes Cyprus, Greece, Spain, France, Switzerland, Ireland, Italy, Hong Kong, Australia and Singapore – with more expected to be added. ■

## CASE STUDY: MUHAMMED'S CAREER JOURNEY

I studied in Pakistan and completed my ACA exams there, then in 2020 I decided to emigrate to Canada. I had to leave my wife and two small children behind in Pakistan, because I knew I needed to find a job and get financially secure before they could join me.

When I got my ICAEW membership last year, I received an email from CABA and thought it was great to know there was an organisation that would support me if I needed it, but at the time I didn't need it, so I put it out of my mind.

When I got to Canada, I realised that my savings just weren't enough to keep me going while I looked for work. I felt a lot of pressure because I'm the only person who earns in my family and I provide for everybody. I contacted CABA and they were so supportive. I was really impressed by how kind they were to me and how they asked me to explain my situation. They asked me to make a budget of everything I was spending. We then looked at it together and they offered me a monthly grant for a short period to help me look for a job. They also arranged for my career coaching, which meant a lot to me because the job market in Canada is very different to Pakistan and I needed a lot of help with my CV. For example, in Pakistan, most of the emphasis is on

technical skills, and at the time, I did not have much idea as to how important soft skills would be in Canada. Having a career coach who understood the Canadian market and who was able to guide me in this way was incredible. We worked together over Skype and it proved to be very helpful in finding work. CABA also helped me pay for my membership fees for the necessary Canadian institutions that I need in order to practice in Canada.

I couldn't believe that there was an organisation that would help me to this degree. The job hunt went smoothly, and I started a job three months ago with a very well-respected firm. I'm extremely happy that I'm achieving everything I hoped for. Emigrating was a big risk, and without CABA I probably would have had to get an irrelevant job that would have taken all my energy just to survive. Instead, I've found opportunities to use my skills and training that I'd worked so hard for.

A few months' help from CABA will improve my family's lives for years to come. If I had suffered, my family would have suffered. Being the only earner is a huge responsibility and emigrating was a huge risk, but CABA helped me to fulfil my potential. ■



# NOW, FOR TOMORROW: BAKER TILLY POSITIONS ITSELF FOR THE FUTURE

Baker Tilly CEO Ted Verkade speaks to *Zoya Malik* to discuss the network's achievements in 2019, his plans for the new brand positioning and how this will be supported by business pillars going forward

## *Zoya Malik: What have your business milestones been in 2019, and how does this reflect success?*

**Ted Verkade:** This year has been a big one for Baker Tilly, with our global network completing some significant projects to position our businesses for the future.

The most significant milestone was the launch of our refreshed global brand – a new visual styling and brand position built around our focus on actions: 'Now, for tomorrow'.

Beyond our expertise and proven capability to serve global clients, we want the Baker Tilly brand to be synonymous with our commitment to building great relationships and having great conversations to ensure great futures for clients, our people, our profession and our communities.

The new branding has been well received by both our people, our clients and the business community. We have seen the rebrand of 105 of our member firms, all aligning under the one global brand, which now operates in 132 territories worldwide.

Our growth strategy is focused on those key markets where we need increased critical mass. Baker Tilly in the US expanded into

Texas via the acquisition of a significant firm. In South Korea, we replaced our member firm with a new firm more than twice the size of the previous firm.

Overall, there was significant and large-scale M&A activity among members, with

was 9% – the highest growth rate we have recorded in the last decade. Growth was particularly strong in the Americas and Asia-Pacific regions.

Another key milestone is the continued roll-out of our Global Audit Methodology. Now implemented in over 70 countries, it provides increased consistency and quality across global audits, elevating the quality of the Baker Tilly service at a time when audit globally is under increased scrutiny.

We also extended our commitment to quality assurance and quality improvement across our network, with a more rigorous standard applied to network service delivery. This continues to ensure our members are committed to a uniformly high level of both professional standards and client service.

## “ SIGNIFICANT CHANGE IS ROILING THE PROFESSIONAL SERVICES SECTOR

more than 20 mergers and acquisitions completed across the network, in each case strengthening our client service offering.

Combined with strong organic growth, our overall growth at constant exchange rates

**ZM: What are your expansion plans for 2020? What priorities do you have for partnerships, areas of investment, organic growth or M&As?**

**TV:** There is no doubt that significant change is roiling the professional services sector. Our strategy here at Baker Tilly is designed to ensure we are better prepared to deal with



Ted Verkade, Baker Tilly

the opportunities and threats arising from technological disruption, the war for talent and potentially significant regulatory changes in the audit profession, through to the potential break-up of auditing businesses.

We have taken a pragmatic view of the opportunities that are on the horizon for professional services, and continue to pursue our objectives of having a strong position in every key market, a recognised global brand for professional services, consistent client service and close collaboration and co-ordination between our member firms. A key plank of our strategy is growth, and many of the key milestones achieved in 2019 have laid solid foundations for continued growth in 2020 and beyond.

We will continue our growth strategy aimed at increasing our critical mass and expanding service capabilities to meet changing client demands.

Our key tactical focus areas will be on:

- Raising our brand profile for network growth, lateral hires, early talent attraction and succession planning;
- Investing in emerging technology and client-focused solutions across the business, including AI, robotic process automation and machine learning, and leveraging the experience of key firms in these fields to advance the network as a whole;
- Building the opportunity for complementary and allied services throughout the network, including through M&A activity that can deliver added-value services;

Our brand repositioning was the first stage of our evolution as a network. By focusing on the areas outlined above, we cement our role as an advanced, solid, client-responsive network, ready for the changes to come.

**ZM: How is your business improving on environmental, social and governance (ESG) goals?**

**TV:** Baker Tilly's global 'Now, for tomorrow' positioning focuses not only on our clients and our people, but also on our contribution to our profession and wider communities; this is reflected in our commitment to environmental, social and corporate governance goals. We recognise that our people and our clients require us to play a role in the world that goes beyond profits.

Through our global repositioning project, we have begun to collect and formalise the many ESG actions taking place at a firm level, and use lessons from these to guide the growth of our ESG commitment going forward. As an example, we support and highlight the engagement of teams worldwide in stewardship activities and projects with purpose. This year, we saw the establishment

## " WE RECOGNISE THAT OUR PEOPLE AND OUR CLIENTS REQUIRE US TO PLAY A ROLE IN THE WORLD THAT GOES BEYOND PROFITS "

- More consistent service delivery for multinationals, including better profile raising of our remote and emerging market coverage, which is extensive but not always well known.

of the Baker Tilly Foundation in the US, to drive greater philanthropic impact across education, health and wellness, and human services.

The list of community projects has been bigger than ever, with record levels of volunteering, many of our firms participating in stewardship for the first time and an increasing global reach of our community activities.

Many of our firms lead the way in their markets in the reporting of ESG activities, and use their expertise to support appropriate recognition, measurement and reporting in the corporate sector.

Many of our firms have also taken steps to offset carbon emissions through travel, reducing paper use within offices, reducing the use of disposable cups and plates or single-use plastics, and undertaking operational efficiencies that reduce the running cost and energy intensiveness of Baker Tilly buildings. ■



Stewardship activities are a key part of Baker Tilly's ESG commitment

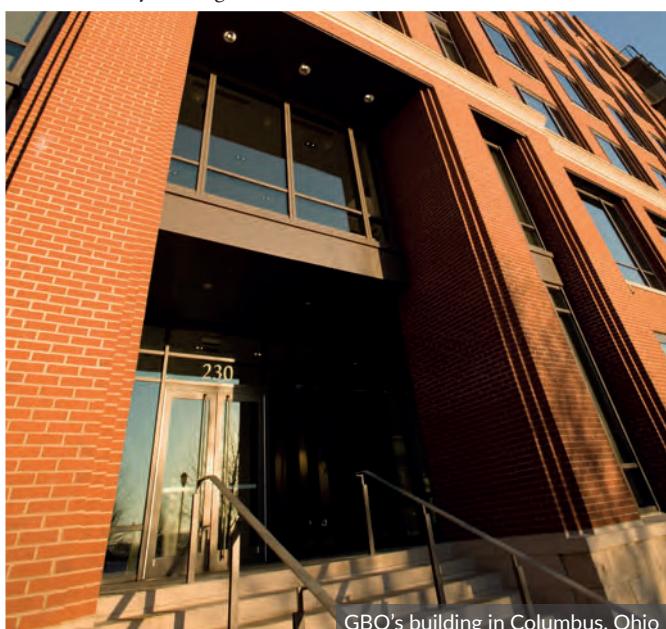
# GBQ CASE STUDY: PRACTICE MANAGEMENT AT ITS BEST

***Shaun Powell, director of finance at GBQ, discusses the benefits that have been felt across the entire organisation from its partnership with Star Professional Software***

**A** top tax, accounting and consulting firm for more than 65 years, GBQ opened its first office in Columbus, Ohio in 1953. The company has expanded to become one of the top 125 CPA firms in the US, and is a member of the BDO Alliance USA, the nationwide association of independently owned local and regional accounting, consulting and service firms.

Until only a few years ago, GBQ's business was run almost exclusively out of one central office in Columbus; however, in recent years this has changed, with acquisitions that have allowed GBQ to expand into new territories including Indianapolis, New York and Philadelphia.

While this growth brought many exciting new opportunities, it was not without its challenges. Shaun Powell, GBQ's director of finance, explains: "When we started to invest in other offices, we really needed to understand the business we were taking on. Our old system simply couldn't give us the financial data we needed. It didn't have the capability for segregating metrics or reporting which meant that we were constantly chasing numbers."



GBQ's building in Columbus, Ohio

The company's investment in Ernst & Rabe, a 20-person office in Cincinnati, meant that it became imperative to start more accurately to evaluate profitability in order to qualify the return on investment.

Powell continues: "When we acquired our Cincinnati office, we knew we had to strengthen our systems and processes, and therefore needed to overhaul our platforms internally. We decided to take the opportunity to review all the technologies that supported the business. We knew that if we had any sustainable growth, our current infrastructure wouldn't have been able to handle it and we would have had massive growing pains."

GBQ's senior management team had already started to ask what practice management software was available that could provide the robust reporting that the company required and would also be able to integrate with other systems. Following research and evaluation of the different software packages available on the market, Star was one of three solutions shortlisted.

During the selection process, Powell and GBQ's IT director visited two CPA firms that were already using Star. Powell comments: "Visiting existing users gave us a chance to look at the technology upfront, see it in action and get a picture of how others were using it. We saw how Star Scheduling was being utilised, and how it was possible to mine vast amounts of data out of the software, which is exactly what we wanted to do."

In April 2016, Star was invited on site to demonstrate its product. The contract was signed two months later, and the decision was made to convert within five months. Powell explains: "We knew that we had decided on an incredibly tight time frame, but needed to do it before the busiest part of our year."

The Star Practice Management software was rolled out across GBQ on a phased basis, starting with Star Time & Billing integrated with Microsoft Dynamics NAV GL and AP, and followed in 2018 with Star Scheduling.

Powell continues: "Star showed a real willingness to work with us, to not only meet our deadlines but to give us the solution we wanted, working closely with us in developing a variety of customised reports. We still ask Star to produce new and different reports as and when we need them, and they always work with us to make sure we have the information we need at our fingertips."

“

PEOPLE ALWAYS RESIST CHANGE, BUT WE SAW VERY LITTLE RESISTANCE. USERS ADAPTED QUICKLY AND COULD SEE THE BENEFITS. PROCESSES BECAME SO MUCH EASIER. EVERYONE HAS THE MOBILE APP, SO RECORDING TIME IS QUICK AND EASY, NO MATTER WHERE YOU ARE

SHAUN POWELL, GBQ

“We were nervous of the condensed time frame, but we went live only one day later than scheduled, and on budget, allowing us to close year end without a problem. Central to the success of the implementation was the fact that we had built an amazing relationship with the team at Star.”

Discussing the benefits that GBQ has realised since implementation, Powell comments: “One of the features that sold us on Star was the various ways it could take raw data and transform it into easy-to-understand reports.

“The Star Practice Dashboard presents information in a way that is highly intuitive and helpful. Previously, we had no reporting for our different lines of business. If our marketing department asked for a list of manufacturing clients who received auditing services, we couldn’t give it to them, or if we wanted to compare the performance of the tax departments in Cincinnati and Columbus, we just couldn’t. Now, it’s so easy to pull all this information out and look at all the different parts of our business.

He continues: “Star’s Budgeting and Scheduling modules allow us to view budgets versus actuals, and see exactly what jobs people are working on, which is really useful for budgeting and capacity management.”



Shaun Powell, GBQ

Powell says the benefits of Star Practice Management are felt across the whole organisation, adding: “Users adapted quickly and could see the benefits. Processes became so much easier. Everyone has the mobile app, so recording time is quick and easy, no matter where you are. We use a phone app to submit expenses now, so a quick photo of a bill taken on a mobile phone can be sent straight for approval and payment. Administrative time is not only dramatically reduced, but it simply makes life much easier for everyone.”

“Star has been extremely beneficial from an efficiency standpoint. We always closed our books in four or five business days; we’ve probably extended this by one day to account for all the reporting we now provide, but members are more than happy with that.”

“Star has given me the transparency and the knowledge that I didn’t have before, and really helps in making critical business decisions. I’m now able to see the cause and effect of the business, and we’re no longer making decisions based on guesswork. We can evaluate investments we’ve made, and the data pinpoints exactly how we’re doing, showing us if and where we need to employ additional resources or change direction. Star is now integral in supporting our future growth, providing us with a new level of understanding in terms of the performance and profitability of our business.” ■



# THE US: MIDDLE-MARKET INDUSTRY EXPANSION

**Despite some encouraging economic and research statistics, many US accounting firm clients do not share their president's rosy view of the domestic business environment. *Paul Golden* speaks to key figures to find out more**

**A**ccording to PwC's 23rd annual CEO survey, US business heads are among the most pessimistic about global growth, and the most confident about their own organisations' prospects.

Almost two-thirds (62%) expect global growth to decline over the next 12 months, while 36% are very confident in near-term revenue growth for their businesses.

The *Q4 2019 AICPA Business and Industry Economic Outlook Survey* found that half of CPA respondents were optimistic about the US economy – up from 42% in the previous quarter – and 58% were optimistic about their own organisations.

Mazars USA CEO Victor Wahba says his firm sees ongoing opportunities in consulting, and a growing number of companies with international footprints asking for tax and audit support. This is driven in part by increased regulation, but also by the large number of companies expanding to operate on a global scale, especially in the middle market, he says.

Robert Hoberman, managing partner at MGI Worldwide member firm Hoberman & Lesser CPAs, says economic growth is creating opportunities to provide more services to existing clients as well as demand from newly formed or growing companies. "We are also seeing more cross-border opportunities as businesses in other parts of the world want to take advantage of the growth and capital in the US market," he adds.

James Schmidt, tax partner at BKR International member firm Schmidt Westergard, says US members are exploring new service partnerships through target alliances with non-CPA-related advisors. "Whether it is investment advisory alliances or healthcare consultants, accounting firm leaders have identified the need to offer an

integrated solution to clients with complex accounting, tax and advisory matters. One of our member firms recently announced it had become a 100% employee-owned firm. In this sense, our leaders are looking for alternatives to traditional succession tied to retention of top talent," he says.

Some firms are trying to position their businesses for upstream mergers, while others are positioning themselves as the firm of choice for these mergers," adds Schmidt. "Our members' challenges relate to succession planning, diversification and branding differentiation. Opportunities include the use of automation and outsourcing lower fee compliance services."

Crowe CEO Jim Powers says continued investment in market specialisation will support growth over the next 12 months. Opportunities to expand industry and functional expertise will steer geographic expansion, potential acquisitions and even customer segmentation growth, he adds. "We will also continue our product development efforts to bring to market new, technology-embedded solutions that utilise data science, artificial intelligence and digital learning."

According to Powers, US companies anticipate continued growth and investment. "We see evidence of this in our client base as companies continue to make investments in people, capital expenditure and acquisitions. However, many of our clients with global operations are being impacted by disruption and uncertainty in international trade stemming from both virus outbreaks and the ongoing trade war with China."

Sizeable stock market gains and increases in the annual rate of GDP, combined with jobs growth, bode well for marketing new business advisory services to clients acknowledges Michael Breit, vice-chair of Allinial Global member firm EisnerAmper. However, manufacturing continues its retraction and trade war uncertainty may continue to stoke fears of a global economic slowdown, he adds.

"Consequently, US companies remain cautiously optimistic, particularly in a presidential election year that will determine policies impacting the economy, trade, taxation, environmental standards and a host of other regulations."

Frederick Kostecki, managing partner at RubinBrown and North American regional director at Baker Tilly International, agrees that the ongoing trade war with China, the upcoming presidential and congressional elections, and the impact of coronavirus are weighing on the minds of business owners. "The public accounting industry in the US is not immune to these undercurrents, so we can expect continued M&A activity as firms search for growth and talent," he says. "With the US unemployment rate around 3.6%, finding talent is the top business challenge firms are facing."

Wahba refers to a fall in the number of accounting majors graduating each year, and a focus on hiring and promoting minorities



James Schmidt, Schmidt Westergard



Michael Breit, EisnerAmper

as they continue to be underrepresented in the profession. "We have several internal programmes addressing this issue and have made steady progress, although more is needed," he adds.

Tom Barry, managing partner at HLB International member firm Green Hasson Janks suggests flexible approaches that include non-traditional talent, remote workers and innovative work schedules are becoming mainstream to ensure growth and keep up with client demands.

Clients are demanding more advisory services and out-of-the-box thinking from their teams, and it makes sense that they would want advisors with more diverse backgrounds and skills, he says. "Finding someone who fits into a company's culture will help guarantee their success more than if they followed a traditional career path." Barry also believes firms will continue to be surprised at how quickly the profession is changing, as disintermediation introduces new, smarter and more-agile competitors.

Hoberman refers to continuous consolidation in the industry creating opportunities for firms that elect to stay independent, as well as for larger successor firms. In addition to difficulties attracting and retaining the best professional staff, he says firms are challenged by compliance with an ever-changing, complicated array of industry and regulatory rules and the need to provide increased levels of service while holding prices to a reasonable level.

The Q3 2019 US Bureau of Labor Statistics report on unemployment rates by occupation revealed that the accountant unemployment rate is 2%. As a consequence, accountants with advanced degrees – such as graduate degrees in taxation – are in high demand and often command premium salaries coming out of school. A separate report by the Bureau of Labor Statistics stated that

it expects employment in the profession to increase by 10% by 2026 on the back of economic growth, an increase in IPO activity, globalisation and technology advancement.

Evan Stephens, tax partner at Morison KSi member firm Sensiba San Filippo, says firms are already starting to change the types of people they hire, moving away from just CPAs towards data analysis and data scientists, as well as software implementation teams, sustainability experts and business coaches.

Human capital issues continue to stress the accounting profession, agrees Daniel Morris, senior partner at IAPA member firm Morris + D'Angelo. "Capacity is frequently stretched for special projects that customers require with limited notice," he explains. "In these situations, service failures occur, customers switch firms or already tired team members work more hours. Pricing also is an active topic: there is a mismatch between hours worked and the value provided, which is pushing more firms to drop hourly billing and ultimately time tracking." Morris also observes that taxpayers are delaying their delivery of information, in part because of new reporting requirements such as delayed 1099 reporting, due to cost-basis tracking.

## TECH AND AUTOMATION

Stephens says there has been a significant shift in attitudes towards technology and automation, referring to a recent Sage report that found that around 90% of accountants felt the profession was undergoing a cultural shift towards technological adoption.

"Factors that are fuelling this shift and creating value added activities include the rise of accounting software solutions and accounting automation – especially cloud-based solutions – and the expansion of outsourced accounting as well as a focus on data analytics, big data, blockchain and artificial intelligence," he says.

Breit observes that the American Institute of Certified Public Accountants has partnered with a number of leading US accounting firms to develop a transformational audit methodology. The Dynamic Audit Solution product is a data-driven, connected platform that utilises the power of technology to modernise the audit.

"How quickly and comprehensively accounting firms leverage new technologies will, in large part, determine their long term success," he says. "Accountants must continue to look for different service offerings that provide real value to their



Wayne Berson, BDO USA

clients. We are seeing various accounting and advisory services – including cybersecurity – expanding in both depth and breadth."

Stephens notes that the accounting profession is still dealing with the consequences of the Tax Cuts and Jobs Act (TCJA), the largest tax overhaul in the US for more than three decades.

"The IRS has issued and is continuing to issue guidance and regulation at an incredible pace around the TCJA and practitioners appreciate the much-needed direction," he says. "However, there are still a number of TCJA drafting mistakes resulting from a lack of legislative oversight that need to be corrected, leaving tax professionals waiting for action to be taken by congress to correct these errors."

BDO USA CEO Wayne Berson also observes that the industry is grappling with how to navigate an unprecedented pace of change at every level of the tax system, with many businesses still figuring out how to put tax reform changes into practice. At the same time, tax authorities are rapidly adjusting the rules to reflect the reality of a digital economy where physical presence has little bearing on what you can purchase.

"We saw this with the Supreme Court's decision in South Dakota vs Wayfair, which gave state governments the ability to tax outside sellers," he explains. "To adapt, tax professional need to focus on an organisation's total tax liability and achieve a holistic understanding of the sum of all taxes across the organisation. This is not easy, but it is critical to evolve tax strategies to fit this new landscape."

Morris agrees that regulatory modifications, extensions and expansions are impacting taxpayers, businesses and accountants. "Retroactive extensions or new legislation create instability, which puts business leaders' faith in economic certainty at risk," he concludes. ■



# THE US

## NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (USm)	Fee income last year (USm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	Deloitte*	21,913.0	19,897.0	10%	27	-	17	4	53	Jun-19
	2	PwC*	17,373.0	16,847.0	3%	36	-	27	37	-	Jun-19
	3	EY*	15,200.0	14,000.0	9%	29	-	29	32	10	Jun-19
	4	KPMG*	9,966.0	9,457.0	5%	30	-	29	41	-	Sep-19
	5	RSM*	2,370.4	2,126.3	11%	36	-	35	28	1	Apr-19
	6	Nexia International*	2,134.6	1,884.9	13%	35	12	38	7	8	Jun-19
	7	Grant Thornton*	1,878.9	1,792.7	5%	33	-	25	41	1	Sep-19
	8	BDO*	1,643.0	1,470.0	12%	46	-	33	21	-	Jun-19
	9	Baker Tilly International*	1,627.1	1,461.8	11%	33	3	37	23	4	Dec-19
	10	Moore Global*	1,463.7	1,306.6	12%	27	9	45	14	5	Dec-19
	11	Kreston International*	1,054.0	1,030.1	2%	30	2	40	14	14	Oct-19
	12	Crowe*	966.5	930.9	4%	32	-	25	43	-	Dec-19
	13	HLB* (1)	857.1	726.7	18%	33	5	40	21	1	Dec-19
	14	PKF International*	399.4	428.9	-7%	44	1	42	1	12	Jun-19
	15	Mazars*	218.3	205.6	6%	34	5	37	24	-	Aug-19
	16	UHY International*	161.0	141.7	14%	35	-	45	20	-	Dec-19
	17	Russell Bedford Int'l*	90.0	95.0	-5%	31	20	40	8	1	Dec-19
	18	TGS Global*	5.0	n.ap	n.ap	-	-	100	-	-	Dec-19
<b>Total fee income/growth</b>			<b>79,321.1</b>	<b>73,802.3</b>	<b>7%</b>						
ASSOCIATIONS	1	Praxity*	2,886.8	2,550.6	13%	37	3	33	25	2	n.ap
	2	LEA Global/Leading Edge Alliance*	2,356.4	2,480.3	-5%	30	9	39	22	-	Dec-19
	3	Allinial Global*	2,136.7	1,982.5	8%	28	18	28	22	4	Dec-19
	4	PrimeGlobal*	1,524.9	1,427.5	7%	28	-	47	4	21	May-19
	5	RSM US Alliance* (2)	1,277.7	1,054.0	21%	45	-	44	7	4	Apr-19
	6	DFK International* (3)	649.2	539.4	20%	33	8	45	8	6	Dec-19
	7	AGN International* (4)	516.9	605.7	-15%	27	8	53	12	-	Dec-18
	8	BKR International*	508.3	484.4	5%	30	14	44	7	5	Jun-19
	9	Integra International*	363.7	358.4	1%	15	25	50	10	-	Dec-19
	10	Morison KSi*	361.3	338.6	7%	27	12	50	5	7	Dec-18
	11	MGI Worldwide with CPAAI*	222.6	n.ap	n.ap	25	11	40	2	22	n.ap
	12	IAPA*	138.0	129.4	7%	11	4	49	32	3	n.ap
	13	Inpact*	111.9	93.2	20%	28	8	35	4	25	Dec-18
	14	Abacus Worldwide*	61.0	62.5	-2%	30	7	39	17	7	Dec-19
	15	GMN International*	39.1	39.2	0%	22	9	59	5	5	Sep-19
	16	BOKS International* (1)	20.2	14.4	41%	32	15	32	7	14	Dec-19
	17	Antea*	17.6	15.0	17%	85	3	12	-	-	Dec-19
	18	EuraAudit International* (1)	11.0	2.8	290%	9	38	46	5	2	Dec-19
	19	UC&CS Global* (1)	7.8	0.9	800%	40	-	30	30	-	Dec-19
<b>Total fee income/growth</b>			<b>13,211.3</b>	<b>12,178.8</b>	<b>7%</b>						

**Notes:** (e) = IAB estimate, n.d. = not disclosed, n.c. = not collected, n.ap = not applicable, n.av = not available. (1) Gained new member firm(s). (2) Increase in fee income attributed to organic growth and addition of new offices. (3) Increase in fee income attributed to addition of new member firms and organic growth. (4) Lost member firm(s).

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

Where data for accounting services is not disclosed, this is included under Audit and Assurance.

**Source:** International Accounting Bulletin

## NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2019	2018		Staff	Partners	2019	2018	2019	2018	2019	2018	2019	2018
<b>NETWORKS</b>														
1	Deloitte* (1)	106,918	94,637	13%	n.d	n.d	5,811	5,492	84,718	73,855	16,389	15,290	130	120
2	PwC* (e)	61,114	55,558	10%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
3	EY* (e)	53,519	48,654	10%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
4	KPMG*	38,043	35,736	6%	n.d	n.d	2,279	2,213	28,331	26,447	7,433	7,076	102	101
5	Nexia International* (2)	10,973	9,458	16%	4,343	310	1,298	786	7,979	7,044	1,696	1,628	191	176
6	RSM*	10,458	9,670	8%	n.d	n.d	853	825	7,907	7,252	1,698	1,593	87	85
7	Grant Thornton*	8,736	8,122	8%	3,924	143	643	624	6,048	5,524	2,045	1,974	57	59
8	Baker Tilly Int'l*	7,784	7,181	8%	4,179	203	870	848	5,379	4,882	1,535	1,451	109	102
9	BDO*	7,330	6,583	11%	3,281	129	618	574	5,550	4,958	1,162	1,051	65	61
10	Moore Global*	6,522	5,981	9%	3,429	266	950	989	4,427	3,951	1,145	1,041	113	91
11	HLB*	4,546	4,375	4%	2,179	154	548	516	3,455	3,051	543	808	72	66
12	Crowe*	4,319	4,063	6%	n.d	64	335	326	3,247	3,052	737	685	41	43
13	Kreston International*	4,029	4,033	0%	n.d	n.d	470	460	2,960	2,973	599	600	27	31
14	PKF International*	1,799	1,732	4%	n.d	n.d	294	325	1,270	1,171	235	236	34	34
15	Mazars*	927	905	2%	n.d	n.d	80	76	689	673	158	156	9	9
16	UHY International*	849	740	15%	423	12	94	84	599	510	156	146	20	20
17	Russell Bedford Int'l*	408	461	-11%	n.d	n.d	54	72	274	310	80	79	10	15
18	TGS Global*	20	n.ap	n.ap	7	0	4	n.ap	16	n.ap	-	n.ap	6	n.ap
<b>Total staff/growth</b>		<b>328,294</b>	<b>297,889</b>	<b>10%</b>	<b>21,765</b>	<b>1,281</b>	<b>15,201</b>	<b>14,210</b>	<b>162,849</b>	<b>145,653</b>	<b>35,611</b>	<b>33,814</b>	<b>1,073</b>	<b>1,013</b>
<b>ASSOCIATIONS</b>														
1	Allinial Global*	14,987	13,291	13%	n.d	n.d	2,907	2,377	9,776	8,626	2,304	2,188	243	372
2	Praxity*	12,998	11,759	11%	n.d	n.d	1,390	1,289	9,232	8,229	2,376	2,241	143	129
3	LEA Global/Leading Edge Alliance*	10,318	10,563	-2%	1,858	309	1,352	1,427	6,884	7,238	2,082	1,898	206	214
4	PrimeGlobal*	7,910	7,333	8%	n.d	n.d	784	734	5,853	5,350	1,273	1,249	190	186
5	RSM US Alliance*	7,687	6,597	17%	n.d	n.d	1,132	965	5,277	4,504	1,278	1,128	275	217
6	DFK International*	3,076	2,245	37%	1,537	98	370	332	2,213	1,541	493	372	73	58
7	AGN International*	2,963	3,127	-5%	n.d	n.d	304	308	2,131	2,291	528	528	109	104
8	BKR International*	2,960	2,821	5%	n.d	n.d	394	380	2,232	2,106	334	335	70	71
9	MGI Worldwide with CPAAI*	2,543	n.ap	n.ap	565	53	307	n.ap	1,870	n.ap	357	n.ap	47	n.ap
10	Morison KSi*	1,795	1,706	5%	910	45	229	226	1,273	1,230	293	250	36	35
11	Integra International*	1,592	1,533	4%	n.d	n.d	157	149	1,305	1,274	130	112	33	30
12	Inpact*	546	572	-5%	309	42	114	92	334	376	98	104	31	31
13	IAPA*	529	506	5%	n.d	n.d	59	275	176	153	294	78	24	20
14	Abacus Worldwide*	453	442	2%	n.d	n.d	46	48	345	333	62	61	12	13
15	GMN International*	240	266	-10%	142	14	50	60	141	161	49	45	12	13
16	BOKS International*	118	85	39%	32	3	21	12	83	66	14	7	5	4
17	Antea*	98	93	5%	36	3	10	10	84	79	4	4	9	8
18	UC&CS Global*	53	56	-5%	33	5	12	3	34	45	7	8	8	2
19	EuraAudit Int'l*	48	17	182%	24	2	7	4	35	10	6	3	7	5
<b>Total staff/growth</b>		<b>70,914</b>	<b>63,012</b>	<b>9%</b>	<b>5,446</b>	<b>574</b>	<b>9,645</b>	<b>8,691</b>	<b>49,278</b>	<b>43,612</b>	<b>11,982</b>	<b>10,611</b>	<b>1,533</b>	<b>1,512</b>

**Notes:** (e) = IAB estimate, n.d = not disclosed, n.c = not collected, n.ap = not applicable, n.av = not available. (1) Restated last year's figures as they were IAB estimates. (2) Increase in fee income attributed to organic growth.

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**Source:** International Accounting Bulletin

# POSITIVE OUTLOOK FOR M&A ACTIVITY AND TRANSACTIONAL BUSINESS

**The results of recent surveys underline the diversity of Canada's business community, uncertainty about the country's economic future, and the challenges facing its accounting firms, reports *Paul Golden***

**A** poll published by the Angus Reid Institute in November 2019 found that four in five Alberta residents believed the economy in their oil-rich province would suffer over the next 12 months. In Saskatchewan and Manitoba that figure was 56%, while 45% of residents in the Atlantic region expected their economy to decline in 2020.

Overall, 43% of the Canadians polled thought the national economy would worsen in 2020, while less than half that number (21%) thought it would improve.

Quebec residents were most optimistic, with 30% expecting an improvement in their province's economy, compared to 24% who felt it would worsen.

In contrast, the December 2019 EY Global Capital Confidence Barometer found that the majority of Canadian executives were optimistic that domestic and global economies were improving, with more than four in five saying they did not expect an economic slowdown in 2020. However, the EY survey also found that just 35% of Canadian executives were planning to pursue M&A in the year ahead, largely influenced by the mining and metals sector.

In addition to increased levels of transactional activity over the last few years, fuelled by availability of capital and lenders' willingness to lend on cash flows, Ingrid Jensen, COO at Crowe BGK, refers to a general increase in the multiples at which transactions are being traded.

"We decided to invest in growing our business advisory practice, as we noticed an opportunity to better service the mid-market transactional space by offering high-quality transaction advisory work tailored to the needs of the local market," she explains.

With baby boomers now reaching retirement age, many clients are thinking about succession planning, either through the sale of their business or grooming the next generation to take over, observes Giovanna Amantea, partner at HLB International member firm Schwartz Levitsky Feldman.

"Potential for growth exists through advisory services including tax reorganisations," she adds. "In our experience, clients are generally feeling good about the economy, which has enabled us to sell additional accounting and advisory services to existing clients."

According to Jack Massarelli, partner at MGI Worldwide member Fazzari + Partners, companies are increasingly turning to accounting firms in search of federal tax breaks and incentives as a result of an increasingly complex tax structure.

"We see potential for growth in the cannabis sector," he says. "With cannabis becoming legal in Canada and the ongoing recovery of the mining sector, there is expected to be a rise in mergers and acquisitions which will lead to demand for specialised accounting."

Increasing demand for broader advisory services has encouraged investment in new consulting areas such as HR advisory and business management services, and there continues to be strong demand for business advisors who can speak to the full spectrum of challenges confronting private business owners and managers. That is the view of Crowe Soberman partner Susan Hodkinson, who adds that uncertainty in the economy requires a proactive and thoughtful approach.

Potential areas for growth include succession planning and merger and acquisition-related services for the estimated 70% of Canadian closely held business owners who plan to sell or pass on their businesses in the next few years, says Kelly Lohn, partner at BKR International member Lohn Caulder, and a member of BKR's Americas regional board.

"Accounting firms are seeing increased interest in estate and wealth management support as it relates to business transitions and tax planning, and are also experiencing growth in international tax and foreign entity accounting needs. Virtual or outsourced accounting, controller and CFO services are another significant opportunity."

EY Canada assurance leader Massimo Marinelli says his firm is focused on putting technology at the heart of its audit strategy by investing in agile and intelligent application of AI, RPA, cloud-based platforms and other emerging technologies.

"This allows our auditors to capture better data and deliver greater value to the stakeholders of audited entities," he says. "We are also working with clients to provide services such as data analytics and process mining, allowing them to capture better insights and optimise performance."



Susan Hodkinson, Crowe Soberman



Massimo Marinelli, EY Canada

Beyond digital, he refers to growth potential for non-audit services with new attestation services such as non-GAAP (IFRS) measures, cybersecurity and environmental, social and governance.

As cloud computing becomes more sophisticated, Grant Galbraith, national chair at Baker Tilly Canada Cooperative, anticipates a move away from compliance service delivery and far greater opportunity for growth in client advisory and consulting.

"As we continue to adopt new technologies and the expanded service line offerings that come from those solutions, we will require diverse individuals on our client service teams," he says. "Our recruiting and retention no longer focuses on the brightest and best accountants across the country, but is expanding to include professionals who bring clarity to client service delivery in this age of technology."

Baker Tilly Canada Cooperative national tax director John Oakey says it is hard not to be concerned about stability in the North American economy. "However, even with this in mind, most of our clients are cautiously optimistic that the steady low growth trend can continue," he adds. "Politically we have our own issues in Canada with a 'tax-and-spend' mentality that currently exists in our federal government, so most expect a medium-term future that has low interest rates and high taxes for budgeting."

Another potential growth area is dispute resolution and audit assistance, as the government continues to be exceedingly aggressive with tax audits suggests Justin Abrams, tax partner at Allinial Global member firm Kraft Berger.

"Depending on the type of industry (natural resources and, to a lesser extent, technology), large amounts of capital have moved out of Canada into what are perceived as more 'regulatory/tax-friendly' markets," he says.

"However, this does not appear to be the case for owner-manager, private business-type enterprises for the most part."

Professional accountants follow clients' reporting on successes or failures, and advisors often find that they can offer little more than encouragement, observes Jerry Paskowitz, partner at Morison KSi member firm Sloan Partners.

"As our clients' businesses are subjected to pressures from customers and clients demanding better value for money, we are similarly facing fees resistance," he says. "We believe that growth of practices like ours will come from offering services other than accounting and/or tax compliance. We have developed programmes to analyse client businesses to identify factors that may be inhibiting their success and then work with them to address these matters."

Jensen describes recruitment and retention of top talent as an ongoing challenge, as what were once considered exclusive perks and benefits are now being offered almost everywhere. "It is about having the right service offering, whereby staff can develop a meaningful career path without going elsewhere," he adds.

## DIGITAL REVENUES

Canada is an active participant in the OECD initiative to forge a multilateral approach to taxing digital economy revenues. The Liberal minority government has already announced plans to introduce a digital services tax, but recently admitted – following US pressure – that these measures could only be implemented on a multilateral basis.

"Members are conferring with each other on the best approaches, vendor relationships and communication to clients as the technology and security advances," says Lohn. "The biggest concerns are quality control and protection of client data."

Marinelli suggests that to continue moving towards tax digitisation, companies need to be prepared to supply new, accurate and quality-checked data on demand – monthly, quarterly or on a mix of different schedules – while also upping the pressure on data governance, availability and quality.

Clients are asking for tools to automate the collection of tax information, and firms are seeing rapidly increasing use of apps to track everything from mileage to entertainment costs, says Crowe Soberman partner Adam Scherer. "We are assisting our clients in tracking tax-related items on a regular basis,



Justin Abrams, Kraft Berger

rather than waiting and collecting everything as filing deadlines approach."

Abrams reckons the pace at which the Canada Revenue Agency has automated the manner in which taxpayers can communicate with the government is much quicker than its counterpart to the south.

"Most tax software is now able to download taxpayer information from the CRA's website in order to make the tax preparation process much more efficient, and barriers to electronic filing have significantly decreased," he says. "However, the government still does not allow email communications and is reliant on fax – ostensibly for security reasons, even though the province of Alberta does sometimes communicate via email. If changed, this would certainly allow for more efficient communication with the CRA."

"As practitioners, we are observing the efficiency that CRA brings to its investigations and the number of enquiries is increasing steadily," says Paskowitz. "We are advising our clients that unless they want to play a game of 'tax roulette', they are well advised to be compliant with prevailing income tax legislation and to maintain accurate and complete documentation to support claims and expenses."

He says his firm is already seeing the effects of this tax compliance policing activity, whereby opportunities to reduce the tax burden are being curtailed by restrictive legislation, and taxpayer reluctance to take risks when the legislation may be open to a liberal interpretation.

Amantea says international consensus on taxation of the digital economy continues to be a long road, but adds that the OECD's timeline is to reach a final report and multilateral consensus by the end of 2020. "Should this happen, Canada will most likely transition away from the unilateral approach it is currently proposing." ■



# CANADA

## NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (CADm)	Fee income last year (CADm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	Deloitte*	2,792.3	2,504.3	12%	n.d	n.d	n.d	n.d	n.d	May-19
	2	KPMG* (1)	1,730.0	1,578.0	10%	n.d	n.d	n.d	n.d	n.d	Sep-19
	3	PWC* (e)	1,701.7	1,547.0	10%	n.d	n.d	n.d	n.d	n.d	n.d
	4	EY* (e)	1,439.9	1,309.0	10%	n.d	n.d	n.d	n.d	n.d	n.d
	5	Grant Thornton*	753.2	678.5	11%	52	-	24	24	-	Sep-19
	6	BDO*	682.5	641.9	6%	n.d	n.d	n.d	n.d	n.d	Dec-19
	7	Baker Tilly International *	182.9	171.3	7%	29	37	25	6	3	Dec-19
	8	Crowe*	136.6	120.9	13%	49	9	30	8	4	Dec-19
	9	Moore Global*	104.5	93.8	11%	31	23	29	7	10	Dec-19
	10	Nexia International*	90.0	77.8	16%	51	13	28	8	1	Jun-19
	11	RSM* (2)	80.0	62.3	28%	46	-	29	24	1	Apr-19
	12	HLB*	43.3	41.8	4%	29	36	24	11	-	Dec-19
	13	Russell Bedford Int'l*	33.0	29.8	11%	10	71	11	7	1	Dec-19
	14	Mazars*	16.8	14.7	14%	67	7	17	8	1	Aug-19
	15	TGS Global*	13.1	11.6	13%	25	36	24	9	6	Sep-19
	16	Ecovis International*	13.0	12.6	3%	14	59	21	4	2	Dec-19
	17	UHY International* (3)	5.5	12.9	-57%	15	26	31	21	7	Sep-19
	18	Kreston International*	3.5	4.4	-20%	31	54	12	3	-	Oct-19
	19	PKF International*	0.8	0.5	63%	25	-	30	38	7	Jun-19
<b>Total fee income/growth</b>			<b>9,822.6</b>	<b>8,913.2</b>	<b>10%</b>						
ASSOCIATIONS	1	Praxity* (2)	933.4	826.8	13%	24	24	24	23	5	n.ap
	2	BKR International*	115.1	111.7	3%	28	36	26	8	2	Jun-19
	3	DFK International*	113.3	124.3	-9%	41	20	22	9	8	Dec-19
	4	Prime Global* (2)	95.3	81.0	18%	49	-	21	4	26	May-19
	5	Allinial Global* (3)	80.0	104.3	-23%	37	23	21	16	3	Dec-19
	6	IAPA*	69.6	66.7	4%	24	41	22	9	4	Dec-18
	7	AGN International*	33.8	39.3	-14%	22	53	22	3	-	Dec-18
	8	Morison KSi*	23.4	22.0	6%	33	24	20	12	11	Dec-18
	9	MGI Worldwide with CPAAI*	13.4	n.ap	n.ap	22	45	22	-	11	n.ap
	10	Inpact*	10.9	10.6	2%	71	4	23	-	2	Dec-18
	11	GMN International*	8.6	8.6	0%	33	44	17	6	-	Sep-19
	12	Integra International*	5.7	5.7	0%	15	25	50	10	-	Dec-19
	13	BOKS International*	5.1	4.9	4%	14	36	30	20	-	Dec-19
	14	Antea*	0.2	0.2	5%	-	-	100	-	-	Dec-19
<b>Total fee income/growth</b>			<b>1,507.8</b>	<b>1,406.1</b>	<b>7%</b>						

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

(1) KPMG: Restated last year's fee income figure as it was IAB's estimate. (2) RSM, Praxity, Prime, Increase in fee income attributed to organic growth. (3) UHY, Allinial: Lost member firm(s).

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

Where data for accounting services is not disclosed, this is included under Audit and Assurance.

Source: International Accounting Bulletin

# NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2019	2018		Staff	Partners	2019	2018	2019	2018	2019	2018	2019	2018
<b>NETWORKS</b>														
1	Deloitte* (e)	10,593	9,900	7%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
2	PwC* (e)	7,169	6,700	7%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	25
3	KPMG*	6,500	6,320	3%	n.d	n.d	700	n.d	n.d	n.d	n.d	n.d	40	n.d
4	EY* (e)	5,267	4,922	7%	n.d	n.d	n.d	369	n.d	3,668	n.d	885	n.d	17
5	Grant Thornton*	4,977	4,543	10%	3,147	79	388	388	3,629	3,266	960	889	203	190
6	BDO*	4,440	4,192	6%	n.d	n.d	n.d	486	n.d	3,155	n.d	551	117	118
7	Baker Tilly Int'l*	1,171	1,173	0%	702	46	175	182	816	773	180	218	48	45
8	Crowe* (1)	781	602	30%	345	23	104	96	576	367	101	139	13	12
9	Moore Global* (2)	680	570	19%	386	21	99	89	473	389	108	92	10	8
10	Nexia International*	476	481	-1%	168	7	62	74	336	330	78	77	9	11
11	RSM* (3)	452	338	34%	n.d	n.d	54	39	311	240	87	59	4	4
12	Russell Bedford Int'l*	297	262	13%	n.d	n.d	65	51	189	174	43	37	8	9
13	HLB*	234	249	-6%	122	8	47	47	141	157	46	45	10	10
14	Mazars*	105	93	13%	n.d	n.d	10	9	83	71	12	13	3	3
15	TGS Global*	92	84	10%	55	1	14	17	51	58	27	9	3	3
16	Ecovis International*	77	76	1%	43	n.d	10	10	54	52	13	14	1	1
17	Kreston International*	32	38	-16%	n.d	n.d	6	8	22	25	4	5	2	4
18	UHY International*	30	76	-61%	15	1	6	12	20	56	4	8	1	2
19	PKF International*	11	8	38%	6	1	4	3	6	5	1	-	3	3
<b>Total staff/growth</b>		<b>43,384</b>	<b>40,627</b>	<b>7%</b>										
<b>ASSOCIATIONS</b>														
1	Praxity*	5,195	4,253	22%	n.d	n.d	804	736	3,367	2,679	1,024	838	77	73
2	DFK International*	789	832	-5%	789	25	105	111	588	570	96	151	20	21
3	BKR International*	577	564	2%	n.d	n.d	42	39	485	475	50	50	21	21
4	PrimeGlobal*	432	349	24%	n.d	n.d	38	39	329	254	65	56	7	5
5	Allinial Global*	425	712	-40%	n.d	n.d	83	124	215	426	127	162	21	22
6	IAPA* (4)	420	495	-15%	n.d	n.d	72	84	272	285	76	126	13	13
7	AGN International*	244	286	-15%	n.d	n.d	33	37	177	206	34	43	14	27
8	Morison KSi*	155	149	4%	77	1	32	30	104	103	19	16	6	6
9	GMN International*	64	55	16%	24	1	10	12	45	34	9	9	3	2
10	Inpact*	55	50	10%	30	3	10	9	36	34	9	6	2	2
11	MGI Worldwide with CPAAI*	54	n.ap	n.ap	12	4	14	n.ap	32	n.ap	8	n.ap	3	n.ap
12	BOKS International*	30	30	0%	7	1	7	7	20	20	3	3	1	1
13	Integra International*	28	28	0%	n.d	n.d	6	6	14	14	8	8	3	3
14	Antea*	3	3	0%	1	0	1	1	2	2	-	-	1	1
<b>Total staff/growth</b>		<b>8,471</b>	<b>7,806</b>	<b>8%</b>	<b>940</b>	<b>35</b>	<b>1,257</b>	<b>1,235</b>	<b>5,686</b>	<b>5,102</b>	<b>1,528</b>	<b>1,468</b>	<b>192</b>	<b>197</b>

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 acquisition activity. (2) Increase in staff number attributed to mergers and organic growth. (3) Restated figures for last year as there were errors in its submission. (4) Lost a member firm.

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

Source: International Accounting Bulletin

# HLB: A CLEAR VISION AND STRATEGY FOR 2023

Looking ahead to the business's *Vision 2023* three-year growth plan, **Zoya Malik** speaks to Marco Donzelli, CEO at global advisory and accounting network HLB, about his strategy for investment and further expansion

**Zoya Malik: What are the main pillars of HLB's Vision 2023? What is the objective?**

**Marco Donzelli:** Our vision is to grow into a top 10, future-proof global advisory and accounting network. We will achieve this by strengthening four key areas:

- Diversifying our service offering;
- Taking full advantage of technological innovation;
- Offering a workplace people can thrive in, and
- Delivering a challenger brand experience.

**ZM: What investment is being made to underpin the roll out of Vision 2023? Which areas will receive investment?**

**MD:** We're making significant investments across technology, our people and our brand. We're embedding tech innovation into our organisational DNA, and are using technology to change the way we work and develop a broader set of digital skills within our workforce. In addition, our brand will continue to flourish as we deliver meaningful HLB experiences to our global community of stakeholders.

**ZM: What do you see as "organisations having to redefine the way they work"? How will this affect how networks deal with their shareholders' expectations?**

**MD:** In today's fast-paced and ever-changing society, it is no longer just business as usual. For organisations to thrive, they must be willing to adapt to new realities and be agile to new ways of doing business. You have to

communicate with your shareholders and demonstrate what might happen if they stand still. It's all part of the vision you lay out, and ensuring they see the value in taking part in that journey with you.

**ZM: What investments are being made by HLB to "future-proof" the organisation? Can you give any examples across the organisation in terms of platforms or infrastructure – tech, AI, RPA, Blockchain – and any regional case studies of some unique implementation?**

**MD:** Our investments are being made to commoditise compliance services, streamline our internal processes for the benefit of our clients, and ultimately to differentiate our products and services delivered in the marketplace. Predictive data analytics and AI are at the core of our transformation.

**ZM: What is new at HLB in terms of strengthening and growing its advisory services?**

**MD:** Depending on the needs of specific regions, we are leveraging off our strength to develop certain lines of advisory services, where we believe we can create unique value to our clients. Examples are risk advisory, with cybersecurity playing a big role, legal services where appropriate and permitted by regulation, and private wealth management: these are all lines of services that a large number of HLB firms are now looking at.

**ZM: How is HLB leveraging emerging tech to deliver real value to meet client needs?**



Marco Donzelli, HLB

**MD:** One of the ways is through our recently launched cybersecurity posture report. Based on the FICO model, the report identifies an organisation's cybersecurity posture score and, more importantly, starts providing cybersecurity advisory services to clients.

**ZM: What new measures is HLB putting into place to train, reskill and recruit staff with the requisite skills to keep up with disruptive and emerging technology?**

**MD:** A key area of our strategy is focused on talent and equipping our people with the skills required to continue to flourish in the future.

Whether that's through our conference programme, our e-learning, on location training, or ad-hoc learning and development programmes, we're upskilling our people to enable them to thrive in today's age of disruptive technologies.

We're also focused on recruiting people today with the requisite skills to work with emerging technologies and share best practice for tomorrow, i.e. data scientists.

**ZM: What relevance will HLB's Vision 2023 have in affecting and shaping the future of the accounting industry?**

**MD:** For HLB, our vision is designed to create more value for clients, afford greater learning opportunities for our people, and deliver a positive impact on our communities.

The investments we are making today will not only create a lasting impact on the accounting industry, but we plan to use the strategy to inspire and create a lasting impact on generations to come. ■

# CONTAGION EFFECTS: SAFEGUARDING ASSETS FROM CORONAVIRUS

*Granville Turner, director at company formation specialist Turner Little, advises on mitigating risk and protecting assets against the threat posed by Covid-19, which is currently sweeping the markets*

**A**round the world, concern is growing for Coronavirus, which has infected over 90,000 people, the vast majority of them in China.

It has spread to over 70 countries and killed more than 3,000, surpassing the SARS epidemic of 2002-03. Given China's importance to the global economy, it is unsurprising the virus is having a knock-on effect and is triggering rising panic on a global scale.

While the outbreak of coronavirus has the potential to cause severe economic and market dislocation, we are not seeing it directly impacting already established assets.

What we are seeing, however, is the virus limiting travel and businesses that derive income from travel; it is also having an impact on the way business has traditionally been done.

The outbreak of coronavirus has essentially forced the world's largest work-from-home experiment. Factories, shops, hotels and restaurants are already warning about plunging foot traffic, which is transforming city centres into ghost towns; on the other side, however, we are seeing businesses adapt, with more people trying to organise client meetings and internal discussions via video chat apps, or discussing plans on productivity software platforms.

Investor concerns over the pandemic may be premature, but the outbreak should serve as a forewarning to investors to ensure first

and foremost that their portfolio is well diversified across asset classes, regions, sectors and currencies. This is not only the best way to mitigate risks, but also ensures that you are well positioned to take advantage of opportunities when they arise.

Unexpected shocks and volatility in assets can provide temptation to trade around news flow and emotion, but effective planning ensures that no matter what happens, you

will always remain in control of your assets. A robust plan employs legal strategies and can include separate legal structures or arrangements such as corporations, partnerships or trusts.

It is important to remember that most asset-protection measures do not work if you're already in trouble, so the most effective protection must be put in place before you even think you need it. ■



Granville Turner, Turner Little

# ROMANSAM AFGHANISTAN FORGES FUTURE GROWTH WITH NEXIA INTERNATIONAL



**With new member firm RomanSam Afghanistan joining Nexia International, Zoya Malik spoke to CEO Sanaullah Rahimi and firm partner Sameera Sarwar about the reasons behind selecting this network, finding synergies to complement client demand in a developing market, and their strategy toward brand alignment**

**Zoya Malik:** Why were you interested in joining Nexia International?

**Sanaullah Rahimi:** Large firms have traditionally dominated the accountancy and advisory services market. This trend is noticeable in Afghanistan, and local firms are traditionally viewed as serving only small and local companies. There is an inclination among international organisations in Afghanistan such as donor agencies, towards internationally affiliated accountancy firms. This has established a custom and standard evaluation criteria.

However, the unsatisfactory performance of some top 10 network firms in Afghanistan has resulted in their debarment and reputational loss. Our interest in becoming a member of an international network is apparent from our client base.

Joining Nexia International has been a high priority for our firm. RomanSam and its partners have a long-term vision of providing high quality services to clients and building a strong and highly valued brand. This could only have been possible with the support of Nexia International, which has previously not

had a presence in Afghanistan and is a top 10 global network of independent accounting and consulting firms.

Among other benefits, Nexia provides a platform for independent firms around the world to share technical knowledge and

**ZM:** What criteria did you pass to join the network?

**Sameera Sarwar:** RomanSam went through robust quality-control procedures. Nexia International ensured that we are performing to the highest quality standards. Further, our partners' positive attitude towards future growth has been recognised.

**“ JOINING NEXIA INTERNATIONAL HAS BEEN A HIGH PRIORITY FOR OUR FIRM**

expertise, and provides enormous support to help its member firms grow. We enjoy working side-by-side in a friendly manner with Nexia team members and others in our profession around the globe.

**ZM:** How will you align with the brand, operations, marketing and recruiting staff?

**SS:** We have been in ongoing communications with Nexia International, which has provided us with access to a private members area, which includes guidance and tools to help us to align with the brand, operations and marketing etc. Furthermore, a new members' induction webinar delivered by Nexia International will help us to understand our compliance requirements.

**ZM:** What has been your investment in joining Nexia International?

**SR:** We have invested our time while getting prepared to join Nexia International. Our partners and employees were



Sanaullah Rahimi, RomanSam

enthusiastically putting efforts together in preparing to join the network. RomanSam is a new member of Nexia International, and our firm is gradually accommodating Nexia International's branding, concepts and audit instructions. We plan to attend Nexia International's conferences and training, and take an active part in promoting accountancy and our network's value.

#### **ZM: What is the advantage for Nexia International in having a member firm in Afghanistan?**

**SR:** RomanSam is entirely owned, lead and managed by Afghans, and is the first audit firm of this type which has achieved an international membership of a top 10 global network. The presence of Nexia International through a locally owned firm in a developing

other Nexia member firms. The scale of involvement of international organisations in Afghanistan increases the need for cross border-collaboration between RomanSam and Nexia member firms.

#### **ZM: How are you able to grow your market in 2020 by joining the network?**

**SS:** The ability to use Nexia's branding will increase our overall credibility. We can also access international specialists who can assist us in some practice areas. The opportunity to receive referrals from firms in other countries will be welcome.

Further to this, one of the requirements for sizeable audit assignments in Afghanistan is to have an international affiliation. With Nexia International membership, we intend to approach a large number of clients in the public and private sector.

#### **ZM: What types of businesses and industries are your local clients involved in?**

**SR:** Since Afghanistan is a developing country, most of our clients are non-governmental organisations operating in the development sector. There is less tendency for small private organisations to be subject to external audits, however small companies are slowly coming towards standardisation of their financial systems, and require the need for external advisers. We expect large private and public organisations to come into our fold as we grow and build on our experience.



Sameera Sarwar, RomanSam

firms in Afghanistan, some of the major ones are stated below:

1. Lack of awareness of audit and assurance;
2. 'Low balling' of fees;
3. Clarity over the auditor's role in Afghanistan, and
4. Lack of standardisation in government policies related to financial reporting.

Companies in Afghanistan are accustomed to 'easy auditors'; some audit firms do not put pressure on clients if, for example, some documents aren't available in order to retain them. Therefore, encouraging companies to change auditors, and specifically to those who focus on high standard application of procedures, is challenging.

#### **ZM: How are you engaging with the industry regulator to tighten industry compliance and reporting standards and to raise transparency at business/clients level in order to create investor confidence in Afghanistan?**

**SS:** We have registered our firm with CPA Afghanistan; however, like many other firms, our practicing license has not been issued yet. CPA Afghanistan has registered all firms in Afghanistan, but has not issued certificates to any firm yet.

We seek to work constructively with CPA Afghanistan to ensure it can intensify industry compliance and reporting standards. At the same time, we are working on creating awareness among businesses regarding audit and the advantages of accountability and transparency in their businesses. ■

## **" SMALL COMPANIES ARE SLOWLY COMING TOWARDS STANDARDISATION OF THEIR FINANCIAL SYSTEMS, AND REQUIRE EXTERNAL ADVISERS**

country means Nexia is taking part in the development of the country through its professional affiliation with RomanSam, and in increasing confidence among users of financial statements. We believe this demonstrates a qualitative advantage of having a member in Afghanistan.

Furthermore, our professional qualities, significant knowledge of the market, expertise in delivering effective external audit and developing accounting systems can benefit

#### **ZM: What are your firm's challenges in keeping up audit assurance standards and what is your experience of working with clients in Afghanistan?**

**SR:** Audit and assurance standards vary in Afghanistan, since previously Afghanistan did not have any professional accountancy body until recently, when the Certified Professional Accountants of Afghanistan (CPA Afghanistan) was established.

There are several challenges facing audit

# DIGITAL TRANSFORMATION: THE ERA OF EXTINCTION, EVOLUTION OR ENABLEMENT

PrimeGlobal CEO *Stephen Heathcote* discusses the various lessons learned from digital investments made by member firms, and the growing number of opportunities available in the technology space

**D**igital transformation has had an incredible impact on all aspects of our lives, both in business and in our day-to-day living.

More than ever before, accounting firms need help to navigate digital choices which, at a minimum, will keep the profession relevant and in the business for the long term. And for us, it goes beyond that, as we aim to enable firms to thrive by making the right choices in the time of rapid digital transformation.

Enabling the profession to embrace digital and use it to create business growth benefits all of us. Our collective ambition should go beyond avoiding extinction or just evolving current practices and firms. We need to enable the profession to be the leaders in harnessing the power of data for business growth and creating a trusted safe digital landscape.

Different practices face different choices, which can often seem overwhelming as the pace of change is fast and uncertain. What we often fail to acknowledge is that the pace will never be this slow again! It is therefore not surprising that in our recent global member survey, two-thirds of our firms rank technology as the top area where they want more support and advice to make the right choices.

And our firms are not alone. As one of the most diverse associations globally, we want our firms to learn from each other as we are aware there is no 'one size fits all' solution, and technology choices must align to the strategy and strengths of the individual firms.

At PrimeGlobal, we are launching a campaign to draw on the learning across our firms, to enable our firms to embrace change and make the right choices for them. Of course, we want our firms to avoid extinction,

but we have far more ambition than that – we want them to evolve services and enable new offerings which see them prosper for years to come.

Our firms are making choices around these major areas:

- **Move to the cloud.** To avoid extinction, this is a must. Organisations can now receive services in a cloud that they used to turn to our firms to provide. Our firms need to embrace cloud solutions, using them to provide added value to their clients;
- **Automate.** Embrace the bots! They can create massive efficiency, regardless of the size of the firm;
- **Unlock the potential of client data.** Our firms have massive knowledge about their clients. Using predictive tools generates insights which drive growth;
- **Protect clients.** Our firms have a critical role to play in regard to cybersecurity, and
- **Adopt artificial intelligence.** Our firms need to be ready to turn data into intelligence. This means understanding the potential of AI.

## What is the biggest challenge?

I have spoken to many of our member firms about the challenges of digital transformation. The biggest challenge I hear is deciding about when and how to change.

Software development is changing at an incredible pace. Our firms' experience is that products are often taken to market before they are fully ready. During the sales pitch, it appears that the product can do everything needed; then the reality can be very different, with firms occasionally discovering big gaps in software functionality or even feeling they are being used as test pilots. Firms want to

be leading the way for their clients, but fear being at the bleeding edge of change.

Therefore, our firms often face a dilemma. Do they wait until tried and tested offerings are available? However, wait too long and they run the risk of extinction. For example, for practices that have not embraced the move to the cloud, the gap between them and firms that have is so big that it may now be too hard to compete.

If rivals are doing it better and it looks more 'high-tech', you will be left behind. Go too soon, and they may face significant pain, which could be costly to their business. Therefore, it is so important to learn from other firms. What have they tried? What worked? What did not? What would they do differently?

Best should never be the enemy of the good. Taking steps – however small – will help maintain relevance and ensure the practice is better able to evolve.

As with any decision in life, it is easier to be bold, if you can hear from others who have taken the first steps and how they made it work. My job at PrimeGlobal is to ensure the knowledge and connections are there to give our firms the confidence they need. As Voltaire said: "Is there anyone so wise as to learn by the experience of others?" This is what we can learn from our member firms.

## What are our firms doing?

The most important priority is to develop a digital strategy. Firms needs to consider where they want to get to – what service they want to offer and who will be their customers now and in the future. Digital is an enabler, and being focused means being effective.

Many of our members are taking steps to embrace digital transformation, including:

- **Moving services to the cloud**, creating more time to provide added value advice to clients. Tax authorities' move to digital platforms has really accelerated this globally;
- **Automating processes** regardless of the size of firm. The journey can start small, with small areas of automation, such as invoice processing or automatic bank feeds. This change can be relatively evolutionary, making current processes more efficient. As Hurst (one of our UK member firms) notes, automation of a single process that saves one hour a week is the equivalent of creating an extra week's capacity over the course of the year. The impact of saving two or three people over five hours a week really adds up;
- **Developing bots** over a wide range of areas: billing rate adjustments, cash receipt processing, onboarding, fraud checks, service fee processing, payroll and validation of records and files;
- Firms have often concluded that **evolution is not enough**. DVDs evolved to Blu-rays, but that was not enough for them not to be replaced by on-demand streaming services. As part of automation, many firms are redeveloping processes from scratch;
- **Working with others.** Firms often recognise that they do now have the capacity to support their clients with all the services they need. They often work in partnership with other firms who may have developed the digital capability their client is seeking – for example, partnering with another member firm that specialises in cybersecurity services;
- **Working with software providers** to test products and services can provide opportunities. Some of our member firms are helping software providers develop their product by practically using them as they are developed. This has several advantages: it can create commercial opportunity when negotiating contracts with the provider, but also it means the product is shaped in a way that provides the firm with the functionality it wants;
- **Developing or licensing bots** to help clients take unstructured data and turn it into useful analysis;
- **Creating predictive dashboards** for clients to provide insights based on real evidence;
- **Launching data analytics practices** with the aim to develop as major service lines;
- **Reducing cybersecurity risk.** Some



Stephen Heathcote, PrimeGlobal

member firms use predictive software to help stop ransom attacks, while others may provide best practice advice so basic precautions are taken. Other firms offer highly developed forensic technology services;

- **Using AI to identify risk within data sets or audit samples.** Some of our larger firms have worked together to develop technology to help with audits, and
- **Employing digital natives.** Firms are targeting recruitment to ensure their teams have the capability needed for the future.

### **What are we doing to promote digital transformation?**

PrimeGlobal as an association will transform as well. We are using data to connect firms with those who have knowledge and experience to help them transform.

We are bringing firms together, to help them understand their major needs and then provide targeted support, including facilitating peer-to-peer engagement sessions when firms can share practices and ask questions to learn from others' experience. Firms are also able to connect with each other through our peer request system.

We have created Special Interest Groups to increase learning opportunities and bring people together across borders in regular webinars. We are blending technology into our events, so member firms can find those who might help them more easily

and continue the connections after the conferences. We have launched a data analytics bootcamp to help firms develop a roadmap to offer data analytic services to our firms' clients.

To enable the transformation, collaboration is critical, and we are therefore partnering in new ways. We are working with software providers as partners, not just to obtain discounts for members, but to look at how we can practically help our firms release the full potential from their products and create the next generation of services.

We are also launching a Thought Leadership campaign focused on digital transformation, so we can put a spotlight on the best and emerging practices, and share them with firms wherever they are in the world.

### **What can we do together?**

As the profession evolves in the field of digital, we need to work together to enable the profession to be leaders in harnessing the power of data for business growth. This is a huge opportunity that goes far beyond PrimeGlobal or any other association or network. Collaboration, sharing and openness create innovation and can help us all be better equipped to embrace this opportunity to shape the profession for a new era.

Finally, I welcome the market's thoughts on ways in which we can collaborate to ensure that this is an era of enablement for the profession. ■

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