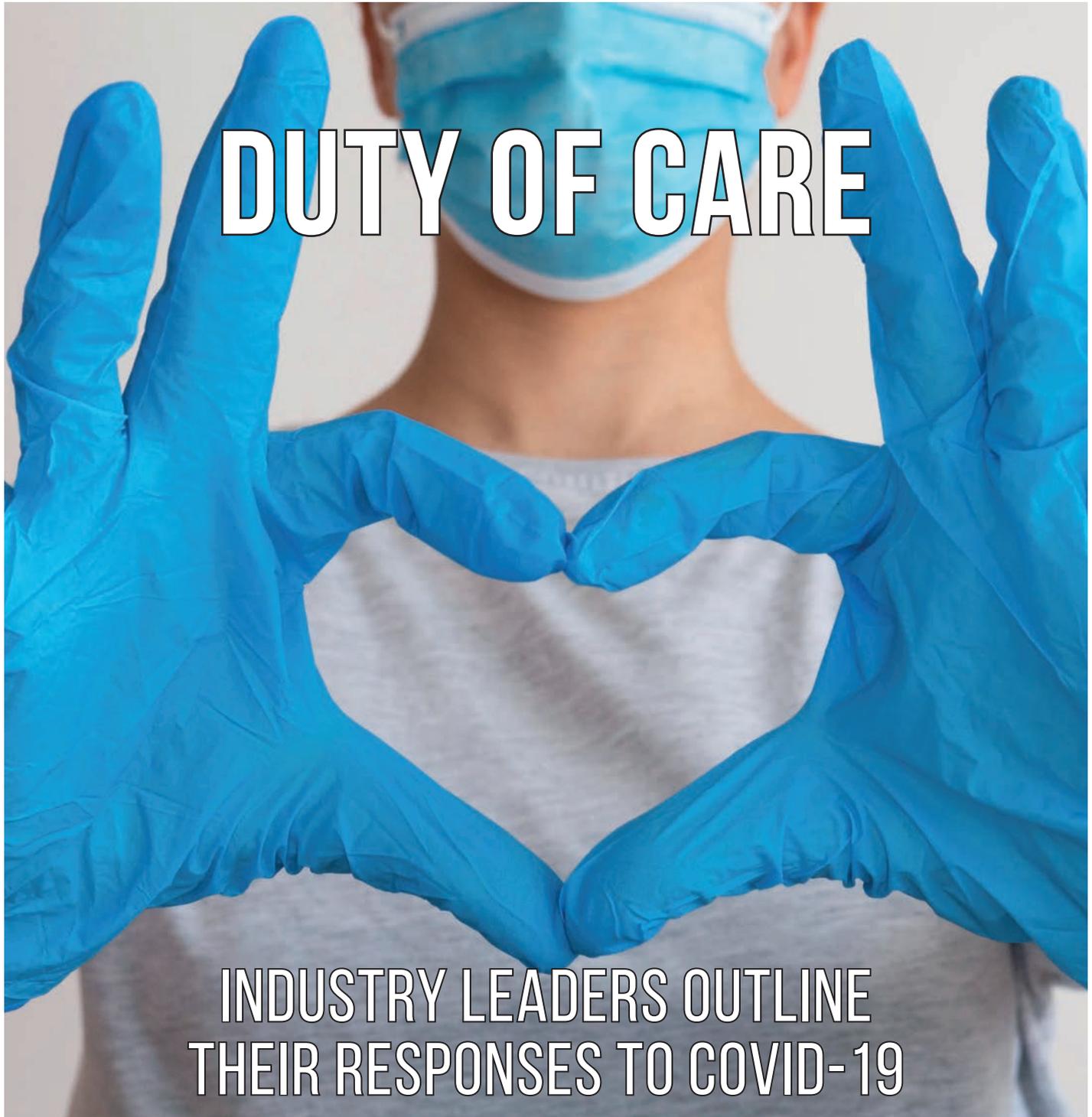




INTERNATIONAL **Accounting** BULLETIN



DUTY OF CARE

**INDUSTRY LEADERS OUTLINE
THEIR RESPONSES TO COVID-19**

PEOPLE

Why the power of the network is now even more pivotal to business survival

COUNTRY SURVEYS

Industry data, rankings and analysis for Saudi Arabia, the UAE and Turkey

INDUSTRY FOCUS

Accountancy should use recovery from Covid-19 as a chance to reset values

THIS MONTH



NEWS

04 / EDITOR'S LETTER

05 / DIGEST

- Trusted advisors need to save UK manufacturers
- ONS report reveals Covid-19 impact on UK businesses
- Purbeck advises accountants on changes to impact CBILS scheme
- CIMA exams to be taken remotely
- CABA appoints Holmes as new CEO
- IMA launches data analytics certification
- Campaigners 'living in a parallel universe' in Google tax debate



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APRIL 2020



INDUSTRY FOCUS

08 / LEARNING AND DEVELOPMENT

PKF International CEO **James Hickey** offers *IAB* readers an insightful comment on how the network is tackling business development and operations across its markets in the face of the coronavirus pandemic

13 / RECRUITMENT

Recruiters are urging the accountancy sector to use recovery from the Covid-19 outbreak as a chance to reset values – and tackle long-standing headwinds, writes **John Docherty**, associate director at Core-Asset Consulting

26 / AUDIT

Regulation alone will not ensure the future of high-quality audit; however, collaboration will, by operating as an ecosystem with a shared goal for continual improvement, advises IFAC CEO **Kevin Dancey**

28 / DISASTER RECOVERY

Taking a longer-term perspective, PrimeGlobal CEO **Steve Heathcote** discusses what shape a leading strategy must take beyond the baseline expectations of an association's disaster recovery plan



PEOPLE

10 / CEO INTERVIEW

Zoya Malik speaks to Kevin Arnold, CEO at Nexia International, regarding the network's response to the global impact of Covid-19, and its support to member firms to facilitate their regional business operations

30 / NETWORK MANAGEMENT

In response to the global coronavirus onslaught, Baker Tilly CEO Ted Verkade tells **Zoya Malik** that the power of the network is now even more pivotal to the business survival of its member firms

COUNTRY SURVEYS

14 / SAUDI ARABIA

Significant tax reform has boosted demand for accounting services in Saudi Arabia. The challenge is to ensure that its workforce is sufficiently diverse to meet this increased demand effectively. **Paul Golden** reports

18 / THE UAE

Growing financial scrutiny has increased demand for audit and accounting services in the UAE. However, concerns remain regarding firms offering services without the requisite experience. **Paul Golden** reports

22 / TURKEY

Changes to audit thresholds in Turkey are expected to provide a welcome boost for an accounting profession whose clients continue to grapple with the effects of the 2018 recession. **Paul Golden** reports



RANKINGS

16 / SAUDI ARABIA

20 / THE UAE

24 / TURKEY



REGULATION

31 / STANDARD SETTING

International Auditing and Assurance Standards Board chair Tom Seidenstein is assuring governments around the world that his board is moving to deal with two controversial standards. **Tom Ravlic** reports

EDITOR'S LETTER

STRATEGIES FOR STAYING HEALTHY IN THE NEW NORMAL



Zoya Malik, Group Editor

THE WORLD IS A CHANGED PLACE SINCE IAB'S MARCH 2020 EDITION. THE IMPACT OF THE CORONAVIRUS PANDEMIC HAS SET US ALL ON A DIFFERENT PATH TO FINDING NEW MEANING AND IMPROVED WAYS TO OPERATE IN THE GLOBAL BID TOWARDS OUR COLLECTIVE SURVIVAL.

Most networks and associations have reported that the process of shifting to working from home has gone well. Over the past month, IAB has engaged with CEOs and senior management across the industry, regulators and accountancy firms to gauge market sentiment and how they are adapting and aligning their communications, operations and strategies with this new reality.

To this end, IAB and *The Accountant* have similarly stepped up our subscriber and partner interaction with our daily posts that appear on the Coronavirus Timeline feature, offering commentary, Q&As and breaking news on Covid-19's impact on business life. Also online are exclusive longer features, commentary and announcements that underpin IAB and *The Accountant's* reporting on current market opinion.

This April 2020 issue brings into close focus how industry players have put strategies into place for exchanging market information, Covid-19 response plans, member referrals and employee and technical knowledge-share.

In my CEO interview with Kevin Arnold of Nexia International, there is a chance to learn about the minutiae of Covid -19 response tactics deployed across its APAC, North America, LATAM and EMEA clusters.

As all efforts and resources are being redirected towards disaster recovery management, Baker Tilly CEO Ted Verkade talks of the organisation's set-up of cross-disciplinary response teams to ensure that the global network is prepared for any contingency, by learning from those who are weeks and months ahead of the situation.

PrimeGlobal CEO Steve Heathcote debates the limitations of disaster recovery plans, and discusses the merits of preparing plans post Covid-19 that can lead companies into the future.

"Continuous learning and professional development are areas that can't fall by the wayside, even if face-to-face is difficult at the moment," comments PKF International CEO James Hickey, who emphasises the need to press on with knowledge exchange at all levels, to stay relevant to its clients and markets.

As the industry is squeezed, regulators too are falling under pressure. International Federation of Accountants CEO Kevin Dancey underlines the need now, more than ever, for industry collaboration to ensure high-quality audits, and International Auditing and Assurance Standards Board chair Tom Seidenstein assures governments that his board is moving to deal with two controversial auditing standards.

As this pandemic unfolds and impacts every aspect of our lives, it is interesting to hear views and opinions about technology bringing us closer together. We find ourselves meeting virtually and asking after each other's health first, before the state of the balance sheet. We convene on shared screens from our home offices and living rooms over Zoom Conferencing, Google Hangouts and Houseparty – platforms that are impressing upon us that this forced business slowdown may indeed be the new normal, that we need to reflect, pace ourselves and practice a 'good neighbourly' attitude.

Do contact me to share how you are developing strategies to keep business and practice lines healthy, and supporting member firms in their client-advisory roles.

Keep well and stay safe. ■

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

NEWS UPDATE

Trusted advisors need to save UK manufacturers

UK manufacturers are facing a precarious future according to insights from fintech business lender MarketFinance.

Some 68% of manufacturers reported that their order books have halved in the last 30 days. To compound matters, the majority (67%) have less than £50,000 (\$62,200) in cash, and without any support will run out of money before the end of the month.

Over half (51%) of manufacturers are interested in accessing funding through the Coronavirus Business Interruption Loan Scheme (CBILS) – which offers up to £5m interest free for the first year, over six years – to shore up their business for the medium to long term. The majority (33%) of manufacturers are seeking an average loan of £62,500, equivalent to £417m for the sector. Just 4% are seeking a £10,000 loan, 11% need £17,500 and a further 3% need £300,000. If they are unsuccessful in securing a business loan, most reported they would turn to invoice finance.

With March 2020 revenues halved and near-term prospects looking uncertain, most manufacturers (64%) have revised down their order books for 2020 by 40-50%. They are also seeking short term solutions to remedy finance concerns, and rank a larger overdraft facility as first preference, ahead of seeking a business credit card and using invoice finance as a means to inject working capital.



Anil Stocker, MarketFinance

MarketFinance CEO Anil Stocker commented: “Manufacturers are in urgent need of support. All the industry indicators show orders are down and unlikely to recover much this year. They have been hit hard by the Covid-19 outbreak. A number of firms have had to shut their doors, and some that remain open are pivoting to make products that support the national effort to contain the spread of the virus. It’s imperative that we back these businesses.”

Some 36% of manufacturers are turning to their accountants for advice on what to do next, before consulting their friends and family (19%). One in five (18%) are seeking advice from their bank manager. Business owners feel that their accountants are the most accessible, given the remote working environment.

Emma Loisel, founder and chair at Volcano Coffee Works, commented: “We have a roastery in Brixton, London and our revenue dropped 91% in March. The lockdown has meant our hotel, cafes, restaurant and office customers are closed.

“We are pivoting to online sales and sales have gone up sevenfold, but it’s nowhere near the revenue we need to sustain the business alone. We urgently need the CBILS funding at this challenging time, and to give our wholesale customers time to start trading again.”

Loisel continued: “We’ve not needed a loan before, but hope that Lloyds Bank will look after us. We’ve been delighted with invoice finance from MarketFinance, which had helped us manage cash flow”

Stocker added: “Manufacturers are turning to their accountants for support as their trusted advisors during this period of uncertainty. These accountants have the tools and know-how to support them in revising their cash-flow forecasts, applying for loans and making contingency plans.”

He concluded: “It’s important for everyone – bank managers, accountants, financial advisors – to come together to support manufacturers. Business advisors will need to bring all their energy, skills and experience to save British manufacturers across the country.” ■

ONS REPORT REVEALS COVID-19 IMPACT ON UK BUSINESSES

An Office of National Statistics (ONS) report released on 9 April on the impact that Covid-19 is having on UK businesses has revealed that only 44% of firms are reporting abnormally low turnover because of coronavirus, according to Mark Tighe, CEO at business tax relief specialist Catax.

“This flash survey of UK businesses shows the country is on a war footing and less affected by coronavirus than feared. It’s actually heartening to hear that only 44% of businesses are reporting abnormally low turnover due to Covid-19,” Tighe said.

“Given the near-total shutdown in many sectors, and the productivity implications of so many people being forced to work



Mark Tighe, Catax

from home and juggle childcare and homeschooling, it could have been a lot worse.”

Tighe continued: “Unsurprisingly, the accommodation and food service sectors

have been worst hit, while millions of people adjusting to working from home in the professional services, IT and scientific industries have been least affected. Exports are one area that could have been knocked over by a quarantine of such jaw-dropping scale. However, 40% of UK exporters report they are confident they can continue to operate during the pandemic. It’s a similar picture among importers.

“All this evidence lends some credibility to the way stock markets have been rallying relatively robustly over the past couple of days. This positive sentiment will be reinforced by statistics that show it’s business as usual for a surprisingly high proportion of companies.” ■

PURBECK ADVISES ACCOUNTANTS ON CHANGES TO IMPACT CBILS SCHEME



Todd Davison, Purbeck Insurance Services

The Coronavirus Business Interruption Loan Scheme (CBILS) provides financial support to smaller businesses across the UK that are losing revenue and seeing their cashflow disrupted as a result of the Covid-19 outbreak.

Following news from the Treasury that personal guarantees will not be required on CBILS loans up to £250,000 (\$311,000), Purbeck Insurance Services, a UK provider of personal guarantee insurance that has been mentoring distressed small business policyholders, says the turmoil experienced by the owners of small businesses across the UK could and should have been avoided.

Purbeck Insurance Services MD Todd Davison said: "The move was a necessary step in order to make CBILS loans more attractive to borrowers. As soon as the scheme was announced, this move was inevitable, but it should have come a lot sooner.

"Purbeck's mentoring and support team has been speaking to the owners of small businesses over the past fortnight, since

the lockdown, who felt they literally had nowhere to turn – family firms which saw their custom disappear overnight."

He added: "We are used to supporting businesses in financial distress – this is part and package of the insurance we offer – but this has been off the scale, not just in terms of the volume of firms needing help, but the level of anguish small business owners have been going through.

"Personal guarantees are not something any business owner should enter into lightly, yet many firms felt they had little option – and at a time in their existence when the risk of the personal guarantee being called in was so high, given that none of us can know how this is all going to play out. It was an impossible position, and while we support the government's measures to support small businesses, this clarity around personal guarantees should have been in place at the start."

Davison concluded: "Time is of the essence in saving many of the UK's small businesses, so speed of access to finance is absolutely crucial right now." ■

CIMA EXAMS TO BE TAKEN REMOTELY

The Chartered Institute of Management Accountants (CIMA) has announced that from May 2020, CIMA students will be able to take their examinations remotely for the first time.

This comes as the coronavirus pandemic has forced many test centres to close, preventing the delivery of CIMA Objective Tests and Case Study exams to students around the world.

The Association of International Certified Professional Accountants (the Association), the unified voice of CIMA and the American Institute of CPAs (AICPA), has been working closely with its testing partner to come up with a solution since the beginning of the pandemic.

The association's vice-president of examinations – management accounting, Stephen Flatman, said: "We are living in unprecedented times, and over the past



weeks we have seen, rightly so, the majority of test centres close around the world to ensure everyone's safety and well-being.

"As a result, our students have had their studies interrupted and were prevented

from taking their exams. We are happy to share the good news today that CIMA students will be able to take their Objective Tests and Case Study exams from their homes and with minimal disruption." ■

CABA APPOINTS HOLMES AS NEW CEO

CABA, a UK-based charity that supports the well-being of chartered accountants and their families, has appointed Christian Holmes as its CEO.

Holmes's main responsibility will be to play a leading role in driving CABA's strategy. This includes strengthening the charity's position as a credible voice on well-being, and developing its understanding of members' needs.

Holmes joins the CABA from The British Association for Counselling and Psychotherapy, where he most recently served as COO.

Commenting on his appointment, Holmes said: "I am delighted to be joining CABA at such an important time, as the organisation continues to expand and enhance its services in both the UK and abroad.

"CABA's strong, person-centred values are closely in line with my own, and I deeply

admire its commitment to the wellbeing of the chartered accountancy community. It's a huge opportunity to use my skills and experience to make a positive benefit to so many lives, and I am thrilled to be part of such a dedicated team."

Holmes added: "CABA is a positive and progressive organisation that is actively and routinely working to improve people's lives. I look forward to playing a visible role and proactively meeting, engaging with and listening to the charity's partners, champions, supporters and beneficiaries, and hearing how CABA can improve both its services and visibility."

CABA president Kaaeed Mamujee said: "The industry faces a challenging time, particularly in responding to the current coronavirus pandemic. This is affecting ICAEW members and their families, and it's in times like this that CABA has a significant part to play. Cristian's enthusiasm and



experience with other professional bodies will be essential to us as we support more of our members.

Following a handover period, Holmes will take over from Kath Haines, who has been with the organisation since 2007. ■

IMA launches data analytics certification

The Institute of Management Accountants (IMA) has launched its new Data Analytics & Visualization Fundamentals Certificate course, as part of an ongoing campaign to integrate expertise in data analytics into the core skillset of management accountants.

The course allows professionals and students to learn from industry experts who share their proficiency in and perspectives on emerging technologies, data analytics and data visualisation.

The course's four modules aim to guide students through understanding to application. They include:

- 1. Becoming Data Driven**, which introduces the changes impacting the accounting and finance profession due to emerging technology;
- 2. Visualizing the Present and Predicting the Future**, which discusses the various data visualization tools and the importance of choosing the right visualisation based on one's audience;
- 3. Applying Data Analytics and Visualization**, which provides video-based tutorials for performing the required analytics, and then learners are asked to apply these techniques to answer in-depth,

scenario-based exercises on data analytics and data visualisation, and

- 4. Conclusion and Final Assessment**, which reviews all lessons learned and culminates in a final assessment.

Commenting on the launch, Debbie Warner, vice-president – education and career services at the IMA, said: "The foundational knowledge and tools this course provides are critical to finance professionals, and will better equip them in an environment where technology continues to disrupt and transform entire industries." ■

CAMPAIGNERS 'LIVING IN PARALLEL UNIVERSE' IN GOOGLE TAX DEBATE

Following the recent news that Google paid £44m in corporation tax, down from £66m in 2018, with MPs, industry experts and tax campaigners criticising the figures, Miles Dean, head of international tax at Andersen Tax UK, has offered his opinion on Google's corporation tax payments and other contributions.

"It's as if campaigners and MPs have been living in a parallel universe since the great post-global-financial-crisis tax debate of yesteryear. The focus should never simply be on the amount of corporation tax a multinational pays, because that is

far too simplistic. There are many other taxes that a multinational corporation pays, or generates, such as PAYE, VAT, business rates, NICs and so forth."

He added: "The share awards alone will contribute significant income tax from the employees, and employees will have more money to spend, generating VAT.

"The claim that Google is writing its own tax laws is puerile. Either the Tax Justice Network are blissfully unaware of the complexity of the tax rules applicable to the likes of Google, or they simply choose not to properly engage with this. If they

did properly engage, they would see that Google's contribution to the economy is much more than its corporation tax bill.

"They would also see that Google has a choice where it bases its European sales operations – Ireland – and that those functions are genuinely carried on from there."

Dean continued: "They would also acknowledge that Google is spending £1bn on its KX 'Landscaper' HQ, generating employment for thousands of employees and countless third parties. To ignore this is to ignore reality – more fool them." ■

CONTINUOUS LEARNING AND PROFESSIONAL DEVELOPMENT MUST NOT FALTER IN FACING COVID-19

PKF International CEO *James Hickey* offers *IAB* readers an insightful comment on how the network is tackling business development and operations across its markets in the face of the coronavirus pandemic

There are marked difficulties in managing information flow in relation to coronavirus.

Firstly, each market is in a very different position in terms of the virus's spread. Secondly, governments are dealing with it differently, and each market is managing localised regulatory tax and accounting requirements. Finally, positions are changing on a day-by-day basis.

However, for us at PKF International it really hits home our importance as an information hub. We are collecting information from across our member firms – particularly around what changes they are making to processes and workflow.

A number of our member firms already have all their staff working from home, but not all firms are in a position to do that just yet. Therefore, we are looking to share best practice and enable them to change their working practice so that they are able to continue to provide the necessary services to help their clients during these difficult and uncharted times.

We are looking to share that knowledge across multiple platforms. We have used LinkedIn to push out messages, SharePoint and even our website. Most importantly, we are providing forums to members to share their experiences – hopefully we can create some clarity from all the noise around us.

And what are our members asking us? Well, they really want to know what other member firms are doing to cope, particularly around



James Hickey, PKF International

systems that are being used to facilitate and empower remote working.

Firms that have spare people resources are reallocating them – again, this information and planning is being shared with other member firms. For example, we ran a call with our Italian compatriots about their recent experiences in the hope that many of us can learn from them.

Continuous learning and professional development are areas that cannot fall by the wayside, even if face-to-face is difficult at the moment, so we will look to launch an online

programme as soon as possible. Funding is being diverted to building this platform.

ECONOMIC IMPACT

We know that these isolation periods could last many, many weeks, and the economic and social impact will be deeper and last longer. That means our member firms, their clients and we as a network will come through this changed.

For all of us there will be questions about relevancy in our chosen markets. In other words, are we still providing the right and appropriate service? For example, most networks focus on setting physical meetings to bring their members together. All ours are postponed, apart from our September Global Gathering, so ramping up our online presence and providing education for our members will be vital going forward.

We saw after the financial crash of 2008 that some businesses and sectors struggled. We expect some associations and networks to struggle. Those with a strong infrastructure, strong brand and value proposition will get through – we will probably look different, but survive and hopefully thrive. Strong support for our members at this time is undoubtedly crucial.

We have to realise that this situation is unique – and at a global level. We have to make sure we are not pulled along too much, and instead make strategic – rather than just quick – decisions. ■



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NEXIA INTERNATIONAL: EXERCISING A DUTY OF CARE ACROSS REGIONS

Zoya Malik speaks to Kevin Arnold, CEO at Nexia International, regarding the network's response to the global impact of Covid-19, and its support to member firms to facilitate their regional business operations

Zoya Malik: *What is your network doing to assess new Covid-19 developments in order to advise member firms on how to reduce risk?*

Kevin Arnold: We are following the recommendations of the World Health Organisation (WHO), National Health Services and local governments, to help us to assess developments and advise member firms. This information is communicated via our Weekly Update and through me, CEO of Nexia.

ZM: *How do you plan to meet member firms in light of events being cancelled? What is replacing them? How do you plan to share knowledge?*

KA: All events planned by Nexia International up until September 2020 will be postponed to a later date. We will keep our members informed of the latest Nexia events news frequently, via email communications and our intranet.

The decision has been made due to the advice provided by the WHO and national health services to reduce the risk of

potentially spreading the Covid-19 virus, and our own duty of care, which is to ensure that our members health and safety is the priority.

The postponement of our events is, in our view, the only option, and we did not



THE POSTPONEMENT
OF OUR EVENTS IS,
IN OUR VIEW, THE
ONLY OPTION

want to pre-empt the situation and cancel or postpone events too early until we had reviewed all of our options and had clarity around the health advice provided. This decision to postpone our events provides our

members with the opportunity to focus on what they need to do in their firms, which is to take the best care of their people and clients. This should be their primary focus.

We plan to share knowledge through regular email communications, the external website, intranet and social media. Relevant topical webinars and meetings are also being held remotely, via Microsoft Teams or conference calls.

ZM: *Which member firms' markets are currently operating under lockdown? How are they managing to operate?*

KA: Many firms have introduced work-from-home practices, hygiene measures, and use of collaborative communications platforms for their personnel and staff, to help ensure business continuity.

Some of the key operational initiatives introduced by members across different regions, for the benefit of their personnel and clients, are as follows:

APAC

- Frequent policies are issued to help enterprises overcome difficulties – they are

updated regularly and provided through subscription. Publications have also been compiled for the benefit of clients, and all this information is reproduced in the WeChat subscription channel for Nexia International;

- Delivery of online training and various training courses is being arranged. Due to client closures, the staff workload has not been at full capacity, so these are organised for employees to learn and carry out knowledge reserve. On the other hand, through online courses and online live broadcasts, clients have been trained to help maintain interaction and retain them;
- Large events such as annual meetings have taken place through video conferences, and the results have been very good;
- We have actively combined service products and updated technical standards;
- Staggered working hours and lunchtimes have been introduced, with specific work plans made for teams according to key deadlines. Colleagues are encouraged to update their supervisors on work progress. All staff, including field jobs and corporate teams, are split into alternate teams, A and B, that are deployed to be working at different work sites;
- Strict hygiene measures include staff members being required to wear masks if they have any respiratory symptoms on a daily basis. Office facilities are sanitised;
- Staff members are restricted from any travel for job-related duties. Face-to-face meetings are reduced and replaced by video conferencing facilities, where possible.
- Technological tools for videocalls and off-site reviews are made available through



Kevin Arnold, Nexia International

contact-tracing purposes;

- Face-to-face meetings and events are replaced by click-of-convenience tools such as webinars, live-streaming and videoconferencing, to stay connected with our clients;
- Phone calls to mainlines are directed to respective staff mobile phones via a private branch exchange network, to ensure that no calls are left unanswered;
- Staff are required to monitor and record their temperatures twice daily, including checks for respiratory symptoms;
- Increase in frequency of office sanitisation cleaning is aligned to health authorities' sanitation and hygiene advisories. Hand sanitisers, masks and thermometers are readily available for staff use. Regular updates on personal hygiene advisories are aligned with local authorities.

- Clients are reassured that service levels will continue uninterrupted, and the firm will continue to respond to their needs and deliver quality work;
- Almost all events and face-to-face meetings are cancelled or postponed. Meetings can now to be held remotely, via Skype or conference call;
- Staff continue to work closely with colleagues across different offices and with Nexia International member firms, on day-to-day client work;
- An awareness, education and information campaign has been developed and regular communication and updates are distributed to empower employees regarding the strain of this coronavirus. These will contain information about the pandemic, and information to stay healthy, safe and calm;
- Additional hand-sanitising products have been placed throughout offices in the country. Stock levels are being monitored, maintained and replenished, as an additional preventive measure for hygiene purposes. These will be made available at the entrances and in the shared and public spaces of office buildings, especially where clients and visitors are being received;
- Any client and stakeholder protocols are adhered to, which may prohibit access to their premises or their access to firm offices. In this regard, where clients request that they do not want visitors, the relevant engagement director organises for the work to be performed using the following available technology:
 - **IBM Connections** can create a client community and provide secure access to the client to be able to upload and download information;
 - **Sendfile** is to be used when transferring files that exceed 10MB;
 - All employees are required to log on to **Sametime** and be available during normal working hours;
 - All employees must be available on their **cell phones**;
 - **Caseware and TeamMate**, as is already in place, working on the files through the server has been made compulsory;
 - Where face-to-face meetings are not possible; the **Starleaf videoconferencing** facility can be used.
- Many clients have asked for support outside their own premises and to reduce personal contacts to a minimum.

“ THE MAJORITY OF TEAMS WORK FROM HOME – THIS IS AIDED BY ROBUST BUSINESS-CONTINUITY PLANS AND AN AGILE WORKING SYSTEM

telecommuting facilities, for staff to remain engaged, collaborate and work. Expanded modes of communication, apart from email and text messages, are available to enable staff to receive prompt and updated information via Teams and Yammer;

- Clients and business partners visiting offices are required to complete health declarations and temperature-taking for

EMEA

- A dedicated coronavirus response team meets on a daily basis to coordinate responses in line with the latest advice and guidance from the government and local health authorities;
- The majority of teams work from home – this is aided by robust business-continuity plans and an agile working system for long periods;

Reducing the frequency of contact is the best way to reduce the general risk of infection; that is why most employees have been moved to the home office earlier this week. Parts of assistance that are necessary for maintaining office operations, and employees who need access to physical files still work in our locations;

- Personal meetings are increasingly becoming an exception, also because video and telephone conferences have now become a matter of course, so travel time is reduced on all sides;
- To protect employees, international foreign trips have been generally prohibited or reduced. Events have been postponed or cancelled entirely;

communications around this;

- Communications and tips on remote working have been produced to help clients;
- Platforms such as Zoom are used for web meetings, both internally and externally.

North America

- Offices are following the guidance and requirements applicable for specific locations as outlined by federal, state or local officials;
- Remote working, and for personnel to continue to meet virtually, both internally and with clients through a variety of alternative platforms, are being encouraged;

“ THE NETWORK IS WORKING FLAT OUT TO PREPARE FINANCIAL, PERFORMANCE-RELATED AND LEGALLY RELEVANT ISSUES FOR THIS SITUATION

- The network is working flat out to prepare financial, performance-related and legally relevant issues for this situation, and to provide relevant information;
- We have formed interdisciplinary teams that evaluate information and develop recommendations from a wide range of perspectives.

Latin America

- All personnel are required to work from home, and clients have been sent

- Offices remain open for critical functions, or for those who feel more comfortable working in the office environment. Everyone in the office is asked to practise social distancing and follow recommended hygiene guidelines;
- Those individuals or teams scheduled to work from client locations are being asked to work with client management to determine the appropriate answer. Many clients are either closed or prefer teams to work remotely;

- All non-essential business-related domestic air travel has been suspended until April, and all international air travel through 30 June;
- Personnel who choose to travel outside the US for personal reasons have been advised that they will require a 14-day self-quarantine before they are allowed to return to the office;
- Any employee who feels unwell is required to remain at home for 14 days, with pay;
- All documents delivered by hand to offices are being handled with latex gloves and set aside for a minimum of three days before being handled by staff;
- Cross training for administrative functions has been carried out to try and cover for missing members of administrative staff that perform key in-office functions;
- Employee support programmes have been set up to encourage well-being;
- For some states, offices are currently open, but the firm has suspended all client-facing meetings. Employees are prepared to work remotely, as all tax and assurance software is in the cloud. Firms have provided, upon request, extra monitors and other office supplies to employees. Microsoft Teams for company communication and Zoom for client webcam meetings is used where needed;
- If circumstances change, all employees will be required to work from home. With permission, a few employees may be allowed to work in the office to cover areas such as administrative tasks – mail, cash receipts, payables, etc.

ZM: What channels are in place to share knowledge among member firms in terms of the impact of Covid-19 on their business, and their response plans for continuing to serve clients?

KA: We have requested our regional executive directors to reach out to member firms of different sizes in their region to share best practices and find out what they are doing to manage the situation around Covid-19. This could include how the firm is preparing for it, continuing to serve clients, utilising technology, managing work practices, helping communities and motivating employees through this challenging time.

We plan to share this information internally through our Weekly Update sent through our external communication channels – website and social media and webinars, to help us to share good practices across our network and with external audiences. ■

Measures used by Nexia member firms to navigate COVID-19

Firm operations

- Flexible working hours
- Partners supervise teams
- Shared schedules for working in the office
- Utilising technology to work from home

Client relationships

- Utilising technology to communicate with clients
- Clients complete health declaration and check temperature when visiting offices
- Advise clients on government funding and support
- Provide online training for clients to help maintain relationships
- Development of client resources hubs

Strategy

- Form interdisciplinary committees and teams to help evaluate information and develop recommendations
- Hold key internal conferences virtually to motivate employees
- Opportunity to update internal quality standards and manuals
- Conduct financial and performance-related risk analysis

Protecting and motivating employees

- Advise staff on maintaining health and well-being
- Strict office hygiene procedures to minimise risks
- Online meetings replace travel and face to face meetings
- Affected employees recommended to self-isolate and conduct continuous health checks
- Provide online training to employees
- Virtual social interactions

ACCOUNTANCY SECTOR NEEDS TO TACKLE PRE-EXISTING HEADWINDS

Recruiters are urging the accountancy sector to use the recovery from the coronavirus outbreak as a chance to reset values – and tackle long-standing issues and headwinds, writes *John Docherty*, associate director at Edinburgh-based specialist recruiter Core-Asset Consulting

Prior to the economic shock of Covid-19, a growing shortage of accountants in Scotland was reflected by newly qualified practitioners breaking the £40,000 (\$50,100) average salary ceiling for the first time – with six-figure salaries commonplace among experienced operators.

However, on release of our eighth salary guide last month, Core-Asset was already warning the sector of a range of underlying issues – each now with the potential of intensifying over the coming months as a result of the trauma and fall-out from the pandemic. This included succession planning, with a shortage of middle management today resulting, in part, from swingeing cuts to graduate placement opportunities relating to the 2008 recession.

Clearly, the Covid-19 outbreak is devastating so many businesses and livelihoods – and I just hope we can all get through this in the healthiest possible position. That said, accountants in Scotland, on the whole, should find themselves in a better position than many trades. It is hard to think that there will not still be excess demand for roles, such was the prevailing shortfall.

I sincerely hope that firms also think thoroughly before cutting either middle management or graduate schemes off the back of the impending downturn, as happened throughout the last recession – and for which we are paying for today with a reduced pipeline of clear future leaders. It is critically important that we attract more accountancy and finance professionals into the sector for its own future health.



John Docherty, Core-Asset Consulting

MAJOR HEADWINDS

Like the wider financial sector, accountancy and finance is facing major headwinds, with many of the topics within Core-Asset Consulting's extensive 53-page *Industry Trends and Salary Guide* being brought into sharp focus during the current outbreak.

In particular, cultural issues around flexible and home working have been brought to the fore, along with compassionate leave and the importance of supportive workplaces.

Prior to the coronavirus outbreak, firms talked a lot about their commitment to flexible working and being willing and able to cater for a modern workforce. It could be argued that a lot of this was worn on the sleeves, without many ever truly living it.

We are now being forced to have our entire workforces work from home. The questions are: will this be reflected in major changes to workplace culture once we have the ability to safely return to office environments? And will we even rush back to our offices at all?

So many practitioners are also juggling home-schooling and childcare – and are needing to work at different hours. It is safe to say that, more than ever before, workplaces are going to have to prove to many seeking a career move that they can be an attractive, flexible employer able to cater those wishing to work from home.

Prior to the outbreak, tax remained a key area of demand with the report, now in its eighth year and based on annual research of 4,000 registering candidates, suggesting that professionals in this field continued to be “overfished in a somewhat shallow pond”.

A further trend observed was the number of candidates willing to move to smaller companies, driven by roles with greater technical depth and accelerated responsibility.

The sheer amount of restructuring, redundancies, mergers and acquisitions has meant that big organisations have lost some of their allure. They were always seen as a safe bet, able to offer a clear path to progression. Replacing that has been an interest in start-ups, fintech and the opportunity to be more entrepreneurial. It will be interesting to see whether this trend increases or abates following the Covid-19 fallout. It could well be that scaled financial services firms are better placed to absorb the economic fall-out and regain their lustre accordingly. ■

To download the salary guide in full, please visit: www.core-asset.co.uk/resource/salary-guide

SAUDI ARABIA: TAX REFORMS BOOST ACCOUNTANCY ACTIVITY

Significant tax reform has boosted demand for accounting services in Saudi Arabia. The challenge for the industry is to ensure that its workforce is sufficiently diverse to meet this increased demand effectively. *Paul Golden* reports

Saudi Arabia is going through a huge transformation in professionalism in addition to the issuance of many tax and other regulations. This has led to an expansion in demand for taxation services, compliance, agreed-upon procedures and other consulting services.

That is the view of Osama Elkhareiji, president of PrimeGlobal member firm Osama A Elkhareiji & Partner, who observes that most of the services required by the tax authority have been digitised.

“One of the main components of Saudi Vision 2030 is to empower society to be more effective and efficient through using technology,” he explains. “Also, the government is changing from cash to accrual basis – a process currently in the third stage of implementation out of four, and expected to be completed in the next few years.”

Khaled Al-Bassam, partner at MGI Worldwide member firm Al-Hamli Group CPA & Consultants, also refers to increased demand for tax services following the introduction of value added tax, transfer pricing and excise tax. As a result, there is no shortage of accounting and audit services providers in Saudi Arabia, he says.

“The government’s efforts to diversify the economy have impacted the profession by increasing demand for services, as additional types of taxes have been added and foreign investments have become easier.”

Al-Bassam suggests that these efforts are a major factor in Saudi Arabia moving up to 62nd in the World’s Bank’s doing business ratings, where it is now the fourth-highest-ranked country in the MENA region. He adds that since all transactions in the tax department are done through online platforms, and firms are

using online communication channels to upload tax returns, make payments and receive notifications, further investment in digitisation is inevitable.

In July 2019, PKF Al-Bassam & Co was approved by the Capital Market Authority to carry out audits for ESAS (entities subject to the authority’s supervision) companies in Saudi Arabia, the first firm in the region to receive this approval. Managing partner Ibrahim Al Bassam agrees that there are many factors behind increased demand for the services of his and other firms. In addition to the presentation of VAT and the direction by government to transform its entities accounting from cash to accrual basis with an objective of adopting IPSAS, he also refers to:

- Conversion of accounting standards from SOCPA to IFRS for the private sector;
- Government focus on enhancing the efficiency and accountability of its entities;
- The increase of listed entities on the Saudi Stock Exchange, not only by quantity but also quality with the significant listing of Aramco, and

- The newly formed accounting oversight department at the Capital Market Authority.

LEADERSHIP

The Saudi Arabian leadership is very keen on employing technology for the benefit of its entities and the General Authority of Zakat and Income Tax (GAZIT) is led by a very capable team, he says. “The investment in technology is continuous at GAZIT and other government entities.”

Saleh Al-Naeem, owner of SACAD-DFK International, says it is now generally accepted that the rulers and citizens of Saudi Arabia must come to terms with a future in which oil resources play a far less significant role in the economy than has historically been the case. “This is bound to change the implicit social contract between the government and its key constituencies and recently the government has made significant change in a number of areas,” he adds.

These changes include issuing a bankruptcy law in order to enhance the potential of the commercial and investment sectors and protect beneficiaries’ interests by developing and implementing effective and efficient policies and mechanisms, which Al-Naeem expects to contribute to achieving sustainable economic development.

Ali Al Shaibany, founder and owner of Allinial Global member firm AKS, notes that Saudi Arabia’s accounting services market is forecasted to reach \$783m by 2023, predominantly on the back of the government’s Vision 2030 initiative towards economic diversification and increasing focus on the establishment of small and medium-sized enterprises.



Osama Elkhareiji, Osama A Elkhareiji & Partner



Ibrahim Al Bassam, PKF Al-Bassam & Co

“Moreover, the rising preference of companies for outsourcing their accounting services to focus on – and invest in – their core competencies as well as optimise the cost of operation, reduce risk of internal fraud and ensure tax compliance, is expected to fuel the accounting services market in the coming years,” he continues.

Availability of scalable accounting services and access to effective tax planning are some of the other key factors anticipated to boost demand for accounting services. Al Shaibany says demand for accounting and auditing services is particularly strong in the industrial and SME sectors.

The rise in the number of accounting practices in Saudi Arabia should contribute to achieving the GRI’s SDG, or sustainable development goal 12.6, which encourages companies – especially large and transnational companies – to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

GENDER EQUALITY

Al-Naeem says there is a constant need to recruit more auditors and accountants – which leads to the question of what progress has been made towards gender equality in the Saudi accounting and audit profession.

Gender equality is a hot topic across Saudi society, and the accounting profession has been keen to stress the progress it has made. Last July, Esraa Albuti became the first Saudi national to be promoted to the level of partner in EY’s Saudi tax practice; just weeks earlier, PwC created the first fully female team in the firm’s assurance practice, with the 24 participants in its Assurance Center of Excellence in Al-Khobar.

According to Al-Naeem, there has been major progress made and a “vast

transformation” over the last two years.

“Saudi women do not have any difficulty or problem working in big companies to show their expertise, skills and knowledge,” he says.

Opportunities are available for both genders adds Khaled Al-Bassam. “Presently, there are 106 female Saudi Public Accountants (SOCPA), 204 females are VAT specialists and the numbers are increasing,” he says.

A great deal has been achieved in the areas of gender equality due to the government’s enforcement of laws facilitating such progress as part of its general vision, suggests PKF’s Al Bassam. “As mentioned earlier, the government is geared towards enhancing the efficiency and accountability of its entities and such a direction has significantly increased demands on the profession,” he says. “As all the social obstacles and barriers to achieve such a goal are removed, it is only a matter of time before equality in numbers is achieved.”

However, on the level of the individual practitioner, the accounting profession in Saudi Arabia is still heavily dominated by men who retain control over women’s opportunities to fully participate in the profession, says Al Shaibany. Saudi women accountants differ in their cultural background, and for them to challenge gender inequalities they need to ignore their cultural differences and collaborate with each other to overcome the male dominance of the profession, he suggests.

“To accomplish this, they need to train themselves and other women to remove personal barriers (such as mindset) and see themselves as capable of succeeding in any job and in any workplace.”

Al Shaibany also accepts that individual men in the profession need to give women the chance to prove they can achieve, and that prior assumptions about women and women’s work should not be taken for granted. “These men also need to consider that technical knowledge is not the only aspect of professionalism and that there are other facets related to behavioural aspects, socialisation and interaction with peers that are important,” he adds.

On the issue of technology, a survey published by Deloitte in December 2019 found that four-fifths of organisations were not automated from a tax perspective, with 60% describing themselves reactive and static. However, 85% of respondents said they anticipated they would undergo large-scale tax technology adaptation in the next



Saleh Al-Naeem, Sacad - DFK International

five years, and nine in ten aspired to have proactive and progressive tax functions by next year. The areas clients are most interested in are tax analytics, artificial intelligence and robotic process automation.

ECONOMIC CRIMES

Technology also has a role to play in combating business crime in Saudi Arabia according to PwC’s *Global Economic Crime and Fraud Survey 2020*, which found that 42% of businesses in the Middle East had experienced procurement fraud – up from 22% in 2018. Customer fraud and procurement fraud were described as being the most disruptive of all economic crimes, with the former increasing across the Middle East more rapidly than in any other region.

Achraf El Zaim, PwC Middle East’s forensics leader, says that with the rising rate of organisations falling victim to economic crime, greater focus is needed to deploy technologies to build anti-fraud frameworks.

Al Shaibany says the Ministry of Finance has made considerable progress in areas such as the transition from paper transactions to electronic transactions and providing easy access to services on its portal that reduces the need for visitors to the portal to use paper-based transactions and reduces the amount of time taken to access services.

“The ministry has supported the actions necessary to prepare its workforce for these changes and create a regulatory environment in accordance with the modern technical style,” he concludes. “It also provides a wide range of electronic services and has linked them to the national integration channel from where they are available to all government entities to make use of according to the highest recognised standards in information security.” ■



SAUDI ARABIA

NETWORKS & ASSOCIATIONS: FEE DATA

Rank	Name	Fee income (SARm)	Fee income last year (SARm)	Growth (%)	Fee split (%)					Year end	
					Audit & assurance	Accounting services	Tax	Advisory	Other		
NETWORKS	1	EY*	813.0	n.d	n.d	n.d	n.d	n.d	n.d	n.d	Jun-19
	2	KPMG*	733.0	n.d	n.d	n.d	n.d	n.d	n.d	n.d	Sep-19
	3	PwC*	616.6	n.d	n.d	n.d	n.d	n.d	n.d	n.d	Jun-19
	4	BDO*	71.4	n.d	n.d	n.d	n.d	n.d	n.d	n.d	Aug-19
	5	Baker Tilly International*	55.0	52.0	6%	66	2	20	12	-	Dec-19
	6	Grant Thornton* (1)	46.5	34.7	34%	69	-	16	15	-	Sep-19
	7	RSM* (2)	43.8	34.0	29%	59	2	14	25	-	Dec-19
	8	PKF International* (1)	41.4	33.6	23%	89	1	9	-	1	Jun-19
	9	Crowe*	35.0	40.0	-13%	78	3	11	6	2	Dec-19
	10	Moore Global*	34.7	38.7	-10%	86	-	14	-	-	Dec-19
	11	Kreston International*	20.1	18.7	7%	88	4	8	-	-	Dec-19
	12	Nexia International* (2)	15.0	12.0	25%	60	3	20	12	5	Jun-19
	13	HLB*	9.9	9.0	10%	43	5	49	3	-	Dec-19
	14	TGS Global* (2)	9.7	7.2	35%	28	8	38	23	3	Sep-19
	15	UHY International*	5.0	6.9	-27%	45	-	40	10	5	Dec-19
	16	Ecovis International* (2)	3.6	2.9	24%	60	10	15	-	15	Sep-19
-	Deloitte*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
Total fee income/growth		2,553.8	289.7	35%							
ASSOCIATIONS	1	Allinial Global*	25.7	22.9	12%	12	9	18	42	19	Dec-19
	2	MGI Worldwide with CPAAI*	16.7	n.ap	n.ap	76	2	14	4	4	n.ap
	3	PrimeGlobal*	11.9	11.1	7%	76	3	6	6	9	May-19
	4	Integra International* (3)	10.2	6.6	54%	60	25	10	5	-	Dec-19
	5	BKR International* (4)	7.9	5.1	55%	94	1	4	1	-	Dec-19
	6	Morison KSI* (2) (5)	7.3	4.9	48%	32	9	2	48	9	Dec-18
	7	GMN International* (2)	5.7	4.3	31%	52	5	20	23	-	Sep-19
	8	Antea*	4.2	4.0	7%	41	-	33	25	1	Dec-19
	9	IAPA*	3.5	3.5	0%	30	-	10	50	10	Dec-18
	10	Abacus Worldwide	3.2	n.ap	n.ap	50	50	-	-	-	Dec-19
	11	BOKS International	0.6	n.ap	n.ap	80	3	12	-	-	Dec-18
-	Praxity*	n.d	13.5	n.d	n.d	n.d	n.d	n.d	n.d	n.d	
Total fee income/growth		96.9	75.9	15%							

Notes: (e) = IAB estimate, n.d = not disclosed, n.c = not collected, n.ap = not applicable, n.av = not available. (1) Increase in fee income attributed to organic growth. (2) Increase in fee income attributed to offering more new services. (3) Added a new member firm. (4) Increase in fee income attributed to acquisition of a new member firm. (5) Restated its figures for last year as there were errors in submissions.

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

Source: International Accounting Bulletin

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2019	2018		Staff	Partners	2019	2018	2019	2018	2019	2018	2019	2018
NETWORKS														
1	PwC*	700	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
2	Grant Thornton*	173	136	27%	9	0	11	11	145	120	7	5	3	2
3	Moore Global*	150	157	-4%	n.d	n.d	3	4	122	127	25	26	6	6
4	Baker Tilly International*	150	150	0%	23	0	11	10	121	120	18	20	3	3
5	PKF International*	117	117	0%	n.d	0	7	7	95	95	15	15	5	5
6	RSM*	107	99	8%	1	0	5	5	84	78	18	16	3	3
7	Crowe*	103	93	11%	15	0	3	3	80	75	20	15	3	3
8	Nexia International*	75	73	3%	5	0	4	2	60	59	11	12	4	5
9	Kreston International*	70	58	21%	6	0	4	4	60	50	6	4	8	7
10	TGS Global*	38	42	-10%	8	0	1	5	27	28	10	9	1	3
11	UHY International*	35	34	3%	6	0	2	1	20	20	13	13	2	2
12	HLB*	34	34	0%	n.d	0	2	2	27	27	5	5	2	2
13	Ecovis International*	30	23	30%	0	0	2	2	26	20	2	1	1	1
-	Deloitte*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
-	EY*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
-	KPMG*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
-	BDO*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
Total staff/growth		1,782	1,016	6%	73	0	55	56	867	819	150	141	41	42
ASSOCIATIONS														
1	PrimeGlobal*	99	94	5%	n.d	n.d	2	2	77	71	20	21	3	3
2	Integra International*	68	25	172%	n.d	n.d	4	3	43	15	21	7	4	2
3	MGI Worldwide with CPAAI	58	n.ap	n.ap	n.d	n.d	6	n.ap	52	n.ap	-	-	5	n.ap
4	BKR International*	45	32	41%	5	0	1	n.d	35	n.d	10	n.d	3	n.d
5	Allinial Global*	42	40	5%	n.d	n.d	3	3	27	30	12	7	4	4
6	GMN International*	25	24	4%	5	0	3	3	20	19	2	2	3	2
7	Morison KSi*	21	23	-9%	5	0	2	3	13	25	6	8	1	2
8	Antea*	17	18	-6%	1	0	1	1	13	14	3	3	1	1
9	IAPA*	13	13	0%	n.d	n.d	2	2	3	3	8	8	3	3
10	BOKS International	13	n.ap	n.ap	0	0	2	n.ap	8	n.ap	3	n.ap	1	n.ap
11	Abacus Worldwide*	9	n.ap	n.ap	n.d	n.d	2	n.ap	3	n.ap	4	n.ap	1	n.ap
-	Praxity*	n.d	75	n.d	n.d	n.d	n.d	3	n.d	67	n.d	5	n.d	2
Total staff/growth		410	344	20%	16	0	28	20	294	244	89	61	29	19

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

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

Source: International Accounting Bulletin

THE UAE: TAX REPORTING DEMANDS TRAINING AND CERTIFICATION

Growing financial scrutiny has led to increased demand for audit and accounting services in the UAE. However, concerns remain regarding professional development and the number of firms offering services without the requisite experience or qualifications. *Paul Golden* reports

The findings of KPMG's 2019 *Growth Promise Indicators* suggest the UAE has made significant progress in areas such as macroeconomic stability, openness, quality of institutions and infrastructure, and human development.

The report referred to recent advances in infrastructure development – particularly in transport – as a result of the Vision 2021 programme.

These advances are welcome developments for the accounting profession, where demand for advisory work is growing among larger organisations where more complex structures and transactions are entered into, explains Emilio Pera, partner and head of audit and financial services at KPMG Lower Gulf.

The need for accounting services is also fuelled by the Commercial Companies Law 2 of 2015, which requires commercial entities to maintain books of accounts in accordance with international accounting standards.

This is particularly important as the Federal Tax Authority can request financial statements within a reasonable time frame, says Zayd Maniar, international liaison partner at Crowe UAE. “Hence more entities are ensuring that not only are accounting records up to date, but also in compliance with international standards.”

MGI Salim Rajkotwala & Associates partner Faiyaaz Rajkotwala observes that as the UAE has a very limited corporate taxation regime – which only applies to branches of foreign banks and oil and gas drilling companies – and does not require mandatory submission of audited financial statements for a large majority of companies, maintaining proper accounting records has always been low on the list of priorities for SMEs.

Demand is usually greater from sectors that are regulated to some extent, he adds. “We have noted a significant increase in clients that work with the Abu Dhabi National Oil Company, requiring external audits after it implemented a programme that requires all suppliers to submit reports on how many of their goods and services are sourced from inside the UAE. These requirements include mandatory audited financial statements.”

BOOST IN DEMAND

Another obvious factor that has boosted demand for accounting services in the UAE is the implementation of VAT from 1 January 2018, which forced companies other than listed companies, banks and insurance companies to file information about their operations for the first time.

In addition, John Varghese, managing partner at HLB Hamt, notes that many free trade zones require businesses to file independent auditor reports on an annual basis, usually within three months of the year end.



Emilio Pera, KPMG Lower Gulf

Asad Abbas, managing partner at PrimeGlobal member firm Asad Abbas & Co, notes that management accountants, auditors, chief financial officers and risk managers top the list of the most in-demand job roles in the UAE, based on Robert Half's 2020 salary guide.

“The challenge is to be able to expand the skill set beyond the knowledge that accounting and audit professionals already have,” he says. “Taking into account the changes that digital transformation and globalisation are effecting on businesses, employers are looking for candidates with specialist skills, industry experience and systems knowledge.”

In previous UAE surveys, respondents have expressed concern about firms offering audit, accounting and tax advice despite not being experienced or qualified. Varghese suggests this is still an issue, mainly because of the lack of a professional regulator in the country.

An Emirati who is not a qualified chartered accountant and has undertaken a career as an auditor can get an audit licence, which is creating a situation where unqualified accountants are running their practice unprofessionally and thereby undermining the values of the profession, says Mago JB Singh, founder, principal and group managing partner for Baker Tilly in the UAE. “I have previously suggested that the UAE works on the same lines as Saudi Arabia, where the audit licence is only issued to a Saudi national provided they are a qualified accountant from a world-renowned institute or a qualified member of the Saudi Organization of Qualified Public Accountants,” he continues.

Rajkotwala observes that firms without an audit licence offer audit services and openly



Zayd Maniar, Crowe UAE

list this on their websites, while firms that are not registered tax agents with the Federal Tax Authority continue to provide tax advice. These firms provide services at rates much lower than licensed firms, which adds to the pressure on fees, he says.

“We have had many instances of clients visiting us after having incurred penalties from the Federal Tax Authority due to incorrect advice received by non-licensed firms operating in the country,” he adds.

Local regulators such as the Dubai Financial Services Authority, the Securities and Commodity Authority and the Federal Tax Authority need to take an active role in ensuring firms offering audit, accounting and tax advice do so at the highest quality levels, adds Maniar. “They can do so by regular inspections, constant monitoring and thorough inspections,” he says.

PKF UAE managing partner Stany Pereira agrees that many smaller accounting firms are still not adequately experienced and resourced to provide quality services while suggesting that the situation has improved with regard to tax services.

“The Federal Tax Authority now insists that tax agents appear for a test to prove their capabilities and knowledge and awareness of tax laws,” he says. “The auditing profession is also more regulated with new signing partners being asked to appear for a test.”

Unfortunately, there are still many firms and individuals rendering tax services without being fully aware of the laws and regulations. Pereira accepts this is also true for many firms offering accounting, payroll and other services, and says it remains to be seen if the accounting profession will be more regulated going forward.

Abbas says there are many initiatives and programmes designed to evaluate, improve, standardise and eliminate low-performing or non-knowledgeable market players, and that

a number of ministries have collaborated with the professional services sector to set detailed conditions, qualifications and accreditation requirements for the audit and accounting sector, and a benchmark for other businesses to follow while hiring or working with these firms.

But he also acknowledges that the industry is waiting for the time when the UAE government creates a separate body to control and monitor the application of accounting standards and apply standard benchmarks for the financial statements of different industries.

The Institute of Management Accountants’ 2019 *UAE Salary Survey*, published in September 2019, found that average salaries in the UAE were 178% higher than the regional average, and that the median base salary and total compensation were both more than twice as high in the UAE.

COST OF LIVING

Salaries in the UAE may be higher, but so is the cost of living. Employees require a certain salary if they are to live and work in Dubai or Abu Dhabi and this makes retaining and recruiting good talent difficult – especially considering the current economic environment that requires fees to be very competitive says Rajkotwala.

“We have noted an increasing trend for accounting firms relying on offices in India, Sri Lanka, Nepal and Bangladesh to carry out audit testing and fieldwork for clients based in the UAE, reducing the amount of billable hours charged by local staff and thereby making an engagement and eventually the practice more sustainable,” he adds.

Maniar observes that recent initiatives by the UAE government have allowed professionals to take a long term perspective on living in the UAE through the availability of renewable 10-year visas. “This has aided the retention of top professionals,” he says.

The UAE has become a more competitive market, according to KSi Shah partner Paryank Shah, who is sceptical about the value of the Ministry of Economy’s CPD requirement for the renewal of auditors’ registration which started last year.

“The ministry has approved only a small number of institutes that can conduct classes to get the necessary hours required for the renewal of a professional licence,” says Shah. “The professors are juniors, with many not experienced in audit, so this has become more about the ministry completing its requirements rather than enhancing industry knowledge.”



Faiyaz Rajkotwala, MGI Salim Rajkotwala & Associates

The renewal process has had no impact on CPD in the profession. Qualified accountants of the prestigious institutes are already required to achieve CPD hours in order to keep their certificate of practice, so the new programme has just become another revenue stream for the appointed agencies and institutions without adding to the knowledge of accountants.

Furthermore, since sessions are conducted in Arabic, it is a pointless exercise for accountants who do not speak the language. That is the view of Singh, who says efforts are being made to ask the ministry to recognise institutes and their chapters for the purposes of imparting training and refresher courses under the auspices of the ministry.

According to Rajkotwala, the CPD requirement is well intentioned, but its implementation could be greatly improved. The Ministry of Economy accepts only one form of CPD, which involves registering with one of two providers and sitting in a classroom setting for 30 hours of training on a predetermined list of topics, he explains.

“In my opinion – and following international best practice – CPD training should be conducted online via webinars to work with professionals’ busy schedules and give control over which areas they wish to develop,” he says. “Additionally, most professionals practicing in the UAE have obtained their qualifications from institutions with their own CPD requirements and allowing for these to be accepted would reduce the overlap between CPD courses.”

Pera offers a more upbeat assessment, suggesting that the Ministry of Economy’s CPD requirement provides strong insights into local laws and regulations and the latest developments in the audit market. However, KPMG also believes that it might be beneficial for audit firms to accredit their internal training. ■



THE UAE

NETWORKS & ASSOCIATIONS: FEE DATA

Rank	Name	Fee income (AEDm)	Fee income last year (AEDm)	Growth (%)	Fee split (%)					Year end	
					Audit & assurance	Accounting services	Tax	Advisory	Other		
NETWORKS	1	Baker Tilly International*	90.0	85.0	6%	20	1	3	46	30	Dec-19
	2	Kreston International*	61.5	57.5	7%	42	2	18	23	15	Oct-19
	3	Crowe*	57.0	57.3	-1%	48	5	9	32	6	Dec-19
	4	HLB*	47.7	48.8	-2%	45	22	10	23	n/a	Dec-19
	5	PKF International* (1)	38.9	46.4	-16%	61	19	7	-	14	Jun-19
	6	Mazars* (2)	21.5	17.0	26%	100	-	-	-	-	Aug-19
	7	UHY International*	14.7	n.ap	n.ap	54	3	12	31	-	Dec-19
	8	RSM*	11.9	10.4	14%	56	17	5	22	-	Dec-19
	9	Reanda International*	10.3	11.4	-10%	24	9	5	11	51	Dec-19
	10	Nexia International*	9.1	8.9	2%	42	17	8	33	-	Jun-19
	11	TGS Global*	3.6	3.7	-3%	51	14	7	15	13	Sep-19
	12	Ecovis International* (2)	2.4	1.9	26%	68	15	10	6	1	Dec-19
	-	PwC*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
	-	Deloitte*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
-	EY*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	
-	KPMG*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	
-	BDO*	n.d	41.0	n.d	n.d	n.d	n.d	n.d	n.d	n.d	
Total fee income/growth		368.6	389.3	2%							
ASSOCIATIONS	1	Allinial Global* (3)	43.2	5.6	676%	27	9	23	38	3	Dec-19
	2	Praxity*	25.6	21.7	18%	90	3	4	3	-	n.ap
	3	PrimeGlobal* (3)	12.5	10.3	21%	52	16	13	16	3	May-19
	4	MGI Worldwide with CPAAI*	12.3	n.ap	n.ap	44	5	11	4	36	n.ap
	5	IAPA International* (2)	10.1	6.8	49%	47	19	20	12	2	n.ap
	6	GMN International* (2)	9.5	6.6	44%	28	10	8	10	44	Sep-19
	7	UC&CS Global*	7.0	6.9	2%	35	-	56	9	-	Dec-19
	8	Morison KSi*	6.3	7.2	-12%	93	-	-	5	2	Dec-18
	9	EAI International* (3)	5.5	3.1	80%	35	43	5	4	13	May-19
	10	Impact*	5.1	6.4	-21%	52	32	2	11	3	Dec-18
	11	Abacus Worldwide*	4.4	4.4	0%	35	30	5	30	-	Dec-19
	12	Integra International* (e)	3.1	3.0	6%	n.d	n.d	n.d	n.d	n.d	Dec-19
	13	Antea*	2.7	2.4	16%	82	6	-	12	-	Dec-19
	14	BOKS International* (1)	1.2	7.1	-83%	16	12	11	21	40	Dec-18
Total fee income/growth		148.5	91.3	49%							

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

(1) Lost a member firm. (2) Increase in fee income attributed to gaining more services. (3) Added new member firm(s).

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

Source: International Accounting Bulletin

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2019	2018		Staff	Partners	2019	2018	2019	2018	2019	2018	2019	2018
NETWORKS														
1	Kreston International* (1)	330	278	19%	79	2	18	20	278	220	34	38	12	12
2	Crowe*	294	277	6%	85	2	17	20	227	209	50	48	12	14
3	HLB*	265	264	0%	84	n.d	12	14	224	217	29	33	5	6
4	Baker Tilly International*	159	192	-17%	40	1	14	17	107	135	38	40	6	6
5	PKF International*	155	162	-4%	n.d	n.d	11	13	127	131	17	18	6	10
6	Mazars*	86	65	32%	n.d	n.d	3	3	69	48	14	14	3	3
7	UHY International*	77	n.ap	n.ap	20	0	5	n.ap	57	n.ap	15	n.ap	4	n.ap
8	RSM*	58	47	23%	15	2	6	4	47	40	5	3	3	2
9	Reanda International*	37	36	3%	17	0	4	4	21	22	12	10	5	5
10	Nexia International*	36	37	-3%	6	0	5	5	28	29	3	3	3	3
11	TGS Global*	19	18	6%	7	0	2	2	13	12	4	4	2	1
12	Ecovis International*	14	14	0%	3	0	3	2	10	11	1	1	2	3
-	PwC*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
-	Deloitte*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
-	EY*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
-	KPMG*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
-	BDO*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
Total staff/growth		1,530	1,390	5%	356	7	100	104	1,208	1,074	222	212	63	65
ASSOCIATIONS														
1	Allinial Global*	603	41	1371%	n.d	n.d	43	17	540	22	20	2	16	3
2	Praxity*	116	97	20%	n.d	n.d	6	6	86	67	24	24	7	7
3	MGI Worldwide with CPAAI	95	n.ap	n.ap	n.d	n.d	12	n.ap	83	n.ap	-	n.ap	10	n.ap
4	PrimeGlobal*	75	51	47%	n.d	n.d	8	8	55	28	12	15	10	4
5	GMN International*	51	45	13%	12	0	8	8	34	27	9	10	3	4
6	Abacus Worldwide*	41	41	0%	n.d	n.d	4	4	29	29	8	8	4	4
7	Inpact*	39	48	-19%	18	0	3	3	30	38	6	7	3	3
8	EAI International*	35	20	75%	10	0	6	3	26	16	3	1	2	1
9	IAPA International*	28	28	0%	n.d	n.d	2	2	20	20	6	6	3	2
10	Antea*	28	24	17%	8	0	2	2	20	17	6	5	1	1
11	Integra International* (e)	27	26	5%	n.d	n.d	n.d	2	n.d	21	n.d	3	n.d	2
12	UC&CS Global*	25	21	19%	8	1	5	3	16	14	4	4	4	4
13	Morison KSi*	23	30	-23%	3	1	2	2	16	23	5	5	1	2
14	BOKS International*	14	6	133%	3	2	3	1	8	2	3	3	2	1
Total staff/growth		1,200	478	132%	62	4	104	61	963	324	106	93	66	38

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 new recruitment by one of its member firms planning to expand in the upcoming year.

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

Source: International Accounting Bulletin

TURKEY: AUDIT FUTURE BALANCES ECONOMIC GROWTH WITH CURRENCY RISK

Changes to audit thresholds in Turkey are expected to provide a welcome boost for an accounting profession whose clients continue to grapple with the effects of the 2018 recession. *Paul Golden* reports

The large current account deficit and high inflation experienced in Turkey, as a result of its increasing dependence on externally funded credit and demand stimulus following the global financial crisis, were always likely to have negative consequences.

These imbalances left the economy susceptible to a change in market sentiment that ultimately triggered sizeable lira depreciation and was accompanied by a recession in late 2018.

Economic growth has since resumed and the lira has recovered. The IMF observes that while private banks have cut back on lending, state-owned institutions have engaged in a major credit expansion which picked up pace in the early part of 2019.

When asked to characterise the market for accounting and audit services in Turkey, and the significant developments in the market over the last two years, Hakan Şahin, audit partner at BKR International member firm İŞIK Yeminli Mali Müşavirlik ve Bağımsız Denetim, notes that the licensing and monitoring of audit firms is being strictly applied.

“The audit is required for organisations such as financial institutions, brokerage firms, listed companies and licensed energy companies as well as companies that exceed the financial criteria that took effect from 1 January 2018,” he says.

If a company meets two of the following three conditions in the previous two years it is subject to compulsory audit:

- Asset size: more than TRY35m (\$5.1m)
- Turnover: more than TRY70m
- Head count: more than 175

According to data provided by the Public Oversight Accounting and Auditing Standards Authority of Turkey, the number of companies audited based upon their financial criteria increased from 1,247 in 2013 to 3,996 in 2017, although this figure does not include companies subject to audit due to their status, such as listed companies, banks and insurance companies.

“The increasing number of companies covered by audit requirements creates the expectation of an increase in audit fee income in the future,” adds Şahin. “However, this process will take more time than expected as there is a remarkable level of fee competition among audit companies.”

DIGITAL GROWTH

The market for accounting services in Turkey is also becoming increasingly digital, with electronic invoices and receipts just some examples of this transformation observes Kadir Sayıcı, managing partner at PKF Istanbul. These changes are new to the market, and those accounting companies that have adapted quickly are winning new clients, he says.

“The market is also developing because foreign investors are asking for many different types of services in addition to traditional bookkeeping and tax advisory services, such

as company secretarial services, maintenance of statutory records/share registrar, registered office and representation of the company.”

After a number of years of declining inward investment, Sayıcı says the accounting profession was optimistic that 2020 would bring an increase in business, adding: “There were positive signals in the market before the coronavirus pandemic, but the current uncertainty means all the actors in the market are waiting for positive developments in the battle against the virus.”

The increase in the number of companies covered by the reduced compulsory audit limits has been exacerbated by the high inflation rates of recent years, meaning that in real terms, the value of the mandatory audit limit has decreased significantly.

According to Sayıcı, the trade registry of Turkey has started to push all those companies which meet these conditions and have not signed yet an audit agreement with any independent audit company. In addition to this development, the Central Bank of Turkey has made it mandatory to submit special independent audit for those companies that have more than TRY100m equivalent in foreign exchange-denominated bank loans, he adds.

“Demand from exporting clients – regardless of their operating markets – is strong, whereas demand from clients whose main business is importation is weak,” says Sayıcı. “This is because the TYR/\$ and TYR/€ exchange rates have increased by more than double over the last three to four years.”



Mesut Kabaer, Universal & Partners

POSITIVE EXPECTATIONS

At the beginning of this year, many of Sayıcı's clients were optimistic and had planned to make new investments. "Foreign investors have started to emerge to buy cheap Turkish assets and companies," he says.

"In addition, the regulation on obtaining Turkish citizenship through depositing \$500,000 or the equivalent in another currency at a bank account in Turkey and not drawing it down for three years – or purchasing a Turkish property with a value more than \$250,000 and not selling it for three years – have injected considerable amounts of cash into the markets. These investors have started to open new businesses, which has encouraged positive expectations."

Şahin agrees that 2020 started with positive expectations across almost all sectors of the economy, but that recent developments within the Middle East have had a negative impact on assets.

"Highly volatile asset prices and currencies have encouraged decision makers to step back," he says. "Despite government policies aimed at supporting markets by decreasing interest rates and introducing new bank loan facilities, geographical politics, lack of demand and level of savings are all challenging factors. However, businesses believe the recovery will be strongly supported by government."

According to Mesut Kabaer, audit manager at PrimeGlobal member firm Universal & Partners, demand for accounting and auditing services has shown an increase in line with the improving economic situation, and new audit requirements will increase in the near future. However, he also observes that there are no segments of the industry where demand is particularly strong.

"Although economic growth has positive effects, currency risk causes our customers to be cautious when making investment decisions," he continues. "The political and economic environment has an impact on relations with foreign investors though and the incentives introduced by the government have caused significant growth in investment."

Kabaer notes that businesses are generally satisfied with government policy on business issues. "The Turkish government has made trade and customs agreements with many countries, and Turkey has become a centre for foreign investment," he adds.

The negative impact of increased currency fluctuation and rising interest rates on businesses in Turkey only began to ease in the final quarter of 2019 notes Süleyman Hayri Balcı, partner at HLB International member firm Vezin.

The construction sector was strong, but because of the very sharp decrease on the demand side, stocks of construction companies could not be sold, he explains. "In 2018 the interest rate rose to almost 30%, which meant that no one was willing to buy a house. The construction industry has not yet returned to the level of previous periods, even though interest rates have fallen."

Balcı suggests that from an economic perspective, Turkey is now in a balancing period and the economic data is looking much better than it did in 2018. "Interest rates and the rate of inflation are more stable, although not yet in single digits," he says.

On the downside, the war in Syria has affected the Turkish economy, and the country continues to struggle to cope with the influx of refugees. "Politically, it is not easy to manage this issue," adds Balcı, who believes there should be more support for Turkey from the international community.

Elvan Inanli, partner at Crowe Horwath Turkey agrees that there has been a definite expansion of the independent audit market in line with the changes to the threshold for being subject to independent audit introduced in recent years.

"The second type of service with respect to audit is the 'tax audit', which we call the sworn financial advisory service," he explains. "This service includes the certification of the annual corporate tax return as well as tax advisory and tax audit services."

With the introduction of independent audit regulations, Inanli says some companies have preferred to stop taking sworn financial advisory and continue with independent advisory services.



Süleyman Hayri Balcı, Vezin

"The major increase in demand for accounting services has come from international companies investing in Turkey," he adds. "When foreign companies enter the Turkish market, most of the time they prefer to outsource the accounting function so demand for these services continues to rise."

In terms of areas of demand, Inanli suggests that the textile industry has held up well following the downturn in the real estate and construction sectors. "The last quarter of 2019 and the first two months of 2020 were very positive for the Turkish economy," he adds. "During this time, clients were eager for new investment, albeit with a careful approach. However, the effect of the coronavirus pandemic has been to put a stop on new investments."

GOVERNMENT POLICY

Inanli reckons political stability has been achieved in Turkey, and that clients are satisfied with government policy on business issues. "Tax amnesties have been introduced, which most of our clients have taken advantage of," he explains. "The government has also encouraged investors with investment incentive measures, and the regulatory bodies with respect to tax and audit are working very effectively and in accordance with international standards."

Having gone through several elections in the last year, Sayıcı notes that there will now be at least four years without elections, which should contribute to political stability.

"The fact that country has changed its system of governance, and is going to be ruled by the president, allows that person to react very quickly to market changes, which may provide additional comfort about the stability of the country," he concludes. ■



TURKEY

NETWORKS & ASSOCIATIONS: FEE DATA

Rank	Name	Fee income (TLm)	Fee income last year (TLm)	Growth (%)	Fee split (%)					Year end	
					Audit & assurance	Accounting services	Tax	Advisory	Other		
1	KPMG*	205.1	163.0	26%	60	-	-	32	8	Sep-19	
2	PwC*	183.7	148.2	24%	77	-	-	8	15	Jun-19	
3	Deloitte*	159.9	132.7	20%	58	-	-	-	42	May-19	
4	EY*	128.2	110.8	16%	85	-	-	-	15	Jun-19	
5	Baker Tilly International* (1)	84.1	65.3	29%	25	8	45	18	4	Dec-19	
6	Mazars*	68.2	56.6	21%	17	27	49	7	-	Aug-19	
7	Crowe* (1)	51.7	44.3	17%	40	17	30	13	-	Dec-19	
8	Nexia International*	50.8	44.3	15%	18	8	66	5	3	Jun-19	
9	BDO* (2)	48.1	39.1	23%	23	14	54	9	-	Sep-19	
10	Grant Thornton International*	40.3	35.4	14%	54	-	25	21	-	Sep-19	
11	Kreston International*	33.3	30.0	11%	37	8	45	2	8	Dec-19	
12	PKF International* (1)	28.7	21.6	33%	19	21	50	6	4	Jun-19	
13	Moore Global*	27.5	27.8	-1%	35	24	22	3	16	Dec-19	
14	Ecovis International* (2)	25.4	21.1	21%	7	30	43	10	10	Dec-19	
15	HLB*	23.4	20.4	15%	18	6	69	6	1	Dec-19	
16	Russell Bedford International*	15.0	12.8	17%	21	1	72	1	5	Dec-19	
17	Reanda International*	12.4	10.8	15%	9	1	10	10	70	Dec-19	
18	UHY International*	5.0	4.1	22%	15	20	50	5	10	Dec-19	
19	TGS Global* (2)	2.7	2.0	33%	25	31	27	17	-	Sep-19	
-	RSM* (3)	n.ap	15.6	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap	
Total fee income/growth		1,193.6	1,005.8	21%							
ASSOCIATIONS	1	Praxity*	86.1	72.4	19%	29	21	43	6	1	n.ap
	2	DFK International* (e)	35.9	31.2	15%	n.d	n.d	n.d	n.d	n.d	n.d
	3	PrimeGlobal* (4)	33.6	15.9	111%	19	30	42	5	4	May-19
	4	Allinial Global* (4)	22.7	7.2	217%	11	72	2	4	11	Dec-19
	5	LEA Global/Leading Edge Alliance*	21.9	22.3	-2%	40	17	16	20	7	Dec-19
	6	IAPA* (4)	21.4	12.0	79%	18	23	38	13	8	n.ap
	7	Morison KSi*	18.1	16.5	10%	59	9	26	5	1	Dec-18
	8	BKR International* (1)	15.2	11.4	33%	10	5	69	15	1	Dec-19
	9	Antea*	9.7	8.3	17%	35	34	26	1	4	Dec-19
	10	MGI Worldwide with CPAAI*	7.8	n.ap	n.ap	29	-	59	10	2	n.ap
	11	Inpact*	2.9	2.5	16%	62	-	1	36	1	Dec-18
	12	GMN International*	2.5	3.0	-17%	45	15	20	20	-	Sep-19
	13	EAI International* (1)	3.0	2.3	29%	58	-	14	-	29	Dec-19
	14	Integra International* (e)	0.6	0.5	15%	n.d	n.d	n.d	n.d	n.d	Dec-19
	15	BOKS International*	0.2	n.ap	n.ap	3	37	45	0	15	Dec-18
Total fee income/growth		281.6	205.5	37%							

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

Inflation was a common growth factor for many networks and associations. (1) Increase in fee income attributed to organic growth. (2) Increase in fee income attributed to gaining more clients and/or services. (3) Lost its member firm in Turkey. (4) Added a new member firm.

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

Source: International Accounting Bulletin

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2019	2018		Staff	Partners	2019	2018	2019	2018	2019	2018	2019	2018
NETWORKS														
1	PwC*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
2	Deloitte*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
3	KPMG*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
4	EY*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
5	Mazars*	322	308	5%	n.d	n.d	12	8	269	267	41	33	6	6
6	Crowe*	305	307	-1%	120	6	50	51	220	219	35	37	11	11
7	Baker Tilly International*	255	249	2%	112	6	29	27	205	202	21	20	7	7
8	Nexia International*	243	246	-1%	83	6	47	52	155	155	41	39	12	13
9	BDO*	181	156	16%	103	1	14	15	145	118	22	23	2	2
10	PKF International*	140	126	11%	n.d	n.d	23	19	106	95	11	12	3	3
11	Grant Thornton International*	138	137	1%	71	5	19	18	104	104	15	15	3	3
12	Russell Bedford International* (1)	134	78	72%	n.d	n.d	9	9	115	59	10	10	9	9
13	HLB*	129	136	-5%	36	2	28	28	90	99	11	9	6	6
14	Kreston International*	112	104	8%	37	0	7	7	97	89	8	8	2	3
15	Moore Global*	96	105	-9%	43	2	7	10	79	86	10	9	4	4
16	Ecovis International*	90	86	5%	33	3	15	14	59	56	16	16	3	3
17	Reanda International*	56	52	8%	7	0	5	6	45	40	6	6	4	4
18	UHY International*	48	38	26%	7	1	7	n.d	36	n.d	5	n.d	4	n.d
19	TGS Global*	23	21	10%	7	0	8	8	13	11	2	2	2	2
-	RSM*	n.ap	72	n.ap	n.ap	n.ap	n.ap	17	n.ap	43	n.ap	12	n.ap	5
Total staff/growth		2,272	2,221	6%	659	32	280	289	1,738	1,643	254	251	78	81
ASSOCIATIONS														
1	Praxity*	405	393	3%	n.d	n.d	23	26	336	329	46	38	14	14
2	PrimeGlobal*	306	80	283%	n.d	n.d	30	16	253	55	23	9	7	4
3	LEA Global / Leading Edge Alliance*	177	162	9%	37	5	59	50	100	90	18	22	11	11
4	Allinial Global*	140	35	300%	n.d	n.d	8	6	129	28	3	1	3	1
5	DFK International* (e)	113	109	4%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	8	n.d	2
6	IAPA*	103	76	36%	n.d	n.d	28	22	45	41	30	13	10	8
7	Morison KSi*	92	94	-2%	24	1	15	15	73	75	4	4	7	7
8	Inpact*	76	68	12%	16	4	17	17	58	23	1	28	2	2
9	Antea*	73	72	1%	16	0	20	19	43	44	10	9	3	3
10	MGI Worldwide with CPAAI*	56	n.ap	n.ap	n.d	n.d	11	n.ap	45	n.ap	-	-	3	n.ap
11	BKR International*	45	46	-2%	24	1	8	8	30	32	7	6	1	1
12	EAI International*	36	36	0%	4	0	16	16	19	19	1	1	4	4
13	GMN International*	23	21	10%	6	0	8	4	13	15	2	2	2	2
14	BOKS International*	20	n.ap	n.ap	6	0	3	n.ap	15	n.ap	2	n.ap	1	n.ap
15	Integra International* (e)	14	13	4%	n.d	n.d	n.d	4	n.d	7	n.d	2	n.d	1
Total staff/growth		1,679	1,205	33%	133	11	246	203	1,159	758	147	143	68	60

Notes: (e) = IAB estimate, n.d = not disclosed, n.c = not collected, n.ap = not applicable, n.av = not available. (1) Staff data for one of member firm was not reported last year; it is included now.

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

Source: International Accounting Bulletin

IFAC AND AUDIT: THE FUTURE OF HIGH-QUALITY REPORTING

Regulation alone will not ensure the future of high-quality audit; however, collaboration will, by operating as an ecosystem with a shared goal for continual improvement, advises International Federation of Accountants (IFAC) CEO *Kevin Dancey*



In recent months, economies both local and global have suffered the acute effects of natural disasters, a pandemic, political disruption and more.

In Australia, the wildfires that raged in late 2019 have threatened the country's 28-year recession-free streak. Meanwhile, the impact of coronavirus in China and now around the world has wiped out livelihoods virtually overnight, and stoked multiple economic downturns.

During uncertain times like these, the imperative for trusted financial reporting becomes clearer than ever. High-quality audits are a bedrock of society, essential to the strength of corporations and markets, and a key driver of trust among citizens. Audit's success, at the best of times, requires cooperation. The reality we face today demands even more collaboration.

A high-quality audit requires more than a good auditor: we need multidisciplinary teams, the smart inclusion of technology, and close partnerships with corporate partners and regulators.

To strengthen the industry and to attract the best workforce, we have to operate as an ecosystem with a shared goal: continual improvement.

As CEO of IFAC, I am focused on the role we play as the global voice of the accountancy profession. We are a mosaic of professional

accountancy bodies – but always, and necessarily, we are a partner in a network of stakeholders who must hold itself to rigorous assurance and ethical standards for economies and communities to thrive.

IFAC's recently released point of view on high-quality audits outlines a number of essential factors that must underpin an audit



**THE IMPERATIVE FOR
TRUSTED FINANCIAL
REPORTING BECOMES
CLEARER THAN EVER**

ecosystem, including the right process, the right people, the right governance, the right regulation, and finally, the right measurement. Each of these helps answer a key question every stakeholder should be asking as we navigate the economic challenges and opportunities before us: how can we drive audit quality higher?

UPHOLDING PUBLIC INTEREST

A high-quality audit is no more the success of an individual auditor than a poor audit is the sole responsibility of a single entity.

An audit requires many stakeholders – including corporate leaders, governing bodies, audit committees, auditors and more – to act together with personal integrity and good judgement. Among these different players, transparency and effective communication is essential.

If one part of the ecosystem presents a significant roadblock, it is unlikely that an auditor will be able to overcome it. Creating a culture that supports the collaboration and ethical standards that high-quality audits demand requires cultivating multidisciplinary professionals both today and for generations to come.

Business environments are more complex than ever. Across all industries, skills gaps are keenly felt. Two years ago, the World Economic Forum predicted that 133 million new roles would emerge across all sectors by 2022 due to the increased influence of technology, machines and algorithms. As a result, more than half of the workforce would require significant reskilling.

As we close in on that window, every enterprise is feeling the pressure to evolve human capital. Matching the worldwide pace

of change means that the audit industry must also be laser-focused on people. Firms that retain specialists with diverse skill sets, from risk advisory to information technology and more, are an asset to the industry because they attract and retain top talent.

We must find the right people for the accountancy profession by widening our scope and recruiting from a diverse talent pool. Ensuring that the right people are conducting an audit – and that quality is not being traded for efficiency or expense – is critical. Evidence shows that preserving the multidisciplinary firm model, rather than an ‘audit-only’ model, will make this easier. Continuing to boost accountancy education and professional development will, too.

TECHNOLOGY AND VALUE

Upskilling is a massive investment, but it is a critical step toward securing our profession for the future. Assembling the best talent is part of the equation. Re-evaluating processes is another.

We need to set up better processes for conducting and governing audits if we want to realise – systematically and consistently – all our efforts to improve audit quality.

Creating better processes will hinge on the accountancy profession’s work to master new skills that future-ready advisors need. Without those skills, we will have a harder time proving that high-quality audits provide immense value to corporations, beyond just a checked box on a list of requirements. But



Kevin Dancey, IFAC

In a multidisciplinary context, audit professionals can use technology to support their clients, for example by helping assess cybersecurity risks. Complaints registered by the FBI’s Internet Crime Complaint Center show that cybercrime cost individuals and businesses in the US \$3.5bn (£2.6bn) in 2019 – up from \$1.1bn (£847.7m) in 2015. There is significant value in being able to forecast the potential costs of breaches – especially for small and medium-sized enterprises, which often have relatively few resources to take on cybersecurity issues.

But creating value through high-quality audit extends well beyond technology.

THE EXPECTATION GAP

A high-quality audit is not an assessment of a company’s future viability, but it generally is expected to be one, regardless. This is a pervasive problem not just for accurately framing and addressing issues in the audit profession: it also obscures the roles of other actors in the governance ecosystem, and the effects they have on a company’s future performance.

Many jurisdictions are reviewing their audit regulations, and some are considering moving decisively in one direction or another. Fragmented regulation on the global stage is a huge and growing threat to audit quality. As all eyes are on the evolving situation in the UK, standard-setting and alignment on how audits are measured will be critical.

Regulation for regulation’s sake is not the answer. Guidelines are important for driving good outcomes, but the inherent risks and unintended consequences of unilateral regulation can hurt more than they help. The right regulation will only come from continual collaboration that recognises the complexities of audits and appropriately measures audit outcomes.

Audit quality is a core concern not just for the accountancy profession but also for the countless employees in the organisations we serve. Now is the time for the profession to take on the issues of skills, sustainability and expectation gaps, while embracing our role as multidisciplinary professionals and change-agents in an incredibly complex world. Doing so frankly and decisively will enable auditors to be leaders and partners in further advancing the public interest. ■

“ A HIGH-QUALITY AUDIT IS NO MORE THE SUCCESS OF AN INDIVIDUAL AUDITOR THAN A POOR AUDIT IS THE SOLE RESPONSIBILITY OF A SINGLE ENTITY

that is where we need to get to the point that all stakeholders see audit as much more than a compliance exercise.

Perhaps most notably among the tasks at hand for the accountancy profession, adapting to the evolving needs of all audit consumers requires embracing technology and incorporating its real-world effects into audit processes and standards. Digital tools allow massive data sets – which no auditor alone could analyse – to be quickly processed into meaningful insights. Technology will never be a guaranteed safety net, but it can make identifying risk factors easier.

Accountants are leading change and helping to set new standards for many areas of urgent global need outlined by the United Nations Sustainability Development Goals. Our profession can empower organisations to mitigate their climate impact by helping them align their reporting infrastructure with the environmental objectives.

As we look at how we will continue to evolve as a profession and an ecosystem, we have to embrace the ways we can collectively create success while also acknowledging and educating our partners about what we cannot – and should not – be expected to do.

PRIMEGLOBAL: LEADING RECOVERY BEYOND COVID-19

Taking a longer-term perspective, PrimeGlobal CEO *Steve Heathcote* discusses what shape a leading strategy must take beyond the baseline expectations of an association's disaster recovery plan

When I first started to write this article, I focused on what accounting firms have learnt about their disaster recovery plans (DRPs) over the Covid-19 crisis.

As I spoke to more partners across our member firms, I realised that DRP does not capture the mindset required to thrive once we move beyond the crisis.

The term DRP implies that if the right steps are taken, we can recover to where we were before. This will not be the case: the leaders of our firms recognise that they need to understand where the firm was, what is required now, and what will be required for the future.

The steps they take now should ensure the firm is moving in the right direction to take advantage of this future opportunity. This means partners need to make time for forward thinking and take actions, even when immediate demands are so prevalent. Our firms are shifting their thinking from disaster recovery to leading the recovery. This is critical, as accounting firms will lead the way to win the global economic war.

How are accounting firms responding to the crisis?

Our member firms moved quickly as the crisis hit. I have been truly inspired by our firms' leaders, who have put their teams and clients first in everything they have done:

- **Protecting staff well-being.** Offices have been thoroughly cleaned and sanitary products made available to teams. Leaders have been highly visible. In one case, a managing partner manned their reception desk so their staff could look after their families;

- **Rapid move to home working.** Firms have moved to fully service clients remotely in a matter of days – involving hundreds of staff;
- **Office support maintained.** Emergency plans to redirect post, provide IT support and manage finance systems remotely have been implemented;
- **Focus on client needs.** For many years, we have worried about the future of the profession when services are being automated. However, when the crisis hit, who you gonna call? For businesses

providing advice on social media and other channels, and

- **Our firms are collaborating.** The culture of PrimeGlobal has been clearly on display. Our firms are collaborating and joining regular discussion groups. At a time when we do not have face-to-face events, connectivity and the sense of community has increased.

Undoubtedly, the trusted advisor status of our firms has been considerably enhanced, which will have a positive impact for years to come. Our firms have also taken steps to ensure they remain resilient:

- **Scenario planning.** Partners are preparing cash-flow forecasts in recognition that clients will find it difficult to pay for services. Firms are focusing on core services and stopping non-essential spend. Firms are doing all they can to protect their teams, as they know how valuable their people are for the future;
- **Maintaining productivity.** Surprisingly, the move to virtual working is leading to more direct contact and attention to staff. Partners are adapting to a virtual environment and are investing time in virtual one-to-ones with team members to reassure them and ensure they remain focused. Virtual partner meetings are being held regularly to review productivity. Performance management is rapidly moving to a virtual model. Maintaining staff mental well-being is firmly on the agenda, with regular virtual social gatherings, quizzes and even costume parties!
- **Team skills and capacity.** Teams are being redirected to support clients' most



THE MOVE TO VIRTUAL WORKING IS LEADING TO MORE DIRECT CONTACT

large and small the answer has been their accounting firm. Elaine Pantel, partner at Shimmer Penn LLP, said: "We have been proactive in helping our clients solve problems and assisting with cash flow priorities." Teams have been focused on listening to client concerns and advising on how to obtain government support, reduce cybersecurity risk, and reduce non-essential expenditure. Much of the advice has been given without charge, with firms



Steve Heathcote, PrimeGlobal

How will accounting firms lead the recovery?

The crisis is rapidly accelerating trends that were already in play. Kilbane comments that the firm is increasing consultancy to help clients interpret government relief legislation.

Professional skills such as empathy, listening, communication, insight and creativity are needed more than ever. Our firms are focusing on enhancing these capabilities across their teams. PrimeGlobal is offering a range of webinars to help develop these skills.

At this point, it is not possible to be definitive about which service lines will emerge as the strongest as we move into recovery. However, it is important for firms to identify core services and to be decisive regarding service lines that have been in decline for some time.

Decisions to exit service lines are often delayed in normal times. Now is the time to make the difficult decisions that many partners know in their hearts are the right ones. There will be some consolidation of practices as we move beyond the crisis, so firms need to be strong and to be the hunters rather than the hunted.

Business will need to be highly agile and able to respond to a bumpy recovery, where lock downs could be re-imposed for periods of time. Kilbane reflects that accounting firms can help lead the recovery by providing business agility services to clients, helping businesses move their teams to remote working, using technology to scale activity

immediate needs, particularly access to financial relief. Corporate transactions are not on the agenda right now, so teams are providing advice to build financial resilience. Where teams cannot be fully repurposed, professionals are being encouraged to complete their professional development so they are ready when the recovery begins. To help protect teams for the longer term, hours may be reduced, and planned internships phased.

How are accounting firms building resilience for the future?

Risk registers did not seriously consider the impact of a sustained global pandemic, which will be a learning for all businesses for the future. However, our firms have stood up to the challenge exceptionally well. To ensure long-term resilience, firms are taking steps that will enable them to be stronger beyond the crisis.

Neal Kilbane, US partner at Raich, Ende, Malter & Co. LLP and chair of PrimeGlobal's world board, identifies a range of areas where the firm is responding to the crisis with future considerations clearly in their sights:

- **Adopting standard collaboration technology.** The firm has accelerated the adoption of Microsoft Teams from Audit and Tax teams to, in Neal's words, "every corner of the firm". This undoubtedly will increase efficiency for the longer term;
- **Sweating technology assets.** The firm is identifying that there is opportunity to use the complete functionality of the technology services that they already have; for example, being able to bill remotely.

Making more of existing technology services will increase agility in the future.

- **Realising the benefits of remote working.** The crisis has demonstrated that teams can work remotely effectively. In the longer term, this will raise questions about real estate strategy for firms and their clients.
- **Enhancing support capability.** The crisis has highlighted that functions such as HR need to have a strong knowledge of areas such as personal data security, protecting the identify of those who become sick. They also need to understand the importance of recording sick leave for insurance and access to government relief.

“ PROFESSIONAL SKILLS SUCH AS EMPATHY, LISTENING, COMMUNICATION, INSIGHT AND CREATIVITY ARE NEEDED MORE THAN EVER

This will sharpen the focus of support areas for the future;

- **Moving to a new support model.** IT support now needs to help remote workers who may be working at any time of day. The concept of nine-to-five support has moved to 24/7 support. This creates pressure on the IT support team which requires new ways of flexible working, and
- **Culture matters.** Our firms' priority to support their teams and clients has been strongly felt. Clearly defining the firm's culture has helped at times when tough calls are required and builds client loyalty.

up and down, and using digital to extend revenue opportunities.

To win the economic war, we can perhaps learn from the Second World War. A fighter aircraft – the Spitfire – was key to turning the tide of the war, due to its speed and agility, as it could change direction rapidly and refocus on its target.

Accounting firms can lead the way in building Spitfire businesses that are able to respond to insight, be nimble, responsive and opportunity-driven. Keeping that goal in sight over these challenging months will be inspirational for us all. ■

BAKER TILLY: THE CRUCIAL ROLE OF THE NETWORK

In response to the global coronavirus onslaught, Baker Tilly CEO Ted Verkade tells *Zoya Malik* that the power of the network is now even more pivotal to the business survival of its member firms



Ted Verkade, Baker Tilly

Zoya Malik: What is your network doing to assess new Covid-19 developments and advise member firms to help them reduce risk?

Ted Verkade: The interests of our people, our clients and our communities are at the heart of everything we do, and this is particularly important during these challenging times. We are continuing to develop and share information and guidance with our people so they are fully informed on how to protect themselves, their families and their clients.

Delivering services to our clients is critical during this time, and at the same time challenging. Office closures and restrictions on movement require creative solutions to continue to provide audit, tax, legal, consulting and other services.

At the same time clients need us more than ever to guide them through at best uncertainty, but in many instances unprecedented challenges that may threaten their very existence. Many find themselves in survival mode and urgently need our support with cash flow planning, reduction of their workforce, applying for government aid programmes, and other unique problems.

Many of our firms have set up cross-disciplinary response teams to continuously monitor Covid-19 and ensure that we are prepared for any contingency. The power of belonging to a global network is now greater than ever: we are each of us learning from those who are weeks and months ahead of our own situation to ensure we are prepared.

Our global office is playing a pivotal role in sharing information, best practices that member firms have developed, and other

resources on both practice management and client services.

ZM: What is the plan for meeting member firms and clients in light of events being cancelled? What is replacing events? How do you intend to share knowledge?

TV: At a network level, we have, with the health and safety of our people at the forefront of our mind, cancelled all network conferences and in-person trainings and meetings. We are now working through the options, tools and technologies available to us to allow us to continue to provide the support and training our members need. Likewise, many of our member firms are turning to online technologies to deliver training and client updates.

ZM: Which of your member firms' markets are currently operating under lockdown? How are they managing to operate?

TV: Virtually all our members are impacted in some way by the pandemic – many are working either remotely or under total lockdown within their city and country.

We are fortunate in that our members have long-standing commitments to flexible working arrangements for their staff, and robust business continuity plans in place that are designed to address situations like we find ourselves in today. This means they have the technological, cultural and operational infrastructure in place already that allows their professionals to work remotely and continue to serve their clients from anywhere.

Where possible, and where the health and safety of their people is not compromised by doing so, some are keeping their offices open with skeleton staff. Clients are encouraged to use secure online technologies to submit documentations and so on, and videoconferencing is replacing traditional face-to-face meetings and allowing us to keep dialogues open.

ZM: What channels are in place to share knowledge among member firms in terms of the impact of Covid-19 on their business, and their response plans for continuing to serve clients?

TV: The network's social enterprise platform has become increasingly important as our key communication point across the network.

Through this platform we are sharing resources – developed by our own member firms as well as by the various external companies that we work and have relationships with – that not only help our members plan as best they can, but which are designed to keep the dialogue open with clients as we help them navigate this fast-moving and uncertain environment.

We are also sharing, through conversation capsules on our website, our leadership in helping clients respond to the challenges from the Covid-19 outbreak. Alongside this, some of our members have set up free Covid-19 hotlines to advise their clients, and have developed sophisticated online resource centres that are continually being updated with the latest advice – from government incentives to advice on managing cash-flow and working remotely. ■

REGULATION: IAASB CHAIR LOOKS TO TACKLE STANDARD SETTING

International Auditing and Assurance Standards Board (IAASB) chair Tom Seidenstein is assuring governments around the world that his board is moving to deal with two controversial auditing standards. *Tom Ravlic* reports



Tom Seidenstein, IAASB

Tom Seidenstein, a former senior president at Fannie Mae in the US, has walked into the role of IAASB chair at a tumultuous time, with debates surrounding the adequacy of audit regulation across many jurisdictions.

He has flagged that the IAASB has gotten a clear message from governments across the world, and that fraud and going concern are topics he and other global standard setters must tackle.

Seidenstein tells *IAB*, in his only one-on-one interview during a week of meetings in Australia and New Zealand, that reviews such as those done by the Competition and Markets Authority, the Brydon and Kingman reviews and the audit regulation inquiry in Australia, have raised the issues of fraud and going concern.

The IAASB has kicked off its preliminary research on both these areas in readiness for standard setting, but Seidenstein says that people cannot expect these issues to be dealt with quickly, given the complexities involved in both topics.

He points to the going concern project as requiring a significant amount of research to be done, so jurisdictional peculiarities are understood and the manner in which the laws, accounting standards, audit standards and governance standards work together in various countries.

“There are a number of different views on the role of audit and assurance in going concern statements out there. What’s the role

of management? What’s the role of financial reporting standards? What’s the role of audit standards? That’s yet to be determined,” Seidenstein says.

“We are in the process of researching the different regimes that exist nationally and internationally in relation to going concern, and understanding the expectations of users and other public officials in terms of going concern.”

RESPECTIVE ROLES

Seidenstein’s questions about the elements that drive considerations of going concerns are methodical, and this comes from a central point he made at the start of the interview: all parties have their role to play in the system, irrespective of whether they are directors, managers, auditors or regulators.

He notes that standard setters have an important role to play, but other parts of the system must ensure that the standards are enforced in their own way.

“I think that investors and other stakeholders depend upon all these parts to work together in a modern economy to provide sufficient trust and confidence in the marketplace to enable capital to be allocated in a fair fashion and consistent with societal needs,” Seidenstein observes.

“One of our strategic objectives is to make sure we are interacting properly with regulators, national standard setters, ethics standard setters, inspection regimes as well, to

make sure we recognise that we are a part of the broader ecosystem.”

Fraud is another particular favourite issue raised by commentators that believe auditors ought to be doing more. Seidenstein notes that the fraud project will need to explore any increase in audit scope and whether adjustments to the fraud standard are capable in any way of reducing the expectation gap. “What else the profession should be responsible for will be a focus of our project,” Seidenstein explains. “As people like to say, the expectation gap does exist.”

One problem for a global standard setter is that it deals with multiple jurisdictions, and this also means the IAASB encounters numerous stakeholders in each country, to which the IAASB chair travels. Seidenstein also is aware that time-poor professionals and investors have views, and he has prioritised a greater use of technology to make it easier for them to articulate their perspectives without needing to submit comment letters.

Collaborative forums such as discussion boards are on his mind in order to seek views from investors, analysts and other stakeholders at different stages of projects.

“One of the things I have thought about is how you meet people, where they want to meet us,” Seidenstein says. “Getting investor input is difficult because they are not technical in the way people from the profession are. They have other daily demands as well, and they do not have huge infrastructure to write comment letters.” ■

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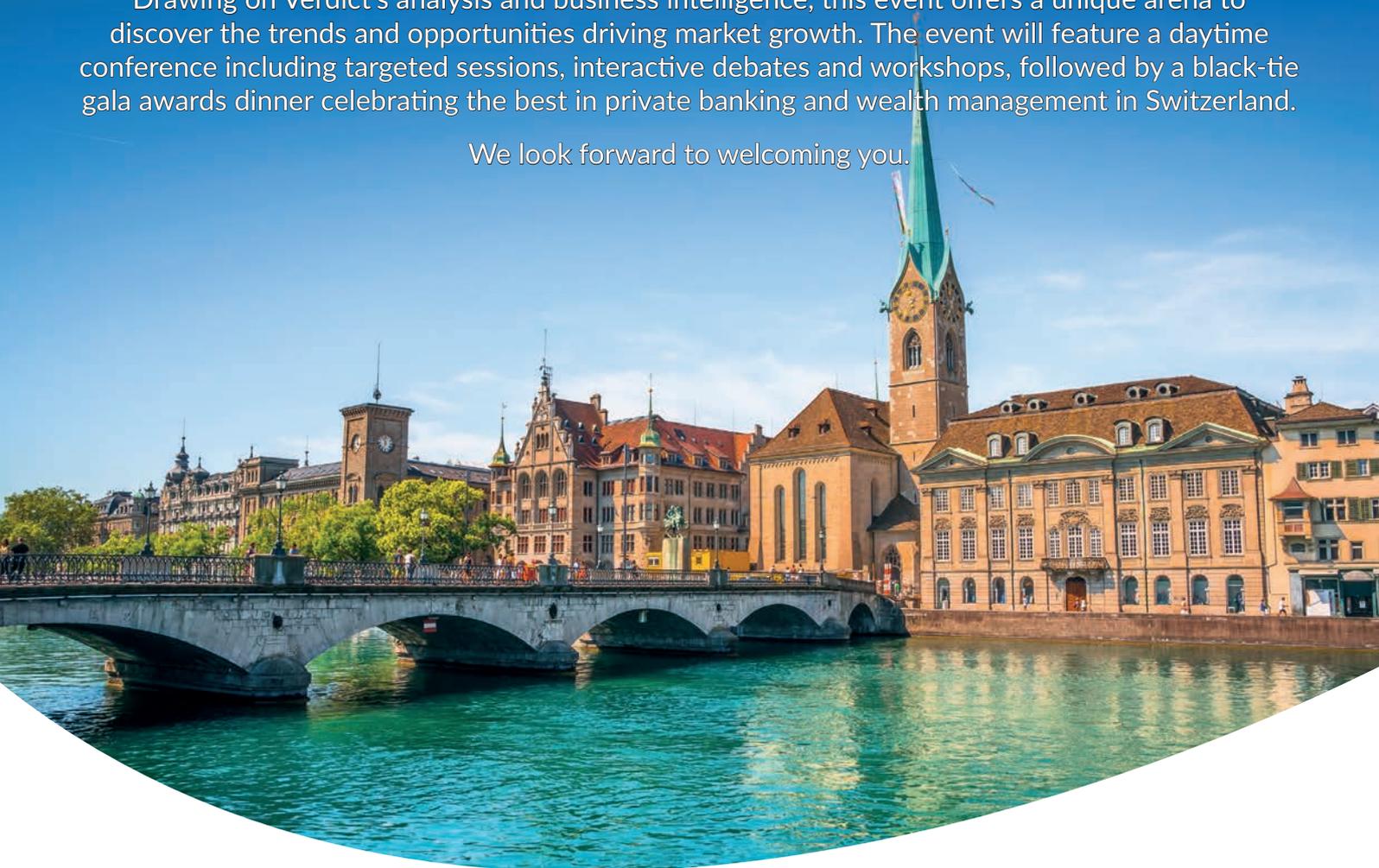
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