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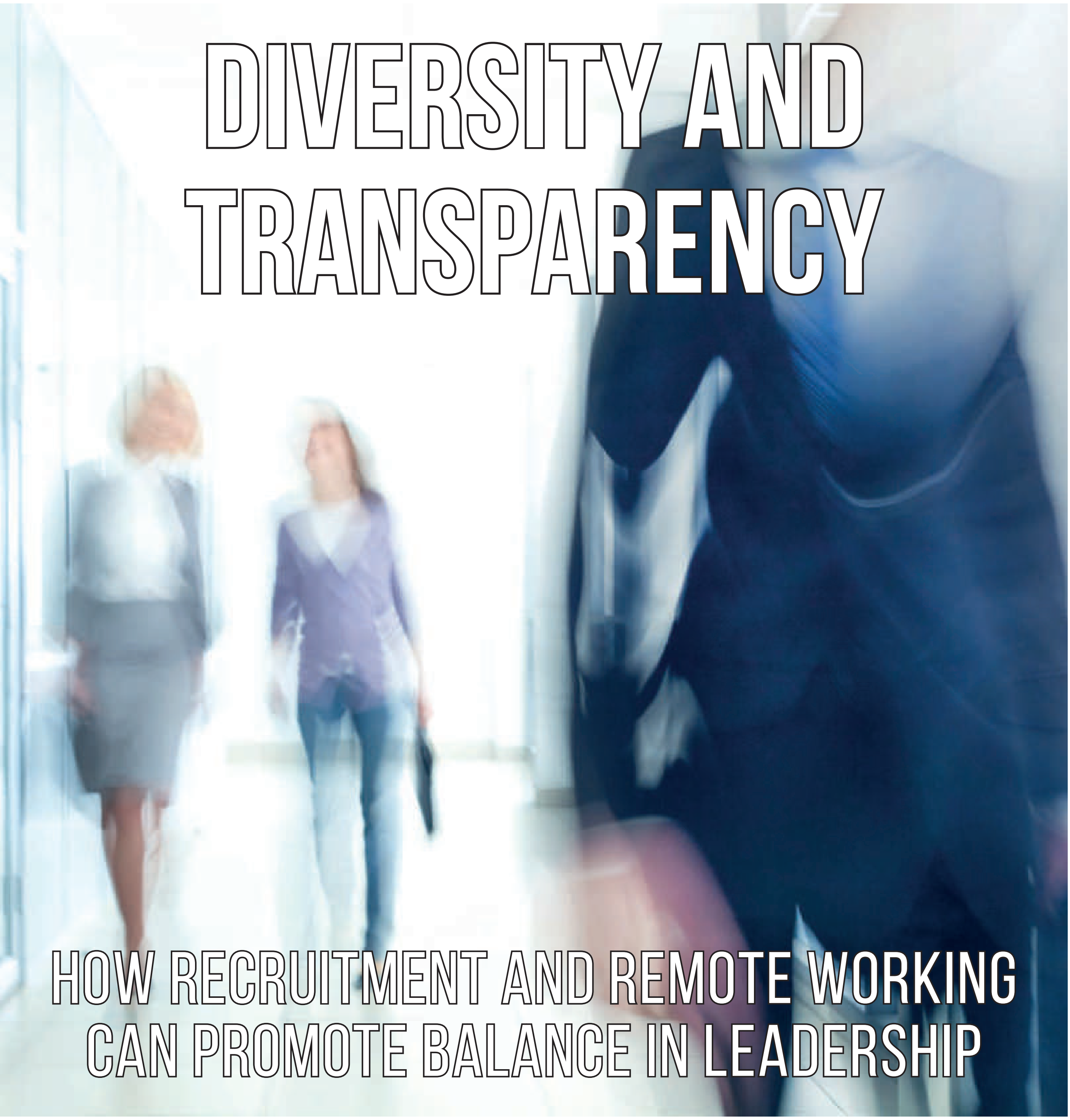

DIVERSITY AND TRANSPARENCY

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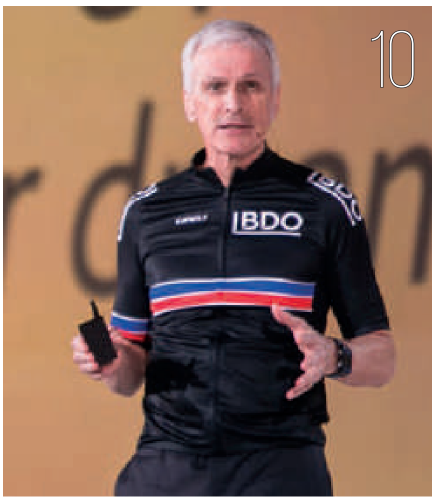

EDITOR'S LETTER
A CHANCE TO INTERACT WITH A GLOBAL COMMUNITY

Zoya Malik, Group Editor

WE HAVE ADAPTED OUR YEARLY EVENT – THE DIGITAL ACCOUNTING FORUM (DAF) CONFERENCE & AWARDS 2020 – TO BE HELD ON 30 SEPTEMBER, SO THAT IT WILL BE FULLY ONLINE AND PRESENTED IN A 'VIRTUAL' ENVIRONMENT.

We have been heartened to have over 330 delegates sign up to the conference, and also a tremendous response in terms of the number and quality of submissions for this year's award places. We have also been well supported by technology sponsors and accountancy partners.

We are thrilled to have a chance to interact with delegates, exhibitors and all those tuning into the panel discussions through the course of the day, and also those attending our prestigious DAF Awards, which are highly coveted throughout the global accounting community.

We would like to thank all of our sponsors, 20-plus exhibitors, and delegates for their continuing support that reaffirms the value and trust they place in our brand and partnership. We received a very high quality of submissions over 13 award categories. These awards were adjudicated by an independent panel of judges, experts in their fields and well acquainted with the international accountancy profession.

In this September issue, read my interview with Keith Farlinger, Global CEO at BDO, about his strategic vision for the network and delivering to clients through Covid-19 challenges.

Diversity in the workplace is explored in a feature by reporter Isabella Colletta, who has been in conversation with leading accounting figures Liza Robbins, Memoria Lewis, Helen Brand, Jean Stephens and Tendai White on their views on how to achieve diversity of strengths and balance in leadership in the workplace.

PrimeGlobal CEO Steve Heathcote explores how auditors can create more value for clients, while in a Talking Heads interview, Stephen Hamlet, CEO at Russell Bedford International, and James Ngai, MD of its Hong Kong office, talk about the merits of its Professional Development Programme roll-out in Asia-Pacific.

The launch of Delphi Alliance this month leads us to focus on its CEO, Christos Christodoulou, who informs our readers about its positioning within the mid-tier accountancy universe and its 'network within a network' concept.

With the return to work looming on the minds of the workforce, A City Law Firm founder Karen Holden discusses some FAQs on what employers may need to consider for employees returning to work.

In addition to industry news, there are also four *IAB* rankings covering the Latin American cluster; these include Panama and Brazil, with additional feature reports for Chile and Colombia.

We look forward to welcoming you to the DAF Conference and Awards 2020. ■

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

NEWS UPDATE

IFAC calls for international sustainability board

IFAC has called for the creation of a new standard-setting board to "build and coordinate a coherent global ecosystem of interconnected financial and non-financial reporting".

IFAC CEO Kevin Dancey said: "The time for a global solution is now. Given the momentum that has developed this year – because of work by Accountancy Europe, WEF/IBC, the European Commission, IOSCO and the five leading reporting initiatives – we have a unique opportunity to act in concert to do the right thing in the public interest. IFAC believes the IFRS Foundation, with the backing of public authorities, is optimally positioned to lead and coordinate this initiative, and it would do so with our full support.

"We recommend that the proposed board adopt a 'building blocks' approach, working with and leveraging the expertise and disclosure requirements of the CDP, CDSB, GRI, IIRC and SASB."

Veronica Poole, global IFRS leader and head of corporate reporting at Deloitte, added: "Transparent measurement and disclosure of sustainability performance is a fundamental part of effective business management, and is essential for preserving trust in business as a force for good.

"IFAC's vision is fully aligned with the joint vision of the leading standard-setters on how their current standards and frameworks could complement IFRS Standards and US GAAP, and serve as a natural starting point for progress towards a more coherent, comprehensive corporate reporting system."

"We now have a unique opportunity to accelerate progress and house all the relevant standards under one roof as suggested by IFAC, to connect sustainability disclosure standards focused on enterprise value creation to financial GAAP. Integrated reporting together with the IASB's work on Management Commentary can provide a framework for this connectivity."

She continued: "IOSCO has stated its commitment to bring about the system change for the capital markets, and the IFRS Foundation trustees have indicated that they will consult on introducing a sustainability-focused standard-setter under the umbrella of the IFRS Foundation. The stars are lining up to bring about the fundamental shift in reporting that investors, business and society at large have been calling for."

IIRC CEO Charles Tilley said: "The IIRC has long championed a vision of a comprehensive and cohesive corporate reporting system to drive effective corporate governance and sustainable value creation. Bridging the gap between the two worlds of financial reporting and sustainability reporting is a vital element in fulfilling this vision, and we support the development of a conceptual framework, based substantially on integrated reporting principles, to facilitate the linkages that will break down silos and restore trust."

AICPA president and CEO, and IIRC board chair Barry Melancon added: "This is an important moment for the IFRS trustees, as businesses and investors need robust and trusted standards and interconnected oversight. A cohesive approach to reporting is not just more efficient, it is essential to unlock the positive force of value creation.

"We also need innovation to complete the corporate reporting system, to ensure we have an assurance process that is fit for purpose and the technology to support high-quality reporting and governance." ■

AICPA RELEASES GUIDANCE FOR GOVERNMENT GRANT RECIPIENTS

The American Institute of CPAs (AICPA) has issued a set of technical questions and answers (TQAs) to assist US non-government healthcare organisations account for state grant payments. These include payments received from the CARES Act, the Provider Relief Fund, and boosted Medicare and Medicaid grants.

The guidance document was developed by the AICPA Health Care Expert Panel, and aims to assist businesses and not-for-profit organisations. The TQAs provide background information on the grants, and address seven specific inquiries regarding governmental funding. The guidance also gives non-government entities advice on selecting an appropriate accounting model to apply to a government grant.

Panel member Brian Conner said: "We hope these TQAs will provide some helpful information to practitioners on the accounting for Provider Relief Fund general distribution payments and payments for treating uninsured Covid-19 patients. The TQAs also address payments received under the Medicare Accelerated and Advance Payment Program and the temporarily increased payments for services to Medicare and Medicaid patients."

AICPA manager Andy Mrakovcic added: "There is currently no explicit guidance within US Generally Accepted Accounting Principles on the accounting for government grants to healthcare business entities. We hope these TQAs will help healthcare business entities select an appropriate accounting model when applying for a government grant." ■

FINANCE AND INSURANCE THE MOST DIGITALLY PREPARED SECTOR

The finance and insurance sector leads the way in digital preparedness compared to other sectors, according to research by Hays Thrive. The sector holds the highest digital intensity at 95%, as calculated by the percentage of job advertisements in the field which require digital skills.

However, the Hays study shows a significant lack of digital capabilities in UK firms in general, with three in 20 employers facing a severe digital skills gap. While 38% of employers believe they have the skills required to meet their organisational objectives, the majority of employers, approximately 62%, acknowledge that their workforce only has some of the skills required or faces significant shortages.

While the majority of employers face shortages, evidence shows that the private sector is better prepared for digital transformation than the public sector. Around two-thirds of private-sector (64%) employers say they have access to all or some of the skills they require, compared to only 56% of public-sector employers.

Employers are also in need of sector-specific skills as opposed to baseline digital competencies, such as knowledge of programs such as Microsoft Word and Excel. Knowledge of Adobe Photoshop and customer relationship software, alongside other sector-specific software, has become more advantageous when recruiting new staff members. A government report recently revealed that around 82% of all jobs in the UK advertise digital skills as a requirement, demonstrating their importance in the workplace.

Transforming the workplace into a digitised environment holds challenges, with the Hays survey revealing that 58% of UK employers give lack of skills from current staff as the top reason for the lack of digital performance. However, the general attitude towards digital transformation in the workplace appears to be positive: 78% of employers and 69% of staff say they have an open mind towards the process of digital transformation.

While there is a significant digital gap in many UK firms, Hays also used its research to identify solutions to bridge the divide. The organisation places priority on identifying the gaps, and encouraging a culture of both self-directed and continuous learning around the digital field.

Lee Owen, director at Hays Accounting and Finance, said: "We're seeing greater use of programming tools to provide insight on potential risks and opportunities within accounting and finance teams, as well as data-based decision making through digital means. With proficient use of these programs and tools, the service provided by finance teams will be more accurate, insightful and future-focused.

"While it's essential that accountancy and finance professionals upskill in order to take advantage of emerging and disruptive technology, the importance of soft skills such as communication, adaptability and emotional intelligence mustn't be underestimated. Without really paying attention to these skills, we won't be able to make the most of the human value we have to offer. It will be key to nurture both digital and soft skills to really thrive in our ever-changing world of work." ■

ICAS ANNOUNCES YOUNG TOP 100 FOR 2020

The Institute of Chartered Accountants of Scotland (ICAS) has announced its top 100 young chartered accountants (CAs) as part of a global competition

The Top Young CAs competition is ICAS's annual showcase of the best and brightest CAs in the world of accounting, finance and business. The CAs selected in this year's list all faced an anonymous and rigorous judging process focused on finding young professionals who are outstanding in their field. An overall winner – the One Young CA 2020 – will be chosen from the top 100 in October.

ICAS chief executive Bruce Cartwright said: "I would like to congratulate all of the exceptional CAs who made it on to this year's Top 100 Young CAs list. It is a great achievement to make it onto the list, and it presents a wonderful chance for these talented young CAs to be recognised by their peers.

"This year's awards take place against a backdrop of the Covid-19 pandemic. The world will need accountants, of all ages, experience and diversity of background, as we navigate the challenging economic and personal impact of this crisis.

"The attributes we highlight in our categories – talent, trust and technology – will help us get there. We applaud the qualities exhibited by these top 100 CAs aged 35 and under, selected by our panel of expert judges, and indeed many more beyond this group."

Nominations were invited from both the CAs themselves and their peers. The categories of technology, trust and talent in the 2020 programme represent the areas of focus for the CA Agenda, ICAS's thought leadership initiative launched last year.

Some 67 CAs were successfully nominated in the talent category, with 19 in trust and 14 in technology. ■


Bruce Cartwright, ICAS

COMMUNICATING VALUE CREATION WHEN PLANNING FOR A POST-COVID WORLD

Covid-19 threatens organisations' ability to generate value. Many businesses are thinking about their purpose, business model, and how to serve stakeholders beyond shareholders alone, comments *Stathis Gould,* director of advocacy at the International Federation of Accountants (IFAC)

Today's overwhelming uncertainty is revealing fractures in corporate reporting.

With constrained cash flows, new questions about business models and forecasting in the face of uncertainty, many businesses are grappling with an urgent and multifaceted challenge: how to chart a path toward long-term, sustainable success while tending to the needs of all stakeholders.

Companies must establish and provide more comprehensive information about who they are serving and in what ways. Doing this requires two things: focusing on long-term value creation and enhancing external reporting.

Stathis Gould, IFAC

Embrace value creation

Boards, CEOs and managers are crying out for better information on what is driving value, and on opportunities for and risks to long-term value creation.

But PwC's 22nd *Annual Global CEO Survey* reported that data considered critical or important for decision making is not comprehensive enough in most organisations. This inadequacy inhibits the ability of boards and management teams to steer organisations on all relevant aspects of value creation.

CFOs and finance teams can lead in delivering enterprise-wide understanding of value creation by integrating and connecting financial and non-financial value drivers across three interrelated value perspectives:

- **Traditional accounting perspective** (balance sheet/book value) – derived from capital employed and represented by the financial statements;
- **Investor's perspective** (business value) – derived from strategic and intangible assets that generate future growth and provide the basis for residual income, sustainable earnings and valuations, and reduced risk;
- **Society's perspective** (societal value) – representing the impacts of an organisation's activities on customers, employees, society, and the environment. External impacts, which represent future opportunities and risks, can be quantified and monetised, but are typically not yet reflected in the cashflows of the company.

Understanding these perspectives on value is necessary for management to make informed decisions that optimise value creation while managing trade-offs between various stakeholders' interests. This is especially important in the face of Covid-19.

The CFO and finance function are well positioned to provide high-quality information across these three value perspectives. Through integrated performance management and reporting, they can bring together relevant data to deliver actionable information that leads to value-creating and value-preserving decisions across the organisation.

Understanding value creation is one piece of the puzzle; another is improving corporate reporting. For external reporting to be useful and reflect reality, it should align with internal priorities and the measurement of value creation.

External communication

Corporate reporting should capture all relevant information about organisations required by investors and other stakeholders to make decisions on allocating their capital. But information on key drivers of value creation is largely missing in corporate reporting and disclosures.

This is a significant problem, with intangible assets making up over 80% of all business value. Under increasing expectations from investors and asset managers, companies are increasingly disclosing environmental, social and governance (ESG) factors. These have been shown to be financially material and can represent opportunities and risks to long-term value creation. The additional information being reported is not necessarily helpful: some of it lacks comparability or usefulness and is not placed in context. Momentum has grown for enhancing corporate reporting to respond both to complexity caused by different jurisdictional requirements and to the absence of agreed-upon standards beyond financial reporting.

IFAC has made a strong call for global standards that address non-financial information to improve the quality of reporting, reduce costs to business, and better enable investors and asset managers to allocate their capital toward long-term value creation. The development of global standards should also help assurance practices to evolve – an important piece of the puzzle, as assurance is most effective when applied against metrics and disclosures that follow clear best practices or standards.

The standard-setting activities of organisations such as the Sustainability Accounting Standards Board and Global Reporting Initiative, along with more recent initiatives such as the World Economic Forum Common Metrics project, provide the building blocks for comparable, consistent and reliable data on ESG factors – among other issues – needed by investors and other stakeholders. The International Integrated Reporting Framework provides the strategic and multi-capitals context for metrics and, we believe, provides the framework for international efforts to connect financial and non-financial reporting.

Covid-19 has left individuals, businesses, and societies with one certainty: uncertainty. For organisations that can weather the short-term challenges, developing a long-term strategy that delivers value to all key stakeholders, and communicates this to the market, will be the foundation of success. ■

DELPHI ALLIANCE BRINGS THE 'NETWORK WITHIN A NETWORK' CONCEPT TO THE MARKET

Delphi Alliance opened for business in September 2020. *Zoya Malik* spoke to its CEO, Christos S Christodoulou, FCCA, CFE, about what the new alliance will bring to the market and how it will differentiate its services and expertise

Zoya Malik: What was the background to the set-up of Delphi Alliance? What is its USP?

Christos S Christodoulou: All successful projects have been initiated by a team of people with a unique vision. We have been monitoring the behaviour of networks, alliances and associations for some years now, and we have compared the supply of their lines of services with the demand of the emerging businesses, the mid-tier multinational companies.

The absence of a multi-practice network with member firms that can provide all the range of professional services the entrepreneur is demanding, is easily seen. That belongs to the past. Delphi Alliance is here to bring a new era to international networks, offering a unique blend of business services and alliances on a global scale. A multi-practice network of professionals who service the entrepreneur, empowering its members to achieve what previously seemed impossible. Our scope is to link professionals from twelve different lines of services, who share the same vision, values and ethics, create opportunities and build synergies globally for the member firms and help them to grow.

We are promoting a 'network within the network' concept, where 12 different lines of professionals will be working together within their own country, independently but under the umbrella of Delphi Alliance. At the same time, they will be participating with similar networks globally, sharing resources, know-how and business opportunities through international alliances.

ZM: What is your target market for recruiting member firms, geographical reach and services?

CC: Our target market is middle-sized independent firms across the globe, which fall into 12 different lines of business servicing directed to the entrepreneur, such as accounting, auditing, taxation, financial advisory and monetary, management advisory, business advisory, legal services and liquidations, fiduciary and administration, information technology, marketing and advertising, human resources, real estate, reporting, translation and interpretation, professional training and education.

> "OUR TARGET MARKET IS MIDDLE-SIZED INDEPENDENT FIRMS ACROSS THE GLOBE

DELPHI ALLIANCE
a multi-practice network

We have prepared a specific roadmap and a strategic plan for the setup of the network. Our priority is to appoint founding members in each country and set up the 'network within the network' concept, starting with 55 business cities in 38 countries by 2023. This will allow us to expand further, from 2023 onwards, covering the rest of the world.

Delphi Alliance has already been registered as a European Trademark for classes 35, 41, 45 and specific services under class 36, covering the mentioned lines of business. The registration is also underway outside the EU, creating a trademark recognised worldwide.

ZM: What is your strategic vision for the next three years?

CC: We do not aim for numbers or target any rankings! Our vision is to create what is currently missing from the global professional landscape: to create a multi-practice network!

Being unique, we will be a category of our own. We want to attract quality professionals from all over the world who can work together in the 'network within the network' concept and let it grow on its own. We don't want passive members, but active, energetic members who are willing to work together with other professionals and provide the ultimate professional package for the client!

Although the next three years will be a recruiting phase, we have a plan to keep our founding members active, both locally as well as globally. We aim, with the completion of the first three years, to have the concept fully operational. And of course, we aim to reward our founding members who will support us in this, with privileges that will last forever.

ZM: Which practice lines are gaining momentum through Covid-19 and how will your new network respond?

CC: The pandemic has indeed created momentum for some business lines way beyond the traditional range of professional services offered by the existing networks. That is another proof that the entrepreneur is demanding solutions from its service providers that are not there in the professional networks.

We have witnessed a tremendous increase in all IT services (internet services, cloud, video conferencing, data centres, working remotely etc), Fraud prevention and Fraud Investigations services, Human resource management and loan restructuring/finance services. That is precisely, what Delphi Alliance is targeting to provide. We pray that the pandemic is soon over, but the lessons we have learned imply that we need to design a completely new concept of doing business and that we need to be united, both locally and globally.

ZM: How are you approaching lead generation through Covid-19 business challenges?

CC: Apart from the restrictions in travelling and face-to-face meetings, which have been replaced by video conferencing, our strategy for lead generation remains unchanged; through our list of candidate member firms in various countries, we are carrying out an in-depth analysis of the business sectors and the key mid-tier professional firms in each country.

We have established numerous leads through associations and government portals which help us to identify the appropriate candidate members.

ZM: What is your approach on bidding for projects and joint ventures? What is your experience of this in the current business environment?

CC: We are developing channels of communication with governments and local and international professional organisations. Our objective is to monitor global engagements, to allow our members bidding for domestic and international projects, through the creation of joint ventures and alliances, bringing together teams of experts and members of distinct specialisations. We want to offer our members the opportunity to engage in projects which, under other circumstances, would be very difficult or almost impossible to do on their own.


Christos S Christodoulou, Delphi Alliance

Currently, this seems to be impossible for mid-tier firms and the statistics show that this is an environment enjoyed only by the big firms. Alliances like the one we aim to have will provide the chances for mid-tier firms to bid for some of these projects.

> “ WE WANT TO OFFER MEMBERS THE OPPORTUNITY TO ENGAGE IN PROJECTS WHICH, UNDER OTHER CIRCUMSTANCES, WOULD BE VERY DIFFICULT

ZM: What are the backgrounds of your board members? What strengths do they bring to your organisation?

CC: Our founding board members are an incredible team. They come from a broad professional environment and they share the same vision and enthusiasm with our COO and myself. Our team is expected to grow regionally, with board members who can offer resources and contacts all over the world.

The type of strengths we carry on our board is focused on the deliverables of our vision: to create a multi-practice network and become the centre of the world for professionals.

ZM: What is your due diligence process in onboarding new members?

CC: We carry out an in-depth analysis of each candidate member firm. We want to know everything about our candidates, prior to the acceptance of their application – from their existing structure, their fees, their type of clientele mix, their professional and legal status, to their business plan for expansion and growth.

We analyse the way they promote their firms and we take that into account when setting up our centralised marketing plans to make them visible in the network.

ZM: What is your view on accountancy firms transforming into multi-disciplinary organisations? Why is this important? Which practice lines will grow over the next three years?

CC: That is not an easy task. Breaking the lines of business merely in different legal entities with common control is still not enough. Independence and ethical issues will remain, and this will be the main problem for the regulators.

Multi-disciplinary can only be achieved by truly independent firms like the vision we promote through our network. Working together is one thing, but the common control factor will always be an obstacle for those firms who believe that a legal separation of lines of business in several entities is the solution.

Financial services, fraud prevention and investigations, human resources and technology are, in my opinion, the lines of service that will record the highest growth over the next decade. Our network aims to attract some of the very best professionals in these practice lines.

ZM: Is there anything else you would like to add?

CC: The landscape of the professional associations, networks and alliances is changing. Delphi Alliance aims to create a classification on its own – we truly hope that this will be the beginning of a new era! ■

PEOPLE HELPING PEOPLE TO ACHIEVE THEIR DREAMS

Keith Farlinger, global CEO at BDO, talks to *Zoya Malik* about his strategic vision for the network over the next year, and explains how having a clearly stated purpose helps drive organisations to do better, to deliver on the business roadmap and manage the current pandemic challenges

Zoya Malik: What is your strategic vision for BDO over the remainder of 2020?

Keith Farlinger: As with most organisations, BDO has had to react swiftly to the global pandemic. However, our dream remains the same: to be a leader.

We will continue to build a culture of innovation, positioning BDO as a leading digital brand, and help our clients succeed in the new digital economy. We will strengthen our position as leaders in the market, putting 775,000-plus clients and their challenges at the centre of our focus.

Our global reach means we can service our clients wherever in the world they are based and that we can assemble the best group of subject matter experts from across our firms to work together and find the right solution for each client. We will continue to invest in our people, developing our advisers of the future – professionals focused on helping clients, professionals who are digitally savvy and professionals who understand and can consult on the business issues and opportunities faced by our clients. This will mean that to offer bespoke and best-in-class solutions, BDO will continue to diversify our service offering.

We are bringing new firms to our global organisation, investing in business-critical acquisitions and conducting strategic mergers. And finally, we have a powerful purpose, our *WHY: People helping People achieve their Dreams,* which glues us together as a global organisation and guides all our thinking and activity.

The Covid-19 pandemic has seen countries turn inwards in order to protect their citizens, but this phase will pass and businesses small and large will increasingly trade internationally. To support our clients, we are placing an even greater emphasis on growing business together, an initiative for our firms to work closer together on global opportunities. The markets in which we operate continue to be driven by technological transformation, and the pandemic has even accelerated digitisation. Clients are seeking a seamless service across borders and markets, and with an increasingly deep industry expertise. BDO is naturally evolving towards 'one' organisation, with joint multidisciplinary teams working together with the aim of expanding into the large corporate market capturing international and domestic opportunities. The local mid-market positions remain a strong element of BDO.

> "
> THE LOCAL MID-MARKET POSITIONS REMAIN A STRONG ELEMENT OF BDO

ZM: Do you have a roadmap for growth over the next three years?

KF: Though our strategy is clear: the pandemic has forced us to rethink our business model, navigating the new reality.

We reacted quickly to the crisis at hand, and developed a global framework designed to re-evaluate the future. It was shared across the BDO network, to reinforce our position as a global organisation and increase the strength of our service offering. The model includes the three stages of a crisis: react, resilience and realise. It provides guidance to our firms as we steer through the crisis, share experiences and communicate to local markets.

BDO has identified a number of over-arching business themes, focused on the major challenges of our clients and stakeholders: bringing together communities of interest, common tools and methodologies, to best support our clients and share knowledge. Some of the areas we will be focusing on are supply chain, funding for growth, digital transformation and sustainability. The key will be agility, as we believe that uncertainty will linger for months to come.

ZM: What factors will you look at to stimulate growth and investment, and to manage risk?

KF: A new reality will result in new business themes and new challenges. As mentioned earlier, we aim to continuously rethink our own service offering, so it is fit for purpose, responding to the (new) challenges our clients face. But we will also help our clients rethink their own business models, and service and product offerings.

Factors we consider for growth include leadership, smart adoption of technology, a new type of client loyalty, investment in the right talents and expertise, and finally a strong company purpose.

ZM: What are the immediate challenges at this uncertain time, with Covid-19 impeding business?

KF: The key challenge is ensuring we have the right agile leadership throughout our organisation in these uncertain times.

Today, the leaders of our firms need to build teams that believe in the BDO vision, are empowered to work with and understand the needs of their clients, are trusted advisers, are given the necessary accountability and live our global *WHY* every day.

Leadership is about doing the things you need to do – as opposed to saying what you should do. But it is also about building the leadership of tomorrow, using the unique strengths of your people to arrive at the best possible solution to a challenge or the best strategy.

Leadership is about knowing when to take the lead, but also when it is better for someone else to lead to do the right thing for our clients, our people, our organisation; this will allow us to achieve our dream of It's Time for BDO to Lead.

ZM: As the FRC has mandated an operational split of the Big Four's audit practices by July 2024, would BDO consider such a split? Will it be more or less competitive for BDO in terms of service lines and revenue growth?

KF: In the UK, our firm is currently scenario planning for a variety of potential outcomes – one of which includes the possibility of moving our audit practice to a separate subsidiary within BDO in the UK – so we can demonstrate it would be sufficiently profitable and operate within a controlled environment focused on quality.

This isn't a proven path, but if the audit profession is genuinely committed to

Keith Farlinger, BDO

addressing the concerns that have been raised by a number of high-profile industry reviews, it must demonstrate this with bold action.

Our discussions are hypothetical, ongoing and would be subject to detailed consultation with the partnership, but we are certainly considering such an eventuality.

ZM: Can mid-tier organisations compete with the Big Four based on this model?

KF: Around the world, BDO can already compete with the Big Four. In the UK specifically, our firm is experiencing an unprecedented level of demand as more companies turn to them as the largest 'challenger' firm in their search for greater choice that is free from conflicts of interest.

We now audit the second-highest number of listed companies in the UK, second only to PwC. However, it's true that the Big Four still has the FTSE 100 market sewn up, and it's important to break that stranglehold: size isn't a proxy for quality, but this isn't reflected in the competitive market structure.

We believe a cap on the number of companies that any one firm can audit would be the most practicable step towards improving competition. An 80% market share cap on the number of FTSE and public interest companies that the Big Four can audit would open up the market more quickly and bring about greater resilience than any other measure.

ZM: Would mid-tier firms need to invest further and consolidate?

KF: Whatever reforms are introduced, we're continuing to make significant investments in our audit practice, with a particular focus on training and technology to maintain and improve quality.

In the UK, our firm's merger with Moore Stephens LLP in February 2019 provided a welcome boost to our UK audit practice, which now comprises approximately 2,250 auditors, with a growing number of dedicated sector specialists. Consolidation in the mid-market makes total sense, so it would be surprising not to see more of this.

> " LEADERSHIP IS ABOUT KNOWING WHEN TO TAKE THE LEAD, BUT ALSO WHEN IT IS BETTER FOR SOMEONE ELSE TO LEAD TO DO THE RIGHT THING

Keith Farlinger and BDO staff mark International Women's Day on 8 March

ZM: What is BDO's plan for staffing and retention over the next year?

KF: The pandemic has impacted us all. Though BDO is doing its utmost to ensure the crisis does not impact our people, some firms have had to take temporary measures to guarantee a long-term financially healthy and stable organisation. Some of the measures taken are temporary unemployment or a model of solidarity, where all staff agreed to temporarily reduce their income or number of working days. BDO is, and will remain, a people business. Our talents are our most valued asset – and BDO will go above and beyond to retain its experts and make sure they feel respected for their professionalism and commitment these past months.

While the crisis is ongoing, the technological acceleration is impacting our profession as a whole. It is changing what we do as professionals, and how we deliver services to our clients. As such, BDO also continues to invest in new talents with a very different background, with expertise in many different areas. As an example, we are now also hiring engineers and psychologists – profiles we would never have considered a few years ago.

> "BDO WILL GO ABOVE AND BEYOND TO RETAIN ITS EXPERTS AND MAKE SURE THEY FEEL RESPECTED FOR THEIR PROFESSIONALISM AND COMMITMENT

Finally, our client surveys are telling us that more of our people want to work from home more, and we are building that into our staffing plans as well.

ZM: What are your plans for learning & development?

KF: We are now building a generation of proactive advisers of the future. Our learning and development professionals understand the skills we need to develop to become digitally aware, as well as the skills we need to focus on and practice to create memorable client experiences.

BDO's professionals worldwide are readily embracing future-oriented technology, transforming our client service approach by applying skills and insights with a digital mindset. But our focus on digital intelligence is not at the expense of IQ or emotional intelligence: BDO people combine digital awareness with relationship building, so they can truly understand our clients' challenges and be true advisers.

We know that developing our professionals' leadership skills is essential, as it works directly with our aim of empowering our people. Our objective is to combine digital skills with relationships that are built on trust and a deep understanding of our clients.

As an example, we have recently launched a digital marketing hub; we are running a wide variety of leadership programmes, and we offer a full range of training programmes for all of our 80,000 people.

Our e-learning is very advanced which is a superior way for people to train at the time best suited for them and better retain the key learnings of each topic.

ZM: What other new initiatives will be rolled out over the coming year?

KF: Needless to say, the current crisis has resulted in a need to focus. For the coming months, our *Rethink* framework, with its designated business themes, will be our priority. To be a leader in our markets, BDO will also continue to expand its industry sector expertise, such as real estate and construction, technology, private equity, natural resources and so on.

BDO has an innovation culture, which makes us more efficient, keeps us competitive in the market and ensures that our clients continue to receive value. We will continue to invest in our multi-faceted innovation strategy that is engaging employees, providing clients with value and transforming the way the brand is being perceived.

As for most organisations, we have had to switch – almost entirely – to digital collaboration, our technical resources are more important than ever: our BDO Digital Suite of global tools includes APT Next Gen, Portal and Advantage. Together, these platforms streamline the exchange of information, ensuring an improved digital experience for our partners and our clients.

And finally, sustainability is a key area for us. It is about making the right choices, whether it relates to sustainable business processes, the environmental agenda, talent management and diversity & equality. Most of these tie directly to our well-established purpose: people helping people.

ZM: What other strategic aspects are you focusing on?

KF: We would like to address the importance of having a clearly stated purpose. Purpose-driven organisations do better: they are more ambitious, they attract and retain the right talent, they inspire innovation and are able to make faster decisions. Crucially, they are more trusted. Why? Because they know exactly why they do what they do, and who they are doing it for.

BDO has a very strong purpose, our *WHY: People helping People achieve their Dreams.* This is the very essence of BDO, and makes us unique. It puts into words why we exist, and is our global organisation's fundamental reason for being, what defines us.

The pandemic has shown just how important our *WHY* has been. These past few months, we have seen an amazing commitment from our worldwide colleagues to help each other, to help our clients and to help the communities we live in.

I can only confirm that I am proud to be leading such a great people organisation. ■

THE DARK UNDERCURRENT THAT LIES WITHIN ACCOUNTANCY

***Miles Tappin,* VP of EMEA at ThreatConnect, explores the growing threat that cybercriminals pose to accountancy firms, and how the industry needs to unite to build an effective cybersecurity defence strategy**

Miles Tappin, ThreatConnect

Across the accountancy sector there is a drive to modernise and benefit from the rise of new technologies from artificial intelligence to big data.

Increasingly, accountancy firms are exploring ways to use these new technologies to reduce the time spent on manual data-entry tasks so they can offer more consultative services. For example, by automating payroll functions, accountants can focus on offering more strategic services such as forecast modelling and cashflow predictions.

However, it is becoming clear that the pace of technological change is a double-edged sword: it enables innovation and change, but it is also a most destructive force and gives opportunistic cybercriminals new attack vectors.

Accountants are one of a business's most trusted advisers, responsible for holding large amounts of private data on everything from a company's financial performance to payroll data and M&A activity. As a result, they hold a goldmine of information that is attractive for cybercriminals – anything from intelligence about an upcoming merger and acquisition that can be used for financial gain to the taxation records of large corporates and high net worth individuals that can be sold to media outlets.

NO ROOM FOR ERROR

The challenge for the accountancy sector is that there is fierce competition between lots of different firms that all use similar software. If a criminal finds a vulnerability that can be exploited, they have lots of potential victims.

For mid-sized firms the risk is even more pronounced. Without large security operations in place, keeping pace with the fast-changing technical developments, policies and procedures can be a challenge. Adversaries are getting smarter, scams are becoming more convincing and the global pandemic means workforces are dispersed, making it more difficult to ensure normal security practices are being observed.

To reduce complexity and simplify decision making, financial organisations need to unify processes and technology to harness the security intelligence that comes from across their own security programmes and external sources to drive down risk.

A SENSE OF UNITY

No firm can tackle the problem alone. Experienced threat actors using advanced techniques are constantly targeting the accountancy sector, so the industry needs to come together as a whole to foster a sense of collaboration and data sharing.

There is a wealth of information available from accountancy bodies, such as Action Fraud, the Fraud Advisory panel, the National Crime Agency and HMRC that offer advice on suspicious trends and scams that are being seen. Accountancy firms need to share intelligence on the threats and hazards they are seeing with other firms, industry groups, government agencies and other relevant authorities, to build industry specific insights into cybersecurity threats and quickly pivot to gain more information on those specific threats and threat actors. By working together, a picture can be painted on threats coming from all manner of malicious activity, from malware and ransomware to phishing and software vulnerabilities.

BREAKING DOWN BARRIERS

Having the right intelligence is not enough to ensure that intelligence is turned into action. Breaking down information and process silos across teams allows organisations to analyse and act on the most pertinent information. Everyone has access to the risk and threats that matter most, and orchestration and automation of response helps overwhelmed firms to prioritise response plans and improve efficiencies in their security programme.

Integrating internal security tools and technologies, while also connecting to external sources of intelligence, creates a single source of intelligence that feeds operations and enables organisations to direct action against the threats that matter most. The outcomes of those actions further feed intelligence, providing the ability to further refine the efficacy of the entire security lifecycle.

This approach provides a continuous feedback loop for the people, processes and technologies that make up the security programme. It also allows businesses to keep up with threat actors that are constantly adapting their methods to profit at the expense of others – something that will not stop anytime soon.

Ultimately, accountants have a responsibility to their clients to be vigilant of new and emerging risks in a digital age. Where cybersecurity used to be a classic back-office concern, it now needs to become a central part of IT strategies and a key pillar of both reputation and customer retention. Legislation, the cost of crime and the risk of reputational damage that a breach poses leave no room for failure. ■

A HEAD-ON APPROACH TO TAIL SPEND

***Tony Harris,* global VP – business network solutions at SAP, advises corporates to use the current lockdown period to evaluate their processes and create policies around upcoming tail spend and savings**

Tony Harris, SAP

The past few months have led to a dramatic shift in the way businesses operate. The Covid-19-imposed lockdown in the UK has seen 60% of adults working from home, with 52% saying they are content to work remotely for as long as the pandemic requires.

While we have all broadly acclimatised to video meetings and commutes consisting of walking to the dining room table, this time has given organisations the ability to reflect on existing processes. Taking a step back from normality, business leaders are now evaluating past procedures that they would have never had the time, or inclination, to truly consider. One of these areas is that of tail spend – also called long-tail or low-value spend – that does not typically fall into a spend category.

With many typical activities halted, it is likely that tail spend will have decreased over the past several months. Or, it may now consist of employees purchasing keyboards, monitors and the like to enable them to better work from home. While this reduction may have created a short-term financial benefit to businesses, normal activities, including employee spending, will eventually resume. But it does not mean decision makers cannot re-evaluate procedures to ensure savings continue beyond lockdown.

When I started my first job in the mid-1980s as a trainee accountant, tail spend was not a term that was used. Nobody had corporate credit cards, and we paid for almost everything via hand-written cheques. Probably the closest thing we had to tail spend was the 'petty cash' tin, which I guarded within my office of a few hundred employees. Employees claiming reimbursement via petty cash quickly learned that I did not like being asked to reimburse an unexpected expense. My modus operandi was that if someone wanted to buy something using petty cash, they should first explain what they were looking to buy and then I would advance them the cash to make the purchase, replacing the cash with an IOU until they returned with the receipt.

I had created an effective governance model that sat above an annual petty cash outlay of about £5,000 ($6,450), which was a significant amount at the time.

THE OPPORTUNITY AT STAKE

Today, tail spend is a common term, at least among those surrounding the procurement profession. However, I still hear from companies that have not managed to get a handle on it, which can be ripe for tapping into additional savings. Some large companies have annual tail spend in excess of £50m, but typically manage this via expenses claims.

The main issue with this approach is that there is little to no governance over the expenditure about to be incurred. Reimbursing expenses via a suitable expense management system provides an auditable system of record, but the expense has already been incurred by this stage and it might have been something that should not have gone ahead, or could have been made at a lower price via a suitable supplier. This can lead to organisations missing out on 5-10% savings opportunities, either through cost avoidance or more favourable pricing.

I do not believe any organisation out there would turn its nose up at the prospect of an additional £2m-5m of savings each year. By implementing up-front tail spend solutions, organisations can manage this spend type just as they would their more strategic categories. For example, employees can be provided with user-friendly access to approved suppliers and marketplace providers for the goods and services they require, and in line with corporate quality and governance policies.

The benefits go beyond just financial. Many organisations will have a selection of diverse suppliers amongst their pool of providers able to fulfil tail spend needs. Having access to these options creates opportunities to make responsible and ethical decisions by buying from suppliers that are social enterprises or are helping to boost the economies and livelihoods of people in minority groups or in less privileged parts of the world.

There is also the added benefit of the approval workflow with such solutions. With this process, prior to purchase, employees will create a purchase order that will trigger a notification of whether budget is available within their cost centre and might require approval from a manager or procurement team member before it can be sent to the supplier. They are effectively asking for permission, as opposed to asking for forgiveness for making the purchase and requesting reimbursement after the fact.

These kinds of solutions also mean tail spend can be analysed more easily to identify certain product groups or categories that are attracting a significant spend value. Procurement teams can then manage this more actively and negotiate preferred pricing with selected suppliers.

By using this time to reflect on entrenched processes, businesses have a real opportunity to head back to 'normal' in a more cost-effective and sustainable way. ■

CHILE FOCUSES ON REGULATORY IMPROVEMENTS TO BOOST FINANCIAL SECURITY

Tax and regulatory reform has been the focus of the accounting profession in Chile this year, as the government seeks to boost an economy already negatively impacted by social unrest. *Paul Golden* reports

Even allowing for the upheaval caused by coronavirus, Chile has experienced significant change during 2020.

In February, a law was published that modifies the calculation of estimated monthly provisional payments for business income, and a new invoice payment law stated that all invoices issued after 1 April 2020 must be paid within a maximum of 30 calendar days from receipt.

Outlining the changes, Diego Garcia, a partner at CMS LatAm, note that taxpayers had the right to choose to be subject to the new tax regimes established within this year's tax reform on or before 30 September. Miguel Ossandón, principal partner at BKR International member firm Ossandón Consultores, says the new regime will mean a significant decrease in tax rates for small businesses.

The areas that have grown the most in recent years relate to tax issues – including comptrollership and tax compliance – since the country has undergone changes with new tax reforms in a very short period due to changes of government explains Marcelo Obregón, senior partner at DFK member firm Obregón y Asociados.

"We have realised that the areas that have been affected are related to services to foreign clients who wish to invest in Chile, since in some cases they distrust the tax system that we have today and any changes that are carried out in the short term, modifying procedures and forms of taxation," he says. "This has meant that many foreign clients have made the decision to take their investment to another destination in the region."

Aside from tax reform, the most significant developments have been related to the adoption of international accounting rules – mainly NIIF 9, NIIF 15, NIIF 16 and IFRIC 23 – according to Viviana Rojas Hormazabal, partner at MGI Hernán Espejo y Asociados.

"From a local regulatory perspective it would be important to mention the restructuring of the former Superintendencia de Bancos e Instituciones Financieras [Superintendency of Banks and Financial Institutions] into the Comisión para el Mercado Financiero [Commission for the Financial Market]," she says.

This entity now regulates and supervises the insurance, banking and financial markets in Chile.

REGULATORY SUPERVISION

The merger means Chile has a single autonomous government entity for regulatory, supervision and sanctioning aspects, observes Sergio Bascuñan, international liaison partner at Crowe in Chile. "We have seen measures focused on fiscal support, liquidity, operational continuity of companies and regulators, supervisory activities and regulatory flexibility," he says. "There has also been a focus on regulatory improvement in banks, securities and insurance."

Since the start of the pandemic, measures to contain its effect on the economy have been implemented by the Ministry of Finance, the Central Bank of Chile and the Commission for the Financial Market. Cross-cutting risks in the financial industry are monitored by the Financial Stability Council, a body that includes the three institutions referenced above and the Superintendency of Pensions.

Juan Marín, managing partner at Kreston Macro Consultores Auditores, explains that since October 2019, initially in response to social disturbance and latterly due to the effects of Covid-19-prevention measures, companies have been forced to increase levels of teleworking in order to minimise employees' exposure to civic disorder, protests and physical risks.

This activity has generated a huge amount of digital information, both in relation to accounting backups and certificates of compliance, he says.

"Over the last five years or so, a digitisation process for accounting has been ongoing in Chile through the issuance of electronic invoicing, service tickets and electronic vouchers fees, all of which has been centralised annually through processes of remote and electronic tax returns, including monthly and annual sworn returns, dividend returns and withholding tax payments and foreign investment returns and transfer prices," adds Marín.

As a consequence, he suggests that around 99% of tax operations in Chile are now completed electronically, which has forced accountants and auditors to be familiar with digital services, use compatible software and meet clients virtually rather than in person.

Accounting outsourcing and payroll are two service lines showing a rise in requests by clients, observes Marcelo Cabezas, managing partner at PrimeGlobal member firm Kennedy Auditores Consultores. "In our case, the traditional auditing area of financial statements has had a low demand due to strong competition," he adds.

Marín observes that services related to logistics have been greatly strengthened by mining development and the requirement to transfer products relating to coronavirus in large quantities.


Miguel Ossandón, Ossandón Consultores

"There has also been a good development of innovative start-ups linked to bio -development, as well as IT," he says. "We have developed advice and consultancy services in the field of business reorganisations, both from a corporate and labour perspective."

In terms of audits, Marín refers to an increase in demand derived from the displacement of companies usually served by the Big Four, as well as from expanding sectors such as investment funds.

GROWTH AREAS

According to Hormazabal, the main areas that have grown in value over the last few years for auditing companies are BPO services, as well as digital transformation and data analysis in IT, while Ossandón says sectors where growth was evident before Covid-19 included real estate, retail, food services, entertainment and IT consultancy and training.

Bascuñan paints a gloomier picture, suggesting that there is no service area where demand is growing, as a result of the economy suffering a fall in the order of 13% of GDP in the last 12 months. "Global factors – such as coronavirus – and local ones including the recent social unrest have impacted the dynamism of the economy as a whole," he continues.


Viviana Rojas Hormazabal, MGI Hernán Espejo y Asociados

"Services such as M&A – buy-side and sell-side mandates, due diligence and so on – in a small market like Chile have been deeply impacted, with M&A deals down by almost 40% in volume and value during the first seven months of 2020 compared with the same period last year. Other services, like audit and tax advice, have been facing a decrease in rates rather than in volume, so while they are less affected no growth has been observed."

Cabezas recognises that social unrest has negatively impacted clients, especially those in the food services sector such as restaurants and pubs. The BBC reported earlier this year that Chile has seen significant social unrest since October 2019, when protests first erupted over a planned rise in metro fares. Growing anger over low wages, high costs of living and inequality sparked months of unrest, and though this initially subsided as Covid-19 spread, tension over food shortages during lockdown led to further protests.

Hormazabal says the impact on her firm has been relatively limited, since her clients mainly operate in business areas not directly affected by these situations. "The main areas that have been impacted – whose sales rates have been diminished as a result of protests – are related to tourism, hotels, food service and entertainment, such as events organisers and leisure facilities."

"In general terms, we have not had customers massively and negatively affected by this problem," adds Marín. "However, we cannot fail to mention retail and restaurants as those affected by these conditions and that, as a result of the pandemic, have seen their income decrease to zero, thus creating a situation where many companies in this segment are facing bankruptcy."

While the social unrest has affected almost all businesses, clients from specific industries, including construction and transport, have been particularly heavily impacted as they have faced direct consequences in the form of violence, vandalism and theft.

That is the view of Bascuñan, who adds that it is relevant to note that the effects have been mainly limited to companies with their main operations in Santiago, where the core of the conflict has occurred. "However, this situation has impacted the expectations of consumers and businesses, so the wider economic effect was higher than actual financial impact," he explains.


Marcelo Obregón, Obregón y Asociados

Obregón adds that many businesses have been negatively impacted by the suspension of events to promote tourism in Chile.

"Over the last 12 months, social unrest has significantly affected areas such as retail, restaurants, entertainment, transport and education, which have further been affected by Covid-19," observes Ossandón. "Even though it is the case that the government has been too flexible and not very assertive in handling the situation, the perception that exists is that larger companies have not suffered too much from the social unrest.

"There is even the impression that their situation is good and that when the current pandemic is over their equity will not be substantially affected, and they could be found to be in the same situation in which they were before the unrest began."

However, Ossandón adds that this is clearly not the case for small and mid-sized companies, for which the social unrest has significantly affected their businesses and assets, resulting in the sector having to lay off employees at a significant rate over recent months. "Chile's growth for this year is not expected to exceed 2.9% according to official statistics," he concludes. ■


Marcelo Cabezas, Kennedy Auditores Consultores

CHILE

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (CLPm)	Fee income last year (CLPm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	5	BDO*	9,503.6	8,189.1	16%	50	24	16	10	-	Dec-19
	6	Grant Thornton* (e)	4,501.2	4,246.4	6%	n.d	n.d	n.d	n.d	n.d	n.d
	7	Mazars* (1)	4,098.3	3,079.8	33%	36	21	27	15	1	Aug-19
	8	Baker Tilly International*	3,425.8	3,211.1	7%	34	31	30	2	3	Dec-19
	9	PKF International*	3,035.2	3,068.9	-1%	43	38	6	12	1	Jun-19
	10	Nexia International* (2)	2,925.1	443.1	560%	70	10	12	5	3	Jun-19
	11	Auren*	2,100.8	2,176.5	-3%	37	40	19	3	1	Dec-19
	12	Moore Global*	1,962.2	n.ap	n.ap	14	30	10	46	-	Dec-19
	13	Crowe*	1,764.2	1,800.0	-2%	56	13	31	-	-	Dec-19
	14	TGS Global* (e)	1,589.7	1,499.7	6%	n.d	n.d	n.d	n.d	n.d	n.d
	15	SMS Latinoamerica* (1)	1,374.0	1,166.0	18%	74	17	7	1	1	Dec-19
	16	HLB*	897.2	857.9	5%	45	30	20	5	-	Dec-19
	17	Kreston International* (3)	728.1	1,407.0	-48%	51	16	28	-	5	Oct-19
	18	UHY Guiñazú & Asociados*	669.4	722.0	-7%	22	42	28	4	4	Dec-19
	19	Russell Bedford* (4)	665.0	870.0	-24%	20	54	10	9	7	Dec-19
	20	ECOVIS International*	441.4	450.3	-2%	53	35	1	11	-	Dec-19
	21	Kudos International*	159.2	n.ap	n.ap	6	38	20	35	1	Dec-19
	22	UC&CS America* (5)	30.3	139.9	-78%	75	-	25	-	-	Dec-19
	-	RSM* (3)	n.ap	2,740.0	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap
Total fee income/growth			**39,870.5**	**36,067.7**	**13%**						
ASSOCIATIONS	1	Praxity* (1)	4,098.3	3,079.8	33%	36	21	27	15	1	Jul-19
	2	Allinial Global*	3,503.9	n.ap	n.ap	7	50	28	15	-	Dec-19
	3	Morison KSi* (e)	2,835.8	2,780.2	2%	n.d	n.d	n.d	n.d	n.d	n.d
	4	Antea*	2,100.8	2,176.5	-3%	37	40	19	3	1	Dec-19
	5	MGI Worldwide with CPAAI*	1,582.7	n.ap	n.ap	16	51	25	2	6	Dec-19
	6	Inpact*	977.1	936.8	4%	41	10	41	5	3	Dec-19
	7	BKR International*	804.4	709.3	13%	73	10	6	11	-	Dec-19
	8	PrimeGlobal* (1)	615.8	454.6	35%	5	44	9	10	32	May-20
	9	EAI International* (1)	444.3	372.9	19%	5	32	2	-	61	Dec-19
	10	GMN International*	316.2	360.0	-12%	83	17	-	-	-	Sep-19
	11	UC&CS Global* (5)	30.3	139.9	-78%	75	-	25	-	-	Dec-19
Total fee income/growth			**17,309.5**	**11,010.0**	**11%**						

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Increase in fee income attributed to gaining new clients (2) Added a new member firm. (3) Lost member firm(s). (4) Reduction in fees attributed to postponement of some projects. (5) Decrease in fee income attributed to loss of some major clients.

***Disclaimer**: Only data from named or exclusive member firms in a network or association is included. Where data for accounting services are not disclosed, it is included in audit and assurance.

Source: *International Accounting Bulletin*

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2019	2018		Staff	Partners	2019	2018	2019	2018	2019	2018	2019	2018
NETWORKS														
5	BDO*	284	253	12%	151	1	10	10	241	215	33	28	3	3
6	Grant Thornton* (e)	181	172	5%	n.d	n.d	n.d	12	n.d	138	n.d	22	n.d	2
7	Baker Tilly International*	121	134	-10%	67	0	7	9	92	101	22	24	4	4
8	Mazars*	120	89	35%	n.d	n.d	3	2	107	79	10	8	1	1
9	PKF International*	111	110	1%	56	0	8	7	91	91	12	12	1	1
10	Nexia International*	100	18	456%	46	1	7	3	81	10	12	5	4	1
11	Auren*	77	82	-6%	37	2	6	6	67	65	4	11	4	4
12	Moore Global*	60	n.ap	n.ap	15	0	7	n.ap	46	n.ap	7	n.ap	2	n.ap
13	SMS Latinoamerica*	51	53	-4%	n.d	n.d	5	5	41	43	5	5	1	1
14	HLB*	46	45	2%	n.d	n.d	5	5	41	38	-	2	2	2
15	Crowe* (1)	38	55	-31%	15	0	3	4	30	45	5	6	1	4
16	TGS Global* (e)	36	34	5%	n.d	n.d	n.d	3	n.d	28	n.d	3	n.d	1
17	Kreston International*	35	48	-27%	12	0	9	6	23	33	3	9	2	3
18	Russell Bedford International*	26	28	-7%	n.d	n.d	3	3	18	19	5	6	1	1
19	UHY Guiñazú & Asociados*	22	28	-21%	n.d	n.d	3	3	16	19	3	6	1	1
20	ECOVIS International*	18	21	-14%	11	0	2	2	15	18	1	1	2	1
21	Kudos International*	9	n.ap	n.ap	2	0	3	n.ap	4	n.ap	2	n.ap	1	n.ap
22	UC&CS America*	4	6	-33%	3	1	1	2	3	3	-	1	1	1
-	RSM*	n.ap	110	n.ap	n.ap	n.ap	n.ap	7	n.ap	93	n.ap	10	n.ap	2
Total staff/growth		**1,338**	**1,286**	**4%**	**415**	**5**	**82**	**89**	**916**	**1,038**	**124**	**159**	**31**	**33**
ASSOCIATIONS														
1	Praxity*	120	89	35%	n.d	n.d	3	2	107	79	10	8	1	1
2	Morison KSi* (e)	89	86	3%	n.d	n.d	n.d	3	n.d	68	n.d	15	n.d	2
3	Antea*	77	82	-6%	37	2	6	6	67	65	4	11	4	4
4	Allinial Global*	56	n.ap	n.ap	0	0	8	n.ap	43	n.ap	5	n.ap	1	n.ap
5	MGI Worldwide with CPAAI*	52	n.ap	n.ap	n.d	2	4	n.ap	48	n.ap	-	-	2	n.ap
6	Inpact*	34	38	-11%	20	1	4	4	27	26	3	8	2	2
7	BKR International*	32	40	-20%	n.d	n.d	4	4	28	33	-	3	2	2
8	GMN International*	22	21	5%	6	0	5	5	17	16	-	-	3	2
9	PrimeGlobal*	21	26	-19%	n.d	n.d	3	4	15	18	3	4	1	1
10	EAI International*	11	11	0%	4	1	5	5	4	4	2	2	1	1
11	UC&CS Global*	4	6	-33%	3	1	1	2	3	3	-	1	1	1
Total staff/growth		**518**	**399**	**3%**	**70**	**7**	**43**	**35**	**359**	**312**	**27**	**52**	**18**	**16**

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

(1) Decrease in number of staff due to loss of some staff.

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Source: *International Accounting Bulletin*

COLOMBIA STRENGTHENS ITS ACCOUNTING STANDARDS

Although not a recent development, the application of financial reporting standards continues to exercise the minds of Colombian accounting firms and their clients. *Paul Golden* reports

Colombia has been working on the implementation of regulatory technical frameworks related to IFRS and NIAS for more than a decade. This process has forced accountants to change long-established practices.

"An example of this is the calculation of the impairment of accounts receivable, which was previously generally linked to the provisions of the Colombian fiscal entity DIAN," says Harley Andres Moya López, audit supervisor at HLB International member firm Peñalosa Consultores. "Generally, companies did not perform the calculation of this type of request because it did not affect the period's results."

Colombian industry is made up largely of small and mid-sized companies, which to an extent has facilitated the implementation of IFRS, as these are entities that are not listed.

Andres Moreno Ramirez, managing partner at PrimeGlobal member firm Astaf, notes that over the last two years the Technical Council of Public Accounting, as an advisory and consultant body for technical regularisation of accounting standards, financial information and information assurance, has developed a number of studies and pronouncements related to the application and interpretation of the new accounting and auditing principles under international standards that came into force in Colombia in 2016, and on the development of accounting activity.

"The implementation of financial reporting standards in the country has opened up new markets, strengthened foreign investment and helped Colombia meet the requirements to join the OECD," says Nancy Bermúdez Caraballo, partner at MGI Páez Asociados. "By simplifying the tax regime and unifying the standards for presenting accounting information, companies have gained the opportunity to enter new markets with ease."

"Over the next 12 months we expect that the government will update the regulation of accounting activity in Colombia and all sectors are currently defining methodologies and work schedules," says Carlos Molano, managing partner Mazars Colombia. "Audit activity will have a transformation in terms of technological updates and to adjust and establish better practices defined by international standards."

IFRS 17

Another point of particular interest will be the regulation of IFRS 17 regarding new practices in the insurance industry, which requires many technological, actuarial and accounting changes and is expected to be a challenge for the accounting market.

Molano observes that the Colombian government has made several critical regulatory changes to simplify taxation, including automatic tax refunds whereby taxpayers who are not classified as high-risk will receive their balances in favour within 15 days of completing the process, and suggested income tax returns for individuals, which allows the cross-checking of information to identify the veracity of the taxpayer's operations.


Harley Andres Moya López, Peñalosa Consultores

"Previously, taxpayers had to comply with different formal tax obligations such as income tax, VAT, industry and trade tax and payroll," he says. "Thanks to the simple taxation regime, some taxpayers can settle only a single tax. The filing of this return can be done electronically, which generates savings in transaction costs, and the simple taxation regime states that the taxpayer who is in this regime will not be subject to any withholding tax."

Crowe Colombia CEO Jorge Castelblanco agrees that strengthening the transition process for the adoption of IFRS and international standards of auditing has been the most significant development in the Colombian market in the last 24 months. "In terms of service areas, tax and BPO services have been growing due to the complexity of regulations," he says. "Enterprises want to transfer responsibility for compliance to third parties to make them responsible in case of a requirement from a regulator."

It is important to clarify that developments in the accounting services industry do not necessarily imply digitising, and that firms can also innovate by offering new services as differentiators in the market. That is the view of Hector Fabio Mejia Herrera, consulting director at MGI VIA Consultoría, who adds that businesses require simple and easy-to-implement accounting solutions which move in the same direction as the regulatory bodies.

"In the case of Colombia, the last Tax Reform Law 2010 of 2019 (Economic Growth Law) seeks to stabilise the country's economy to raise money and cover the budget deficit," he explains. "The coronavirus


Jorge Castelblanco, Crowe Colombia

pandemic means that the laws will require further adjustment."

According to Alfredo Jose Lopez, managing partner at Allinial Global member firm Alfredo Lopez & Company, the effects of the pandemic are already evident in a number of service areas, for example business lines such as administrative and financial BPO services where demand has increased given the benefits that outsourcing of processes brings, including the targeting of expertise allowing management to focus on the core business.

"On the other hand, demand for consulting services also shows growth as the need for firms to reinvent themselves in the face of new market challenges and new realities create demand from entrepreneurs for advice on strategy, processes and technology," he says.

Lopez observes that advisory services relating to the transition to IFRS have decreased in demand because most companies have already completed this transition. "On the other hand, tax services have acquired greater relevance in the market, not only due to the need to save or optimise the tax burden, but also because of the need to interpret the new tax regulations that result from IFRS accounting regulations," he adds.

Natalia Mora, international relations manager and partner at Kreston RM Colombia, says that in addition to external audit and consulting, there is also growing demand for contracts audit. This is a service that is engaged by a state entity in three specific cases:

- When the law has established the obligation to have this figure in certain contracts;
- When the follow-up of the contract requires specialised knowledge in the subject matter thereof;
- When the complexity or length of the contract justify it.

"This work covers the technical monitoring of the execution of contracts of different types and also refers to the administrative, financial, accounting and/or legal aspects of the contract," she explains. "We have identified slower growth in demand for statutory audits where competition has been growing and increasing the difficulty in obtaining contracts, while there has also been a downward trend in prices."

Herrera also refers to pricing challenges. "VAT is a major problem when a prospective client has to choose between an accounting services company and an independent professional who will carry out the same work," he says. "An independent professional will not charge VAT and does not have the same operational costs, so they are much cheaper to engage."

"We consider that at this time and based on the declaration of a state of economic, social and ecological emergency as issued by the national government in response to the coronavirus pandemic, the demand for integrated accounting and financial services takes on greater importance and relevance as it contributes to the country's development and economic growth," adds Caraballo.

REGULATION

In Colombia the statutory auditor is a state delegate who must ensure that companies comply with the rules in general, as well as aspects related to social responsibility. The functions delegated to the statutory auditor include making sure that the operations carried out on behalf of the company comply with the requirements of the statutes, the decisions of the general assembly and the board of directors.

This person must also give a timely account to the assembly or board of partners, the board of directors or the manager of any irregularities in the operation of the company and in the development of its business, as well as collaborate with government entities that carry out inspection and surveillance of the companies and render any reports requested.

"Fiscal reviewers are burdened with responsibilities, which makes this work less and less attractive for accounting firms to the extent that the Big Four have begun to offer more and more the external audit service and not that of statutory auditor since it is less risky for the development of the profession," says López. "Proof of this is that in 2019, the Superintendency of Companies published a study which concluded that 80% of fiscal auditor services in Colombia are provided by independent accountants, with small firms representing another 15% and the Big Four only 5%."


Natalia Mora, Kreston RM Colombia

According to Ramirez, the accounting profession has a great opportunity to transform its strategic role for the development of Colombian companies with an international vision. He suggests the areas of greatest potential growth over the next decade are:

- Financial advisory and investment banking, since comprehensive knowledge of the financial situation of companies under international standards allows for accounting to make valuations of assets, businesses and companies using global criteria as well as financial projections that make it possible to strengthen strategic decisions for capitalisation, acquisition, sale and merger of companies domestically and internationally;
- Audit aimed at verifying processes with a high technological component, using robotics tools, data analytics, data mining and business intelligence;
- Evaluation of cyber-risks and cybersecurity policies of new digital businesses, to measure and validate the design and safe interaction of new information technologies.

"Traditional and labour-intensive accounting, auditing and tax services are in less demand as many public accountants are being replaced by sophisticated technological platforms and robotics processes," he concludes. "Traditional accounting services are being replaced by more sophisticated processes of strategic consulting and business intelligence, which entails a great challenge for our accounting profession to adapt to these changes." ■

COLOMBIA

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (COPm)	Fee income last year (COPm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	5	BDO* (1)	35,877.6	29,506.6	22%	43	43	8	1	5	Dec-19
	6	Crowe*	31,421.5	30,083.7	4%	48	15	29	8	-	Dec-19
	7	Grant Thornton International*	26,216.5	25,808.1	2%	43	-	16	39	2	Sep-19
	8	RSM* (2)	22,478.5	19,227.5	17%	39	13	22	23	3	Dec-19
	9	Russell Bedford International* (2)	17,660.0	14,270.0	24%	33	33	11	19	4	Dec-19
	10	Baker Tilly International*	16,640.9	16,223.0	3%	65	22	1	1	11	Dec-19
	11	PKF International* (3)	11,678.2	10,203.4	14%	89	7	-	-	4	Jun-19
	12	Kreston International*	8,366.6	7,894.3	6%	100	-	-	-	-	Oct-19
	13	Nexia International*	8,294.3	8,336.8	-1%	87	-	-	13	-	Jun-19
	14	Auren*	8,193.4	7,506.5	9%	41	42	10	6	1	Dec-19
	15	Moore Global*	7,775.7	7,726.0	1%	47	37	9	5	2	Dec-19
	16	Mazars* (4)	7,479.6	3,658.4	104%	52	34	13	-	1	Aug-19
	17	UC&CS America* (5)	3,495.0	1,944.6	80%	39	-	60	1	-	Dec-19
	18	SMS Latinoamérica* (5)	2,700.0	2,160.0	25%	55	23	-	20	2	Dec-19
	19	HLB*	2,000.0	1,760.9	14%	84	4	5	5	2	Dec-19
	20	TGS Global* (e)	1,928.6	1,785.7	8%	n.d	n.d	n.d	n.d	n.d	n.d
	21	ECOVIS International* (3) (5)	1,020.2	617.2	65%	76	16	3	2	3	Dec-19
Total fee income/growth			**213,226.6**	**188,712.8**	**13%**						
ASSOCIATIONS	1	MGI Worldwide with CPAAI*	14,646.6	n.ap	n.ap	50	10	19	-	21	n.ap
	2	PrimeGlobal*	12,990.4	11,702.2	11%	42	10	35	9	4	May-20
	3	Praxity* (4)	8,811.6	4,403.6	100%	44	29	26	-	1	2019
	4	Antea*	8,193.4	7,506.5	9%	41	42	10	6	1	Dec-19
	5	Morison KSi* (e)	7,588.8	7,440.0	2%	n.d	n.d	n.d	n.d	n.d	n.d
	6	Allinial Global* (2)	4,202.9	3,191.0	32%	62	6	11	14	7	Dec-19
	7	UC&CS Global* (5)	3,494.96	1,944.60	80%	39	-	60	1	-	Dec-19
	8	BKR International* (6)	3,345.4	3,214.9	4%	85	8	2	5	-	Dec-19
	9	Integra International*	2,130.0	1,900.0	12%	61	28	4	5	2	Dec-19
	10	Abacus Worldwide*	910.0	922.0	-1%	35	20	10	-	35	Dec-19
	11	IAPA*	687.2	750.0	-8%	60	15	15	5	5	Dec-19
	12	EAI International* (7)	584.1	4,600.9	-87%	40	40	20	-	-	Dec-19
	13	GMN International*	239.1	n.ap	n.ap	38	42	13	7	-	Sep-19
Total fee income/growth			**67,824.5**	**47,575.7**	**11%**						

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 significant hires. (2) Increase in fee income attributed to organic growth. (3) Restated fee income figure for last year as there were errors in submission. (4) As a new member firm, Mazars' figures for last year only covered eight months; current year figures are for the full year. (5) Increase in fee income attributed to gaining clients. (6) Restated figures for last year as they were not up to date; they are now. (7) Decrease in fee income attributed to loss of some major clients.

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Source: *International Accounting Bulletin*

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2019	2018		Staff	Partners	2019	2018	2019	2018	2019	2018	2019	2018
NETWORKS														
5	BDO*	496	394	26%	297	3	11	8	427	352	58	34	5	4
6	Grant Thornton International*	319	369	-14%	200	1	8	8	264	331	47	30	5	7
7	Crowe*	278	281	-1%	163	4	13	16	226	226	39	39	5	5
8	Russell Bedford International*	264	228	16%	n.d	n.d	14	13	203	158	47	57	5	4
9	RSM*	246	213	15%	146	2	20	17	190	162	36	34	5	5
10	PKF International*	149	155	-4%	82	3	6	6	119	136	18	13	2	12
11	Auren*	143	134	7%	96	3	16	16	112	106	15	12	3	3
12	Baker Tilly International*	133	147	-10%	75	2	13	19	85	103	35	25	8	7
13	Kreston International* (1)	102	86	19%	57	1	5	5	77	63	20	18	5	5
14	Nexia International*	90	80	13%	42	3	5	4	67	64	18	12	4	4
15	Mazars*	86	75	15%	n.d	n.d	1	1	72	57	13	17	2	1
16	Moore Global*	82	75	9%	47	2	5	5	65	58	12	12	2	2
17	UC&CS America*	66	42	57%	63	2	4	4	53	34	9	6	6	6
18	TGS Global* (e)	43	40	8%	n.d	n.d	n.d	4	n.d	30	n.d	6	n.d	2
19	SMS Latinoamérica*	31	28	11%	16	0	4	4	21	14	6	10	3	3
20	HLB*	23	19	21%	10	n.d	1	1	17	15	5	3	1	1
21	ECOVIS International*	17	17	0%	11	0	2	2	10	13	5	2	1	1
Total staff/growth		**2,568**	**2,383**	**8%**	**1,305**	**26**	**128**	**133**	**2,008**	**1,922**	**383**	**330**	**62**	**72**
ASSOCIATIONS														
1	Antea*	143	134	7%	96	3	16	16	112	106	15	12	3	3
2	MGI Worldwide with CPAAI*	139	n.ap	n.ap	n.d	3	16	n.ap	123	n.ap	-	-	4	n.ap
3	PrimeGlobal*	130	130	0%	n.d	n.d	9	9	102	102	19	19	2	2
4	Praxity*	98	82	20%	n.d	n.d	1	1	83	64	14	17	3	2
5	Morison KSi* (e)	78	71	10%	n.d	n.d	n.d	10	n.d	32	n.d	29	n.d	2
6	UC&CS Global*	66	42	57%	63	2	4	4	53	34	9	6	6	6
7	Allinial Global*	64	55	16%	65	0	4	3	52	45	8	7	4	3
8	BKR International*	51	49	4%	n.d	n.d	2	2	29	28	20	19	4	4
9	Integra International*	20	24	-17%	n.d	n.d	2	2	15	19	3	3	1	1
10	Abacus Worldwide*	13	13	0%	n.d	n.d	2	2	10	11	1	-	1	1
11	EAI International*	11	11	0%	8	1	1	1	9	9	1	1	1	1
12	IAPA*	10	10	0%	3	0	2	2	6	6	2	2	1	1
13	GMN International*	7	n.ap	n.ap	4	1	2	n.ap	2	n.ap	3	n.ap	1	n.ap
Total staff / growth		**830.1**	**621**	**10%**	**239**	**10**	**61**	**52**	**596**	**456**	**95**	**115**	**31**	**26**

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 gaining new clients and more professional staff.

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Source: *International Accounting Bulletin*

BRAZIL

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (BRLm)	Fee income last year (BRLm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	EY* (e)	1,525.0	1,425.20	7%	n.d	n.d	n.d	n.d	n.d	n.d
	2	KPMG* (e)	1,296.4	1,211.60	7%	n.d	n.d	n.d	n.d	n.d	n.d
	3	PwC*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
	4	Deloitte*	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
	5	BDO*	257.3	232.1	11%	55	11	16	18	-	Dec-19
	6	Grant Thornton* (e)	213.1	199.2	7%	n.d	n.d	n.d	n.d	n.d	n.d
	7	HLB* (1)	136.9	32.7	319%	3	60	24	13	-	Dec-19
	8	RSM* (2)	111.4	88.8	25%	21	53	14	12	-	Dec-19
	9	Mazars*	105.4	92.1	14%	19	65	-	16	-	Aug-19
	10	Crowe*	66.1	62.8	5%	17	30	18	17	18	Dec-19
	11	Baker Tilly International*	61.5	64.1	-4%	55	25	9	11	-	Dec-19
	12	Nexia International* (1)	40.3	30.4	33%	44	36	7	10	3	Jun-19
	13	Moore Global*	39.3	40.8	-4%	47	12	19	17	5	Dec-19
	14	ECOVIS International*	27.9	24.4	14%	30	42	24	4	-	Dec-19
	15	Russell Bedford International* (3)	17.8	11.3	57%	79	2	1	9	9	Dec-19
	16	PKF International*	16.2	19.7	-18%	30	63	1	6	-	Jun-19
	17	Kreston International*	13.9	12.6	11%	33	62	3	2	-	Oct-19
	18	Kudos International*	13.9	n.ap	n.ap	24	-	1	-	75	Dec-19
	19	UHY International* (2)	11.0	9.3	18%	50	10	10	30	-	Dec-19
	20	Reanda International*	6.0	n.ap	n.ap	18	26	29	27	-	Dec-19
	21	UC&CS America* (4)	3.6	10.8	-67%	85	-	2	13	-	Dec-19
	22	TGS Global*	3.5	3.9	-10%	5	80	5	10	0	Dec-19
	23	SMS Latinoamérica* (5)	2.9	2.3	26%	87	-	-	13	-	Dec-19
Total fee income / growth			**3,969.5**	**3,574.1**	**11%**						
ASSOCIATIONS	1	Praxity*	120.7	106.6	13%	20	61	1	17	1	2019
	2	MGI Worldwide with CPAAI*	40.1	n.ap	n.ap	36	33	8	12	11	n.ap
	3	Allinial Global* (6)	29.6	15.6	90%	49	9	22	20	-	Dec-19
	4	Abacus Worldwide* (7)	28.0	22.5	24%	22	3	3	26	46	Dec-19
	5	Morison KSi* (e)	22.7	20.8	9%	n.d	n.d	n.d	n.d	n.d	n.d
	6	PrimeGlobal* (3)	15.5	11.2	39%	32	27	22	19	-	May-20
	7	Antea*	10.7	9.2	17%	7	48	4	3	38	Dec-19
	8	Integra International*	4.1	n.ap	n.ap	-	20	5	30	45	Dec-19
	9	UC&CS Global* (4)	3.6	10.8	-67%	85	-	2	13	-	Dec-19
	10	GMN International*	3.5	3.6	-3%	30	30	30	-	10	Sep-19
	11	BKR International* (8)	2.4	2.5	-3%	80	-	10	10	-	Dec-19
	12	EAI International* (3)	1.8	1.2	47%	25	75	-	-	-	Dec-19
	13	IAPA* (9)	0.8	1.1	-26%	60	15	5	15	5	Dec-19
Total fee income / growth			**283.6**	**205.1**	**17%**						

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Added new member firm(s). (2) Increase in fee income attributed to organic growth. (3) Increase in fee income attributed to gaining new clients. (4) Lost a member firm. (5) Restated figures for last year as they were *IAB* estimates; they are actual now. (6) Increase in fee income attributed to merger with four new member firms, creating a larger one. (7) Gained a larger member firm and lost a smaller one. (8) Restated figures for last year as there were errors in submission. (9) Decrease in fee income attributed to reduction in number of clients.

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NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2019	2018		Staff	Partners	2019	2018	2019	2018	2019	2018	2019	2018
NETWORKS														
1	Deloitte* (e)	5,949	5,720	4%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
2	EY* (e)	5,207	5,007	4%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
3	KPMG* (e)	4,325	4,159	4%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
4	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
5	BDO*	1,421	1,437	-1%	706	4	51	51	1236	1,250	134	136	24	24
6	Grant Thornton* (e)	1,304	1,254	4%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
7	HLB*	1,000	381	162%	16	10	33	22	833	285	134	74	13	10
8	Mazars*	831	764	9%	n.d	n.d	5	3	733	650	93	111	7	7
9	RSM* (1)	803	409	96%	436	5	46	31	723	355	34	23	10	7
10	Crowe*	518	459	13%	233	4	38	77	442	336	38	46	10	9
11	Baker Tilly International*	297	363	-18%	115	6	32	48	241	287	24	28	8	11
12	Nexia International*	272	160	70%	123	3	16	8	224	133	32	19	9	6
13	Moore Global* (2)	260	363	-28%	116	4	45	47	184	274	31	42	10	10
14	Kudos International*	206	n.ap	n.ap	100	0	3	n.ap	183	n.ap	20	n.ap	3	n.ap
15	ECOVIS International*	175	154	14%	82	1	12	13	153	131	10	10	4	4
16	Russell Bedford Int'l*	159	94	69%	n.d	n.d	10	7	102	67	47	20	7	7
17	PKF International*	137	144	-5%	n.d	n.d	9	12	119	128	9	4	5	6
18	Kreston International*	111	105	6%	53	0	9	9	95	88	7	8	4	4
19	UHY International*	70	58	21%	25	2	9	8	55	46	6	4	4	2
20	Reanda International*	56	n.ap	n.ap	33	3	6	n.ap	35	n.ap	15	n.ap	3	n.ap
21	TGS Global*	35	35	0%	26	1	5	5	27	15	3	15	2	4
22	SMS Latinoamérica*	22	20	10%	n.d	n.d	1	1	15	12	6	7	2	2
23	UC&CS America*	20	98	-80%	7	0	3	6	14	80	3	12	2	4
Total staff/growth		**23,178**	**21,184**	**8%**	**2,071**	**43**	**333**	**348**	**5,414**	**4,137**	**646**	**559**	**127**	**117**
ASSOCIATIONS														
1	Praxity*	998	886	13%	n.d	n.d	23	21	872	748	103	117	11	11
2	MGI Worldwide with CPAAI*	212	n.ap	n.ap	n.d	7	28	n.ap	184	-	-	n.ap	9	n.ap
3	Morison KSi* (e)	193	184	5%	n.d	n.d	n.d	17	n.d	155	n.d	12	n.d	6
4	Allinial Global*	158	109	45%	0	0	18	13	130	88	10	8	12	7
5	Abacus Worldwide*	94	99	-5%	n.d	n.d	6	8	66	78	22	13	5	6
6	Antea*	82	86	-5%	30	1	6	7	65	68	11	11	6	6
7	PrimeGlobal*	75	67	12%	n.d	n.d	19	15	43	41	13	11	5	7
8	BKR International*	58	65	-11%	n.d	n.d	8	15	50	35	0	15	8	5
9	GMN International*	56	59	-5%	33	3	6	6	35	36	15	17	5	5
10	Integra International*	47	n.ap	n.ap	n.d	n.d	8	n.ap	33	n.ap	6	n.ap	1	n.ap
11	UC&CS Global*	20	98	-80%	7	0	3	6	14	80	3	12	2	4
12	EAI International*	13	13	0%	6	0	2	2	8	8	3	3	1	2
13	IAPA*	9	9	0%	n.d	n.d	2	2	4	4	3	3	1	1
Total staff/growth		**2,015**	**1,675**	**5%**	**76**	**11**	**129**	**112**	**1,504**	**1,341**	**189**	**222**	**66**	**60**

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 merger effects of last year. (2) Lost a member firm.

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Source: *International Accounting Bulletin*

PANAMA

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (PABm)	Fee income last year (PABm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	5	BDO*	11.3	11.4	-1%	39	22	38	1	-	Jun-19
	6	Baker Tilly International*	3.6	3.5	4%	42	23	7	-	28	Dec-19
	7	Nexia International*	3.0	2.6	16%	74	10	16	-	-	Jun-19
	8	RSM*	2.8	3.2	-12%	49	12	29	10	-	Dec-19
	9	Crowe*	2.5	2.5	-1%	40	7	44	4	5	Dec-19
	10	HLB* (1)	2.5	0.6	311%	55	27	16	-	2	Sep-19
	11	PKF International*	1.0	1.0	2%	39	42	15	-	4	Jun-19
	12	Moore Global*	0.9	n.d	n.d	26	44	24	6	-	Dec-19
	13	Kreston International*	0.9	1.0	-12%	70	-	20	-	10	Oct-19
	14	UHY International*	0.5	0.4	27%	54	24	18	1	3	Dec-19
	15	TGS Global* (e)	0.4	0.4	7%	n.d	n.d	n.d	n.d	n.d	n.d
	16	SMS Latinoamérica*	0.4	0.4	-5%	12	59	23	6	-	Dec-19
	17	UC&CS América*	0.4	0.3	25%	66	-	28	6	-	Dec-19
	18	Russell Bedford International*	0.4	0.4	7%	70	12	8	5	5	Dec-19
	19	Grant Thornton* (2)	0.1	2.5	-96%	81	-	15	4	-	Sep-19
	-	ECOVIS International* (3)	n.ap	0.3	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap
Total fee income/growth			**30.7**	**30.5**	**1%**						
ASSOCIATIONS	1	PrimeGlobal*	3.0	3.1	-5%	53	35	5	7	-	May-20
	2	Integra International*	1.7	1.6	5%	40	35	18	2	5	Dec-19
	3	BKR International*	1.3	1.3	-2%	68	19	8	5	-	Dec-19
	4	MGI Worldwide with CPAAI*	1.0	n.ap	n.ap	24	42	14	-	20	n.ap
	5	IAPA*	0.5	0.7	-26%	15	65	20	-	-	Dec-19
	6	Allinial Global*	0.5	0.4	19%	64	18	7	11	-	Dec-19
	7	UC&CS Global*	0.4	0.3	25%	66	-	28	6	-	Dec-19
	8	Morison KSi*	0.3	0.3	15%	11	53	28	-	8	Dec-18
	9	Abacus Worldwide*	0.3	n.ap	n.ap	50	30	10	-	10	Dec-19
	10	EAI International* (4)	0.3	0.2	33%	48	-	5	45	2	Dec-19
	11	Antea*	0.1	0.2	-29%	15	22	25	28	10	Dec-19
	12	Praxity*	0.1	0.1	-11%	43	32	13	6	6	2019
Total fee income/growth			**9.4**	**8.2**	**-1%**						

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Gained a larger member firm and lost a smaller one. (2) Figures include data for only three months of a new member firm which replaced an older one. (3) Lost its member firm in Panama. (4) Increase in fee income attributed to gaining new clients.

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Source: *International Accounting Bulletin*

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2019	2018		Staff	Partners	2019	2018	2019	2018	2019	2018	2019	2018
NETWORKS														
5	BDO*	191	191	0%	77	4	14	13	159	160	18	18	3	3
6	Nexia International*	81	72	13%	38	2	5	6	60	51	16	15	1	1
7	HLB*	73	12	508%	43	3	6	2	52	9	15	1	1	1
8	Baker Tilly International *	55	55	0%	32	0	5	5	42	42	8	8	3	2
9	RSM*	43	47	-9%	21	0	4	4	32	36	7	7	1	1
10	Crowe* (1)	42	63	-33%	5	0	2	2	30	43	10	18	1	1
11	Kreston International*	39	38	3%	23	1	2	2	30	27	7	9	1	1
12	PKF International*	25	25	0%	18	3	4	4	15	15	6	6	1	1
13	Moore Global*	25	n.d	n.d	19	1	2	n.d	22	n.d	1	n.d	1	n.d
14	UHY International*	21	20	5%	7	1	4	4	15	14	2	2	1	1
15	UC&CS América*	16	11	45%	8	0	2	2	11	7	3	2	1	1
16	SMS Latinoamérica*	12	12	0%	5	1	1	1	10	10	1	1	1	1
17	TGS Global* (e)	11	11	1%	n.d	n.d	n.d	2	n.d	7	n.d	2	n.d	1
18	Grant Thornton*	10	81	-88%	5	0	2	4	8	61	-	16	1	1
19	Russell Bedford International*	10	10	0%	n.d	n.d	4	4	5	5	1	1	1	1
-	ECOVIS International*	n.ap	13	n.ap	n.ap	n.ap	n.ap	3	n.ap	8	n.ap	2	n.ap	1
Total staff/growth		**654**	**661**	**-3%**	**301**	**16**	**57**	**58**	**491**	**495**	**95**	**108**	**18**	**18**
ASSOCIATIONS														
1	PrimeGlobal* (2)	69	121	-43%	n.d	n.d	5	44	48	58	16	19	2	3
2	Integra International*	42	37	14%	n.d	n.d	7	7	30	24	5	6	1	1
3	MGI Worldwide with CPAAI*	38	n.ap	n.ap	n.d	2	6	n.ap	32	n.ap	-	-	2	n.ap
4	BKR International*	34	35	-3%	n.d	n.d	3	3	31	26	-	6	1	1
5	IAPA*	18	18	0%	n.d	n.d	2	2	14	14	2	2	1	1
6	UC&CS Gobal*	16	11	45%	8	0	2	2	11	7	3	2	1	1
7	Allinial Global*	12	10	20%	0	0	2	2	8	7	2	1	1	1
8	Abacus Worldwide*	10	n.ap	n.ap	n.d	n.d	2	n.ap	6	n.ap	2	n.ap	1	n.ap
9	EAI International*	10	10	0%	2	0	2	2	7	7	1	1	1	2
10	Antea*	7	10	-30%	1	0	2	3	4	6	1	1	1	1
11	Morison KSi*	7	6	17%	3	0	2	2	3	3	2	1	1	1
12	Praxity*	4	4	0%	n.d	n.d	1	1	2	2	1	1	1	1
Total staff/growth		**267**	**262**	**-16%**	**14**	**2**	**36**	**68**	**196**	**154**	**35**	**40**	**14**	**13**

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Decrease in staff number attributed to staff adjustment due to loss of some clients. (2) Lost a member firm.

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Source: *International Accounting Bulletin*

WHY WE SHOULD BE PROUD TO BE AUDITORS

Covid-19 has required new approaches to audit and a total reassessment of risk. PrimeGlobal CEO *Steve Heathcote* offers *IAB* readers an insight into how the association's members are delivering value to clients

Recent headlines about audit have not been good reading – dominated by high-profile audit failures and regulatory intervention to break up the big firms. With companies of all sizes under financial pressure, the value of audit is once more being challenged.

The audit is sometimes seen as a necessary evil, a compliance activity adding little value to a company or its stakeholders. This is captured by the old joke: Why did the auditor cross the road? Because they did last year! As an ex-auditor it does still make me smile. The reality, however, is very different. The crisis has required new approaches to audit procedures and a total reassessment of risk.

My recent discussions with PrimeGlobal member firms highlight that the crisis has increased their focus on understanding business risk, the impact on audit procedures and the audit opinion.

Many of our member firms' audit businesses of differing size and across sectors – often small to medium-sized companies. They are used to complexity, and recognise that every client needs to be understood differently. As Elaine Pantel, partner – assurance and business advisory at Canadian firm Shimmerman Penn, explains: "The partners feel a higher sense of purpose as they realise how important the audit is during challenging times."

VISITING CLIENTS

Clearly Covid-19 has limited the ability of audit teams to visit clients to complete audit procedures, such as inventory checks. The extent this has impacted audits varies depending on the time of the year end.

Steve Heathcote, PrimeGlobal

Anthony Woodings, business services partner at UK firm Hurst, explains that 30 March year ends were particularly challenging. However, Woodings notes: "We assessed risks, determining exactly when we needed to be at the client's premises and what could be done remotely. For certain types of inventory, we could obtain strong assurance using collaborative technology. Often when teams go out to client locations, we have down times when they are waiting for information. By obtaining information in advance and really focusing on only visiting when we needed to, we reduced physical time spent at a client from a typical six weeks to six days."

The extent of thought required is helping to focus audit work on key matters. Simply following previous audit procedures is not an option.

For both Shimmerman Penn and Hurst, previous investment in technology and moving to fully paperless operations has helped to ensure they were in a strong position to obtain information from their clients to continue audits.

Hurst started to adopt an AI auditing solution before the crisis hit. This foresight has proven to be incredibly valuable. Woodings explains: "The software has been great to analyse data to focus on audit risk,

Elaine Pantel, Shimmerman Penn

and the dashboard really helps explain issues to clients." The crisis has clearly helped to accelerate the adoption of the technology.

GOING CONCERN

There is clearly an increased probability that auditors may need to highlight the existence of an uncertainty regarding a company's ability to continue as a going concern.

For some clients, for example in the casual dining sector, the risks are so clear that clients have accepted the need to do so. However, for others the thought of any form of modified audit report is a shock. As Pantel says: "This is partly psychological – it's a sense of pride – clients want a 'clean' audit report."

The time partners spend discussing risks with their clients is helping them understand their own business position more fully. Bonnie Zelman, director – quality control at Shimmerman Penn, notes: "They help their clients understand that the financial statements belong to them – they need to assess the impact of financial uncertainty on their business." This helps to bring an advisory element to the audit – but at the same time firmly maintains independence.

> " WE ASSESSED RISKS, DETERMINING EXACTLY WHEN WE NEEDED TO BE AT THE CLIENT'S PREMISES AND WHAT COULD BE DONE REMOTELY

Firms like Shimmerman Penn and Hurst have invested in strong quality-control functions with senior staff like Zelman ready to support audit teams. This investment has helped keep a focus on independence during a time when there could be more pressure from clients. It also ensures that teams have access to high-quality advice issued from a range of standard setters and professional bodies.

VALUE OF AUDIT

Pantel and Woodings comment that they have had to invest more time in audits to consider challenging judgemental areas. Pantel notes that this is putting some pressure on the recovery of costs; however, the firms want to support their clients during challenging times and are reluctant to increase audit fees.

Both firms are passionate about their clients and want to help provide the insights which help them grow. Woodings comments that Hurst feels fortunate to have entrepreneurial clients that want help to understand their financial position, accept their reality, and are nimble and can refocus on growth. He says for some business owners this is motivating, and reflects the entrepreneurial spirit that is the driver behind many small to medium businesses. Such businesses represent the majority of economic activity, and puts the auditor in the critical role to build the confidence required to generate jobs and growth.

Pantel comments that the high-level discussions Shimmerman Penn is having with clients about their current and future business provides – in the longer term – an opportunity to "relook at the value of audit and turn the tide away from its commoditisation".

THE FUTURE

There are clearly challenges ahead for auditors; however, PrimeGlobal firms are highlighting that there have also been positives. They understand their clients' business better

Anthony Woodings, Hurst

than ever, and their clients have a better understanding of what is required to audit. Audit teams are learning from partners as they see how they address challenging judgemental areas and how to have difficult conversations with clients. This exposure is helping train and equip the next generation of auditors.

PrimeGlobal firms are also exploring further collaborative technology which will increase efficiency and effectiveness of audits – for example, by looking at the potential of augmented reality headsets that project computer-generated images and tools onto a visor in front of your eyes. The client would wear the headset to enable remote auditing so, for example, they could walk into a warehouse full of boxes, scan the room and the technology would tell the auditor in an instant how many items are there. It can also be used to review working papers remotely. In a day, an auditor could review working papers in Singapore, review inventory in Germany and remain at home in time for dinner in Manchester!

At PrimeGlobal we are committed to bringing our firms together to share practices to improve audit effectiveness, use technology, train staff and enhance audit quality. Post Covid-19, the need for audit will be stronger than ever, with stakeholders requiring assurance about the resilience of businesses. The value of audits may also be better understood by business.

The crisis has given us many reasons to be proud of our auditors. That would be a headline about audit that, for once, should make us all smile for the right reasons! ■

RUSSELL BEDFORD
STRENGTHENING THE PERSONAL ELEMENTS WITHIN TEAM LEADERSHIP

In this Talking Heads interview, *Zoya Malik* spoke to Stephen Hamlet, CEO at Russell Bedford International, and James Ngai, MD at Russell Bedford Hong Kong, to learn more about the Professional Development Programme roll-out in Asia-Pacific

Zoya Malik: Kindly highlight how Russell Bedford's Professional Development programme has been rolled out in Asia-Pacific. Whom is the programme targeting?

Stephen Hamlet: All levels, all regions. You're never too old to learn. We wanted to continue adding value to all areas of practice and their teams. Addressing the issues around succession and seeing a lot of upcoming younger generations among our members, in particular in Asia-Pacific as the senior partners approach retirement, we felt it important to help develop the leadership and business development skills of the aspiring partners and directors.

ZM: What are the course's objectives and highlights?

SH: Our objective was to provide a holistic approach to training. The Covid-19 situation made everyone take a step back and look at where they are, where they are going, and where they want to be.

The people of our firms are the most important asset they have, and there are so many aspects of a person's development that we wanted to do our best to cover so many bases – whether that be technical, leadership, business development, health and well-being, digital and technological… everything!

James Ngai: What I have noticed is that this new training platform is very much focused on strengthening personal elements and team leadership by knowing and understanding yourself, having the skills to effectively communicate and building a team which then leads to management of that team.

ZM: Which partners are delivering the L&D programmes and certifications?

JN: I believe it is important for myself as MD to lead and oversee such programmes, but allowing external facilitators and trainers to do what they do best.

SH: Indeed, we have engaged with a number of providers – in fact, several people I have got to know in the course of my 12 or so years in accounting networks and associations. People I trust, people who are very good at delivering and people who have experience of this profession. It has highlighted how important it is – from their side and from mine – to keep in touch and maintain those relationships. We now have a strong pool of external providers that we can expose to our group of firms, on a number of important topics and subject areas.

> “ WE ARE NOT A LOOSELY CONNECTED BUNCH OF FIRMS AROUND THE WORLD: WE ARE A CLOSE-KNIT GROUP SHARING THE SAME PRINCIPLES

ZM: How do you measure the programme's effectiveness and ROI?

JN: For me and my practice, we have periodic personal objectives and a development plan with specific targets and goals. The Russell Bedford programme is now helping us tick off a lot of those development criteria, making it easier for us to source the expertise.

This goes alongside self-rating and assessment. We always feel it important for our people to firstly judge themselves, how well they feel they are doing, what do they feel they have achieved, and to then see if others agree when it comes to periodic and annual appraisals.

SH: We thought about this hard. It was important not to simply roll out a number of webinars, inviting firms and their teams to attend, and for people to sit and watch in the corner of one eye while focusing on something else.

We felt, and especially in this new dawn of remote working, it was important to help our firms make their people accountable and to feed back. Therefore, we have produced special Russell Bedford scorecards – to record what they have learned, the takeaways and the next actions – to adapt, develop, maintain and discuss with their managers.

ZM: How does the programme benefit the brand's image and reputation across the network in the region?

SH: For me, it shows exactly what we are as a 'brand'. We are not a loosely connected bunch of firms around the world: we are a close-knit group, sharing the same professional principles and communicating regularly.

Our training programme cannot replace a national institute's professional development, and it never intended to, but what it does do is roll out to our firms around the world what we deem is important to them to be thinking about right now, and all centred around developing their people.

We have six core values at Russell Bedford, and these are what create our brand reputation: accountability, integrity, professionalism, excellence, positive impact and collaboration. The culture of the Asia-Pacific region in particular is so diverse, yet the culture of our brand must be the same wherever a client goes on their international journey. Our programme centres around that brand.

JN: Branding connects the participants through the learning and development programmes with a consistent message being sent across not just the participants and to all firms throughout the network, but to the clients. If clients can see the consistency of the brand, they have the confidence to use our firms in any jurisdiction.


James Ngai (left) and Stephen Hamlet, Russell Bedford

different times, even more so due to recent circumstances, and allowing the formalities to be dropped, for teams to open up and start thinking outside the office, is fantastic. After all, these younger generations are the future leaders of the practices in our profession.

This is exactly what our training programmes are all about: developing people

> "ALLOWING THE FORMALITIES TO BE DROPPED, FOR TEAMS TO OPEN UP AND START THINKING OUTSIDE THE OFFICE, IS FANTASTIC

for the future, and so they are prepared for any situation. We've seen how important that is this year!

ZM: Can you share a working case in the Hong Kong office?

JN: The new Russell Bedford platform can now be used to complement our existing training programmes. For instance, a couple of years ago, we had a two-day offsite leadership workshop for all managers and directors. This was organised by newly promoted managers, giving them their first chance to lead and organise. External trainers were used, involving non-routine programmes, different styles and surprising techniques for participants. This involved overnight facilities with shared accommodation for participants, providing opportunities for room-mates – from different divisions – to communicate in an informal non-office environment.

SH: I think this is particularly important in Asia, where the accounting profession has had a past reputation of being static and not so adaptable. We are now living in much

ZM: What have the highlights of the Asia-Pacific Conference been? What are the trends in terms of trade and expansion of accountancy services in Asia-Pacific over 2020?

JN: The uncertainty of economic growth, due to international trade disputes between the major economic powers such as China and the US in the beginning of the year, and the outbreak of Covid-19 afterwards, do clearly affect investment confidence in the region. However, as accountants, we are still busy as usual – as we are now working on financials for the year ended 2019 – but we remain cautious about growth and must be prepared for the worst to come.

SH: I echo what James has said, but I repeat what I have said following our web meetings all over the world: the resilience and positivity of the accounting profession, witnessed first-hand when I hear from our member firms, has been considerable.

Accountants have stepped up to the mark, initially assisting with immediate Covid-19 issues, and now looking to advise businesses on the way forward, offering restructuring and consulting advice. It was pleasing to hear from our firms in Australia, and also parts of Asia, who have picked up a number of new clients because of this. When the pandemic first broke, I expressed my opinion that those firms who look after their clients, proactively, will not only retain those clients but will win new clients, who have not been looked after. And I now see this happening!

Our panel sessions during the Asia-Pacific conference highlighted how the past number of months have brought about a great period of adaptation, with technology having an enormous impact on all firms. The communication facilities, with clients and with team members, have improved the way firms operate, enhancing interaction, coupled with advancements in software products. This hugely impacts on how accounting firms service clients effectively now and in the future.

One of our panellists, from India, commented how AI and data analytics are the precursors for a fundamental change in recruitment, with accountancy firms having immediate access to extraordinary talent in any part of the country or geographical region in which they operate.

We discussed how this will ultimately lead to complete digital mobility and knowledge sourcing across the globe, improving productivity, happiness as a result of remote working, and greater employee satisfaction because employees can work from the place where they wish to live.

We also heard from our partner in Vietnam who shared how the current Covid-19 crisis has led her firm to taking a deeper look at how they operate. After the initial threat, as a result of businesses closing due to Covid-19, several unexpected benefits arose: communications with clients, more often than pre-Covid, meant delving deeper into their business strategies and learning more about the type of business support required. Clients have been looking at internal processes, and our Vietnam office particularly mentioned how they had been helping them through that process.

Our firms have also picked up clients from the Big Four, concentrating on their personal and specific expertise, as well as supporting new clients that had not been receiving the close attention they had hoped for.

Our firm in Malaysia highlighted how it has gained significant success from using a globally recognised brand, and this has helped particularly during these challenging times.

Competition is very strong in the Chinese market. Clients ask about the quality of the global network – it's very important to them, and it sets our firms apart from the competition.

ZM: Is there scope for expansion of practice lines and advisory in the Hong Kong office?

JN: Due to the change in modus operandi of some industries and segments, with more and more online and e-commerce business dealings, we expect more outsourcing work as business operators would no longer rely on in-house accounting, HR or IT support, and tend to outsource these functions to professional service providers.

The application of cloud-based tools and software, further facilitate us to provide real-time services to these clients.

ZM: How is Russell Bedford's business faring in Asia-Pacific in terms of new recruitment of member firms and clients under the pandemic constraints? What are the challenges?

> “ CHINESE CLIENTS ASK ABOUT THE QUALITY OF THE GLOBAL NETWORK – IT'S VERY IMPORTANT TO THEM, AND IT SETS OUR FIRMS APART

This is additionally relevant in developing Asian economies since the credibility of firms increases due to association with a Western network, and has a positive impact on how clients and prospects view accounting firms.

JN: This is true. As businesses are prohibited from advertising services in Hong Kong, for instance, demonstrating our expertise when working with clients is very important.

Word of mouth is still very prevalent for business success in Hong Kong. You have to be reliable, communicate well and effectively become a business partner to your clients, solving their problems so that you can be confident of their return.

We have been successful by focusing our efforts on the right segment, at the right time, to the right people, and using the right channels.

SH: Our firm in Beijing explained how the support from a network such as Russell Bedford has given them extra strength to come through these challenges.

SH: As Russell Bedford's CEO, speaking at the end of the web conference, I mentioned how fantastic it had been connecting and learning over the two days.

If you had asked me a couple of months ago if we could have achieved this level of togetherness in a virtual context, I may have been sceptical. But the new norm has made us all rethink about how we do things and I'm very glad to see that our network's core values still remain very much intact.

We heard a lot about talent management during the conference, about encouraging and empowering employees – these are the efforts that will have lasting effects on businesses and how they are perceived. The businesses that acted with compassion and care for their employees and their clients, during the times of crisis, are the ones that will succeed and thrive, by securing the best talent to grow their businesses for the future.

And we heard of real-life examples from our members in Asia-Pacific, picking up new clients because of the care and empathy they had portrayed. We have hence remained very positive, and so have our members, and we have not lost any due to Covid-19.

As regards recruitment of new members, clearly it is harder at a time when practices with no experience of the benefits of being in an international group are looking at their costs and with several other priorities. Having said that, however, we are about to recruit a fantastic audit firm in Japan, to complement our existing tax and accounting practice, and we are still in contact with other firms throughout Asia-Pacific, that have expressed an interest in joining.

ZM: What new initiatives are planned in the Hong Kong office for capturing referrals and for lead generation?

JN: We have to be well prepared and understand how technology transforms business operations. Real-time engagement is expected under this 'new norm'.

In order to capture the ever-evolving potentials and leads, IT, fintech, e-commerce and training are a must to ensure we are ready and understand what our clients and potential clients are doing, providing the relevant advice on a timely basis.

ZM: How is the Health and Well-being programme being rolled out in Asia-Pacific? What have the benefits for members and senior managers been to guide them in their leadership roles?

SH: The beauty of the Health and Well-being course is that it is freely and readily available online, with a number of sessions, to be accessed at anyone's personal convenience.

We felt it particularly important at the current time, addressing how you deal with problems and negative situations, how to manage time better, improve relationships, energy levels, and keeping teams motivated and inspired. We have a number of other items on leadership in tough times, aimed at all levels: top leaders, middle management and aspiring leaders.

Obviously for the live webinars and interactive sessions, we have to adapt to different time zones to facilitate involvement of the Asia-Pacific region, and we have a scorecard measuring system helping managers monitor progress of their teams, with specific actions and takeaways from the sessions.

The overall message for any successful leader is, of course, communication – regular and effective. This relates to all parts of the world and across all cultures. ■

A FRAMEWORK FOR SUCCESS: INTEGRATING FINANCE INTO SUSTAINABLE BUSINESS

Over the past decade, there has been a significant shift in how stakeholders view a company's responsibilities. Business leaders are returning to concepts that consider a business as an integrated enterprise in which management has responsibilities to the whole, writes *Shari Littan*, manager, corporate reporting technical activities at IMA

Research is showing that management attention to sustainable business issues connects to metrics of performance, lower cost of capital and market value.

Forward-looking organisations are discovering these benefits by building strategies around an understanding that the resources on which they depend – such as liveable and workable climates, water and human talent – are limited and valuable.

This connection to performance and long-term value reveals the important role that CFOs and members of the finance function can bring to sustainable business initiatives. But how do finance teams find pathways from insulated departments to cross-functionality?

Last year, IMA's research team conducted a series of interviews of corporate professionals at companies that are leading in the sustainable business arena. Through the study, we sought an understanding of the nature of the CFO and finance function's actual involvement, today, in sustainable business activities.

The findings are summarized in our white paper, *CFO as Value Creator: Finance Function Leadership in the Integrated Enterprise.* During these interviews, as described in the white paper, we observed that we are showing the most progress in sustainable business and connecting this progress to performance and value, we are using a cross-functional approach: the finance function serving in its traditional role as internal business partner.

In 2014, the Institute of Management Accountants (IMA) and Association of Chartered Certified Accountants (ACCA) issued a joint report, *Financial Insight: Challenges and Opportunities,* that provided a framework for integrating the finance function into broader corporate decision-making processes.

Based on this framework, IMA developed and released *Finance Function Partnering for the Integration of Sustainability in Business,* a new report that applies the IMA-ACCA partnering framework to help finance and accounting professionals take an active leadership role in their organisations' efforts to integrate sustainable business – sometimes referred to by the initialism ESG for environmental-social-governance.

The new partnering paper provides three components, each of which contains pragmatic actions that CFOs and finance function professionals can utilise to build an integrated enterprise.

Component 1: Creating a mandate for partnering on sustainable business activities

A CFO, as a member of senior corporate leadership, participates in articulating an organisation's purpose and values.

The CFO also serves as a bridge between senior leadership and the regular day-to-day work of the finance team. In this role, the CFO can encourage the development of both informal and formal structures across the organisation. This creates buy-in, allowing the sustainable business team to reach out effectively and seek the finance team's insight toward shared goals.

One of the most important aspects of creating the mandate is highlighting proof points. Finance professionals are extremely well suited for connecting initiatives to results by estimating the financial effects, such as the value of customer retention, employee commitment, transparency with regulators, and reduced capital costs.

Component 2: Fixing the information and enhancing data quality

A common challenge for sustainable business initiatives is a lack of quality data. Investors are increasingly demanding ESG information of better quality and relevance than companies are generally issuing today.

The finance team has a vital role to play in implementing controls and oversight, adopting the most relevant reporting standards, and measuring what matters. They have the expertise to help sustainable business teams connect the data to the company's business model. Utilising technology, they can help aggregate relevant indicators on dashboards and into management reports.

Component 3: Deploying finance talent to meet sustainability challenges

Finally, it is beneficial for CFOs to build finance teams that are capable of cross-disciplinary thinking and initiative. In these ways, the finance and accounting team contributes as a vital business partner. The finance team brings its unique know-how and applies it with a long-term mindset. Deploying talent includes enhancing team diversity, as equity and inclusion enrich team perspectives and capabilities.

The CFO and finance function's capabilities position them for developing new forms of decision-useful information about all the critical resources on which an enterprise relies. In this way, finance and accounting leaders can embody the high ethics and values that have always been a hallmark of the profession. ■

FOCUSING ON THE DIVERSITY OF TALENT IN ACCOUNTING

In 2019, an FRC report revealed that the audit industry was lagging behind on gender inclusion. With the *FT* revealing the same year that women were responsible for auditing only nine of the UK's FTSE 100 companies, pressure has mounted on the industry to change. *Isabella Colletta* spoke to CEOs and executive directors to understand how these studies relate to real experience, and how firms can reform recruitment and remote working to build a more inclusive and transparent workplace

The FRC data showed that the majority of partner-level roles in accounting firms were held by men, despite female employees being well represented in mid-managerial positions.

Numerous studies have shown that men and women in audit progress at fairly similar rates at the start of their careers, but this changes once they move towards executive level. A study by King's College London, commissioned by ACCA, revealed that in accounting firms, women's careers often plateau and take seven years longer to reach executive positions compared with their male counterparts.

DIVERSIFYING A BUSINESS

The majority of female CEOs and executives who spoke with *IAB* revealed a diverse background of corporate experience, and for many, accountancy was not something they trained in at the start of their careers.

Kreston International CEO Liza Robbins worked in sectors including publishing and brand consultancy long before she began working with accounting associations and networks. Working in entrepreneurial business, she says, gave her an advantage at the early stages of her career because "career progression was less about who you were and more about how you delivered."

Similarly, Morison KSi CEO Memoria Lewis notes that her career covered a range of corporate positions, such as marketing and cross-cultural management. However, Lewis recognises that strong corporate skills gained through experience in a role such as marketing were viewed as "softer" to some employers. "Marketing was considered something that 'creative types' did, not real businesspeople" she explains. "But it has worked well for me, not only because it plays to my strengths, but it also allows me to look at the world differently to those I work with."

A recent study by Deloitte found that many CEOs of US finance firms previously held leadership roles in business, finance or operations. Despite holding positions in the C-suite, the data revealed that women had a higher representation in roles such as chief of brand or sustainability, which statistically did not frequently lead to CEO.

Deloitte concluded that to achieve diversity, firms must vary the lines of business from which they seek talent. These findings ring true for Lewis in particular, who recommends that leaders bring in experts in fields such as marketing, HR and technology. "Future CEOs could come from any of these fields" she says. "Having diversity of thought is so important if you are going to progress."

By investing in a broader range of high-level skills that may be required of an auditor, "you are more likely to attract more women who see the profession as a good foundation for a future in business."

RECRUITMENT

Recruitment policies, both across the board and with executive positions more specifically, are one area that has been recognised as needing development. "There are widely publicised steps that firms can take," Robbins says. "From looking at whether the recruitment process is objective and effective, to educating on unconscious bias that can lead to predetermined decision making."

ACCA CEO Helen Brand points to research indicating that entry into the accounting profession is largely balanced, and that 58% of ACCA students and 47% of its members are female. However, data from the FRC reveals that the number of women progressing to director and partner levels is much lower, with only 15% of the former position being taken up by women.

This decrease needs to be fully understood, Brand argues, and it is key for firms to be more transparent about recruiting. She asserts that "the mantra of 'what can be measured can be managed' is critical, so that diversity figures can be analysed closely and for the right interventions to happen."

Work still needs to be done at this level to ensure inclusion, as the 2019 FRC report found that one in three audit firms do not collect diversity data for their workforce.

"An organisation needs to analyse what is stopping progression," Brand states. "Transparency on recruitment and progression is essential, and introducing measures such as gender and ethnicity pay gap reporting are good developments."

A key policy that both Brand and Tendai White, executive director for EMEA and Asia-Pacific at Inpact, believe could be powerful in encouraging a greater number of women to apply for executive positions is mentorship programmes.


Memoria Lewis, Morison KSi

While White also identifies that issues surrounding maternity leave and childcare support impact the number of women in executive roles, she argues: "There is also the lack of workplace role models for women. If you don't have women in senior management roles, junior female members of staff don't have someone they can aspire to be." Firms, she says, must take into consideration that "it comes back to 'you can't be what you can't see.'"

Mentorship opportunities before recruitment opens have proved effective at Inpact, and White comments that the team is mostly female, with a 4:1 ratio, and a spectrum of diversity is prominent within the staff and an important part of the network's ethos.

Another policy that RSM International CEO Jean Stephens believes could be transformative in speeding up change in the industry is the use of quotas. While some men and women are opposed to quotas, Stephens acknowledges, the policy is more about promoting talent that may have been overlooked, as opposed to hiring people beyond their ability.

"Quotas, if used correctly," Stephens says, "might be the catalyst for short-term change that the world of business needs,


Tendai White, Inpact

and if successful, may not be required soon thereafter." Amplifying short-term change, Stephens argues, is important, otherwise "I see this limited and gradual pace of change continuing unless there are significant interventions that seek to accelerate it."

WORKING FROM HOME

Remote working has been a challenge that all firms have had to face in recent months, and the pandemic has forced employers to become more mindful of staff members' family and caring responsibilities.

As some firms begin to prepare for the move back to office working, many have advocated for working environments to maintain inclusivity.

Brenda Trenowden, PwC partner and former global chair of the 30% Club, suggests that the slow move back to the office may result in men being able to return sooner, or more frequently, than their female colleagues in light of family responsibilities.

"This is a tricky issue and employers have not found an easy fix," Trenowden says, adding that leaders in various sectors have found ways to mitigate unintended exclusion. Trenowden points to a large retailer that has confirmed that 80% of all meetings will remain online to maintain inclusive communication, and other businesses are looking to hold most meetings during school hours.

The immediacy with which Covid-19 changed working lives was pivotal in forcing managers to reorganise their priorities, Stephens explains. Inclusivity suddenly became an all-encompassing issue, as "almost overnight, it was suddenly very clear to leaders and management to consider whether people had young children at home, or were vulnerable themselves, or if they were caring for vulnerable people. This was gender-neutral", she argues.

For Robbins, the shift caused by the pandemic has forced firms to focus on productivity and delivery, as opposed to office working and nine-to-five working hours. Firms need to grant flexibility to staff if they want to foster talent and ensure employees are able to perform at their best.

"If a firm does not enable high-performing women to juggle their various roles," she points out, "it will immediately lose an already short supply of possible talent." Extending support for remote working and ensuring that this remains an option in the future is vital for improving gender inclusivity.


Helen Brand, ACCA

White's personal experience of holding an executive position while carrying out care responsibilities reveals that the audit industry needs to prioritise the provision of more options to staff who may need to work remotely.

The responsibility to simply "make it work" was challenging, White recalls, and despite having support from the Inpact board, she "had to overcome certain hurdles, such as instigating working from home, which was relatively unusual for senior positions in the accountancy profession at that time – and still is."

Covid-19 has revealed a gap that needs to be narrowed, and as work environments develop to include remote working, there is an opportunity for the audit industry to use this move to its advantage.

Robbins is particularly in favour of this, and she has identified a number of resources that firms can use to improve in this area. Like Trenowden, she recommends flexible working times, the continuation of virtual meetings in offices, and equally including remote employees. It is a move that should suit accountancy firms, she says, as "given the amount of time that auditors can be off site, firms should already have some understanding of this concept." ■


Jean Stephens, RSM International

RETURNING TO THE WORKPLACE: WHAT EVERY EMPLOYER NEEDS TO CONSIDER

As a phased return to work is likely over the next few months, employers will have different requirements in how to restart operations. Similarly, employees will have their own considerations, with childcare, transport and health concerns front of mind. *Karen Holden*, founder of A City Law Firm, sets out some FAQs on what employers may need to consider

In some cases, employers and employees may wish to remain working at home, either for productivity or to enable social distancing for an extended period.

Each employer's management of this will need to take into account its operational needs, together with the law and government guidance on how employees can return to work safely.

Can an employee be forced to return to work? What if they are not comfortable in doing so? On what basis can they refuse to go to work?

The government recently advised people to go back to work only if they cannot work from home, although this may change again with updated announcements. Employers should realistically undertake a Covid-19-specific risk assessment in respect of their employees returning to work.

Employers do have a legal health and safety obligation, so they must ensure they are operating effective social distancing measures within the workplace. If they are not, employees have a right not to attend their workplace if there is a reasonable belief that doing so would pose a 'serious and imminent threat'. If an employee decides to not go back to work for this reason, they can put in a grievance at work to protect their employment rights and help to stop an unfair dismissal.

> "THE FIRST PORT OF CALL SHOULD BE A DISCUSSION BETWEEN STAFF AND MANAGERS

The business needs versus safety will be governed by the risk assessment, but staff treatment must be fair and non-discriminatory, and we strongly advise that staff are consulted and discussions take place as to their needs, in order to avoid claims and to motivate staff.

If you are still home schooling or have no childcare options, on what basis can you request flexible or remain-at-home working?

Some workplaces will offer flexibility and ongoing home working to employees, so the first port of call should be a discussion between staff and line managers to try and come to an arrangement.

Employees who have been employed for more than 26 weeks may request flexible working arrangements with their employers. This is a statutory right, and the employer must deal with the request in a reasonable timeframe. There may be greater need for flexible working so staff can cover childcare and/or home schooling, and since the government has suggested varying start and finish times in the phased return to work, it is a practical and sensible solution for both employee and employer.

Requests must be given due consideration, and an employer cannot discriminate when giving a decision, but ordinarily it is not duty-bound to agree to this. However, these are not normal circumstances, so how the tribunals may view these cases as they come through will be enlightening. More information is available on the government's website: https://www.gov.uk/flexible-working.

While it may have appeared that the current remote working conditions are a temporary fix to help businesses continue operations during the outbreak of coronavirus, and that they will eventually get back to standard working practice, it is likely that some employees will want to continue working remotely. It is also likely that employers will wish for staff to remain doing so, either to help with the staggered return-to-work plan or for it to reduce office space requirements.

Consultations can take place about how remote working could continue, for how long and for whom, but the employer will need to be careful to offer this to staff in a non-discriminatory way that is perceived as fair to all. It will need to ensure it has updated work-at-home, GDPR and health assessment policies in place.


Karen Holden, A City Law Firm

Furlough

The scheme requires employees to be on furlough for a minimum of three weeks. If an employer wants to extend the period, they will need staff consent to vary the agreement.

Since August, the furlough scheme has allowed employers to bring back employees on a part-time basis in order to aid in the transition back to normal working life. This may allow skills levels to be kept high and also help with childcare arrangements, but it will requires consent.

to be aware that those members of staff who were furloughed may feel out of touch, as they have spent significant time out of their usual working patterns and outside company practice.

Some time for them to settle in would be advised, perhaps a return-to-work interview and review of any training requirements. If you can give them training while on furlough or have regular touch-in calls, this may help them feel less isolated and assist in bringing them back into the working environment.

> “ MOTIVATING STAFF DURING AND AFTER FURLOUGH, AS WELL AS THOSE CONTINUING TO WORK, SHOULD BE A KEY CONSIDERATION

Staff policies or handbooks are usually outside the employment contract, and so can be amended without consent and any changes simply communicated. Staff should be informed and should review these during this period, as they will be obliged to follow these procedures.

Motivating staff during and after furlough, as well as those continuing to work, should be a key consideration for any employer that wants its team to pull together post pandemic. With a huge number of employees being furloughed across the UK – more than the government anticipated – businesses will need

Furthermore, those employees who have continued to work during this time may need additional support as they have helped hold up the business during a stressful time. Considerations for additional annual leave and/or 'me' days may be necessary in order to maintain a motivated and healthy workforce.

Skills and retraining

The golden rule of the job retention scheme until August is that an employee may not provide services to, nor generate income for, the employer. They may, however, undertake training, such as online training courses to keep up their skills. You must be paid at least the national minimum wage for the period in which you are training.

The training undertaken while on furlough should be reasonable, especially if your employer is contributing to the cost. A development of skills that will assist personal growth or to learn new aspects of the business, would likely be the best options.

If staff are worried about receiving training, they should speak to their employer, and this should be encouraged. You may also wish to check your employment contract to see how this deals with any matters of training. Employers may also be responsible for retraining if employment contracts cover this, or if staff are members of a professional body and are required to complete certain hours of training.

When returning to work, employers should ideally conduct a return-to-work interview, during which retraining and other training issues should be brought up.

Will an employer be able to force an employee to take a Covid-19 test before returning to work?

It is unlikely that an employment contract would be drafted in a blanket way in which to force employees to take any such test, and it offers up concerns about confidentiality. This may be different for key workers or those directly exposed to patients.

If an employer creates a new workplace policy that insists on this, firstly it will be impractical due to the reliability of tests, their availability and how employees obtain such tests, but it will also open up concerns of confidentiality and discrimination actions. This is a very new legal space, so there is not much concrete advice yet. However, an employer has a legal health and safety obligation to provide a reasonably safe place of work.

Employers should set up policies within their organisations that incorporate testing. For instance, a company may, if an employee shows symptoms, require them to leave the office immediately and not return until they have been tested. If the results for that test are positive, the employer would then have to take measures to protect the rest of the workforce. This may include sending home all people who have had contact with the employee who has tested positive.

Not all businesses are the same, so it is important that all employers make substantial efforts to remain up to date with government and public health advice when deciding the ▸

best policies for them, and take advice to ensure it is regulated in a confidential and non-discriminatory way.

If you contract the virus at work, is your employer responsible?

An employer is only responsible if they cause your condition. This means the employee must prove, with medical evidence, that it was highly likely that they contracted the virus while at work, and more so than other places such as public transport and shops.

The employee would need to consider if their employer has put in reasonable health and safety measure like social distancing. This is why a plan and policy is key for an employer to protect itself and be able to show it has made as much effort as possible to protect its staff.

While not impossible, it would be difficult to show that the virus was contracted while at work due to the huge amount of people contracting it. If the employee could show this, they would need to consider bringing a personal injury claim against their employer.

If you are showing symptoms and come to work and you infect other employees, who is responsible?

Law enforcement has been seen to be very strict on people intentionally passing on the virus, through overt acts of coughing.

People have a duty to protect themselves as well and not to be reckless, and this extends to their workplace. If staff are showing symptoms, it would be best to notify the employer and self-isolate before returning to the workplace.

If you knowingly and willingly return to the office with such symptoms, your employer can bring disciplinary proceedings, may suspend you from work or even dismiss you if you have knowingly breached its policies on health and safety.

Likewise, an employer also has a duty of care towards its staff and other employees. If staff are showing symptoms, they must take action to protect others in the workplace. This would include sending the person home, and likely all those who have been in contact with them. If they are not appearing to action a plan or policy, or to take action, an employer could be held vicariously liable. There can be both criminal and civil liability in terms of passing on infectious disease.

What happens if an employee does not carry out social distancing or follow the employer's back-to-work policy?

If an employee is not adhering to the business policies introduced, or government instructions, then the employer may be able to dismiss them for a serious breach of health and safety and breach of contract. Clear policies must be introduced, maintained and communicated.

Is an employer required to provide PPE?

Employers have both a common law and statutory duty to ensure, so far as reasonably practical, health and safety within a workplace. To breach this duty is both a criminal and civil offence.

Employers will need to be aware of legislation relating to PPE in the wake of the Covid-19 pandemic. The PPE Regulation 1992 should now be on the forefront of all employers' minds.

The moot point here will be what is 'reasonably practical'. Employers should all undertake Covid-specific risk assessments and ensure they have policies in place and relevant training provided.

Specific PPE requirements and guidance have been published by the government, and are available on its website. Not all industries will be required to provide PPE. However, it is common that social distancing, as a minimum, is adhered to wherever possible.

It will be on the employer to provide new and innovative ways to adapt their workplace in line with current advice. The Health and Safety Executive may perform spot checks on employers to ensure they are adhering to the guidance. Failure to do so adequately could lead to civil and criminal charges.

What would you expect an employer to be considering in the risk assessment and plans?

1. Staggering work times and return to work

As the UK government will want to significantly curb the number of people on public transport at any one time, it will likely suggest that employees who have to attend the office or workplace do so with staggered work times or days.

Staff could do two days on and three days off, and office share with other staff to enable social distancing as well as vary their work operating times. This can be done, but employees need to be consulted and treated fairly as plans are put into action.

It is hoped this degree of flexibility will have a positive impact upon productivity; some people work better in the morning and others later in the afternoon and evening. By staggering the work times of employees, business owners may see an increase in the volume of work produced, a happier workforce and potentially the personnel to cover longer periods of the day to reach clients and customers.

> "BY STAGGERING THE WORK TIMES OF EMPLOYEES, BUSINESS OWNERS MAY SEE AN INCREASE IN THE VOLUME OF WORK PRODUCED

2. Social distancing in the office

Social distancing is here to stay for a while, and employers are going to need to consider how employees get to work and operate safely. Employers will need to carry out a risk assessment, update their policies and convey this to their employees in a clear manner.

We also strongly suggest that employees are given contact details and a forum to have the opportunity to discuss any concerns they may have with a member of management.

3. Clean office spaces

We can also expect an increase in the level of cleaning in offices to ensure that any potential sickness is reduced for staff and visitors. Businesses will be under scrutiny when they start bringing employees back to work, and this will be focused on how they manage their staff's health and well-being.

The key for everyone is careful planning and assessment, consulting and communicating with each other, so concerns are voiced and addressed, and clear policies are communicated that are practical and agreed.

The basics will include a remote working policy, risk assessment, a return-to-work policy for staff, access to services by clients and visitors, data protection, health and safety audits of procedures and policies, and clear communications with staff. ■

TRENDS SURVEY: ACCOUNTING FOR CHANGE

In its *Accounting for Change* report, which uses previously unreleased data by ONS dating back 10 years, cashflow business *Float* shows that the number of accounting firms is down after the 2010 boom, yet bookkeepers continue to thrive. It is important to note that this is pre-Covid data, as it will likely be years before the pandemic's full extent is clear

The standout trend of recent years is a steep decline in the numner of accounting firms, following years of impressive sustained growth.

Between 2011 and 2017, the number of firms in the UK increased by an average of 1,212 per year, likely driven by the rise of cloud tools which made it far easier and cheaper to set up and run a firm.

More recently, nearly 500 firms disappeared between 2017 and 2019. This may sound alarming, but it is likely the result of an uptick in market consolidation, as well as general economic uncertainty since Brexit which may have deterred some accountants from starting their own firm.

Likewise, it is also important to note that these findings are not all doom and gloom. The UK now has a smaller number of firms in total, but we saw that the number of firms earning more than £100,000 ($129,500) increased by 4%, while the net loss comes from firms reporting turnovers under £100,000 (-5%).

More good news is that bookkeeping businesses continue to thrive. Their numbers did not decrease between 2017 and 2019 like their accounting counterparts. The number of bookkeeping firms, according to the ONS, is now 6,640, a 113% increase since 2011. It is a trend that looks set to continue for the foreseeable future too. We are in the middle of a technological revolution that represents an incredible opportunity for bookkeepers. Cloud accounting services, smartphones and the introduction of open banking mean bookkeepers can scale up like never before.

DIGGING A LITTLE DEEPER

We also found it interesting to look at the types of accounting firms that exist in the UK today. We learnt that the number of businesses classified as partnerships has halved over the last 10 years, from 3,125 in 2010 to 1,745 in 2019.

Accountants opening their own firm for the first time are tending to do so on their own, and less inclined to do so with a partner. Likewise, it is likely that more professional firms are choosing to operate as limited companies rather than partnerships for operational and tax purposes.

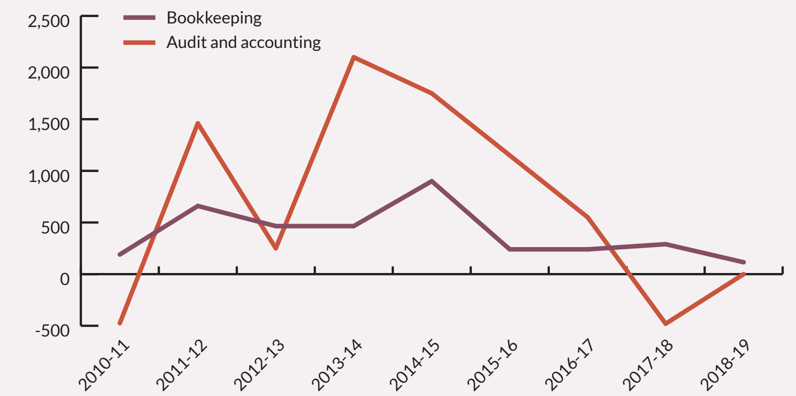
From a regional perspective, our report emphasises the degree to which London is at the centre of UK accounting trends. It had by far the highest net growth of accounting and auditing enterprises in the last decade (+2,405) but also lost the most since 2017, a total net loss of 325 in two years.

We believe that these metrics lay bare the massive disparity between business opportunities in the East and South East of England versus elsewhere in the UK. The low growth for Scotland, Wales and Northern Ireland should be of particular concern. Scotland has two-thirds the population of London, yet the number of accounting firms in London has grown by 10 times as much.

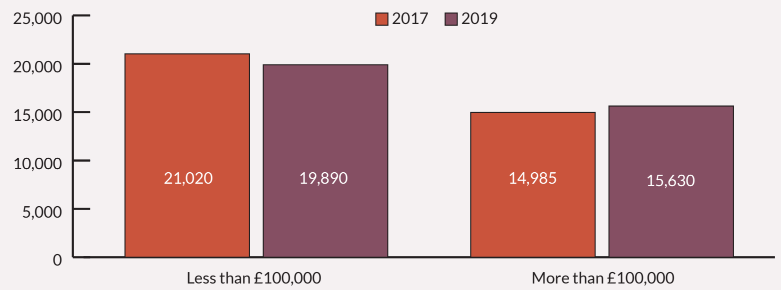
During times of crisis such as these, accountants and bookkeepers have never been so important in helping clients stay afloat. As we look towards the future, it will be fascinating to see the numbers for 2021, and how the pandemic and subsequent recession impacts this industry. ■

KEY FIGURES

Annual changes in the numbers of bookkeeping, and accounting and audit firms in the UK



Profitable firms in the UK



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