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INTERNATIONAL Accounting BULLETIN

WORLD SURVEY:

ANOTHER YEAR ANOTHER DOLLAR

NEWS

PwC banned in India
Baker Tilly France move
AGN & DFK cooperate

INSIGHT

Trends in audit, tax & advisory
Meet the new CEOs
New technologies

RANKINGS

Global fee and staff
Service lines
Regions

CONTENTS

COVER STORY

WORLD SURVEY RANKINGS 06

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NEWS

FEATURE

RANKINGS

ANOTHER YEAR ANOTHER DOLLAR

Vincent Huck, Editor

Old habits die hard, and, as we release the World Survey at the start of 2018, it seems PwC is still struggling with simple maths.

According to its 2017 global transparency report, PwC reported $ 16,800m in the Americas region.

PwC USA's transparency report for the same year states revenues of $ 15,995.8m in the USA; similarly PwC Canada's 2017 transparency report states revenues of C$ 1,428m in Canada. Using a historical average exchange rate for the year of 0.7534, this is $1,075.8m.

So PwC's combined Canadian and USA revenues are $17,071.7m – in other words, $271.7m more than that reported for the whole of the Americas region. Aren't Canada and the USA in the Americas, then?

We asked on 12 January: no answer. Followed up on 15 January: no answer. Followed up again on 23 January, at which point we were forwarded to another PR. Followed up on 25 January, no answer. Followed on 31 January, at which point PwC send us their full submission for the World Survey with a lot of disrepencies with their transparency report. We followed once more and at the time of writing – you guessed it – no answer.

If this sounds familiar, something similar happened last year, when PwC reported three different fee incomes in the USA in three different transparency reports for the same year end.

For more on this, read the Editor's letter *And the Oscar goes to ...* of 6 March 2017. We are still awaiting for answers on those questions.

This is not a great advert for a network that says its purpose is "to build trust in society and solve important problems". I hear the Oscars are coming up, which should be entertaining.

Growing gap

In other news coming out of the World Survey, the gap between bigger and smaller global networks and associations continues to widen.

In the financial year 2016, $ 527m separated PKF International, ranked 15th, and UHY International, ranked 16th. In FY17, there is a gap of $ 758.9m between them. In FY16, Morison KSi ranked 9th, ahead of IAPA, ranked 10th, by $ 121.2m; in FY17, MSI Global Alliance overtook IAPA to be 10th largest association but the gap between it and Morison KSi is $ 421.4m.

This suggests we should see more firms move, with bigger firms that belong to smaller groups looking to join larger ones. This also raises questions over the sustainability of smaller groups, and whether the market will evolve towards a few truly global networks and associations, with others focusing on regions.

Merry go round in the ranking

Ranking wise, a few changes are worth noting, in particular Nexia International overtaking Baker Tilly international in the 9th spot, and HLB International climbing to number 12 above Kreston International. Pan China International and MGI Worldwide swapped places, with the Chinese-based network climbing to 18th and MGI Worldwide dropping to 20th.

In the association ranking, Allinial Global's 42% growth is worth looking at. At number 5, it has caught up with PrimeGlobal, which holds the 4th place by only $ 1.2m, while GGI in 3rd position is only $ 157.1m above Allinial Global promising an interesting battle between those three associations.

Allinial Global's success came partly at the expenses of IAPA, which lost 17 member firms to Allinial Global after their failed merger. As a result, IAPA dropped out of the top 10.

Bundle of appointments

Last year saw eight leadership changes. We caught up with six of them to gauge their views on the industry and where they want to take their organisations (page 41).

Other than that, it's another year and another dollar. Our rankings might not be perfect, but they are as accurate as participants allow them to be. So here it is – the February issue devoted to the *International Accounting Bulletin* World Survey. Hope you enjoy the read and we look forward to your feedback.

ACCOUNTING NEWS BITES

BAKER TILLY FRANCE JOINS ALLINIAL GLOBAL

Baker Tilly France has left Baker Tilly International to join Allinial Global and will rebrand as Walter France, International Accounting Bulletin has learnt.

Baker Tilly France was set up as a national network. International Accounting Bulletin understands that all its members are remaining within the network, which is joining Allinial Global except for one firm, Sofidec.

Sofidec was acquired by Strego who joined Baker Tilly International last October. According to its website, Strego has 50 offices in France with 1,000 staff and total fee income of € 93m (USA$ 113.9m), meaning that Baker Tilly International could drop out of the top 10 accounting networks in France.

In the last International Accounting Bulletin France survey, Baker Tilly International ranked 9th with fee income of € 122.8m, while Crowe Horwath and RSM ranked 11th and 12th with fee incomes of € 113m and € 81m respectively.

On the other hand, with this addition, Allinial Global is expected to climb the ranking table to be the fourth or potentially the third largest association in France.

Baker Tilly France managing partner Pascal Ferron told International Accounting Bulletin that the partners chose Allinial Global because the association was a better fit with the company.

"They [Allinial Global] are essentially client orientated with very good member firms so there are no technical issues," he explained. "We liked their reactivity and the fact that they don't impose things from the top, trusting the different individuals within the association. They listen to their members and adopt the best practices and good ideas of each of their members for the benefit of all, rather than decide on strategies behind closed doors and impose them on everyone."

Baker Tilly France is serving its notice with the international network and will have fully moved to Allinial Global in June 2018.

Contacted for comment by International Accounting Bulletin, a spokesperson for Baker Tilly International said: "We have no further comments to make."

KRESTON CEO JON LISBY STANDS DOWN BEFORE RETIREMENT

Kreston International CEO Jon Lisby is stepping down from his role because health problems are preventing him from travelling internationally.

Lisby will stay with the network as chief operating officer and assist the new CEO until he retires on 31 May 2019. Kreston will begin its search for a new CEO as soon as possible.

Lisby has been with Kreston since October 2005 and was appointed CEO in January 2006. Since then, he helped the network grow from aggregate fee incomes of US$ 1.1bn to US$2.4 bn.

"It is so disappointing that my final period with Kreston has been spoiled in this way," Lisby said.

Kreston chairman Bent Kofoed said: "The board and the membership worldwide have been saddened by the news of Jon's illness. This was not how we anticipated his period as CEO would end."

PwC in two-year audit ban by Indian capital markets regulator

The Securities Exchange Board of India (SEBI) has barred all PwC members and entities from issuing audit certificates to any listed company in India for two years.

The ban relates to the Satyam Computer Services scandal nine years ago, where directors and employees collaborated to overstate and falsify account books and financial statements.

The ban will not affect audit assignments for the financial year 2017-18.

Price Waterhouse Bangalore and two former partners – S Gopalakrishnan and Srinivas Talluri – have been ordered to pay a disgorgement of Rs130.9m (USA$ 2.05m) for wrongful gains. The amount included interest calculated at 12% per year from 7 January 2009 and must be paid within 45 days.

Further, Gopalakrishnan and Talluri have been banned for three years from directly or indirectly issuing any certificate of audit of listed companies, compliance of obligations of listed companies and intermediaries registered with SEBI.

Previously, PwC failed on two occasions in 2010 and 2017 to stop the SEBI investigation, first arguing that SEBI did not have the same jurisdiction as the Institute of Chartered Accountants of India (ICAI) but, as ICAI supported SEBI's authority, the Bombay High Court ruled against PwC. The second attempt was a consent plea to settle the investigations but the supreme court gave SEBI extensions to their investigations.

PwC said that it was disappointed.

It said: "We played no part and had no knowledge of the fraud that took place nearly a decade ago. As we have said since 2009, there has been no intentional wrongdoing by our firms, nor have we seen any material evidence to the contrary.

"We believe that the order is also not in line with the directions of the Hon'ble Bombay High Court order of 2010 and so we are confident of getting a stay before this order becomes effective."

The 108-page order said that the entire brand had to be banned to protect the securities market effectively from fraudulent accounting practices perpetrated by an international firm.

STRATEGIC ALLIANCE MADE BETWEEN AGN INTERNATIONAL & DFK INTERNATIONAL

AGN International and DFK International set up a company to give a formal structure to client referrals in response to rising demand for more specialist services

AGN International and DFK International have set up an alliance – Global Connect – to formalise client referrals between member firms of both associations. Both organisations' CEOs are open minded as to how the collaboration might evolve.

Global Connect is a UK company with AGN International and DFK International as its two members.

DFK International CEO Martin Sharp said: "It's not intended to run a bank account and overheads and pay subscriptions. Certainly those are possibilities. We're open-minded about how this might develop but for the time being it's simply a vehicle to give some structure. It's there to have some rules, procedures and guidelines that we've both signed up to."

The crux of the guidelines is that both associations will not seek to poach each other's member firms and will respect the values of each other's organisations, he continued.

Essentially, Global Connect formalises and sets a framework covering a common practice within the accountancy industry where clients are referred to firms that are members of competitor associations and networks.

AGN International CEO Malcolm Ward said: "It is business as usual at the member level but, where occasionally we can't take care of a matter within our own association, the first port of call is to one another. Global Connect really is a collaborative relationship; it's us working together as a wider group to further each other's interests."

The idea of an alliance was born of the assessment that the accounting industry is facing an array of changes, most of them driven by technological innovations and market consolidation.

"Both of our associations are all about independent firms, principally firms that wish to continue to trade and operate under their own name, under their own rules and procedures, their own branding, principally," Sharp explained. "But the marketplace is not littered with such firms of good quality and good standing, which both of us expect. So that leaves vacancies or gaps in coverage."

In addition, clients are increasingly seeking not just a local, general service, but a specific service and experience in their sector, Sharp continued. "So by collaborating with another association, we can better meet our clients' needs," he explained.

"This is client-service led," Ward confirmed. "We're both quite substantial organisations. We have good coverage, quite similar to one another's, but not completely without gaps. By the time you factor in increasingly complex niche and specialist requirements, it's very, very handy to draw on both our memberships which represent something north of 400 members. That gives us more breadth of choice."

Both Sharp and Ward see the formation of Global Connect as a first step towards something that will evolve and grow organically. While they admit that the shape and form of the alliance in the future remains uncertain, they are both adamant that in the first stages at least, this is not about merging the two associations.

"An alternative to collaboration would be merger but, because we have so much similarity, merger seems, on the face of it, not to deliver very much benefit and a lot of potential friction and disadvantage," Sharp said. "But collaboration seems to bring the advantages we might not otherwise get with a merger without actually losing what's special and particular and valued by our members in our own associations."

There's no advantage in a merger, Ward confirmed. "You'd be in the classic situation where 1 + 1 would equal 1.5 at best, with blood all over the carpets and up the walls for five years before you think, 'was that really worth it?'."

He continued: "Neither organisation is weak at the moment. We're both perfectly happy. […] Are we in imminent difficulty? No. Am I finding on a daily basis that AGN can't meet its own referral promise? No, I'm not finding that. The vast majority of time we can and it works really well. But there's a hell of a lot going on out there and we recognise the need to drive client service. […]Together we think there are enhanced opportunities to collaborate and what happens in the future, happens in the future."

Nevertheless, both CEOs admit that as a consequence of collaboration, two firms might decide to merge.

"That's not what we're aiming to do. That's not a purpose," Sharp pointed out before acknowledging that it might happen at a secondary consequence.

But Ward said that in a way this would be a nice problem to have, as it would be better for those two firms to merge and stay with either AGN or DFK rather than leave altogether to join a third party.

Sharp and Ward want to establish Global Connect properly before considering including other organisations, but both are confident the alliance will be a success and believe they will open it up to others.

Although Ward warns that there is only a relatively narrow range of accounting and financial advisory organisations that would fit and both CEOs expect more multidisciplinary organisations or law networks as future Global Connect members.

GLOBAL

NETWORKS: FEE DATA

Rank	Name	Fee income ($m)	Growth (%)	Fee split (%)					Year end
				Audit & assurance	Accounting services	Tax	Advisory	Other	
1	Deloitte*	38,800.0	5%	24	-	19	57	-	May-17
2	PwC*	37,680.0	5%	42	-	25	33	-	Jun-17
3	EY*	31,404.0	6%	37	-	26	27	10	Jun-17
4	KPMG*	26,400.0	4%	39	-	22	39	-	Sep-17
5	BDO* (1)	8,132.8	7%	44	15	22	19	-	Sep-17
6	RSM* (2)	5,095.5	5%	41	7	30	20	2	Dec-17
7	Grant Thornton*	5,004.7	4%	41	-	21	35	3	Sep-17
8	Crowe Horwath* (3)	3,813.5	3%	44	-	25	25	6	Dec-17
9	Nexia International*	3,620.3	13%	43	17	22	9	10	Jun-17
10	Baker Tilly International* (4)	3,400.3	5%	36	14	25	25	-	Dec-17
11	Moore Stephens International* (5)	2,908.6	6%	38	13	26	13	10	Dec-17
12	HLB International* (6)	2,369.2	14%	39	11	27	11	12	Dec-17
13	Kreston International* (7)	2,261.7	7%	35	17	28	6	14	Oct-17
14	Mazars*	1,679.8	11%	45	17	18	19	1	Aug-17
15	PKF International* (8)	1,298.4	25%	46	14	24	4	12	Jun-17
16	UHY International*	539.5	5%	43	20	19	15	3	Dec-17
17	SFAI* (9)	524.2	8%	33	29	21	17	-	Dec-17
18	Pan-China International* (10)	463.9	27%	78	-	3	1	19	Dec-17
19	Russell Bedford International*	459.5	12%	30	30	21	7	12	Dec-17
20	MGI Worldwide*	428.9	-2%	26	32	21	9	12	Jun-17
21	ECOVIS International* (11)	375.1	12%	19	29	29	12	11	Dec-17
22	ShineWing International*	361.3	22%	65	6	6	4	19	Dec-17
23	UC&CS America* (12)	206.6	-14%	20	-	77	3	-	Dec-17
24	Reanda International* (13)	191.8	7%	36	5	14	13	32	Dec-17
25	TGS Global*	172.0	-21%	16	53	16	9	6	Sep-17
26	Parker Randall International* (14)	141.0	4%	55	-	25	15	5	Dec-17
27	IECnet* (15)	121.8	57%	23	24	27	13	13	Dec-17
28	Auren*	113.4	1%	26	22	30	17	5	Dec-17
29	SMS Latinoamerica*	76.0	3%	32	16	29	17	6	Dec-17
30	FinExpertiza*	31.4	9%	42	4	11	14	29	Jun-17
31	Kudos International*	26.6	14%	40	-	-	-	60	Aug-17
Total fee income / growth		**178,086.9**	**6%**						

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available, (1) BDO FY17 fee data includes $2,284.9m from correspondent and alliance members, (2) RSM FY17 fee data includes $1,100m from correspondent and alliance members, (3) Crowe Horwath FY17 fee data includes $1,038m from correspondent and alliance members, (4) Baker Tilly International FY17 fee data includes $6.8m from correspondent and alliance members, (5) Moore Stephens International FY17 fee data includes $22.3m from correspondent and alliance members, (6) HLB International FY17 fee data includes $240.7m from correspondent and alliance members, (7) Kreston International FY17 fee data includes $2.1m from correspondent and alliance members, (8) PKF International fee data includes $5.1m from correspondent and alliance members, (9) SFAI FY17 fee data includes $35.8m from correspondent and alliance members, (10) Fee income increase attributed to rapid growth of Chinese IPO market, (11) ECOVIS International revenue does not include fee income of associated USA partners. If it were to, the combined revenue of the network would be $946.1m, (12) UC&CS America FY17 fee data include $57.6m from correspondent and alliance members, (13) Reanda International FY17 fee data include $18.8m from correspondent and alliance members, (14) Parker Randall International did not carry out any audit to verify the numbers provided by each member firm and used estimated information where applicable to compile the necessary information, (15) Increase in fee income attributed to external growth

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

Source: *International Accounting Bulletin.*

ASSOCIATIONS: FEE DATA

Rank	Name	Fee income ($m)	Growth (%)	Fee split (%)					Year end
				Audit & assurance	Accounting services	Tax	Advisory	Other	
1	Praxity*	5,199.8	10%	40	11	24	20	5	n.ap
2	LEA Global/Leading Edge Alliance*	3,233.6	5%	31	20	25	18	6	Dec-17
3	GGI*	2,662.0	7%	7	18	29	34	12	n.ap
4	PrimeGlobal*	2,506.1	18%	55	-	27	6	12	May-17
5	Allinial Global*	2,504.9	42%	30	19	24	21	6	Dec-17
6	BKR International*	1,400.0	3%	39	17	31	4	9	Jun-17
7	DFK International* (1)	1,182.9	-3%	29	16	27	8	20	Dec-17
8	AGN International*(2)	1,145.1	-8%	43	22	20	4	11	Dec-17
9	Morison KSi* (3)	1,089.0	n.ap	33	15	23	10	19	Dec-16
10	MSI Global Alliance*	667.6	9%	29	24	25	12	10	Dec-17
11	IAPA*	625.8	-29%	33	22	24	12	9	Mar-17
12	CPA Associates International*	532.6	1%	45	9	34	12	-	Oct-17
13	Integra International* (4)	529.7	3%	40	20	25	15	-	Dec-17
14	Alliott Group* (5)	399.0	11%	36	14	47	3	-	Mar-17
15	INPACT*	276.6	6%	28	21	34	9	8	Dec-17
16	Antea*	250.6	2%	27	26	21	18	8	Dec-17
17	JHI Association*	222.3	-5%	18	23	38	7	14	Dec-16
18	UC&CS Global* (6)	211.3	13%	20	-	76	4	-	Dec-17
19	EuraAudit International* (7)	192.5	5%	80	-	10	5	5	Dec-17
20	GMN International*	177.8	25%	33	20	31	6	10	Sep-17
21	Abacus Worldwide*	73.0	7%	39	10	18	12	21	Dec-17
Total fee income / growth		**25,082.3**	**8%**						

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available, (1) DFK International FY17 fee data includes $9.3m from correspondent and alliance members, (2) AGN keeps records in GB£ and applies some fixed foreign exchange rates to show underlying volume/activity changes. Applying the average annual GB£/US$ exchange rate for 2017 would reduce reported revenues by approximately US$116m, (3) Morison KSi restated its FY16 figures as last year it submitted estimates. FY15 figures are not available as Morison KSi is born out of the merger of Morison International and KS International in 2016, (4) Integra International FY17 fee data includes $250m from correspondent and alliance members, (5) Alliott Group had more member firms responding this year compared to last year explaining part of their growth, (6) UC&CS Global FY17 fee data includes $57.6m from correspondent and alliance members, (7) EuraAudit FY17 fee data includes $30.2m from correspondent and alliance members.

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

Source: *International Accounting Bulletin.*

GLOBAL
NETWORKS: STAFF DATA

Rank	Name	Total staff 2017	Total staff 2016	Growth (%)	Partners	Professionals	Admin	Offices
1	Deloitte*	263,924	244,400	8%	n.d	n.d	n.d	n.d
2	PwC*	236,235	223,468	6%	11,181	188,090	36,964	736
3	EY*	247,570	230,800	7%	11,510	191,617	44,443	700
4	KPMG*	197,263	188,982	4%	10,147	153,472	33,644	n.d
5	BDO*	73,854	67,731	9%	6,110	57,360	10,384	1,500
6	Grant Thornton*	49,601	47,004	6%	3,377	38,271	7,835	704
7	RSM*	43,060	41,421	4%	3,746	32,608	6,706	813
8	Crowe Horwath*	36,540	35,327	3%	3,904	27,543	5,093	805
9	Baker Tilly International*	33,600	30,490	10%	2,979	26,088	4,533	796
10	Nexia International*	30,757	28,134	9%	2,837	22,242	5,678	667
11	Moore Stephens International*	30,168	27,997	8%	2,801	23,388	3,979	614
12	Kreston International*	25,527	23,306	10%	1,994	20,007	3,525	761
13	HLB International*	24,923	22,328	12%	2,195	18,600	4,128	691
14	Mazars*	20,385	16,987	20%	934	16,860	2,591	279
15	PKF International*	18,513	14,509	28%	1,711	13,899	2,903	405
16	SFAI*	9,921	7,630	30%	660	6,349	2,912	220
17	UHY International*	8,145	7,852	4%	829	5,936	1,380	320
18	ShineWing International*	6,767	6,220	9%	279	6,004	484	41
19	ECOVIS International*	6,442	5,053	27%	879	4,617	946	286
20	Russell Bedford International*	6,284	5,778	9%	676	4,753	855	304
21	Pan-China International*	5,894	5,251	12%	244	5,288	362	16
22	MGI Worldwide*	5,038	4,978	1%	724	4,314	n.d	284
23	Reanda International*	3,567	2,865	25%	208	2,629	730	118
24	TGS Global*	3,190	3,165	1%	304	2,520	366	188
25	UC&CS America*	2,256	2,188	3%	239	1,712	305	174
26	SMS Latinoamerica*	2,151	2,090	3%	196	1,751	204	57
27	IECnet*	2,088	1,428	46%	342	1,349	397	138
28	Auren*	1,864	1,759	6%	238	1,466	160	55
29	Parker Randall International* (1)	1,737	1,907	-9%	235	1,372	130	115
30	FinExpertiza*	1,222	1,157	6%	53	975	194	38
31	Kudos International*	859	796	8%	84	775	n.d	44
Total staff / growth		**1,399,345**	**1,303,001**	**7%**	**71,616**	**893,365**	**181,831**	**11,869**

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available. (1) Parker Randall International did not carry out any audit to verify the numbers provided by each member firm and used estimated information where applicable to compile the necessary information.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin.*

ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
1	Praxity*	47,609	41,783	14%	3,682	37,030	6,897	695
2	LEA Global/Leading Edge Alliance*	24,034	21,355	13%	2,321	17,116	4,597	620
3	PrimeGlobal*	23,045	20,844	11%	2,524	16,306	4,215	907
4	GGI*	20,041	18,634	8%	2,136	n.av	n.av	771
5	Allinial Global*	18,895	12,732	48%	3,395	12,578	2,922	456
6	BKR International*	13,633	13,372	2%	1,195	10,695	1,743	543
7	AGN International*	13,384	11,823	13%	1,928	11,457	n.d	699
8	Morison KSi*	12,430	n.ap	n.ap	1,146	9,172	2,112	340
9	DFK International*	12,170	11,934	2%	1,272	8,812	2,086	435
10	MSI Global Alliance*	7,803	7,427	5%	867	4,678	2,258	169
11	IAPA*	7,727	9,923	-22%	887	5,632	1,208	417
12	CPA Associates International*	6,122	6,578	-7%	719	4,408	995	283
13	Antea*	4,325	3,882	11%	535	3,262	528	211
14	INPACT*	3,913	3,869	1%	523	2,920	470	230
15	Integra International*	3,750	4,227	-11%	394	2,812	544	163
16	Alliott Group*	3,739	4,369	-14%	473	2,418	848	166
17	GMN International*	2,948	2,738	8%	357	2,068	523	148
18	JHI Association*	2,785	2,812	-1%	331	2,043	411	132
19	EuraAudit International*	2,697	2,612	3%	304	2,059	334	168
20	UC&CS Global*	2,649	2,334	13%	267	2,040	342	197
21	Abacus Worldwide*	921	729	26%	120	588	213	53
Total staff / growth		**234,620**	**203,977**	**9%**	**25,376**	**158,094**	**33,246**	**7,803**

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin.*

SERVICE LINES

WHICH WAY TO GO

As firms move away from compliance services into advisory and added value services in a bid to stay relevant, Paul Golden takes a look at the 2017 trends in audit, tax and advisory.

AUDIT

The importance of innovation in the audit process has never been greater.

Audit teams need to continue paying close attention to rapidly developing technologies such as blockchain, artificial intelligence (AI) and robotic process automation (RPA), particularly as these technologies are already profoundly changing the face of the audit.

From the use of AI applications to employing tools such as bots, auditing through mobile apps and using drones to support inventory counts, EY (in common with many other organisations) is investing in developing approaches that put emerging technology into practice, explains the firm's global vice-chair for assurance, Felice Persico.

The audit profession needs to embrace technological change and invest in the technology that is going to bring more assurance, efficiency and insight to their client's audit which in turn will build greater trust and confidence in the capital markets, he says.

"This is best achieved by adopting a firm-wide strategic approach to digital innovation – not just using individual technologies on a one-off basis. One of the key pieces of the digital puzzle is our collaboration with clients to help them fully understand how emerging technologies can be integrated to align with their own digital evolution."

Persico says that since the firms knows it cannot transform the end-to-end process of the audit in isolation from the changes that are happening more widely within the finance function, it is taking many of its clients through innovation workshops to demonstrate how ongoing investments in technology and digital innovation can transform their audits.

"By sharing what we are doing and learning about the tools and technologies our clients have in the pipeline, these discussions provide insights for both parties concerning where to focus future development efforts," he adds.

Data analytics are now part of every assurance proposal, says John Sim, CEO at PKF. "It is easier to demonstrate value in non-audit, special project assignments as it is not always clear as to how best to embed the data analysis in recurring audits without incurring additional unrecoverable costs. This is a learning process and further technical guidance from the standard setters would be helpful."

Paul Winrow, technical director of Baker Tilly International, notes that audit networks are continuing to invest large sums in software and processes to automate their day-to-day audits as well as in more advanced, innovative data processing/analytics approaches. There are an increasing number of specialist providers of data analytics, machine learning and artificial intelligence solutions that are relevant to audits of financial information.

Audit quality continues to be a major focus of attention for auditors, regulators and users of audited financial information, he says. "Regulators continue to raise the bar with robust reviews of audit quality and auditors continue to commit resources to improving quality, while also introducing innovative approaches to audit to take advantage of technological developments."

Increasing non-financial reporting provides opportunities for auditors to deliver a range of assurance services over and above traditional financial statements audits. Wider assurance services are well within the capabilities and experience of auditors and there are significant opportunities for those firms which respond quickly to changing market needs.

"Technology and innovation provide significant opportunities to enhance audit quality by improving both the efficiency and, more importantly, the effectiveness of the audit in obtaining sufficient, appropriate audit evidence," adds Winrow.

While technology provides tremendous opportunities for improving audit quality, it is still in its early days and progress is needed in developing and implementing data analytics and solutions in their audit processes, continues Winrow. "Further challenges also remain around demonstrating the efficacy of innovative approaches in improving audit quality, not least to regulators," he adds.

In addition, a major overhaul of global audit standard setting process could be ahead. In early November, the Monitoring Group issued a consultation paper setting out options to improve and strengthen the governance, accountability and oversight of this process. Winrow observes that the proposed changes to standard setting for auditors have potentially profound implications for audit and have been met with widespread concern within the audit community.

Some of the proposals have yet to be fully fleshed out and the cost implications have not been identified, he says, observing that the development of these proposals is critical for the future of the audit profession.

In the area of recruitment and retention, he refers to concerns in many quarters over the attractiveness of audit as a profession, given the proliferation of regulation and negative media coverage in recent decades.

"It is imperative that the audit profession continues to develop, to improve audit quality and to innovate in both the traditional financial statements audit and wider assurance to provide an attractive career option for the next generation," he says. "In addition, audit firms may see a shift in recruitment from traditional accounting backgrounds to graduates from more analytical backgrounds such as data science, computing, natural sciences and social sciences."

If HLB International technical director, Bettina Cassegrain, had to choose only one of the many challenges that the profession has to turn into opportunities, she says she would select the impact of information technology on the way auditors work.

"I believe it is fair to say that this is one development which

SERVICE LINE FEE SPLIT - AUDIT

Rank	Associations	Fee income ($m)	Growth (%)
1	Praxity	2,091.4	14%
2	PrimeGlobal (1)	1,378.4	20%
3	LEA Global/Leading Edge Alliance	1,002.4	12%
4	Allinial Global	751.5	37%
5	BKR International	546.0	3%
6	AGN International	492.4	4%
7	Morison KSi	361.4	n.ap
8	DFK International	343.0	-13%
9	CPA Associates International	239.4	-3%
10	Integra International	211.9	3%
11	IAPA	206.5	-29%
12	MSI Global Alliance	193.6	2%
13	GGI	186.3	-6%
14	EuraAudit International (1)	154.0	21%
15	Alliott Group	143.6	25%
16	INPACT	78.0	-42%
17	Antea	67.3	-3%
18	GMN International	58.7	42%
19	UC&CS Global (1)	42.3	-1%
20	JHI Association	40.0	-15%
21	Abacus Worldwide	28.5	20%

Notes: (1) Accounting services are included in audit & assurance
Source: *International Accounting Bulletin.*

SERVICE LINE FEE SPLIT - AUDIT

Rank	Networks	Fee income ($m)	Growth (%)
1	PwC	15,965.0	4%
2	EY	11,632.0	3%
3	KPMG	10,390.0	3%
4	Deloitte	9,400.0	0%
5	BDO	3,578.4	7%
6	RSM	2,079.0	5%
7	Grant Thornton (1)	2,052.9	1%
8	Crowe Horwath (1)	1,677.9	1%
9	Nexia International	1,547.3	10%
10	Baker Tilly International	1,224.1	8%
11	Moore Stephens International	1,105.3	9%
12	HLB International	924.0	0%
13	Kreston International	791.6	-4%
14	Mazars	755.9	6%
15	PKF International	597.3	47%
16	Pan-China International	360.2	24%
17	ShineWing International	234.8	18%
18	UHY International	232.0	2%
19	SFAI	173.0	-7%
20	Russell Bedford International	137.9	12%
21	MGI Worldwide	111.5	-1%
22	Parker Randall International (1)	77.5	4%
23	ECOVIS International	71.3	6%
24	Reanda International	69.1	7%
25	UC&CS America (1)	41.3	-25%
26	Auren	29.6	1%
27	IECnet	28.0	28%
28	TGS Global	27.5	-43%
29	SMS Latinoamerica	24.3	3%
30	FinExpertiza	13.2	-1%
31	Kudos International (1)	10.6	20%

Notes: (1) Accounting services are included in audit & assurance
Source: *International Accounting Bulletin.*

will impact all auditors from the largest firms to the smallest practices. Those who do not embrace change and adapt will undoubtedly be pushed out of the market sooner or later. Needless to say, this will not happen to the large players but rather to small and medium sized practices, which still often wrongly assume that information technology in audit does not concern them or their clients."

Machine learning and its impact and the use of data analytics will make a profound difference to audit firms, to the type of staff they recruit and the way they train their people. The abundance of new software tools to assist auditors to adapting to the changing world of audit is testament to the importance of information technology.

Needless to say, embracing such a change as fundamental costly, especially for small and medium-sized practices that often do not have dedicated IT departments, which are a prerequisite if they are to fully explore the immense opportunities information technology has to offer auditors and their clients, Cassegrain adds.

"This is where networks play an important role – we connect like-minded firms from all over the world and provide a platform for exchange among partners and staff as well as organising conferences with subject matter experts such as IT specialists and researchers," she says.

"One firm alone might perceive information technology in audit as a threat. However, with the right pooling of resources, intelligent sharing of information and access to experts, data analysis and other more far-reaching changes will become an unprecedented opportunity for all of us."

Big data, data analytics and AI will be a major focus in the coming year as firms look to move from concepts and initial trials to embedding these processes into their audit methodologies.

Challenges will arise in areas such as getting client buy-in and dealing with concerns over data security; managing cost implications while improving audit quality; communicating benefits to clients; and ensuring ongoing compliance with auditing standards.

That is the view of Andrew Collier, director of quality and professional standards at Kreston International, who also believes the wider introduction of key audit matters within the audit reports of listed entities will give firms the opportunity to bring greater transparency to the work undertaken and the value generated by the audit. Communication with audit committees and stakeholders will be vital in ensuring a smooth transition.

The regulatory environment will continue to be challenging with high expectations that progress will be made on addressing recurring inspection findings, he notes.

"In addition, independence will be a key area of focus and firms will need to ensure that their systems and processes are up to date and robust. Changes to IFRS standards such as income recognition, leases and insurance contracts will increase the workload for both clients and auditors as they deal with the transition requirements, ensure that appropriate disclosures are made and the auditor looks to obtain appropriate audit evidence."

New technologies are important and need to be matched with people who know how to use them effectively, says Ozgur Demirdoven, IAPA EMEA chair. Clients are increasingly expecting auditors to provide a more forward-looking view of the world and insights that can add value as management and boards seek to move their organisations forward, he notes.

He suggests that auditors should use bigger samples and more sophisticated technologies for data gathering and analysis and be aware that clients want their auditor to articulate a clear point of view on critical issues and are looking for increased technology skills.

"The scope of the audit should be expanded to include coverage and findings related to fraud risks and the organisation's risk management processes, improved focus and analyses with respect to IT systems, and other issues valued by stakeholders," he adds. "The biggest challenges to enhancing the impact of audit are the regulatory environment, budget, the litigation environment and data security."

Auditors are facing the prospect of changes intended to improve quality as well as those resulting from technological advancements. The International Auditing & Assurance Standards Board is making efforts to improve audit quality, which will mean new requirements for quality control, potentially expanding the scope of reviews and increasing the focus on professional scepticism. The latter will result in greater levels of audit work on accounting estimates and judgments, with auditors expected to challenge their clients to a far greater extent. These changes, against a backdrop of greater activity from audit oversight bodies across the world, will create challenges for auditors to ensure they comply with new regulations.

Advances in technology give rise to great opportunities for auditors and will change the way they work, says Jon Sutcliffe, a partner at Morison KSi UK member firm Kingston Smith. "The availability of vast quantities of data and the ability to examine 100% of any population in an instant are in sharp contrast to the traditional testing of a small, random sample of transactions."

New data analytics tools allow audit testing to be focused on the very riskiest items, having identified them though machine learning, AI and non-linear decision making techniques.

This new technology has the potential to not only improve quality but also automate many manual elements involved in any audit engagement, adds Sutcliffe. "Using these new skills and techniques will require educating the current workforce and looking for a wider skillset for new starters."

Grant Thornton global leader Antony Nettleton notes that technology enables firms to ingest and analyse vast amounts of client data, allowing them to apply analytical tools to better understand and identify unusual items of risk and focus audit efforts in a more effective manner.

"We have recently launched our new audit methodology and tool together with a comprehensive global training programme," he explains. "We have invested more than $ 100m with the primary goal of continuing to enhance audit quality. In addition, our new tools will provide a better user experience for our people and enhanced insights for our clients."

The new audit tool – developed in partnership with Microsoft – is the largest global project ever undertaken by Grant Thornton.

"Our clients are also facing significant challenges as they plan to adopt the new audit standards around revenue and leasing," adds Nettleton. "The degree of change and the resources required to adopt and implement it require a significant commitment. We have trained our auditors on the approach to auditing these new standards."

Audit regulators around the world continue to challenge the quality of audits based on the results of their inspections of audit engagements. Auditors are responding through innovation of the audit process – performing audit work using new procedures that are often enabled by technology.

However, even as auditors respond with innovative processes to enhance audit quality, challenges to those processes are presented in the form of auditing standards that were written in an era where much of the technology available today did not exist, says Bob Dohrer, global leader – quality and risk at RSM International.

"Thus, the current audit environment dictates auditors being courageous in moving forward to innovate and better serve the public interest while the relevance of audit work based on more traditional procedures is questioned more and more," he says.

He suggests that the primary challenge for the audit profession in 2018 lies in how auditors can stay abreast of the use of advanced technology by their clients while still being able to demonstrate compliance with the requirements of the auditing standards as enforced by audit regulators.

If auditors cannot keep pace with the use of technology by their clients, their audits risk losing relevance to stakeholders.

"On the other hand, if auditors innovate and increase their use of advanced technologies in the performance of their audit work, it cannot be at the expense of audit quality," says Dohrer. "In other words, simply performing a more efficient audit through use of RPA or AI is of little consequence unless the effectiveness of the technology-enabled audit innovation also leads to enhanced audit quality, thereby satisfying audit regulators and accordingly better serving the public interest."

There are great opportunities in 2018 is great for auditors who can devise methodologies that meet these sometime competing challenges, he concludes. "Users of audited financial information must perceive the credibility added to that information by auditors while auditors themselves balance the investments in tools and training necessary to increase the relevance of services provided to clients and all stakeholders in the financial reporting supply chain."

TAX

As accountants in the USA consider the implications of tax reforms, their counterparts in other parts of the world are exercised by the implications of base erosion and profit shifting (BEPS).

After many years of discussion at OECD level around harmonising tax

SERVICE LINE FEE SPLIT - ACCOUNTING SERVICES

Rank	Associations	Fee income ($m)	Growth (%)
1	LEA Global/Leading Edge Alliance	646.7	75%
2	Praxity	585.0	12%
3	GGI	479.2	13%
4	Allinial Global	475.9	28%
5	AGN International	251.9	37%
6	BKR International	238.0	3%
7	DFK International	189.3	6%
8	Morison KSi	161.3	n.ap
9	MSI Global Alliance	160.2	1%
10	IAPA	137.7	-29%
11	Integra International	105.9	3%
12	Antea	65.2	5%
13	INPACT	58.5	n.av
14	Alliott Group	55.9	29%
15	JHI Association	51.1	-9%
16	CPA Associates International	50.0	6%
17	GMN International	35.6	9%
18	Abacus Worldwide	7.3	-2%

Source: *International Accounting Bulletin.*

SERVICE LINE FEE SPLIT - ACCOUNTING SERVICES

Rank	Networks	Fee income ($m)	Growth (%)
1	BDO	1,219.9	7%
2	Nexia International	601.3	18%
3	Baker Tilly International	476.0	-2%
4	Kreston International	384.5	40%
5	Moore Stephens International	378.1	-8%
6	RSM	361.8	2%
7	Mazars	285.6	8%
8	HLB International	260.6	68%
9	PKF International	181.8	16%
10	SFAI	152.0	122%
11	Russell Bedford International	137.9	19%
12	MGI Worldwide	137.2	4%
13	ECOVIS International	108.8	12%
14	UHY International	107.9	23%
15	TGS Global	91.2	-9%
16	IECnet	29.2	29%
17	Auren	24.5	-4%
18	ShineWing International	21.7	22%
19	SMS Latinoamerica	12.2	7%
20	Reanda International	9.6	12%
21	FinExpertiza	1.3	118%
22	Pan-China International	0.0	-100%

Source: *International Accounting Bulletin.*

rules and 100-plus countries signing up to BEPS, the US has shaken up a lot of thinking with its more 'one country centric' tax reform programme.

Grant Thornton's global leader – tax services, Francesca Lagerberg, asks whether other countries might take an aggressive, protectionist stance. She adds that, as it gets easier to be based in different parts of the world, this issue will affect where multinationals will want to be headquartered and how all businesses work across borders.

RSM international tax services consultant Rob Mander says the future of the BEPS measures remains unclear, and refers to two competing trends. The first is a faster paced application of the BEPS rules, for example EU measures to speed up and coordinate their implementation. The second is effectively competing legislation – such as diverted profits tax rules in the UK or the multinational anti-avoidance legislation in Australia – which appear driven by the priorities of individual countries to prevent revenue leakage.

Ken Laks, tax partner in BKR International member firm AVZ and chair of the international tax committee, refers to specific changes affecting the construction industry and long-term contracts, pharmacies and agriculture as a result of the US reforms, not to mention a reduction in the corporate tax rate for 2018 and new business deductions for pass-through entities.

"Because of the global impact, we are confident that 2018 will be a very busy year of tax planning for all of our members, not only those in the US," he adds.

Transparency will increase and the exchange of Information will become more intensive during 2018. Collaboration between countries will increase and holding a bank account in a non-resident country will become almost impossible.

That is the view of Bernhard Madörin, a partner at Swiss Morison KSi member firm artax Fide Consult, who says international companies will become Accan ever stronger focus for tax authorities.

Technology will inevitably have an impact. Where tax processes can be standardised, digitisation should simplify tax procedures, reduce the compliance burden on clients and help bridge the tax gap, while at the same time allowing the network to focus upon adding value through tax advisory services, which mitigate tax risks for clients, says Chris Danes, tax director at Baker Tilly International.

A greater focus on transfer pricing rules and the new country-by-country reporting regime means tax authorities will have a far greater overall picture of the global operations of large multinationals, he continues. Therefore, an increased number of enquiries or audits from the tax authorities could be a significant trend in 2018.

Danes suggests that some the greatest tax opportunities in the near future relate to:

- Helping clients navigate global complexity
- Implementation of the BEPS action plan, specifically in relation to new permanent establishment risk and enhanced transfer pricing needs
- The widely drafted unilateral rules aimed at combating anti-tax avoidance
- Helping clients prepare for digitisation
- The EU anti-tax avoidance directive
- Changes to VAT rules, including the EU VAT action plan.

According to Heather Self, partner at BKR International member firm Blick Rothenberg, the key global corporate tax issue in 2018 is likely to be how digital businesses should be taxed. Long-established principles are coming under increasing pressure as a number of countries (including the UK) introduce new rules to tax profits which have been "artificially diverted", and the OECD is proposing to widen the definition of a permanent establishment.

This is something that should concern all businesses, she says. "While few people would approve of artificial tax avoidance, anti-avoidance rules add significantly to the complexity of tax laws and carry a risk of double taxation. More generally, the permanent establishment definition is crucial to any business wanting to expand overseas by providing a sensible de minimis rule – no tax liability arises until you have a fixed place of business, through which the business of the enterprise is carried on."

Self warns that if the permanent establishment definition is widened, the burden of compliance will increase rapidly and businesses may be discouraged from taking their first steps to generate sales in a new country.

Her colleague Lee Hamilton suggests the changing nature of employment poses major challenges for governments on tax revenue collection, for workers on understanding how they should be taxed and for companies who manage a global workforce.

There is an opportunity now to encourage governments to use tax policy as a tool to make it easier for employers to manage a global workforce in an efficient and compliant manner, he says.

"For example, governments could assist by providing greater clarity and more consistency across territories around whether someone does or does not trigger a tax charge when working on a short-term basis in that territory. There could also be much better alignment across territories when it comes to deciding whether someone is an employee or self-employed."

Ozgur Demirdoven, IAPA EMEA chairman, predicts there will be significant developments in tax data analytics and says forward-thinking tax authorities and governments are showing the way through the use of technology and improving revenue raising while phasing out tax returns as reportable information is collected in real time.

Lutz Meyer, global chair of the HLB International indirect tax group and partner with German member firm HLB Treuhand, agrees that digitisation will have a massive impact on tax advisers.

In the future, software will extract the necessary information from the clients' systems and format these for a tax declaration; small changes may still need to be done manually, but the bulk of the work will be done without human input.

However, this is only a part of tax advisory, he concludes. "Clients' tax structures will need to be analysed based on legal rules. Clients will expect advisers to use the results of data mining in combination with their knowledge of international rules."

ADVISORY

In 2016, we reported that technology was having a growing influence on the delivery of advisory services. Fast forward 12 months and this trend has only gathered pace.

The lines have become blurred between technology and what might have previously been described as digital advisory projects. In addition, every project now involves some aspect of technology.

As a consequence, advisers require in-depth knowledge of current and emerging technologies and how they can be applied to various business problems. They are increasingly using AI to support client work, such as the "nowcasting" model used by PwC's economics team to forecast GDP ahead of the release of official estimates.

In general, clients want deeper insights, delivered more quickly, and firms increasingly need more specialist skillsets to meet this demand, explains Sunil Patel, head of clients and markets at PwC's consulting business.

"Clients are also often looking to us to bring together a raft of capabilities from different organisations to deliver the best results for their project. We need to operate both internationally and consistently in these larger teams, often comprising external third parties, to deliver global projects."

Payment by outcomes is also growing, particularly in the public sector and manufacturing sector for cost reduction projects, as well as from clients who are launching a product or entering a different market.

Last year saw a significant strengthening in demand for risk and business consulting services globally, driven by greater near-term political stability and strengthening economies, as well as growing awareness of the vast opportunities and risks associated with a technology-enabled operating environment.

That is the view of RSM US national leader, risk advisory services, Robert Kastenschmidt, who says companies have increased the time and

SERVICE LINE FEE SPLIT - TAX

Rank	Associations	Fee income ($m)	Growth (%)
1	Praxity	1,270.8	3%
2	LEA Global/Leading Edge Alliance	808.4	-20%
3	GGI	772.0	3%
4	PrimeGlobal	676.7	18%
5	Allinial Global	601.2	31%
6	BKR International	434.0	3%
7	DFK International	319.4	-1%
8	Morison KSi	253.3	n.ap
9	AGN International	229.0	-47%
10	Alliott Group	187.5	27%
11	CPA Associates International	179.6	7%
12	MSI Global Alliance	166.9	24%
13	UC&CS Global	160.6	18%
14	IAPA	150.2	-29%
15	Integra International	132.4	3%
16	INPACT	92.9	10%
17	JHI Association	84.5	13%
18	GMN International	55.1	25%
19	Antea	51.6	-6%
20	EuraAudit International	19.3	-30%
21	Abacus Worldwide	13.1	-3%

Source: *International Accounting Bulletin.*

SERVICE LINE FEE SPLIT - TAX

Rank	Networks	Fee income ($m)	Growth (%)
1	PwC	9,462.0	4%
2	EY	8,179.0	6%
3	Deloitte	7,300.0	6%
4	KPMG	5,830.0	4%
5	BDO	1,789.2	7%
6	RSM	1,528.6	5%
7	Grant Thornton	1,045.0	3%
8	Crowe Horwath	953.4	3%
9	Baker Tilly International	850.1	4%
10	Nexia International	779.4	14%
11	Moore Stephens International	756.2	6%
12	HLB International	639.7	37%
13	Kreston International	633.3	11%
14	PKF International	311.6	42%
15	Mazars	302.4	25%
16	UC&CS America	159.1	-10%
17	SFAI	110.1	-22%
18	ECOVIS International	108.8	12%
19	UHY International	102.5	5%
20	Russell Bedford International	96.5	7%
21	MGI Worldwide	90.1	-12%
22	Parker Randall International	35.2	4%
23	Auren	34.1	5%
24	IECnet	32.9	51%
25	TGS Global	27.5	-34%
26	Reanda International	26.9	14%
27	SMS Latinoamerica	22.0	6%
28	ShineWing International	21.7	22%
29	Pan-China International	13.0	-29%
30	FinExpertiza	3.5	20%

Source: *International Accounting Bulletin.*

money they are spending with consultants to assess and help address emerging business opportunities and risks.

"We have also seen a significant increase in global awareness of the scale of cybersecurity threats faced by organisations of all sizes, as well as the internal capability limitations within many companies to effectively mitigate those risks," he adds.

In addition to cybersecurity risks, global companies face an increasingly complex and financially punitive regulatory environment.

According to Kastenschmidt, consulting demand is being fuelled by ageing workforces in many developed economies, creating a shortage of the knowledge workers necessary to understand emerging risks, the associated business implications and mitigation strategies.

This gap in internal resource capacity is pushing companies to turn to consultants, he says. "Company executives are aware that, in an increasingly connected business environment, the speed of change is critical to mitigate regulatory and public relation risks as well as to keep pace with competitors who might gain an advantage due to cost advantages associated with technology investments and the pace at which products and services can be created and brought to market."

Kastenschmidt expects more industries to move from planning to implementing automation and data analytics efforts in 2018, which should increase demand for consulting support and investments in technologies.

In terms of growth areas for advisory services, PKF CEO John Sim refers to corporate finance, cybersecurity, business solutions and wealth management. Wealth management clients are mainly drawn from the existing client base or are referred by existing clients, he says. "They are wary of specialist wealth managers and prefer to use people they have known over

SERVICE LINE FEE SPLIT - ADVISORY

Rank	Networks	Fee income ($m)	Growth (%)
1	Deloitte	22,200.0	8%
2	PwC	12,253.0	6%
3	KPMG	10,180.0	5%
4	EY	8,526.0	9%
5	Grant Thornton	1,735.6	5%
6	BDO	1,545.2	7%
7	RSM	1,014.0	3%
8	Crowe Horwath (1)	953.4	7%
9	Baker Tilly International	850.1	94%
10	Moore Stephens International	378.1	6%
11	Nexia International	343.2	-4%
12	Mazars	319.2	17%
13	HLB International	260.6	39%
14	Kreston International	135.7	7%
15	SFAI	89.1	-4%
16	UHY International	80.9	12%
17	PKF International	51.9	-17%
18	ECOVIS International	45.0	12%
19	MGI Worldwide	38.6	-3%
20	Russell Bedford International	32.2	12%
21	Reanda International	24.9	14%
22	Parker Randall International	21.1	4%
23	Auren	19.3	8%
24	IECnet	15.8	70%
25	TGS Global	15.5	1%
26	ShineWing International	14.5	-3%
27	SMS Latinoamerica	12.9	-1%
28	UC&CS America	6.2	-14%
29	Pan-China International	4.6	-68%
30	FinExpertiza	4.4	10%

(1) Crowe Horwath restated FY16 fee split data as risk consulting was previously included in other and it is now reported under advisory. **Source:** *International Accounting Bulletin.*

SERVICE LINE FEE SPLIT - ADVISORY

Rank	Associations	Fee income ($m)	Growth (%)
1	Praxity	1,023.3	8%
2	GGI	905.1	4%
3	LEA Global/Leading Edge Alliance	582.1	5%
4	Allinial Global	526.0	75%
5	PrimeGlobal	150.4	-63%
6	Morison KSi	106.1	n.ap
7	DFK International	94.6	-15%
8	MSI Global Alliance	80.1	1%
9	Integra International	79.5	3%
10	IAPA	75.1	-5%
11	CPA Associates International	63.6	1%
12	BKR International	56.0	-41%
13	Antea	46.3	13%
14	AGN International	45.8	-43%
15	INPACT	24.1	-22%
16	JHI Association	15.6	-17%
17	Alliott Group	12.0	-52%
18	GMN International	10.7	-37%
19	EuraAudit International	9.6	-25%
20	Abacus Worldwide	8.8	-1%
21	UC&CS Global	8.5	13%

Source: *International Accounting Bulletin.*

an extended period - especially for the provision of family office services."

Consumers are purchasing in entirely different ways and are now comfortable dealing with businesses locally and overseas that they have never met. Professional firms can no longer rely on "trusted adviser" status and need to stay in touch with clients on a monthly or quarterly basis.

The challenge for accounting firms is that they need to balance compliance requirements and maintaining professional standards with continual learning and updating of the range of business advisory skills that their clients need, says Alec Blacklaw, managing director of Australian MSI Global Alliance member firm Blacklaw Advisory.

Clients will always pay for specialist advice that delivers real value and helps them achieve objectives, he adds – they are not price sensitive but value sensitive. Firms that focus on value will have more work than ever – and may deliver different services as they expand their service line expertise.

The challenge and opportunity are to build – and maintain – high levels of trust, says Blacklaw. "There has never been a better time to make an impact as a business adviser and to be part of a proactive accounting firm that focuses on delivering value."

Anant Patel, partner at US member firm Green Hasson Janks and global chair of the HLB International transaction advisory group, says the recession of 2007-09 was a driver for healthy companies to cut excess overheads, increase efficiency and bolster their balance sheets. As a result, many corporations amassed a significant amount of cash, which has allowed them to procure market share through acquisitions.

SERVICE LINE FEE SPLIT - OTHER

Rank	Associations	Fee income ($m)	Growth (%)
1	GGI*	319.4	28%
2	PrimeGlobal*	300.7	100%
3	DFK International*	236.6	9%
4	Praxity*	229.3	21%
5	Morison KSi*	206.9	n.ap
6	LEA Global/Leading Edge Alliance*	194.0	-21%
7	Allinial Global*	150.3	70%
8	BKR International*	126.0	54%
-	AGN International	126.0	67%
10	MSI Global Alliance*	66.8	36%
11	IAPA*	56.3	-47%
12	JHI Association*	31.1	-17%
13	INPACT*	23.0	92%
14	Antea*	20.1	13%
15	GMN International*	17.8	150%
16	Abacus Worldwide*	15.3	7%
17	EuraAudit International*	9.6	-42%
18	Alliott Group*	0.0	-100%

Source: *International Accounting Bulletin.*

"We have seen a significant increase in transactions from both buyers and sellers in recent years," he continues. "We have also observed deal values and multiples rising. There is a tremendous amount of M&A activity in the food and beverage, media and technology, healthcare and consumer products sectors in particular."

A recent study by Deloitte found that 70% of executives at US-headquartered companies and 76% of leaders at UK private equity firms believe deal flow will increase in 2018. "With technological advancements, impending legislative changes, corporations targeting bigger M&A deals and strong fundamentals – low interest rates, access to cash and appetite for growth – we can expect 2018 to be a prosperous year," adds Patel.

Divergent economic performance across geographies presents both challenges and opportunities for deal makers and offers additional impetus for cross-border M&A, adds IAPA EMEA chairman, Ozgur Demirdoven.

SERVICE LINE FEE SPLIT - OTHER

Rank	Networks	Fee income ($m)	Growth (%)
1	EY	3,067.0	12%
2	Nexia International	349.0	40%
3	Kreston International	316.6	0%
4	Moore Stephens International	290.9	18%
5	HLB International	284.3	-12%
6	Crowe Horwath	228.8	2%
7	PKF International	155.8	-21%
8	Grant Thornton	155.6	65%
9	RSM	112.1	15%
10	Pan-China International	86.2	115%
11	ShineWing International	68.6	44%
12	Reanda International	61.4	2%
13	Russell Bedford International	55.1	3%
14	MGI Worldwide	51.5	-1%
15	ECOVIS International	41.3	23%
16	Mazars	16.8	11%
17	UHY International	16.2	-48%
18	Kudos International	16.0	10%
19	IECnet	15.8	579%
20	TGS Global	10.3	-21%
21	FinExpertiza	9.1	12%
22	Parker Randall International	7.0	3%
23	Auren	5.9	-14%
24	SMS Latinoamerica	4.6	-6%
25	Baker Tilly International	0.0	-100%

(1) Crowe Horwath restated FY16 fee split data as risk consulting was previously included in other and it is now reported under advisory. **Source:** *International Accounting Bulletin.*

RECRUITMENT

NEW STAFF FOR THE NEW WORK

The accounting profession recognises recruiting and retaining the brightest and best with new skills requires an innovative approach to recruitment. Paul Golden reports

Attracting and retaining staff will be a key focus for 2018, and technology changes the skills required and new work patterns evolve.

Auditors' skillsets are going to change as they work increasingly alongside machines, anticipates Karen Hochrein, EY global assurance talent leader. With the rise of artificial intelligence (AI) and robotic process automation (RPA), a seamless workflow between technology and people will need to exist, based on where each provides the most value.

"We have combined AI and RPA to make lease accounting more efficient, allowing clients to focus their time on more strategic work," she says. "We have also embedded data analytics and RPA in our global audit methodology, freeing up time for our auditors to be spend on more value-adding activities, like applying professional scepticism. This has led to us developing new processes, roles and skills and adapting to new ways of working with machines."

New roles in audit to analyse large data sets will include data engineers, computer scientists and designers to illustrate findings. With more information at their fingertips, auditors will need to be able to ask better questions to explore business risks and provide deeper insights.

This year is likely to see new recruiting tactics to target younger, more tech-savvy workers.

"We have seen double the engagement on Instagram compared to other platforms and our #StayCurious campaign has so far reached 10 million STEM students and graduates across 83 countries," explains Hochrein. "Working directly with your future talent pipeline is critical. Across the globe, we are working with schools and universities to address future talent shortages, providing guidance on course content and support with student engagement."

Recruiting top talent is becoming more challenging for accountancy firms. Delene Taylor, director of marketing for BKR US member firm DMLO, notes that finding and retaining qualified staff were two of the top five concerns for all firms, according to the 2017 CPA Firm Top Issues Survey.

"The US Department of Labor predicts 10% growth from 2016-26 in accounting and auditing with over 140,000 new positions to be filled during that time period," she adds.

Firms are looking to improve efficiency through technology, including software to automate tasks such as data gathering, calculations and workflow. Firms in the USA are exploring outsourcing less complex tax or audit functions. With technology taking on more transactional functions, competition for talent with analytical skills and strong business acumen is likely to increase.

Demand for experienced managers and senior accountants in public accounting as well as graduates will continue, as firms seek to balance the need for human skills with automation and AI, adds Taylor.

Theresa Richardson, partner and chief talent officer at HLB International US member firm Withum Recruitment, agrees that recruitment is being affected by artificial intelligence. With advances in technology, accounting firms want to hire people with IT and data analysis skills.

Talent hired will be a mix of undergraduates, graduates and postgraduates across all disciplines, experienced people and those without formal qualifications, she says. "They will have degrees in mathematics, sciences, engineering, technology, marketing, business and finance related fields – while others will be highly skilled people with no degree at all. The common threads for all the tasks that will be performed will be relationship skills, communication skills, global acumen, agility and being open to change."

A firm that listens to its team members, is connected and open to new work practices will find new ways recruit accountants of the new generation, says Richardson. "This new approach will also provide a positive impact to the bottom line."

MGI Worldwide CEO Clive Viegas Bennett acknowledges that recruiting and retaining smart, motivated staff is an ever increasing challenge in many of its markets. Young people are less attracted to what they see as routine auditing and accounting work and are aware that technology will take out many lower and middle-level jobs where they would have trained.

Smart firms are using their own technological and international opportunities to attract graduates, who may not be educated in traditional accounting disciplines, he says. "The reality and threat of increased border restrictions in markets like the UK and US are also causing recruitment and retention bottlenecks in some parts of our members' businesses."

Viegas Bennett suggests many firms are finally realising the tradition of working trainees and junior staff into the ground as an endurance test is not only a big turn off for graduates but is also inefficient and tends to select exactly those people without the social skills that will be needed in less transactional client relationships.

According to Roger Isaacs, vice-chair at MGI Worldwide, firms are increasingly offering flexible working arrangements, which means that office space can be kept to a minimum as younger recruits are attracted by the ability to work from home and at non-core hours.

This presents a challenge to employers who are having to start to learn how to manage staff they are not working close to, he concludes. "Young trainees may be proficient in using technology to FaceTime or Skype to work on documents collaboratively when far apart, but the older generation who need to do the training are far behind them."

REGIONS

GLOBAL GROWTH AREAS

The world's economy could be said to have settled over the past 12 months. While fallout from events such as the Brexit vote and Donald Trump's election continues to be felt, there are still opportunities for growth Paul Golden reports

The global economy appeared to be in pretty reasonable shape as we left 2017. The International Monetary Fund has said that Europe, China, Japan and the USA, as well as emerging Asia countries, are expected to contribute almost 70% of economic growth in 2018. Predictions are that growth in the eurozone will be above 2% and China's economy will grow by around 7%.

However, HLB International chairman, Corney Versteden, has a few words of caution. He refers to downside risks that businesses should monitor, including the progress of Brexit negotiations and the US tax reform act, both of which may act as a brake on growth.

"For example, Trump's pledge to renegotiate major US trade deals causes uncertainty with investors and therefore at least a temporary slowdown of trade volumes and foreign direct investments," he explains.

When asked to what extent clients are prepared for the outcome of the Brexit negotiations, Simon Cleveland, audit partner at Deloitte, says the complexity of the current business environment means boards and management are becoming increasingly adept at assessing the risks and impacts of changes affecting their business.

"Brexit is a key part of that assessment along with other areas such as the continued evolution of cyberthreats and other regulatory changes, such as the GDPR," he adds.

John Sim, CEO PKF observes that China continues to be a growth market for the network alongside the other BRICS countries.

"In Brazil, Russia and South Africa we have had new firms join to significantly increase our in-country footprint and our Indian firm continues to do well," he says.

The economies of India, Ghana, Ethiopia and the Philippines are among those expected to grow at an even faster rate than China's in 2018; a number of African countries are also anticipated to be among the fastest growing economies this year, continues Versteden.

"Most of our clients are increasingly confident about the global economy and that it will lead to increased investments in the coming years," he says.

"Multinational enterprises in the services sector seem to be the most optimistic, viewing fast technological changes and the digital economy as positive factors influencing cross-border investments."

The most challenging markets for growth are the USA and Africa, says MGI Worldwide CEO Clive Viegas Bennett. He explains that the former is affected by significant consolidation of accountancy firms – often as a solution to fund baby boomer retirements – although the pace of this consolidation is expected to decline.

"In the smaller and less diverse UK market, a big wave of M&A activity in our sector a few years ago came to a halt as aggressive consolidators failed to deliver value and the same will eventually happen in the US market," he says.

"Nevertheless, consolidation has reduced our target market in the USA at a time we are finding it increasingly challenging to persuade American mid-market firms – our core segment – of the value of joining an international network. This has meant a profound re-examination of our offer to member firms."

Africa is an important growth area for MGI Worldwide but its CEO admits that but finding mid-sized firms with the quality and financial capability to be a member of the network is difficult throughout much of the continent. However, as Africa follows the Middle East and Asia in developing effective regulatory, educational and commercial structures, he expects opportunities to improve.

Asia and Africa were growth engines for Grant Thornton last year as the network recorded growth of 6.3% on a local currencies basis and 4.5% in US$ terms. Business in Asia and Africa was up by more than 15%, while the CIS region also recorded strong growth.

Growth in Asia was driven by China and India (up by more than 25% during the year in both countries) while the strength of Africa was underpinned by strong performances in South Africa and Zimbabwe, which grew by 16% and 14% respectively.

BKR is experiencing its fastest growth in Asia, Africa and the Middle East as accounting firms in developing countries recognise the value of international associations bring when it comes to expanding business opportunities and improve management in firms.

EUROPE

R	Networks	Fee income ($m)	Growth (%)	Staff	Growth (%)
1	Deloitte* (e)	13,283.4	19%	88,439	19%
2	PwC*	12,900.0	-1%	79,161	0%
3	EY* (e)	10,751.4	1%	82,959	-14%
4	KPMG* (e)	9,038.2	-12%	66,102	-20%
5	BDO* (1)	2,430.7	3%	21,375	5%
6	Grant Thornton*	1,662.7	0%	15,454	9%
7	Nexia Intl.*	1,219.4	8%	9,197	3%
8	Mazars*	1,089.0	7%	9,889	11%
9	RSM* (1)	1,025.8	3%	9,555	3%
10	Baker Tilly Intl.*	962.3	1%	9,874	6%
11	HLB Intl.*	876.2	-7%	9,086	5%
12	Crowe Horwath* (1)	831.2	2%	8,115	-1%
13	Moore Stephens Intl.*	799.4	-3%	7,041	-12%
14	Kreston Intl.* (1)	637.2	4%	8,292	11%
15	PKF Intl.*	534.0	-1%	7,528	13%
16	ECOVIS Intl.*(1)	289.2	8%	3,082	2%
17	Russell Bedford Intl.*	253.5	11%	2,989	14%
18	MGI Worldwide*	243.8	2%	2,428	7%
19	UHY Intl*	238.7	-3%	2,820	-3%
20	TGS Global*	125.5	-7%	1,575	-8%
21	SFAI*	112.4	-19%	792	22%
22	Auren*	91.6	-2%	1,042	2%
23	Parker Randall Intl.* (2)	83.9	4%	726	0%
24	IECnet*(3)	68.6	44%	740	30%
25	FinExpertiza*	30.9	7%	1,108	-4%
26	Reanda Intl.* (1)	24.6	21%	396	21%
27	Kudos Intl.*	11.2	6%	178	-6%
28	UC&CS America*	0.2	0%	16	0%
29	ShineWing Intl.* (4)	0.0	n.ap	16	n.ap
Total fee income / growth		**59,600.2**	**2%**	**449,975**	**-2%**

Notes: (e) estimate. **n.ap** = not applicable, (1) Alliance and/or correspondent members may be included, (2) PRIL did not carry out any audit to verify the numbers provided by each member firm and used estimated information where applicable to compile the necessary information, (3) Growth attributed to new member in Denmark combined with organic growth of existing members, (4) Member firm was set up in November 2017.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.
Source: *International Accounting Bulletin.*

R	Associations	Fee income ($m)	Growth (%)	Staff	Growth (%)
1	Praxity*	1,435.2	8%	13,503	9%
2	GGI* (1)	1,320.4	8%	9,940	8%
3	PrimeGlobal*	916.6	17%	10,251	9%
4	BKR International*	652.0	-5%	6,036	-1%
5	AGN International	517.1	9%	4,373	10%
6	Allinial Global*	493.9	329%	3,991	540%
7	LEA Global/ Leading Edge Alliance*	443.7	-3%	3,652	-8%
8	IAPA*	409.5	-29%	4,732	-25%
9	DFK International* (2)	402.6	6%	4,225	6%
10	Morison KSi* (3)	368.8	n.ap	3,263	n.ap
11	MSI Global Alliance*	341.6	5%	3,726	3%
12	CPA Associates International*	202.1	9%	2,248	16%
13	Antea*	183.6	9%	2,252	21%
14	Alliott Group* (4)	177.5	40%	2,206	30%
15	EuraAudit International* (2)	160.7	11%	1,974	0%
16	INPACT*	111.8	18%	1,192	27%
17	Integra International*	98.6	6%	1,134	3%
18	GMN International*	89.2	15%	1,045	2%
19	JHI Association*	68.7	2%	857	3%
20	Abacus Worldwide*	17.0	-45%	192	-30%
21	UC&CS Global*	1.6	-51%	94	6%
Total fee income / growth		**8,412.2**	**9%**	**80,886**	**9%**

Notes: (e) estimate. **n.ap** = not applicable, (1) GGI submitted estimations for their regional data, (2) Alliance and/or correspondent members may be included, (3) Morison KSi restated its FY16 figures as last year it submited estimates. FY15 figures are not available as Morison KSi is born out of the merger of Morison International and KS International in 2016, (4) Alliott Group had more member firms responding this year compared to last explaining part of their growth.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.
Source: *International Accounting Bulletin.*

NORTH AMERICA

R	Networks	Fee income ($m)	Growth (%)	Staff	Growth (%)
1	Deloitte*	20,284.0	6%	n.d	n.d
2	PwC* (1)	15,900.0	7%	58,133	1%
3	EY* (e)	13,817.6	6%	n.d	n.d
4	KPMG*	10,047.4	-4%	n.d	n.d
5	BDO* (2)	4,039.6	9%	24,249	8%
6	RSM* (2)	3,222.0	6%	16,617	8%
7	Grant Thornton*	2,188.4	4%	12,631	1%
8	Crowe Horwath* (2)	1,905.8	6%	9,164	6%
9	Nexia International*	1,777.8	7%	9,355	-5%
10	Baker Tilly International*	1,558.6	7%	8,562	7%
11	Moore Stephens International*	1,330.0	5%	6,402	1%
12	Kreston International* (2)	964.8	6%	4,083	3%
13	HLB International*	700.3	11%	4,083	26%
14	ECOVIS International* (2)	478.8	138%	1,679	162%
15	PKF International*	369.0	55%	1,956	43%
16	Mazars*	202.9	2%	1,013	1%
17	UHY International*	144.2	10%	725	5%
18	Russell Bedford International*	108.5	12%	766	17%
19	MGI Worldwide*	96.2	-6%	461	-5%
20	SFAI*	94.4	11%	3,038	227%
21	TGS Global*	8.4	-77%	82	-54%
22	IECnet*	2.2	3%	25	4%
23	Parker Randall International* (3)	1.9	-3%	25	0%
24	UC&CS America*	0.9	0%	53	0%
Total fee income / growth		**79,243.8**	**5%**	**163,102**	**6%**

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.ap** = not applicable, (1) Includes Caribbean, (2) Alliance and/or correspondent members may be included, (3) PRIL did not carry out any audit to verify the numbers provided by each member firm and used estimated information where applicable to compile the necessary information.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.
Source: *International Accounting Bulletin.*

R	Associations	Fee income ($m)	Growth (%)	Staff	Growth (%)
1	Praxity*	2,855.3	5%	15,310	5%
2	LEA Global/ Leading Edge Alliance*	2,403.2	7%	11,728	26%
3	Allinial Global*	1,929.6	20%	12,718	21%
4	PrimeGlobal*	1,403.3	18%	7,549	18%
5	GGI*(1)	708.1	6%	5,331	7%
6	DFK International* (2)	581.8	-12%	2,781	-8%
7	BKR International*	570.0	12%	3,360	7%
8	AGN International	495.7	-17%	4,715	23%
9	Morison KSi* (3)	325.6	n.ap	1,776	n.ap
10	MSI Global Alliance*	230.4	19%	1,399	19%
11	CPA Associates International*	199.7	-10%	1,225	2%
12	Alliott Group*	173.9	-4%	680	-66%
13	IAPA*	132.3	-35%	943	-27%
14	Integra International*	114.0	-2%	789	-46%
15	INPACT*	101.8	0%	638	-2%
16	JHI Association*	85.7	-16%	561	-25%
17	GMN International*	41.6	85%	327	95%
18	Abacus Worldwide*	37.0	20%	292	27%
19	Antea*	15.8	-35%	120	-31%
20	EuraAudit International* (2)	10.3	164%	60	67%
21	UC&CS Global*	0.9	0%	53	0%
Total fee income / growth		**12,416.0**	**4%**	**72,355**	**9%**

Notes: (e) estimate. **n.ap** = not applicable, (1) GGI submitted estimations for their regional data, (2) Alliance and/or correspondent members may be included, (3) Morison KSi restated its FY16 figures as last year it submited estimates. FY15 figures are not available as Morison KSi is born out of the merger of Morison International and KS International in 2016.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.
Source: *International Accounting Bulletin.*

LATAM

NETWORKS: FEE DATA

Rank	Name	Fee income ($m)	Growth (%)	Fee split (%)					Year end
				Audit & assurance	Accounting services	Tax	Advisory	Other	
1	PwC* (1)	1,300.0	57%	53	-	28	18	-	Jun-17
2	EY* (e)	688.4	40%	n.d	n.d	n.d	n.d	n.d	Jun-17
3	KPMG* (e)	432.6	21%	n.d	n.d	n.d	n.d	n.d	Jun-17
4	Deloitte* (e)	116.0	-22%	n.d	n.d	n.d	n.d	n.d	May-17
5	BDO* (2)	248.9	16%	48	19	16	17	-	Sep-17
6	Grant Thornton*	199.9	23%	39	-	13	36	5	Sep-17
7	UC&CS America*	147.9	-18%	19	-	77	3	1	Dec-17
8	RSM* (2)	123.8	3%	40	27	24	8	1	Dec-17
9	Crowe Horwath* (2)	109.3	-1%	65	-	19	13	3	Dec-17
10	SFAI*	91.0	-6%	17	43	22	18	-	Dec-17
11	Baker Tilly International*	90.6	-18%	38	23	13	26	-	Dec-17
12	SMS Latinoamerica*	76.0	3%	32	16	29	17	6	Dec-17
13	Moore Stephens International*	70.0	12%	46	20	17	6	11	Dec-17
14	HLB International*	62.9	31%	29	22	18	26	5	Dec-17
15	Kreston International* (2)	52.2	14%	40	10	38	3	9	Oct-17
16	Nexia International*	51.9	8%	52	8	20	11	8	Jun-17
17	Mazars*	50.9	13%	37	47	6	10	-	Aug-17
18	PKF International*	40.0	-9%	58	20	13	3	8	Jun-17
19	Russell Bedford International*	36.5	4%	25	23	21	8	23	Dec-17
20	Parker Randall International* (3)	32.8	5%	n.d	n.d	n.d	n.d	n.d	Dec-17
21	Auren*	21.8	14%	24	19	30	14	12	Dec-17
22	UHY International*	19.4	-14%	40	21	20	12	7	Dec-17
23	ECOVIS International* (2)	13.4	35%	28	29	30	8	5	Dec-17
24	MGI Worldwide*	12.3	-17%	46	10	15	7	22	Jun-17
25	TGS Global*	10.0	39%	19	37	29	5	10	Sep-17
26	Kudos International*	6.9	32%	38	-	-	-	62	Aug-17
27	IECnet*	3.6	0%	28	29	26	5	12	Dec-17
Total fee income / growth		**4,108.9**	**23%**						

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available, (1) Excluding Carribbean numbers, (2) Alliance and/or correspondent members may be included, (3) PRIL did not carry out any audit to verify the numbers provided by each member firm and used estimated information where applicable to compile the necessary information.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin.*

ASSOCIATIONS: FEE DATA

Rank	Name	Fee income ($m)	Growth (%)	Fee split (%)					Year end
				Audit & assurance	Accounting services	Tax	Advisory	Other	
1	UC&CS Global*	147.9	20%	20	-	77	3	-	Dec-17
2	LEA Global/Leading Edge Alliance*	133.4	3%	38	21	28	10	3	Dec-17
3	GGI* (1)	90.5	4%	n.d	n.d	n.d	n.d	n.d	n.ap
4	Praxity*	61.8	16%	40	40	10	9	1	n.ap
5	JHI Association* (2)	50.0	39%	6	8	54	8	24	Dec-16
6	PrimeGlobal*	41.7	7%	55	-	25	7	13	May-17
7	DFK International* (3)	38.2	40%	54	19	15	9	3	Dec-17
8	Morison KSi* (4)	36.9	n.ap	20	40	26	4	10	Dec-16
9	CPA Associates International*	31.4	-4%	39	18	25	14	4	Oct-17
10	Antea*	30.8	9%	25	23	25	12	15	Dec-17
11	BKR International*	22.0	-8%	39	17	31	4	9	Jun-17
12	Allinial Global*	20.1	126%	30	20	22	12	8	Dec-17
13	AGN International	16.4	17%	63	29	-	6	2	Dec-17
14	MSI Global Alliance*	10.1	12%	38	24	15	17	6	Dec-17
15	GMN International*	9.9	15%	43	22	23	6	6	Sep-17
16	Integra International*	7.8	7%	40	20	25	15	-	Dec-17
17	IAPA*	6.7	-15%	68	14	10	5	3	Mar-17
18	Abacus Worldwide*	5.1	200%	34	17	11	16	22	Dec-17
19	EuraAudit International* (3)	4.2	31%	71	-	14	8	7	Dec-17
20	INPACT*	3.9	-2%	41	30	23	3	2	Dec-17
21	Alliott Group*	2.4	-15%	37	8	43	12	-	Mar-17
Total fee income / growth		**771.1**	**13%**						

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available, (1) GGI submitted estimations for their regional data, (2) Growth attributed to Brazilian member firm turnover increase, (3) Alliance and/or correspondent members may be included, (4) Morison KSi restated its FY16 figures as last year it submited estimates. FY15 figures are not available as Morison KSi is born out of the merger of Morison International and KS International in 2016.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin.*

LATAM

NETWORKS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
1	PwC*	12,849	13,110	-2%	334	10575	1939	28
2	BDO* (1)	5,396	5,083	6%	260	4,417	719	78
3	Grant Thornton*	4,100	3,991	3%	214	3,361	408	64
4	SFAI*	3,798	2,070	83%	271	2,928	599	72
5	Crowe Horwath* (1)	3,344	3,430	-3%	214	2,648	482	85
6	Moore Stephens International*	2,850	2,710	5%	187	2,171	492	57
7	RSM* (1)	2,845	2,595	10%	197	2,261	387	73
8	UC&CS America*	2,203	2,119	4%	236	1,667	300	170
9	Baker Tilly International*	2,173	2,415	-10%	164	1,762	247	68
10	SMS Latinoamerica*	2,151	2,090	3%	196	1,751	204	57
11	Kreston International* (1)	1,793	1,726	4%	125	1,414	254	74
12	HLB International*	1,556	1,314	18%	149	1,144	263	63
13	PKF International*	1,374	1,535	-10%	108	1,080	186	42
14	Mazars*	1,196	1,231	-3%	22	1,007	167	20
15	Nexia International*	1,141	1,320	-14%	106	824	211	53
16	Russell Bedford International*	1,038	1,031	1%	100	789	149	38
17	UHY International*	971	873	11%	70	615	286	35
18	Auren*	822	739	11%	69	663	90	27
19	MGI Worldwide*	499	572	-13%	62	437	n.d	24
20	ECOVIS International* (1)	406	295	38%	45	313	48	17
21	Parker Randall Intl* (2)	387	367	5%	n.d	n.d	n.d	n.d
22	TGS Global*	300	167	80%	22	250	28	9
23	IECnet*	223	190	17%	43	142	38	16
24	Kudos International*	216	184	17%	23	193	n.d	n.d
Total staff / growth		**53,631**	**51,157**	**5%**	**3,217**	**42,412**	**7,497**	**1,170**

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available. **(1)** Alliance and/or correspondent members may be included, (2) PRIL did not carry out any audit to verify the numbers provided by each member firm and used estimated information where applicable to compile the necessary information. ***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

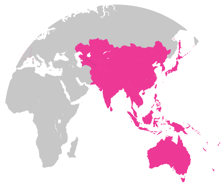
Source: *International Accounting Bulletin.*

ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
1	LEA Global/Leading Edge Alliance*	2,477	2,291	8%	167	1,827	483	59
2	UC&CS Global*	2,203	2,119	4%	239	1,659	305	174
3	Praxity*	1,522	1,454	5%	39	1,265	218	35
4	PrimeGlobal*	1,435	1,237	16%	155	1,002	278	69
5	DFK International*(1)	1,240	1,063	17%	97	972	171	54
6	Antea*	1,224	1,135	8%	109	960	155	53
7	CPA Associates International*	1,009	1,246	-19%	102	701	206	40
8	Morison KSi* (2)	976	n.ap	n.ap	75	625	276	38
9	JHI Association*	943	854	10%	58	765	120	36
10	Allinial Global*	845	425	99%	150	607	88	38
11	AGN International	687	409	68%	88	599	n.d	26
12	GGI*(3)	681	652	4%	n.d	n.d	n.d	n.d
13	BKR International*	612	598	2%	56	524	32	28
14	GMN International*	532	553	-4%	55	418	59	26
15	MSI Global Alliance*	466	488	-5%	43	343	80	19
16	Integra International*	308	363	-15%	32	223	53	12
17	IAPA*	293	361	-19%	39	188	66	16
18	INPACT*	269	301	-11%	29	205	35	12
19	EuraAudit International* (1)	205	189	8%	43	136	26	14
20	Abacus Worldwide*	153	77	99%	22	95	36	9
21	Alliott Group*	127	132	-4%	15	22	90	11
Total staff / growth		**18,207**	**15,947**	**8%**	**1,613**	**13,136**	**2,777**	**769**

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available. (1) Alliance and/or correspondent members may be included, (2) Morison KSi restated its FY16 figures as last year it submited estimates. FY15 figures are not available as Morison KSi is born out of the merger of Morison International and KS International in 2016, (3) GGI submitted estimations for their regional data.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin.*



ASIA-PAC

NETWORKS: FEE DATA

Rank	Name	Fee income ($m)	Growth (%)	Fee split (%)					Year end
				Audit & assurance	Accounting services	Tax	Advisory	Other	
1	PwC*	6,550.0	12%	44	-	23	33	1	Jun-17
2	Deloitte*	5,800.0	12%	n.d	n.d	n.d	n.d	n.d	May-17
3	EY*	4,723.0	10%	n.d	n.d	n.d	n.d	n.d	Jun-17
4	KPMG*	4,420.0	9%	n.d	n.d	n.d	n.d	n.d	Sep-17
5	BDO* (1)	1,162.0	5%	52	12	12	24	-	Sep-17
6	Crowe Horwath* (1)	886.1	-3%	58	-	13	19	10	Dec-17
7	Grant Thornton*	798.1	15%	49	-	18	20	13	Sep-17
8	Baker Tilly International*	685.6	13%	42	8	11	39	-	Dec-17
9	RSM* (1)	642.6	4%	54	11	10	22	3	Dec-17
10	Moore Stephens International*	624.4	21%	59	7	7	8	19	Dec-17
11	Kreston International* (1)	548.9	14%	44	8	15	12	21	Oct-17
12	Nexia International*	515.9	62%	49	19	12	12	8	Jun-17
13	Pan-China International*	463.9	30%	78	-	3	1	19	Dec-17
14	HLB International*	435.2	10%	64	12	8	4	12	Dec-17
15	ShineWing International*	360.7	22%	65	6	6	4	19	Dec-17
16	PKF International*	266.8	108%	62	12	8	5	13	Jun-17
17	Mazars*	226.7	56%	76	15	5	3	1	Aug-17
18	Reanda International* (1)	159.5	3%	38	2	12	13	35	Dec-17
19	UHY International* (2)	106.4	32%	50	17	16	13	4	Dec-17
20	MGI Worldwide*	62.4	-9%	28	38	17	9	8	Jun-17
21	ECOVIS International* (1)	54.5	13%	27	30	21	7	15	Dec-17
22	Russell Bedford International*	44.5	17%	50	19	18	4	9	Dec-17
23	SFAI*	36.8	-30%	31	28	15	26	-	Dec-17
24	IECnet*	35.3	95%	35	12	23	14	16	Dec-17
25	TGS Global*	17.2	-46%	33	13	18	28	8	Sep-17
26	Parker Randall International* (3)	10.9	1%	n.d	n.d	n.d	n.d	n.d	Dec-17
27	Kudos International*	4.4	6%	56	-	-	-	44	Aug-17
28	FinExpertiza*	0.3	n.ap	77	4	5	12	2	Jun-17
Total fee income / growth		**29,642.3**	**12%**						

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available, (1) Alliance and/or correspondent firms may be included, (2) Growth attributed to member addition in Australia and China, (3) PRIL did not carry out any audit to verify the numbers provided by each member firm and used estimated information where applicable to compile the necessary information.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin.*

ASSOCIATIONS: FEE DATA

Rank	Name	Fee income ($m)	Growth (%)	Fee split (%)					Year end
				Audit & assurance	Accounting services	Tax	Advisory	Other	
1	Praxity*	705.7	37%	61	14	8	6	11	n.ap
2	GGI* (1)	338.1	5%	n.d	n.d	n.d	n.d	n.d	n.ap
3	Morison KSi* (2)	266.0	n.ap	41	11	8	11	29	Dec-16
4	LEA Global/Leading Edge Alliance*	192.4	6%	32	22	23	18	5	Dec-17
5	DFK International*(3)	148.7	7%	46	18	18	10	8	Dec-17
6	BKR International*	124.0	5%	39	17	31	4	9	Jun-17
7	PrimeGlobal*	122.9	20%	57	-	23	9	11	May-17
8	AGN International	99.7	-30%	32	24	23	6	15	Dec-17
9	CPA Associates International*	88.5	18%	n.d	n.d	n.d	n.d	n.d	Oct-17
10	IAPA*	68.3	11%	39	14	23	11	13	Mar-17
11	MSI Global Alliance*	61.1	6%	29	26	22	13	10	Dec-17
12	Allinial Global*	49.6	120%	36	24	17	11	12	Dec-17
13	INPACT*	47.7	-3%	30	15	24	13	18	Dec-17
14	Integra International*	45.3	-3%	40	20	25	15	-	Dec-17
15	Alliott Group* (4)	37.8	29%	43	7	35	3	12	Mar-17
16	GMN International*	24.5	15%	30	24	33	7	6	Sep-17
17	JHI Association*	13.7	-1%	19	24	40	10	7	Dec-16
18	Antea*	12.9	-13%	32	40	11	16	1	Dec-17
19	Abacus Worldwide*	11.8	181%	29	6	13	10	42	Dec-17
20	EuraAudit International*(3)	3.9	66%	85	-	12	1	2	Dec-17
21	UC&CS Global*	0.8	0%	45	-	37	18	-	Dec-17
Total fee income / growth		**2,463.3**	**14%**						

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available, (1) GGI submitted estimations for their regional data, (2) Morison KSi restated its FY16 figures as last year it submited estimates. FY15 figures are not available as Morison KSi is born out of the merger of Morison International and KS International in 2016, (3) Alliance and/or correspondent firms may be included, (4) Alliott Group had more member firms responding this year compared to last explaining part of their growth.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin.*

ASIA-PAC

NETWORKS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
1	PwC*	68,563	60,649	13%	2,327	56,734	9,503	30
2	Deloitte*	55,129	49,925	10%	n.d	n.d	n.d	n.d
3	EY*	51,785	40,491	28%	n.d	n.d	n.d	n.d
4	KPMG*	40,645	38,467	6%	n.d	n.d	n.d	n.d
5	BDO* (1)	18,241	15,623	17%	1,065	15,174	2,002	114
6	Grant Thornton*	14,214	12,738	12%	827	12,040	1,347	89
7	Crowe Horwath* (1)	14,041	13,118	7%	941	11,841	1,259	281
8	RSM* (1)	12,004	12,207	-2%	588	9,608	1,808	142
9	Baker Tilly International*	11,089	8,953	24%	580	9,450	1,059	129
10	Moore Stephens International*	10,918	8,994	21%	627	9,450	841	119
11	Kreston International* (1)	9,592	8,446	14%	504	7,779	1,309	187
12	Nexia International*	9,024	5,941	52%	581	6,692	1,751	142
13	HLB International*	8,415	7,769	8%	518	6,348	1,549	144
14	ShineWing International*	6,661	6,139	9%	277	5,908	476	39
15	Pan-China International*	5,894	5,251	12%	244	5,288	362	16
16	Mazars*	5,246	2,888	82%	151	4,624	471	47
17	PKF International*	4,966	2,392	108%	478	3,942	546	103
18	Reanda International* (1)	3,043	2,479	23%	155	2,236	652	75
19	UHY International *	2,834	2,533	12%	223	2,317	294	66
20	MGI Worldwide*	1,243	1,272	-2%	155	1,088	n.d	49
21	Russell Bedford International*	1,108	1,177	-6%	105	836	167	38
22	ECOVIS International* (1)	1,061	920	15%	105	780	176	43
23	TGS Global*	807	877	-8%	84	631	92	28
24	IECnet*	663	429	55%	111	360	192	28
25	Parker Randall Intl* (2)	379	432	-12%	n.d	n.d	n.d	n.d
26	Kudos International*	375	341	10%	18	357	n.d	11
27	SFAI*	276	1,564	-82%	31	151	94	12
28	FinExpertiza*	29	n.ap	n.ap	4	18	8	2
Total staff / growth		**358,245**	**312,015**	**15%**	**10,699**	**173,652**	**25,958**	**1,934**

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available. (1) Alliance and/or correspondent firms may be included, (2) PRIL did not carry out any audit to verify the numbers provided by each member firm and used estimated information where applicable to compile the necessary information.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin.*

ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
1	Praxity*	13,745	10,008	37%	605	11,921	1,219	121
2	Morison KSi* (1)	4,564	n.ap	n.ap	340	3,401	823	87
3	LEA Global/Leading Edge Alliance*	4,444	4,197	6%	274	3,154	1,016	131
4	DFK International* (2)	3,472	3,354	4%	227	2,664	581	90
5	AGN International	3,026	2,910	4%	211	2,726	n.d	68
6	PrimeGlobal*	2,952	3,084	-4%	440	1,712	800	107
7	BKR International*	2,858	2,847	0%	201	2,277	380	83
8	GGI* (3)	2,545	2,404	6%	n.d	n.d	n.d	n.d
9	CPA Associates International*	2,053	1,050	96%	191	1,640	222	94
10	MSI Global Alliance*	1,557	1,464	6%	131	927	499	26
11	IAPA*	1,455	1,463	-1%	118	891	446	46
12	INPACT*	1,404	1,560	-10%	149	1,122	133	59
13	Allinial Global*	823	619	33%	91	550	182	37
14	GMN International*	646	555	16%	76	441	129	29
15	Integra International*	646	812	-20%	41	564	41	33
16	Alliott Group* (4)	538	319	69%	70	379	89	28
17	Antea*	468	429	9%	34	360	74	20
18	JHI Association*	254	310	-18%	40	175	39	22
19	EuraAudit International* (2)	240	258	-7%	22	167	51	17
20	Abacus Worldwide*	227	127	79%	29	142	56	9
21	UC&CS Global*	68	68	0%	8	52	8	6
Total staff / growth		**47,985**	**37,838**	**15%**	**3,298**	**35,265**	**6,788**	**1,113**

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available. (1) Morison KSi restated its FY16 figures as last year it submited estimates. FY15 figures are not available as Morison KSi is born out of the merger of Morison International and KS International in 2016, (2) Alliance and/or correspondent members may be included, (3) GGI submitted estimations for their regional data, (4) Alliott Group had more member firms responding this year compared to last explaining part of their growth. **(2)** Alliance and/or correspondent firms may be included,
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin.*

AFRICA

NETWORKS: FEE DATA

Rank	Name	Fee income ($m)	Growth (%)	Fee split (%)					Year end
				Audit & assurance	Accounting services	Tax	Advisory	Other	
1	PwC*	700.0	7%	58	-	18	24	1	Jun-17
2	Deloitte* (e)	697.2	24%	n.d	n.d	n.d	n.d	n.d	May-17
3	EY* (e)	564.3	5%	n.d	n.d	n.d	n.d	n.d	Jun-17
4	KPMG* (e)	474.4	-8%	n.d	n.d	n.d	n.d	n.d	Sep-17
5	SFAI* (1)	121.0	54%	22	35	21	22	-	Dec-17
6	Grant Thornton*	113.6	13%	49	-	11	34	5	Sep-17
7	BDO* (2)	108.5	6%	42	26	11	21	-	Sep-17
8	Mazars*	87.6	10%	49	24	11	16	-	Aug-17
9	PKF International*	52.0	6%	60	12	17	2	9	Jun-17
10	RSM* (2)	39.7	-3%	50	11	19	15	5	Dec-17
11	Nexia International*	33.5	5%	60	16	10	11	3	Jun-17
12	Kreston International* (2)	32.4	19%	45	3	3	22	27	Oct-17
13	Moore Stephens International*	29.5	21%	43	20	11	10	16	Dec-17
14	HLB International*	26.2	20%	38	27	18	10	7	Dec-17
15	Crowe Horwath*(2)	25.7	-12%	65	-	10	14	11	Dec-17
16	Baker Tilly International*	25.6	7%	66	12	8	14	-	Dec-17
17	MGI Worldwide*	8.4	19%	41	19	10	5	25	Jun-17
18	UHY International*	8.2	-18%	52	20	11	15	2	Dec-17
19	IECnet*	7.6	298%	31	32	7	22	8	Dec-17
20	Parker Randall International* (3)	5.5	15%	n.d	n.d	n.d	n.d	n.d	Dec-17
21	TGS Global*	5.0	99%	37	24	10	27	2	Sep-17
22	Russell Bedford International*	4.0	38%	47	24	14	7	8	Dec-17
23	ECOVIS International* (2)	2.1	48%	44	21	15	16	4	Dec-17
24	ShineWing International*	0.5	-48%	24	3	69	2	2	Dec-17
25	Reanda International*(2)	0.2	5%	62	24	9	5	-	Dec-17
26	FinExpertiza	0.1	n.ap	66	1	21	7	5	Jun-17
Total fee income / growth		**3,172.6**	**9%**						

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available, (1) Growth attributed to the addition of two firms in North Africa combined with organic growth of exhisting members and winning two bids from the African Development Bank in South Africa and Ghana, (2) Alliance and/or correspondent firms may be included, (3) PRIL did not carry out any audit to verify the numbers provided by each member firm and used estimated information where applicable to compile the necessary information.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin.*

ASSOCIATIONS: FEE DATA

Rank	Name	Fee income ($m)	Growth (%)	Fee split (%)					Year end
				Audit & assurance	Accounting services	Tax	Advisory	Other	
1	Praxity*	90.6	10%	50	24	11	15	-	n.ap
2	GGI* (1)	77.2	11%	n.d	n.d	n.d	n.d	n.d	n.ap
3	Morison KSi* (2)	57.4	n.ap	71	1	6	6	15	Dec-16
4	LEA Global/Leading Edge Alliance*	17.4	5%	48	22	20	7	3	Dec-17
5	BKR International*	15.0	88%	39	17	31	4	9	Jun-17
6	MSI Global Alliance*	9.4	-13%	43	23	14	7	13	Dec-17
7	GMN International*	6.5	-14%	30	32	20	9	9	Sep-17
8	PrimeGlobal*	6.1	-36%	59	-	21	7	13	May-17
9	Integra International*	5.5	-5%	40	20	25	15	-	Dec-17
10	Alliott Group* (3)	4.9	1208%	64	6	19	2	9	Mar-17
11	DFK International*(4)	4.6	-3%	39	30	9	7	15	Dec-17
12	INPACT*	3.4	-4%	59	13	4	5	19	Dec-17
13	EuraAudit International* (4)	3.3	20%	74	-	12	12	2	Dec-17
14	AGN International	3.0	12%	41	29	21	7	2	Dec-17
15	CPA Associates International*	2.8	17%	38	5	14	40	3	Oct-17
16	Antea*	2.6	-22%	15	42	26	10	7	Dec-17
17	IAPA*	2.3	-62%	22	18	24	22	14	Mar-17
18	Allinial Global*	1.3	n.ap	13	50	-	-	37	Dec-17
19	JHI Association*	0.7	-37%	35	42	8	-	15	Dec-16
20	Abacus Worldwide*	0.7	367%	9	8	16	9	58	Dec-17
21	UC&CS Global*	n,ap	-100%	n,ap	n,ap	n,ap	n,ap	n,ap	Dec-17
Total fee income / growth		**314.6**	**8%**						

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available, (1) GGI submitted estimations for their regional data, (2) Morison KSi restated its FY16 figures as last year it submited estimates. FY15 figures are not available as Morison KSi is born out of the merger of Morison International and KS International in 2016, (3) Alliott Group had more member firms responding this year compared to last explaining part of their growth, (4) Alliance and/or correspondent members may be included.
***Disclaimer** = Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin.*

AFRICA
NETWORKS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
1	Deloitte* (e)	10,946	8,904	23%	n.d	n.d	n.d	n.d
2	EY* (e)	10,268	11,608	-12%	n.d	n.d	n.d	n.d
3	PwC*	9,798	8,999	9%	421	7,570	1,807	29
4	KPMG* (e)	8,182	9,914	-17%	n.d	n.d	n.d	n.d
5	Mazars*	2,616	2,489	5%	124	2,056	436	41
6	Grant Thornton*	2,591	2,466	5%	198	1,817	576	45
7	BDO* (1)	2,485	2,297	8%	155	1,983	347	41
8	SFAI*	1,848	1,800	3%	28	1,254	566	10
9	PKF International*	1,828	1,916	-5%	115	1,375	338	50
10	Nexia International*	1,525	1,547	-1%	116	1,183	226	46
11	RSM* (1)	1,331	1,273	5%	112	970	249	42
12	Kreston International* (1)	1,154	1,091	6%	92	926	136	37
13	Baker Tilly International*	1,040	998	4%	76	752	212	24
14	Crowe Horwath* (1)	920	825	12%	92	664	164	36
15	HLB International*	869	879	-1%	98	598	173	50
16	Moore Stephens International*	844	828	2%	74	639	131	25
17	UHY International*	363	374	-3%	46	224	93	27
18	TGS Global*	286	152	88%	24	215	47	14
19	IECnet*	281	61	361%	38	187	56	21
20	MGI Worldwide*	254	232	9%	34	220	n.d	14
21	Russell Bedford International*	143	59	142%	13	110	20	8
22	Parker Randall International* (2)	103	123	-16%	n.d	n.d	n.d	n.d
23	ShineWing International*	90	81	11%	1	84	5	1
24	ECOVIS International* (1)	80	41	95%	8	58	14	5
25	FinExpertiza	43	n.ap	n.ap	3	27	13	1
26	Reanda International* (1)	26	26	0%	4	16	6	2
Total staff / growth		**59,914**	**58,983**	**2%**	**1,872**	**22,928**	**5,615**	**569**

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available. (1) Alliance and/or correspondent firms may be included, (2) PRIL did not carry out any audit to verify the numbers provided by each member firm and used estimated information where applicable to compile the necessary information.
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Source: *International Accounting Bulletin.*

ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
1	Praxity*	2,671	2,543	5%	129	2,098	444	43
2	Morison KSi* (1)	1,160	n.ap	n.ap	70	931	159	25
3	LEA Global/Leading Edge Alliance*	813	648	25%	67	488	258	31
4	GGI* (2)	581	522	11%	n.d	n.d	n.d	n.d
5	PrimeGlobal*	491	536	-8%	39	330	122	23
6	MSI Global Alliance*	369	427	-14%	31	248	90	13
7	BKR International*	357	311	15%	25	285	47	13
8	Integra International*	317	296	7%	24	256	37	10
9	GMN International*	292	353	-17%	33	194	65	19
10	DFK International* (3)	270	304	-11%	37	188	45	17
11	EuraAudit International* (3)	189	195	-3%	20	139	30	11
12	AGN International	177	132	34%	n.d	n.d	n.d	n.d
-	INPACT*	177	181	-2%	21	130	26	13
14	IAPA*	162	238	-32%	13	118	31	13
15	Antea*	132	134	-1%	21	80	31	7
16	CPA Associates International*	115	115	0%	n.d	n.d	n.d	n.d
17	Alliott Group* (4)	88	37	138%	17	52	19	5
18	JHI Association*	35	46	-24%	5	26	4	1
19	Abacus Worldwide*	31	15	107%	4	19	8	5
20	Allinial Global*	10	n.ap	n.ap	1	7	2	2
21	UC&CS Global*	n.ap	1	-100%	n.ap	n.ap	n.ap	n.ap
Total staff / growth		**8,437**	**7,034**	**3%**	**557**	**5,589**	**1,418**	**251**

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Source: *International Accounting Bulletin.*

MIDDLE EAST

NETWORKS: FEE DATA

Rank	Name	Fee income ($m)	Growth (%)	Fee split (%)					Year end
				Audit & assurance	Accounting services	Tax	Advisory	Other	
1	PwC-	700.0	9%	29	-	14	57	-	Jun-17
2	Deloitte* (e)	606.6	10%	n.d	n.d	n.d	n.d	n.d	May-17
3	EY* (e)	491.0	-7%	n.d	n.d	n.d	n.d	n.d	Jun-17
4	KPMG* (e)	412.8	-19%	n.d	n.d	n.d	n.d	n.d	Sep-17
5	BDO* (1)	143.2	12%	54	10	11	25	-	Sep-17
6	Baker Tilly International*	70.7	7%	28	7	16	49	-	Dec-17
7	Crowe Horwath* (1)	55.4	6%	60	-	15	21	4	Dec-17
8	Grant Thornton*	42.0	-36%	63	-	8	26	3	Sep-17
9	RSM* (1)	41.6	11%	33	23	13	26	5	Dec-17
10	Moore Stephens International*	32.9	4%	61	6	12	17	4	Dec-17
11	SFAI*	32.8	-5%	50	18	23	9	-	Dec-17
12	PKF International*	31.5	9%	64	9	9	7	11	Jun-17
13	HLB International*	27.8	31%	48	14	20	11	7	Dec-17
14	Kreston International* (1)	26.2	1%	58	7	20	2	13	Oct-17
15	Mazars*	22.7	-4%	42	22	31	5	-	Aug-17
16	UHY International *	22.6	-6%	47	8	16	26	3	Dec-17
17	Nexia International*	21.7	-27%	44	4	43	4	5	Jun-17
18	Russell Bedford International*	12.5	24%	41	9	31	10	9	Dec-17
19	Reanda International* (1)	7.5	113%	16	5	13	11	55	Dec-17
20	ECOVIS International* (1)	7.1	-11%	33	23	32	9	3	Dec-17
21	TGS Global*	5.9	59%	54	13	16	16	1	Sep-17
22	Parker Randall International* (2)	5.8	5%	n.d	n.d	n.d	n.d	n.d	Dec-17
23	MGI Worldwide*	5.7	23%	41	16	13	9	21	Jun-17
24	IECnet*	4.6	3%	33	35	9	3	20	Dec-17
25	Kudos International*	4.1	-2%	69	-	-	-	31	Aug-17
26	FinExpertiza*	0.1	n.ap	36	18	1	24	21	Jun-17
Total fee income / growth		**2,834.7**	**0%**						

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Source: *International Accounting Bulletin.*

ASSOCIATIONS: FEE DATA

Rank	Name	Fee income ($m)	Growth (%)	Fee split (%)					Year end
				Audit & assurance	Accounting services	Tax	Advisory	Other	
1	GGI* (1)	127.8	9%	n.d	n.d	n.d	n.d	n.d	n.ap
2	Praxity*	51.2	-1%	51	17	28	3	1	n.ap
3	LEA Global/Leading Edge Alliance*	43.7	7%	45	16	20	15	4	Dec-17
4	Morison KSi* (2)	34.3	n.ap	54	7	11	11	16	Dec-16
5	BKR International*	17.0	0%	39	17	31	4	9	Jun-17
6	PrimeGlobal*	15.5	96%	57	-	23	8	12	May-17
7	MSI Global Alliance*	14.9	0%	55	23	5	12	5	Dec-17
8	AGN International	13.2	-16%	29	8	11	50	2	Dec-17
9	Allinial Global*	10.4	41%	31	12	32	16	9	Dec-17
10	CPA Associates International*	8.1	32%	n.d	n.d	n.d	n.d	n.d	Oct-17
11	INPACT*	8.0	-1%	67	13	5	13	2	Dec-17
12	Integra International*	7.5	20%	40	20	25	15	-	Dec-17
13	DFK International* (3)	7.0	-25%	71	10	2	13	4	Dec-17
14	IAPA*	6.7	-24%	41	10	24	17	8	Mar-17
15	GMN International*	6.1	42%	54	15	10	9	12	Sep-17
16	Antea*	5.0	-15%	28	18	31	5	18	Dec-17
17	JHI Association*	3.9	45%	32	38	7	3	20	Dec-16
18	UC&CS Global*	2.6	158%	46	-	38	16	-	Dec-17
19	Alliott Group*	2.5	-87%	72	2	14	10	2	Mar-17
20	Abacus Worldwide*	1.4	600%	80	5	5	5	5	Dec-17
21	EuraAudit International*	0.8	12%	89	-	-	9	3	Dec-17
Total fee income / growth		**387.5**	**2%**						

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Source: *International Accounting Bulletin.*

MIDDLE EAST

NETWORKS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
1	Deloitte (e)	4,668	3,372	38%	n.d	n.d	n.d	n.d
2	EY (e)	4,378	4,396	0%	n.d	n.d	n.d	n.d
3	PwC*	4,178	4,037	3%	237	3,105	832	14
4	KPMG (e)	3,489	3,755	-7%	n.d	n.d	n.d	n.d
5	BDO* (1)	2,108	1,968	7%	111	1,752	245	31
6	Crowe Horwath* (1)	956	1,062	-10%	109	695	152	43
7	Baker Tilly International*	862	807	7%	95	647	120	35
8	PKF International*	861	796	8%	77	669	115	34
9	Moore Stephens International*	792	742	7%	58	589	145	29
10	RSM* (1)	708	680	4%	66	549	93	20
11	HLB International*	620	435	43%	69	477	74	26
12	Kreston International* (1)	614	613	0%	43	488	83	35
13	Grant Thornton*	611	1,055	-42%	46	436	129	11
14	Nexia International*	515	554	-7%	80	326	109	22
15	UHY International *	432	458	-6%	33	262	137	12
16	Mazars*	425	431	-1%	14	346	65	15
17	Russell Bedford International*	240	237	1%	31	179	30	17
18	SFAI*	169	341	-50%	8	86	75	9
19	IECnet*	156	153	2%	25	109	22	14
20	MGI Worldwide*	153	141	9%	25	128	n.d	19
21	TGS Global*	140	72	94%	21	100	19	10
22	ECOVIS International*(1)	134	138	-3%	23	99	12	9
23	Parker Randall Intl* (2)	117	117	0%	n.d	n.d	n.d	n.d
24	Reanda International* (1)	102	34	200%	10	74	18	9
25	Kudos International*	90	82	10%	10	80	n.d	7
26	FinExpertiza*	42	n.ap	n.ap	3	34	5	11
Total staff / growth		**27,560**	**26,476**	**4%**	**1,194**	**11,230**	**2,480**	**432**

Notes: (e) *International Accounting Bulletin* estimate. **n.d.** = not disclosed, **n.c.** = not collected, **n.ap** = not applicable, **n.av** = not available. (1) Alliance and/or correspondent members may be included, (2) PRIL did not carry out any audit to verify the numbers provided by each member firm and used estimated information where applicable to compile the necessary information.
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Source: *International Accounting Bulletin.*

ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
1	GGI* (1)	962	876	10%	n.d	n.d	n.d	n.d
2	LEA Global/Leading Edge Alliance*	920	965	-5%	109	607	204	54
3	Praxity*	858	879	-2%	57	682	119	39
4	Morison KSi* (2)	691	n.ap	n.ap	76	515	100	35
5	Allinial Global*	508	552	-8%	38	442	28	24
6	PrimeGlobal*	367	192	91%	47	230	90	18
7	MSI Global Alliance*	286	267	7%	36	193	57	13
8	INPACT*	233	233	0%	23	178	32	13
9	UC&CS Global*	231	4	5675%	6	209	16	8
10	BKR International*	223	370	-40%	31	160	32	15
11	JHI Association*	205	124	65%	24	141	40	9
12	DFK International* (3)	182	224	-19%	19	124	39	16
13	AGN International	177	532	-67%	n.d	n.d	n.d	n.d
14	CPA Associates International*	164	164	0%	n.d	n.d	n.d	n.d
15	IAPA*	142	262	-46%	17	60	65	10
-	Integra International*	142	177	-20%	18	108	16	11
17	Antea*	129	153	-16%	32	76	21	6
18	GMN International*	106	80	33%	16	77	13	9
19	Alliott Group*	100	155	-35%	12	75	13	7
20	EuraAudit International*(3)	23	28	-18%	5	15	3	2
21	Abacus Worldwide*	18	7	157%	4	7	7	4
Total staff / growth		**6,667**	**6,244**	**-4%**	**570**	**3,899**	**895**	**293**

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Source: *International Accounting Bulletin.*

TECHNOLOGY

DIGITAL DIVIDE PERSISTS

While the benefits of technology are well understood across the profession, there is some evidence to suggest that the gap between the digital haves and have-nots is worryingly wide. Paul Golden reports

It seems as though hardly a week goes by without the publication of another survey highlighting the importance of financial technology.

One such survey, published in November by Accounts & Legal Consultants, suggests that almost one in four small businesses (22%)in the UK are sacrificing higher rates of growth and productivity by maintaining their accounting records on paper rather than online.

On the other side of the Atlantic, Robert Half's latest *Benchmarking the Accounting & Finance Function* report notes that acceptance of cloud-based technologies in the finance function continues to rise, with almost three in four (72%) of respondents either using cloud-based solutions or planning to do so in the future, up from 62% in 2016.

The ACCA report *Professional Accountants – the Future: Drivers of Change and Future Skills* refers to evolving smart and digital technology as a significant issue facing the profession over the next three decades.

It states that the spread of digital technologies and their impact on business will transform the practice of accounting and the competencies professional accountants require. Smart software and systems will replace manual work, automate complex and multifaceted processes and support the trends towards outsourcing some services and repatriating others.

According to Xero's *Digital or Die Report*, the vast majority of accountants believe they need to understand technology just as well as they understand accounting. Yet the rate of change can be overwhelming – almost half of advisers (48%) worry about being left behind, a figure that has almost doubled in the past 12 months.

More than two thirds of respondents believe they need to understand automation. A sizeable minority say there is not enough educational support, although half of those surveyed by Xero are learning about new technologies at their workplace and a quarter are enrolled in offsite courses.

Nick Williams, head of business development at Intuit UK, refers to the future of the profession involving: finance that auto-reconciles; contract and payment terms that auto-execute; artificial intelligence that routes cash applications; and smarter billing. "The industry has already been reshaped by increased cloud adoption, combined with advanced analytical tools, large data sets and social and mobile computing," he says.

Damon Anderson, director, partner at Xero EMEA, says his company's research indicates that cloud-based accounting saves firms 15 days a year on average by eliminating time spent on administrative tasks. "Last year the time that was saved allowed digitally proficient firms to generate up to 34% more revenue per employee," he adds. "This time can be turned towards helping clients' businesses grow."

Anderson refers to a clear divide between firms that have embraced technology and those that have resisted change, noting that, although 61% of UK accountants surveyed said their profession was at a technological tipping point, 64% knew an accountant still using paper ledgers and/or computer spreadsheets as their primary accounting tools.

Education has a key role to play, he suggests. "There have been few incentives to drive up the digital skills agenda more broadly in the accounting industry. The government and accounting bodies have a responsibility to recognise, encourage and support the industry to move with the times."

Bob Dohrer, global leader - quality and risk at RSM, acknowledges that there is still much to be gained both in terms of the quality of audit work and the efficiency with which that work can be undertaken. "For the benefits to be more fully recognised, training and experience with new skill sets is required, investment in technology needs to be increased and standardisation of data needs to achieved," he says.

He suggests the extent of leveraging data analytics and use of big data varies both from firm to firm and within individual organisations. However, he adds: "Even though a firm may be positioned to use automated data analytics, the extent of the use is also dependent upon the readiness of its clients to be able to provide data and information. The use of off-the-shelf data analytics software and tools has made access to these capabilities available to firms of all sizes."

According to Clive Webb, senior insights manager at ACCA, CFOs need to accept that with these technologies it is often better to fail fast and be able to move on, rather than not to try at all. "The members we interviewed for our report *The Race for Relevance* urged CFOs to build a coherent and logical programme for technology adoption, which we call the six imperatives for success."

These imperatives are:

- Align the strategy
- Build the business case
- Appreciate the value of data
- Manage the organisational impact of technological change
- Focus on talent and skills
- Assess the impact of technology on governance and risk management.

"Taking advantage of emerging technologies requires insight, so the accountant needs to be armed with all the facts about what they want to do and why, and the benefits that will accrue in the short and longer terms measured against the costs," says Webb.

Two thirds of an accountant's time is spent on data collection or data correction. Artificial intelligence and machine learning are already starting to help reduce the time spent on manual activities thanks to activities such as automatic coding of transactions.

That is the view of Sage accountant development director, Sean Evers, who agrees that the profession has not yet fully recognised the benefits of greater use of technology.

"This is more about a change in mindset of some within the sector," he adds. "It is about re-engineering how you are used to working. Making Tax Digital could be the real catalyst for a firm to look at what they do and how they do it."

Such an audit might reveal how a practice could work more effectively, for example by using optical character recognition (technology that 'reads' data/information on documents so people don't need to type it out), a practice that could save hours every month.

Acumatica CFO Nigel LeGresley describes accounting technology as a useful tool for efficiency in the client relationship. "Cloud ERP enables great flexibility plus the ability to transact in the client's and/or firm's system," he says. "It is also instrumental to the firm's time management and keeping accounting hours to competitive norms, which maximises clients' budgets, ultimately leading to trusting, long-term relationships."

In addition to artificial intelligence and data, ICAEW's IT faculty focuses on blockchain and cybersecurity, says technical manager, Kirstin Gillon.

"They have different levels of maturity, though, and not all are yet having a significant impact on the profession," she says. "Blockchain, for example, is still in early stages of use, although there is a lot of interest in how it may affect audits in particular. In terms of practical adoption of technology, it is a mixed picture – some firms are enthusiastic adopters, while others are still feeling their way."

Gillon also accepts that there is scope for greater use of big data and analytics, noting that many smaller audit firms have yet to adopt data analytics and in many businesses, finance functions are well behind marketing and operations in their use of new capabilities.

Last November, the Association of International Certified Professional Accountants and American Institute of CPAs' subsidiary, CPA.com, announced the first four participants in their startup accelerator. Launched in June 2017, the accelerator is designed to jump-start innovation in the accounting profession and provide insight into disruptive technologies and automation trends for CPAs and Chartered Global Management Accountants.

Each company will receive seed funding and gain access to an advisory panel of leading practitioners and thought leaders who will provide expertise about global trends and marketplace needs.

The Association of International Certified Professional Accountants is also collaborating with the Wall Street Blockchain Alliance (WSBA) to explore and define blockchain's impact on the accounting profession, explains its associate technical director of management accounting, Martin Farrar.

"What is clear is that one organisation's current technology adoption is another's technological past," he says. "Yet, as organisations are not widely sharing their experiences there is no composite picture of the technological finance function of the future on which practitioners can benchmark."

The longer term view of the profession is likely to incorporate crowdsourcing platforms. However, this is an area with dependencies across a complex ecosystem of companies, regulators, standard setters and government and the route to this end state is by no means clear.

That is the opinion of Katie Canell, audit innovation director at Deloitte, who observes that one of the most important prerequisites to the introduction of new technology is having a standardised, simplified process in place. "In addition, an in-depth understanding of the structure of the datasets is required," she says. "Sometimes, significant up-front investment in data housekeeping needs to occur before you can train any cognitive technologies."

Cannell suggests that the change management around new technology is as important as the technology itself. This extends not just to identifying an appropriate technology solution and implementing it, but also consideration of how to test, deploy, embed and monitor it.

> **"WHILE A FIRM MAY BE ABLE TO USE AUTOMATED DATA ANALYTICS THE EXTENT OF USE DEPENDS UPON THE READINESS OF ITS CLIENTS**

CIPFA president Andy Burns reckons governing bodies and regulators will likely have to deal with compliance issues as a result of industry digitisation.

"For instance, organisations that handle customer data on electronic servers will have to ensure information security standards are enforced," he says. "The General Data Protection Regulation has far-reaching implications for the storage and transfer of data. These regulations protect confidentiality and promote data security, but also may limit the scope of some business practices."

Burns acknowledges that there is a need to develop skills in the workforce to use new digital finance tools and automated systems effectively and to manage the risks of fraud, security or data misuse.

According to Anderson, the first step towards digitising a practice can often be the hardest part. "It is not just a matter of adopting new software," he says. "In this initial stage, firms need to develop a three-year plan with clear objectives of what they want to achieve."

In addition to understanding why technology is being implemented or upgraded, Evers advocates reviewing existing processes and workflows to understand how the firm currently works. "This may be time consuming, but you will reap the rewards later when you adopt new approaches and win back time," he says.

He accepts that dedicating the right level of resources to doing this properly is a major hurdle - especially for smaller practices - so an employee and customer communication plan should also be considered.

"However, artificial intelligence is already being used to reduce administration," says Evers. "Our research has found that small businesses spend an average of 120 days on admin and nearly a third of accountants use manual methods of record keeping – imagine the time they would get back if they automated some of these processes."

Gillon highlights three issues accountants and firms need to consider when implementing or updating technology:

- Cybersecurity and risk – building security into any technology project is crucial
- Value and return on investment – having a clear focus on the benefits
- Skills and partnerships – in many cases, this is likely to involve a mix of internal staff, contractors and third parties.

Dohrer suggests that when implementing or updating technology, the acquisition of new skillsets through hiring of different types of professionals or training existing staff is just as important as budgeting and resource planning.

"Additionally, the use of advanced technologies typically includes possession or access to increased volumes of client data and thus laws and regulations around data protection and privacy need to be considered very carefully," he continues.

Compliance and regulatory requirements should be priorities when considering any new technology implementation, agrees Williams. "For example, the introduction of Making Tax Digital could become more complicated than it needs to be, solely because of lack of preparation. Workflows need to be established early and should be centred on data."

He also recommends that accountants adopt technology platforms that enable them to deliver information the way clients want to receive it.

"Finally, firms would be wise to consider the evolving needs of their client base," continues. "We are seeing a wave of millennials set up businesses and these businesses will be run and managed entirely differently than those in generations past. Where previously entrepreneurs may have managed their accounts on Excel, we now live in a mobile-first world where individuals carry out every task on their smartphone. Accounting will be no different."

> **"THE ADVENT OF GENUINE ARTIFICIAL INTELLIGENCE-LED SOLUTIONS FOR THE PROFESSION IS STILL A LITTLE WAY OFF**

ACCA observes that expert use of analytics will enable more, better and closer to real-time reporting, increase predictive analysis and highlight the interconnectedness of financial and non-financial performance.

Clients use of technology for their own work opens up possibilities in terms of automation and data analytics, adds Claire Cizaire, Mazars Group chief technology and innovation officer.

"Artificial intelligence has yet to reveal its potential for the accounting profession," she says. "As accountants move to analytics, the added value of artificial intelligence will become more obvious, although it will take a few years."

The development of digital channels to streamline interaction with clients is dramatically changing the profession. Yet while the adoption of new technologies is often discussed, they are not often cohesively implemented suggests Smith & Williamson head of IT, Mark Prior.

"Interoperability – the ability to more seamlessly integrate processes and data by avoiding bespoke or closed architectures – needs to be at the front of the mind," he says, adding that AI is often confused with the automation of repetitive or straightforward tasks that is possible now.

"The advent of genuine artificial intelligence-led solutions for the profession is still a little way off," says Prior. "My sense is that artificial intelligence will more likely augment rather than replace the work of accounting professionals, helping them to be more accurate and efficient."

The positive conclusion for the accounting profession is that despite all the talk of the rise of machines, there is still a sense that human insight is unlikely to become obsolete any time soon. Advisers are confident that software could not replicate certain human qualities that are critical to accountancy.

"We are only at the outset of seeing the full potential of what artificial intelligence technology can bring to the accounting profession, but the requirement for human interaction will remain," says Anderson. "Our research has found that only 16% of small businesses would trust their accounts if they were managed solely by automation. In the years ahead, it will be the firms that have the right balance of human skills and digital capabilities that will flourish."

Gillon warns that the profession must remain focused on the value it delivers and not become complacent about their relevance in the longer term

However, Farrar concludes while technological applications are amazing at saving time and providing solutions, it should be borne in mind that what they produce are abstractions and that value is only achieved once they have been given context by a finance professional.

QUESTIONS & ANSWERS:

MEET THE NEW CEOs

Eight netoworks and associations changed or appointed a CEO in 2017. International Accounting Bulletin caught up with the new CEOs to get their views on the market and their plans for their organisations. Interviews by Vincent Huck. Interviews are in alphabetical order. Moore Stephens International declined an interview, while Grant Thornton had not replied at the time of publication

BDO

International Accounting Bulletin: You're taking over a ship that is in good form, judging by the latest results.

Keith Farlinger: Yes. It's a nice time to be taking over. As you saw from the results, we moved over the $ 8bn mark, 8% revenue increase second year running. We have 74,000 people worldwide in 162 countries. I'm feeling that we're in a really good spot at this point in time.

IAB: It's no secret that BDO grew through a strategy of adding firms and M&A. Sometimes your competitors have even called it aggressive. Is such practice sustainable? At some point will you have to stop this external growth?

Farlinger: That's a very good comment. We've done 70 mergers over the past three years, which is pretty amazing. It really has helped put us in the great spot that we're in today. I must admit we're being much more careful with mergers.

You probably heard that if you're trying to grow a specific culture, it becomes more difficult with many mergers. We are being more selective. We are being very careful that the mergers that we're doing fit our culture, and the culture of client service.

Having said that, we're still in demand. We're getting a lot of calls from prospective mergers so we still see opportunity out there.

IAB: In your press release, you highlighted technology. If we compare the mid-tier and the Big Four, in terms of resources, what can a mid-tier network like you can do in terms of technology when the Big Four are investing massively in that regard?

Farlinger: While not as large as the Big Four, we've been investing actively as well – $ 7m in our audit tool. We're also investing in a portal.

First of all, we're really looking to our member firms who are passionate about specific areas. For example, in the area of data analytics, our UK firm has been really interested and focused on that, so they've done a lot of investment in data analytics for the benefit of the whole organisation.

When you look at the whole area of bots, artificial intelligence, our USA firm has been interested in that, so they've taken the lead on that. Rather than being top down, we've engaged with our member firms to make the investment, because they're close to the clients so they know what's needed.

The second thing that we've done, again because we don't have as deep pockets, is turned to what we call our "ecosystem" – partners who want to work with BDO, and are willing to invest beside us.

One partner is Microsoft. We've been investing a lot with them around our portal. In terms of accounting software, we've been working with Xero.

IAB: In your release, you were quotes as saying that you foresee a change in BDO's services approach in that you'll continue to have the same service line but delivered differently. What did you mean by that?

Farlinger: It's twofold: one is the whole digital client experience, so how we communicate with our clients is totally changing. It used to be that we sent them paper, and we went to meet them a lot. Now, a lot of the interaction is digital. Through our global portal, they can send us things, their client records. They can send us confirmations and so on. We can post thought leadership so they can see it directly relates to their business. A lot of that client interaction is much more digital.

The second piece is the automation of our processes in terms of even preparing tax returns or doing the audit, which are much more driven by data analytics, by things such as process mining. The things that used to be done by people now are automated. Some of the things that the client would ask questions about are answered using bots and artificial intelligence.

IAB: You usually have three camps: the one saying technology will wipe out the profession, another are saying that the profession will remain and those in the middle saying that some will disappear, and some will remain. Where do you stand? How do see it grow?

Farlinger: I think there will always be professional advisory firms, but the business will change. It'll be much more on the advisory side. Audits will be a lot different. We won't have formal, audited financial statements. It will be continuous audit. They'll be auditing things that are more important to the investing public.

For example, if you take an airline manufacturer, what is the most important thing? It's not necessarily their financial statements. It's probably their book of business. Auditors in the future will be opining, maybe on a weekly basis, on what Boeing's book of business is, how many orders that they have, and so on.

Auditing will be changing, tax will be changing and firms will be doing much more advisory. We'll use artificial intelligence, but then we'll take that artificial intelligence and work with clients to adapt their business to what they need to do to be successful in the future. We will continue to exist but we'll be much more on the advisory side.

IAB: If I were to take you into a high school, would you advise the pupils to study accountancy and auditing?

Farlinger: I would not advise them to study accountancy and auditing. I would advise them they need to be technology savvy. They need to be able to solve problems, to take technology and use it to solve problems of organisations. I would tell them that they need to be data scientists to really understand what the data is out there.

I wouldn't be telling them to train on how to do tax returns, or how to do audits because, by the time they get there, professional accounting, advisory firms, will be doing totally different things from what they're doing now.

IAB: Is technology a global topic within your membership? I'm thinking of firms, especially in Latin America, where you have expertise. Are they as engaged with digital transformation as maybe the firms in the USA or in the UK?

Farlinger: They definitely are. You would be surprised how engaged they are. They have issues from time to time in the amount of investment that needs to be made in some of these areas.

They like being part of the BDO network where some of the big brothers, like the USA or the UK, are making the investment, and that they can just pick it up and run with it. I've been totally surprised about how digitally savvy these countries are. I think it really comes down a lot to millennials. Millennials are so into the change and the digital transformation, and there are millennials everywhere.

BKR

International Accounting Bulletin: From chairman of BKR, you have now been appointed CEO of the association, which is an unusual move. Can you explain this move a bit because some people might think that BKR hasn't managed the transition well and are struggling to find a CEO, so they called the chairman to the rescue.

Howard Rosen: Actually, it did not work like that. We started looking at transition a little over five years ago at a worldwide board meeting in Chicago. A group of us got together three or four times over a 12-month period, just drawing up a new job description for the role as we move forward. We really spent a lot of time, almost two years, putting together what we thought was the right job description. Then we started looking around for potential candidates.

In all honesty, when I was first approached, which was about two years ago, I told them: "No, I was retiring from my firm. I was retiring from the board." I was looking for another phase of my life, if you will. We kept looking around for the right candidate and, while all this is going on, we got transitions happening: Stephen Roger resigned as the executive director of Asia-Pac. Steven Hamlet in EMEA left to go to another association.

It came down to I knew the members, I knew the issues and I had a fair amount of institutional knowledge having been on either the regional or the worldwide board for almost 13 years. This wasn't like, "Maureen Schwartz is leaving, oh my God, what do we do?" This started five years ago.

Part of my negotiation with them, because I'm 67 years old, I'm not going to do this for prolonged period of time. So I have a three-year contract with BKR. We can redraw the agreement and add on two more years if we wish, but one of my roles is to find somebody who can step into this role three or four years down the road and give BKR a 25 or 30 year run as a worldwide CEO.

International Accounting Bulletin: What are the other objectives for your three year tenure?

Rosen: My main focus, is on what I call One Vision, One Voice.

Often in BKR, each region, with its own executive directors and board, operates fairly independently of one another as well as independently of the worldwide board. While we're all on a common mission, the way we approach that mission was different. My goal is to have one vision for the entire organisation, all of us pushing in the same direction, all of us telling the same story.

It starts with much more cooperation between the three regional executive directors and the worldwide CEO. I'm going to be meeting them on a regular basis. We're going to make sure that our programmes all align, with much more sharing of information on a regular basis. If somebody needed help, they would raise their hand and everybody else would come to the rescue. I think that we need to be more proactive about it.

The other thing that I want to focus on is helping to educate the members, particularly in the Asia Pacific region, but truly everywhere, as to the value that the worldwide organisation provides. Members in different regions join for different purposes. The Americas region is a lot of best practices and marketing and less emphasis on referrals.

In the Asia Pacific, a lot of the focus of the members is on referral work. EMEA is transitioning – 10 years ago it was very focused on referral work. It is now transitioning more to the best practices and marketing aspects of our business. Again, by trying to share ideas on a regular basis with the executive directors and at our annual general meetings, I'm hoping to show the three regions the value that the worldwide board provides.

IAB: What are the values you want to emphasise or highlight to the members?

Rosen: Number one is recruitment; we have really taken a big chunk of money and a big chunk of time at the worldwide level to help the regions recruit. We went heavily into India and increased our membership there, I think, fivefold. We went heavily into China and more than tripled our membership in China. There are other areas we're in heavily now, such as Africa to increase our membership there.

We also funded programmes in all three regions and really did not take credit for it in the past. For example, the EMEA region recently instituted a programme to help up and coming managers and new partners transition into the role of a partner. What does it mean to be a partner? The Americas region has been doing it for quite a while. With some money from the worldwide board and some systems from the programme that we had developed in the Americas, the EMEA region is now taking on this leadership programme.

Rosen: Let's imagine that you find someone to be the CEO for the next 30 years in six months' time. Would you be happy with that?

Howard: I'll be elated. I truly do enjoy- it's only been three weeks, but I've always enjoyed my time with BKR. When the right person shows up, and I have said this to the board, I am more than happy to step aside and let the next person take charge, absolutely.

IAB: Let's say it doesn't happen in the next six months and we have this conversation this time next year, what needs to happen for you to say: "It was a good year, we did well at BKR in 2018"?

Rosen: Two things have to happen: that one vision, one voice message has to be heard and understood by our members.

The second thing that I'd like to see is steady growth in areas where we are not well represented. Again, we're focusing on Africa right now. We've got a few holes in the EMEA region, but those holes are manageable. We have done a lot in the Asia Pacific region, particularly India and China in the last few years, but we still have some holes there as well.

CROWE HORWATH

International Accounting Bulletin: You will take the lead as CEO in April 2018. What are your plans for the network?

David Mellor: Let me share a few thoughts with you. Our network, like most networks, runs to a strategic planning agenda, so the first thing I did on transition was to set up a strategic planning task force to look at the medium term for the network. That committee has just started its work and from that will emerge our detailed strategic actions as a network.

To answer your question, if I look to the medium term and what the issues that face networks such as Crowe Horwath are, I would probably say there are three or four things that have to be part of anyone's vision in a role such as the one that I'm about to take.

The first one is embracing the opportunities of a world that's being transformed by technology. That's a big topic. Technology can affect how member firms deliver their services and how efficiently they're delivering them. It can affect how clients are changing their business and their expectations of us, and also can transform the kind of services that we're selling.

I also – and this is probably a bit more esoteric – but I think it's important, as accountants, that we have a strategic voice and we sound it as loudly as we can. By that I mean taking positions of thought leadership, as industry leaders, and with our clients, and within the profession as a whole, to talk about things that matter, so we remain relevant – both in society and with our clients – and for the profession to be relevant in the medium term.

Following on from that is shaping trust, maintaining trust and growing trust in the accountancy profession in society. Nearly 10 years on from the financial crisis, a lot of confidence has been knocked in anybody involved in financial institutions, and accountants are not immune from that. Shaping that trust and growing that trust are important matters.

The final item on my list of ideas is creating an environment where my member firms have flexibility to survive in times of increasing volatility. I probably mean that in many different ways – economic volatility, political volatility.

One thing that's absolutely certain over the next five to 10 years **is** that we'll see more change in any one of those areas. Being able to adapt to that change and being able to manage it are probably things that we need to be thinking of while we do our job.

IAB: Just to go back to the first idea that you highlighted: embracing opportunities that come from technology. Can you go a bit more into detail? How do you see it play out? Some people say the whole accounting landscape is going to become irrelevant because of automation. What are the opportunities you see in that evolving landscape?

Mellor: First, you've got to ensure you can still deliver the basics. The basics will always be required. They may be required to be delivered in a different way, but they will still need to be done, and to be done well.

If I look at our network, one of the key things for our client base is to be a branded network with a top-10 positioning that services the needs of multinational operations, businesses. Delivering something like a quality audit, and quality tax compliance and advice, will always be critical elements of the service they will expect from a network such as ours. I don't see that eliminating in the medium term.

However, I do think how we conduct audit will be different. How we conduct tax compliance will change. Many of those areas will be automated. If they're not automated today, they'll be automated in the short to medium term.

What that means is that clients expect a lot more things to be done more routinely, and they don't expect necessarily to pay for those at the same price level, unless you're providing and demonstrating the value you're providing from it.

I don't think it eliminates the need for an accountancy firm, but it probably changes the nexus of the relationship you have with clients. You've got to remain relevant to them in terms of the value you bring.

If I look at my larger member firms, I think the recruitment and retention of talent becomes quite interesting when you've got to keep up to date with technology changes. What kind of people will they be hiring? Will they be training them all as accountants? Also, what is it that the people that you're hiring want if you're going to hold talent?

If I come full circle and back to your question – what do I think technology will do to change the profession? It will radically change the profession, but I still think the profession will be here. I still think the need for an accountancy profession will be there – as, indeed, there will be a need for member firms in networks such as mine. But our role will be transformed – sometimes gradually, sometimes very rapidly over time – in terms of what services we deliver and how we deliver them.

IAB: If I brought you into a high school classroom, would you advise pupils to go for an accountancy qualification?

Mellor: I would be an advocate to train as an accountant, because it provides you a route to a form of insight to business and to adding value which is unique. I don't think there are many professional qualifications that offer the same breadth of knowledge and insight, and exposure to a variety of careers that you can choose as you go further through your profession. That's as valid today as it was when I left university and decided to obtain that professional qualification myself.

The nature of the professional qualification has changed and will continue to evolve and adapt but, if you look at the opportunities for people who have accountancy qualifications, you will find them in all areas of business and at the upper end of boardrooms, whether it's in not-for-profit organisations, whether it's in multinational plc environments or, indeed, whether it's in the public sector. The opportunities for accountants will always be there.

IAB: Going back to your statement about thought leadership, what topics do you have in mind when you think of how Crowe Horwath needs to be more active in that sphere?

Mellor: There's the question about what I want to participate in; there's one about what our member firms want to participate in. I'll probably talk around the two interchangeably, if I may.

Certainly for us, one of our key messages to our clients is helping them to make smart decisions for lasting value. If I look at the network as a whole, as the markets become more sophisticated and the value proposition becomes more important, then having increased sector specialisation, having thought leaders within your member firms who are able to offer a deep insight into the industry they're serving, not just the technical skills that they have, is going to be relevant for us as a network and for our markets, going forwards.

IAB: And that links to the idea of trust, which you mentioned. Do you think that this question of trust is still an issue today for the profession, and will it ever change?

Mellor: I would like to say, "We don't have any issues of trust for the accountancy profession in the world today," but I'm not sure it would be wholly honest.

There's always going to be that challenge, particularly when we're coming out of a period of time where there's been financial instability and financial insecurity.

But for me this topic is bigger than that. It's also making a stake and a claim to other areas of the economy and to the business world that's beyond just pure audit.

If I look forward and I look to areas where people might reach out to the accountancy profession to look at trust and matters like datasets, any kind of greater transparency, any trend to show whether it's some form of clarity about supply chain, whether it's how you're dealing with data protection for your clients, whether it's clarity over sharing communication – where there's any area such as those that can have measurement – then I think accountants have a role to play to help give trust to the measurement that you're communicating.

So, making sure that accountants are linked to those processes that give that greater clarity to the world as the world becomes more complex is an area that we should be present at the table with when the dialogue is being had.

IAB: To close the loop, you mentioned "creating an environment for your member firms to survive". What sorts of things do you want to put in place to help these firms more?

Mellor: We need to ensure that we create the services and the environment in which our member firms can move and change quickly – encouraging a dialogue around diversity of business offerings that they're making.

Having a chief executive-level dialogue with our member firms around service provision. This could be about reliance, perhaps, on one area more than other areas; making innovative investments in new business areas; having the confidence to do things jointly where they don't feel strong enough to do them individually, things that help future-proof our business and the business of our members firms.

A lot of that is around putting structures and processes in place, and creating the dialogue, the opportunity and the encouragement for member firms to think more creatively around the future of their own business.

IAB: What's your expectation for the future for the networks? Are there any particular regions in the world where you want to focus and try to grow a bit more?

Mellor: Clearly, we're a network that is focused on growth. If you look back over a three-year period, we've probably been top of the class in terms of growth last year and the year before. In terms of geographic distribution, we have firms in the right places in terms of where we think growth will come from over time. Organic growth remains difficult in certain markets.

It doesn't takes much analysis to see that most of the growth in the accountancy profession globally over the last four to five years – and probably the trend started before that – is coming from more advisory and consulting services than from traditional compliance-type services.

So, as a network that's focused on growth, I would imagine that we'll be looking at opportunities to provide greater advisory services and consulting services to our clients. I don't think growth – for any network – is going to come solely from organic growth in traditional compliance-led services. That just isn't the way in which networks are finding growth today.

HLB INTERNATIONAL

International Accounting Bulletin: We haven't received HLB's figures for 2017, so maybe you can give us a sense of how 2017 has been for the network.

Marco Donzelli: The turnover figure, including correspondent and alliance firms, is $ 2,369.2m compared to $ 2,077.5m last year – a historic 14% growth. And we have pretty ambitious plans for the end of 2020.

IAB: What were the drivers for that 14% growth?

Donzelli: I have to say that partly this has been organic growth from some of our members. We are especially very pleased with the growth of some of our USA firms. They are growing through a lot of mergers and acquisitions. In Europe we have minus 5% growth, so a negative growth, but you would be surprised – it's a great result because we lost a member firm of around €75m in Denmark. They are now part of RSM. Even with this loss, we are basically more or less the same as last year, so this is an incredible result.

We grew quite nicely in Asia Pacific, with the addition of a very large firm.

And, of course, like most of the leading networks, another driver is the fact that there is a move from audit to advisory and we are pushing a lot for this, including technology. So we have seen a lot of cross-border work, focusing on advisory and technology.

IAB: And you mentioned a 2020 plan. What's the plan?

Donzelli: For 2020 the plan is: first of all, our core purpose at the network is to have our member firms grow through attraction and retention of clients with international needs. We are modernising our governance to be ready for the change in the world that are happening and to be more prepared for the future challenges. Then, we are shifting more resources to commerce and to technology. When I say commerce, I mean advisory at the central level, because those are the areas where we believe that more growth will come from in the future.

Then we are giving more resources to specific regions to generate more business, commercial resources mostly. There is more focus and there will be more and more focus on our specialty industry groups. And when I say more focus on this, it's about more commercial focus and more working together, so the idea that they are already working as a team is not just having a call every couple of months.

And, as a result of that, marketing is becoming more and more important. We believe there is a space there for being perceived as one of the most innovative networks in terms of approach to marketing and importance that we try to give to commerce and technology.

IAB: You mentioned a change to governance. What's the idea there?

Donzelli: I cannot share all the details, but the governance of the network, of networks in general, is at risk because it was conceived many years ago. And many years ago, the accounting profession was different. Now it is important that we take into account the relevant changes in the profession in our governance as well. I can't go too much into detail because these things haven't happened yet.

One thing I didn't mention is the importance of communicating what we do in terms of sustainability. So we do a lot of things but we should be able to communicate it better and more cohesively. That's another thing that's going to happen.

IAB: You started in this position as a CEO nearly a year ago, last April. When you came in, what did you think of in terms of "OK, this is what I want to do."

Donzelli: It's basically the plan that I mentioned to you. But let's start a little bit before. Before becoming CEO I was COO, so I was already able to implement a number of actions. As one of the first things that was done when I arrived was we started to change a lot of processes, internal and external processes. And we made our quality assurance, our technical expansion, leaner and more efficient, and we implemented a number of technology changes.

We started working on our brand and then, of course, the groups as well. The groups were one of the first priorities where I put a lot of focus on.

And, of course, the development of the network. Hiring new members doesn't stop but there is a limit because there is basically no more space. We are now in 150 countries so, unless you want to create a very crowded situation, you don't want to hire more members. You need to have the right members to grow organically.

IAB: Obviously, the plan can't change too much from one year to the next but, if you were to highlight the main objectives for 2018, what would they be?

Donzelli: The main objectives would be to implement some important governance changes. Then the second I would say is start implementation of the growth plan in North America. Then the implementation of our new marketing strategy. Then, of course, a number of important technology changes for the network to improve collaboration across the globe.

IAPA

International Accounting Bulletin: You were appointed chair last year and, IAPA hasn't appointed a CEO since the departure of Stephen Hamlet in January 2017, I thought it would be relevant to have you in this section. Maybe we could start looking back at last year, which was quite eventful. Can we pick up when you became the face of IAPA just after the failed merger with Allinial?

Martin Clapson: I'm just smiling to myself because you said "the face of IAPA". I wouldn't say that I am the face of IAPA because IAPA and I got our heads down and just worked hard, to be honest. We're not here to put faces up anywhere. That's the wrong reason for doing it.

2017 has been a very good year for IAPA. 2016 was a tough year. At the end of 2016 and the beginning of 2017, IAPA was in a difficult place but, probably from March 2017 onwards, we've worked really hard and the foundations are fine. Nothing's ever perfect but it's fine.

2016 was the year of negotiating with Allinial regarding a proposed merger. That took most of 2016 when a number of senior IAPA people were speaking to Allinial. Those conversations collapsed in November 2016. The vast majority of IAPA members fully understood why the merger conversations ended and were comfortable with it. Some of the bigger IAPA members were very disappointed that the merger didn't happen and decided to leave IAPA and join Allinial.

We had 17 firms leaving to join Allinial. Today we have 173 members so, as a percentage of firms, it was relatively low but a number of the bigger firms left so, on total fee income, it's been a bit of a hit.

The way the process of the merger was conducted during 2016 and then the way it ended meant that Stephen Hamlet was no longer our CEO. He stepped down as CEO in December 2016. Our chair at that point, Jan Huygens from Belgium, stepped down because of ill health.

Therefore, I stepped forward to work with the international board, communicating with members. It was tough because we had members leaving to join Allinial. And members asking: "What's going on?" It was very unsettled.

We then had a fantastic – and it was a fantastic – joint EMEA and Asia Pacific conference in Dubai in March. It was the first time we could get a large chunk of our members who were committed to staying in IAPA together, to talk and to plan for the future.

There were some good conversations there. Not everybody was totally in agreement but you never are when you've got 100 members in one room but we had really open, what I call healthy, conflict.

From what we got from March conference and from the survey sent to all members in January 2017, we planned what we were going to do for the rest of 2017. I would say from that point onwards the association has done extremely well.

Then we had a really good conference in Barcelona with lots of confidence. We were all talking about "What do our clients want?" rather than "What do our members want?"

We sort of peeled the onion back to the core. "Why are we members of the association and what do we want from it?" It's not what we want from it but "What do our clients want from it?" It's talking about what clients want. I think that's often forgotten in my experience of associations and networks. That it's all about the member firms of the association networks rather than the clients of the member firms.

So, 2017, actually bizarrely, from a rough difficult 2016 and tough difficult start of 2017 has ended really well. We're in a good place.

Then I assume your next question is, "Why have we not got a

CEO?" I think it's unfair for us to recruit a CEO when so much transitional change is happening. We have decided to get through this difficult period and stabilise first. We want to get the right person who understands the concept of a membership association, the accounting profession and the legal profession, and the ethos of IAPA.

IAB: When you say it's unfair, one could argue it's the role of a CEO to come in and take an organisation through those changes.

Clapson: A CEO who doesn't know the association doesn't know the members. We could have tried to poach someone who would understand the industry of accounting and legal associations. Maybe they would hit the ground walking but they would still have to get to know our members and what makes IAPA special. If you get somebody who's never worked in the industry, they would just hit the ground. They wouldn't even be walking. There would be a steep learning curve. That's not meant to be sound arrogant. It's "Let's sort ourselves out internally first and then go out and get the right person" rather than taking the easy route of, "Let's just recruit someone then leave it to them to sort it out."

IAB: You said at the conference in Dubai the question was "How do we want to keep going and how do we want to grow the association?" How was that answered and what plan was decided on?

Clapson: We went through those questions. "Why have you stayed at IAPA and why have you not gone to Allinial? Why have you not gone to somebody else?" A lot of things came back. They said: We think the same. The way you look after your clients was the same. It's the same sort of mindset, the same sort of service levels, the same sort of ethos.

We went through those and analysed "What do you like and what don't you like?" Moving forward, we want there to be very open transparent communication. When we deal with each other, we want to learn something. We want to add value. This is not just a phone book.

Every time an IAPA member meets an IAPA member, some value is given. What is that value? It is that we learn something that is not just technical learning. In too many networks and associations, it's all about CPD. This is also about learning culture. It's learning how to conduct yourself in different types of meetings. It's more the soft skills element.

IAB: The question is based on everything you just said. What was then the plan? Because you were at the stage of your association where you had lost 17 of your largest members, and in some very important jurisdictions like the UK.

Clapson: Hang on. No. We didn't lose the UK.

IAB: Wilkins Kennedy?

Clapson: We didn't lose the UK because we've got the UK200Group and we've got Price Bailey. So we didn't lose the UK. We lost some larger members but we didn't lose all the large members. We lost only four jurisdictions. In every other jurisdiction, we had other members there who could step in, so we didn't lose the jurisdictions.

By the time we met in March, we had already recruited four new members in four new countries, which we didn't have representation in before. They were Sri Lanka, Saudi Arabia, Chile, Bangladesh.

Bizarrely, when we met in March our country representation had increased. It hadn't gone down but members had gone down.

One of the conversations we had is that size isn't everything. It's about quality. "Have we got the quality member firms rather than size?" That's one of the real debates we had at the March conference.

The plan was that we grow with more members, good-quality members, and make sure that there's far more communication, far more openness, far more transparency between all members and the centre.

At the end of the day, it's not rocket science to run an association. It is ensuring that members get from the centre and from its other members what their clients need.

The problem is there are just too many associations and networks, so there are not enough good member firms to go around. That's why it was frustrating and disappointing that we lost 17 to Allinial.

IAB: I assume frustrating that it's also the larger one because, although you replaced them, it was with smaller firms. Even if it's not related to quality, it still affects the volume of business.

Clapson: Yes. It does. It was disappointing that we lost 17 members. Some of our very smaller member firms went to Allinial as well – it wasn't just large firms. It was a mixture and it was a shame. With my IAPA hat on, I wish it didn't happen but it did happen.

IAB: There was gossip in the industry that IAPA would dissolve into Price Bailey and Price Bailey would become the international organisation. Was that ever considered or was that a fantasy?

Clapson: Well, I think evidence proves that it's pure fantasy because it's not happened, has it?

IAB: Was it considered, though?

Clapson: No. I might be the managing director of Price Bailey but I've got 28 partners and over 400 employees to look after. I had to get permission my fellow partners, even though I'm the managing director, to give the time to help IAPA with the international board.

It's not in Price Bailey's business plan to become an international network. No. I've heard the criticism that it was what I wanted to achieve. That's not happening. Time will prove whether that's the case or not.

You can talk to any existing member of IAPA and they will clarify that point. It does raise a smile because rather than just moving to another association and looking forward they wished to cause damage as they left. That wasn't very nice because that's just a bizarre thing to say, isn't it?

Even for you to say fantasy shows what a stupid statement it is to say that I was going make Price Bailey into a network and for Price Bailey to control it. We've got 173 member firms. Price Bailey's only one of them. Do you think I've got enough control over the other 170 firms to make them accept Price Bailey controls them and it becomes a network? When you think about the logic of that statement, it's so daft it's laughable.

IAB: Earlier you said former chair Jan Huygens stepped down because of ill health. I understood he stepped down because he was part of the negotiation committee and he joined Allinial?

Clapson: He joined Allinial. But in December 2016, he sent an email to the international board saying he was stepping down because of ill health. At that point, we didn't know he was going to join Allinial. As I understand it, and I've got no reason to disbelieve it, he stepped down due to ill health that.

IAB: To conclude, what are the expectations for 2018?

Clapson: Obviously is to grow, to get new members and to get good-quality members. We've got some good conferences and events lined up for the member firms. We are looking to recruit a CEO. We've had some good conversations with a couple of people but haven't really progressed from both sides for various reasons. We want to make sure we get the right person. I would expect there to be a new CEO in 2018 but I don't know when.

RUSSELL BEDFORD INTERNATIONAL

International Accounting Bulletin: Was your first year at Russell Bedford a good one?

Stephen Hamlet: Yes. I couldn't have hoped for a more incredible start to my tenure as CEO. Looking at our growth, we've just been recruiting really heavily. We recruited around 20 new members last year, across Latin America, Central and Eastern Europe, Western Europe and Asia Pacific, covering all of our regions. Our growth has been 11.5% overall and great across all. Our existing members have been growing as well. To grow organically by 11.5% with no mergers or acquisitions is quite an impressive result for a network.

It was a great start – just the energy that I've experienced meeting the Russell Bedford firms, and the quality in the network.

Our Audit Quality Control (AQC) has very rigid and strict controls.

We had record numbers in our global conference in Rome – 180 delegates. A lot of the younger people are being sent to the conferences. We had a Young Professionals meeting at the end of December, where we had a representative from all four of our regions. People came from Argentina, Canada and Hong Kong to go to a meeting, which shows the motivation and enthusiasm in the network.

We're working on a lot of initiatives. We've created a global monthly tax newsletter. We're creating a web annual calendar of monthly webinars for technical and social content that we're going to start this month of January, for members, and we've got a website launch soon.

We're doing a lot to enhance our public profile. I realised when I joined we had a great quality network but weren't that well known. I'm quite good at getting our public profile built and enhanced with social media: we've relaunched our YouTube channel, RBI Live. We're doing lots of videos of our meetings and member interviews, and a lot of Twitter and LinkedIn articles and writing.

IAB: You have experience of associations and networks. A lot of people on the association side of things say it's hard for smaller networks, and Russell Bedford is at the smaller end of the ranking. Would you agree with this observation?

Hamlet: For a start, the figures speak for themselves. You say it's hard, but look at our 11.5% growth. Firms want to join Russell Bedford because we're a network. Because we have that brand, a lot of firms, are coming to us from associations, or enquiring because they need to be part of a network that's a member of the Forum of Firms, to have that extra credibility behind the brand, for quality.

I think the smaller associations are going to struggle, and the way they're going to combat this is to start merging. If associations don't start working together, like DFK and AGN, then they're going to start to disintegrate, and the networks are the ones that have the extra AQC involved, and the branding a lot of these firms need around the world.

IAB: There's a cost involved in being a network. So if you're a small network, can you meet that cost?

Hamlet: As in, our members have to pay a little bit more to cover all the costs of the AQC? Yes, but we've had no pushback from that. In fact, we had a slight increase in subscriptions, and members can see the extra value. Firms around the world are willing to pay that little bit extra to have that quality assurance. When you're referring clients to other firms around the world, you need to know they've been checked.

They're not just checked upon application, like they are in associations. Every year, we monitor all our firms to make sure the quality is maintained, and then, when you refer your client to that other firm, you know that they're going to get the same quality that you expect. With a network, you can guarantee that, because of the AQC processes associations are not allowed to have.

IAB: What are your objectives for Russell Bedford?

Hamlet: It's nice to go up in league tables but figures aren't everything. Quality is a lot more important. Our objective is to ensure members are receiving true value from their subscriptions.

My personal objective is for firms that do not belong to Russell Bedford to start wanting to belong to Russell Bedford, and we're seen that in the eight months I've been CEO, from firms from around the world.

IAB: Where are the countries you're looking at the moment?

Hamlet: Our biggest weakness now is the United States …

IAB: That's ironic.

Hamlet: Yes – it's exactly the same problem I had at my other association. We have some very good-quality firms in the USA, and two very good quality firms in Canada, but we need to grow there.

There are parts of Asia. We're looking for a member in Japan, and you can always do with more firms in China – it's an important market. But, pretty much, we're covered very extensively around the world. We're building up Latin America. We've taken on a lot more firms there – Brazil and Colombia recently.

Africa. There are big gaps between North Africa, the Middle East and South Africa. Obviously, there are jurisdictions there that have important economies. I'd like to start bringing on some more firms in Africa, but that's a struggle for every group, really.

IAB: With regard to the market in general, you were mentioning, possibly, more mergers at the lower end. How do you see the whole thing evolving, if at all?

Hamlet: People are happy to become a lot more flexible and open. Those who had quite rigid policies before, taking only audit and accountancy firms, are now saying, "Let's open the doors to tax firms or even legal firms." Groups are looking at getting rid of exclusivity because they need to grow and realise one firm can't do everything.

Networks, groups and associations are probably looking at being more adaptable and flexible. It's interesting to see what will happen with DFK and AGN, whether that is a stepping stone to a merger.

With networks, it's different, because you've got the branding. We have some firms that have got Russell Bedford in their name, so it's a lot harder, with networks, to merge together.

IAB: What started the AGN-DFK cooperation was the question of specialisation and having a broader range of firms to draw from. How does a network do it as you can't include all the specialisms?

Hamlet: We're lucky that we're able to cover most enquiries I get from other firms within the network. We can source resources from other associations and networks within that London Executives Group

IAB: What's the main objective for the forthcoming year?

Hamlet: I hope to have seen a lot more profile-building, our name being really out there, and our becoming a force to be reckoned with, a network that people who are not in an organisation come to look to join – and that's already starting to happen. I would hope to get 100% buy-in from our members for the value they get from their subscription – we're pretty much there on that already, which is great.

News archive:

Looking back to 2008

International Accounting Bulletin

29 February 2008 Issue 424

LEGAL

North American Big Four firms face lawsuits over unpaid overtime

Non-professional staff in the US and Canada are challenging Big Four firms for unpaid overtime in several lawsuits totalling more than $100 million. The class actions have been launched in the US states of California and Washington and in the Canadian province of Ontario to recover overtime pay for non-qualified staff who claim they are working more hours than legally obligated.

All the Big Four firms in California currently have pending class action suits against them for unpaid overtime, according to a US lawyer involved in the class actions.

Leon Greenberg is representing staff seeking a class action against Ernst & Young (E&Y) in California. He said the claim against E&Y could extend to between 1,000 and 2,000 people who worked for the firm as non-qualified employees over a period of four to five years, and damages could rise to $100 million. Greenberg told *IAB* "there is an element of exploitation" when non-qualified staff of large accounting firms do not receive overtime payments after they had worked more than 40 hours a week, as is being alleged in the E&Y California case.

An E&Y spokesperson told *IAB* he was unaware of the California claim and declined to comment.

Staff entitlement

Greenberg said that non-qualified staff are entitled to overtime pay in the E&Y case because Californian legislation only exempts employers from paying overtime to professionals who hold a relevant professional qualification, such as the certified public accountant (CPA) qualification, and who spend most of their time performing professional work involving the use of independent judgment and discretion.

Greenberg said the E&Y claims relate to non-CPA employees, including students and recent graduates, who mainly performed support work. "The function these people perform is really a clerical one; they are not the ones signing off on the opinions. Their job is to review the paperwork and go through the numbers and pass it on to their superiors; they are not involved in a professional capacity," he said.

Greenberg is involved in another pending class action suit against KPMG in Washington state. In both the California and Washington state cases, class action status is being claimed but has not been approved by the relevant courts.

KPMG Canada is facing a similar class action lawsuit filed by former employee Alison Corless in the Superior Court of Ontario in August last year. She is claiming damages worth C$20 million ($20 million). Corless, then a technician, alleged that KPMG owed compensation to non-qualified staff who worked more than 48 hours a week. The statement of claim made by Corless said line employees were pressured to "eat time", or not record overtime, to satisfy their immediate supervisors. In Ontario, employees are eligible for overtime pay or time-in-lieu if they work more than 48 hours a week except certified general accountants (CGA), chartered accountants (CA), management accountants (CMA) and students obtaining the work experience required to practise as CGA, CA or CMA.

Redress plan

The Ontario class action has prompted KPMG Canada to investigate the claims and develop an Overtime Redress Plan, which it announced in February.

The Big Four firm said it intended to ensure all eligible current and former employees are fully compensated according to provincial legislation for all overtime since 1 January 2000. Crawford Class Action Services will administer the plan and KPMG estimates it will cost the firm up to C$10 million. The firm said implementing the plan did not constitute an admission of liability.

Several of the firms *IAB* approached in the US and Canada either declined to comment about the class action lawsuits or were not able to be reached. Ernst & Young Canada said it was currently reviewing the issues surrounding the KPMG Canada case and would not comment further. A spokesperson from PricewaterhouseCoopers Canada told *IAB* the firm has been reviewing the appropriateness of its overtime policies. ■

Nicholas Moody

AUDIT THRESHOLD

Audit reform stirs debate in Sweden

The planned reform of audit requirements in Sweden is causing a debate amongst firms surveyed in this year's *IAB* Sweden survey *(see pages 12-15)*.

At present, all limited companies in Sweden are liable for statutory audits but a government committee is working on changes to the legislation that will place a threshold on the size of companies that require an audit. Most EU member-countries have chosen to exempt small companies from the statutory audit requirement and similar moves in Sweden could have a significant impact as there are about 320,000 limited companies and the overwhelming majority of these are SMEs.

Grant Thornton Sweden managing partner Peter Bodin said the reforms could have a positive effect on the firm and the entire Swedish audit profession.

"Yes, of course [the audit reforms] will affect us and everybody else," he said. "I think it will affect us in a mostly positive way but it's going to be a big challenge for our profession and all the companies in Sweden to handle that change. There will be many questions from a lot of people like, how should they work with their auditors and advisor services in the future? I think it will have a big change, but I feel comfortable that we will be able to handle that. Other countries have made the same change and they have coped well. In the UK market it was good for the business that the threshold went up."

Uncertain future

Although the threshold has not yet been set by the government, some firms remain dubious about the impact the proposed changes could have on the audit profession.

Baker Tilly Sverige managing partner Thomas Olofsson said: "At present we are trying to attract new firms to Baker Tilly in Sweden, but this is hard when you don't really know what the threshold is going to be. On one hand the government is telling auditors that they must do this and this and then on the other hand they are telling auditors that their services are no longer needed." ■

Melanie White