



# Canada's Accounting Top 30

By GUNDI JEFFREY

For Canada's accounting profession, much of fiscal 2013 mirrored fiscal 2012: a continuing uncertain economic climate, a blizzard of proposals aimed at reforming the audit profession in North America and Europe, and ever more competitive pressures in markets everywhere for both clients and their advisers.

But in the second half of the year, things slowly started to turn around.

While Canada's recovery from the long-lingering global recession was gathering steam, it was hampered by the uncertainty in the U.S. economy — badly suffering from political wrangling that stymied legislative progress — and the depressing economic numbers coming out of Europe and China.

"Market conditions remained dynamic and challenging," said BDO CEO Keith Farlinger. The strengthening of the Canadian and U.S. economies did have a positive impact, but we're continually challenged by the state of the global economy."

Fortunately, said Deloitte CEO Frank Vettese, the second half of 2013 was more upbeat. "The market became more dynamic and

unleashed some pent-up demand for services. And, although M&A activities remained relatively muted, at least there was a revival of some activity."

Trent Henry, CEO of EY, noted that Canadians' confidence in the economy improved in 2013. EY's *Canadian Capital Confidence Barometer* last fall showed 98 per cent of executives rated the Canadian economy as stable or improving. "That was up from 85 per cent from just six months before, and 70 per cent from 2012."

The private middle market is also coming back to life. In August, EY's *G20 Entrepreneurship Barometer* ranked Canada among the top five. "The report showed entrepreneurs here may still struggle to access financing, but that it was getting easier," said Henry. "And that access was improving more quickly here than elsewhere in the G20."

Audit quality and auditor independence were big global issues in 2013. Europe struggled to enact stringent audit reform measures such as mandatory auditor rotation and a cap on non-audit services to audit clients that are bound to have far-reaching effects beyond Europe's borders. As well, the International Aud-



iting and Assurance Standards Board proposed controversial rules on enhancing the audit report, while the U.S. Public Company Accounting Oversight Board also floated proposals on audit reporting and mandatory auditor

rotation — the latter soon buried by massive industry outcry and legislative attempts at preventing the PCAOB from doing any such thing.

Canada's Enhancing Audit Quality initiative, co-sponsored by

CPA Canada and the Canadian Public Accountability Board, prompted two main suggestions: a comprehensive review by audit committees of their audit firm

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*Editor's note: Calgary-based MNP had the largest revenue increase among Canada's seven biggest firms, which moved MNP into sixth place in the Top 30.*

**M**NP, once again racked up the strongest growth of the Big 7 firms in Canada and CEO Daryl Ritchie attributes this to "strong organic growth in every province we practise in, and in every service line, as well as some key strategic mergers."

While mergers grab the headlines, he notes the firm has consistently produced about two-thirds of its growth organic-

## MNP outpaces top firms

ally, and 2013 was no exception. But MNP was indeed back on the merger path, consolidating its presence in Ontario with four mergers: adding Wade Group in Burlington and MSCM LLP in Toronto, while entering northern Ontario for the first time with Sudbury-based Laberge Venne & Partners and Buset Sarvas Mozzon in Thunder Bay.

"After entering the Toronto marketplace in 2008, MNP had always envisioned creating a significant presence in the Greater Toronto Area," says Ritchie. "The firm's most recent mergers will give MNP a significantly larger

footprint in the GTA, bringing the total number of offices in the GTA to four."

The firm re-entered into three-year partnerships with the Toronto Blue Jays, Montreal Alouettes and the Saskatchewan Roughriders. "These relationships, which began in 2008, have been very good for MNP," Ritchie says. They've contributed to building brand presence and name recognition across Saskatchewan and Quebec. "We signal to the business community that, like these organizations, MNP delivers reliable and winning solutions for our market and our clients."

Rank by Revenue		Association/Year End/ Head Office	Revenue 2013 ('000)	Revenue change (%)	Partners/ Principals (+/-)	Professional Staff (+/-)	Revenue per professional staff	Number of offices	Revenue splitting A&A/MAS/ tax/other
2013	2012								
1	1	Deloitte LLP / June 1, 2013 / Toronto	1,776,000	-5.6	865 (+2)	5,316 (-145)	334,086	55 (-1)	N/A
2	2	PricewaterhouseCoopers LLP / June 30, 2013 / Toronto	1,211,200	0.7	513 (-18)	4,263 (+132)	284,119	25	N/A
3	3	KPMG LLP / Sept. 30, 2013 / Toronto	1,203,102	3.5	696 (+35)	3,795 (+240)	317,023	37 (+2)	N/A
4	4	Ernst & Young LLP / June 28, 2013 / Toronto	968,000	6.3	358 (+17)	2,992 (+166)	323,529	17	N/A
5	5	Grant Thornton Canada <sup>1</sup> / December 31, 2013 / Toronto	582,000	6.8	404 (-5)	2,983 (+146)	195,106	135	N/A
6	7	MNP LLP / December 31, 2013 / Calgary	487,000	13.3	357 (+28)	1,026 (+108)	474,659	58	N/A
7	6	BDO Canada LLP / December 31, 2013 / Toronto	465,000	4.3	392 (+9)	2,229 <sup>2</sup> (+106)	208,614	111 (+6)	N/A
8	8	Collins Barrow / December 31, 2013 / Toronto	177,570	13.2	207 (+24)	541 (+46)	328,226	41 (+4)	N/A
9	9	Richter / December 31, 2013 / Montreal	80,289	0.4	58 (+10)	415 (+78)	193,467	2 (+1)	40/25/30/5
10	10	Mallette / August 31, 2013 / Québec	63,982	13.0	66 (+7)	472 (+30)	135,555	24 (+2)	60/15/20/5

<sup>1</sup>Includes Grant Thornton LLP and Raymond Chabot Grant Thornton (Quebec)

<sup>2</sup>BDO Canada's 2012 professional staff count amended to 2,123



# Canada's Accounting Top 30



## Deloitte

**A**lthough Deloitte ended up shy of its 2013 financial targets, CEO Frank Vettese says the firm experienced “a consistent trend of growth in revenue and profitability.”

The audit market remained challenging, “but we were able to post positive growth there.” As well, advisory services within the audit practice grew significantly, while the firm’s strongest fiscal 2013 growth came from its advisory businesses.

“For almost two years, we have been advancing a strategy for achieving true market leadership, something well beyond our considerable scale and scope advantage in Canada, focused on the fundamentals of our business — growth, positioning, performance and people,” Vettese says.

That has meant transforming key areas within Deloitte’s major services, such as creating centres of excellence in tax as well as enhancing advisory capabilities across all services. It also included an aggressive acquisition campaign, taking on GoLiveSystems, an Oracle partner delivering Hyperion enterprise performance management solutions; TMA Construction Consultants, to strengthen Deloitte’s infrastructure and capital projects expertise; SAP consulting firm Quattro Integration Group; and Monitor, one of the world’s leading strategy consulting firms.

“Our clients have needs that don’t fit neatly into our traditional service model,” Vettese says. “We are getting much better at bringing cross-functional expertise together to address more complex business challenges.”

Deloitte, in partnership with the Tourism Industry Association of Canada, also produced Passport to Growth, a report discussing the challenges of tourism in the country and its importance to trade that received massive take-up from the media across the country.



## PwC Canada

**A**ccording to CEO Bill McFarland, PwC “performed well in light of a number of challenges, which are not unique to us or to the professional services industry. We ended the year with revenue of \$1.18 billion, up 1 per cent over the prior year.”

McFarland describes the PwC vision as making a difference to the success of its clients, people and communities. “We made great progress in each of these areas last year, with strong client loyalty scores and feedback. Our people engagement scores rose dramatically, and were the third-highest in the global PwC network. And, while our people gave more than 17,000 hours to their communities, I’m particularly proud of the support our teams in Calgary gave to their communities during last year’s flood crisis.”

Consulting and deals revenues grew 5 per cent over the prior year, much of it coming from SAP implementations and from the mining and financial services consulting practices. Valuations, forensics and disputes resolution also did well, as did consulting engagements around regulatory compliance, cyber security, business transformation, innovation and technology.

“The continuing explosion of data, with greater reliance on new technologies, has created a more demanding set of stakeholders,” McFarland notes.

PwC’s goal is to be a lower-cost provider of services, he says. “We’re “looking towards the work force of the future — investing more in technology, how we’ll do work differently, including changing our mix so that we bring in subcontractors and part-time workers with the right skills, with an aim to reduce our current base of 90 per cent full-time resources.”



## KPMG

**B**ill Thomas, CEO and senior partner, is happy to report that KPMG’s total revenue for fiscal 2013 was up almost 3.5 per cent year-over-year “in a very challenging economic climate.”

2013 was the year KPMG started to see significant results from the investments made during the weak economy over the past few years. Acquisitions in 2012 such as SECOR, Canada’s largest independent strategic management consulting firm, and the country’s top immigration law firm, Greenberg Turner, “fuelled exceptional growth in our advisory and international executive services tax practice. We also continue to see good progress in our corporate finance and corporate recovery practices,” says Thomas.

It was also a big year for KPMG’s Atlantic Canada expansion. According to Thomas, “our Plato Consulting Inc. acquisition and new office in St. John’s, Newfoundland and Labrador solidified our commitment to Canada’s East Coast and presented a fantastic growth opportunity for the firm in the Atlantic region.”

Within the advisory services, “investments in the health-care practice are producing very significant growth and we continue to develop and grow our infrastructure practice.” KPMG also expanded its tax dispute and controversy resolution practice to help clients faced with tax disputes.

Although audit added “some terrific new clients,” like many of the professional services firms, “we continue to experience significant fee pressures and slow capital market activity in audit.”

Thomas is also proud that, once again, KPMG was named one of Canada’s Top 100 Employers, Canada’s Best Diversity Employers, Canada’s Top Family-Friendly Employers, Canada’s Greenest Employers and Best Employers for New Canadians.

Rank by Revenue		Association/Year End/ Head Office	Revenue 2013 ('000)	Revenue change (%)	Partners/ Principals (+/-)	Professional Staff (+/-)	Revenue per professional staff	Number of offices	Revenue splitting A&A/MAS/ tax/other
2013	2012								
11	11	HLB/Schwartz Levitsky Feldman / Dec. 31, 2013 / Montreal	38,000	-4.0	46 (-2)	176 (-8)	215,909	7	66/4/17/13
11	12	Crowe MacKay LLP / December 31, 2013 / Vancouver	38,000	-0.8	36	171 (-9)	222,222	7	69/6/18/7
13	13	Crowe Soberman LLP / December 31, 2013 / Toronto	35,309	-0.4	23	86 (-23)	410,570	1	66/8/18/8
14	14	Welch LLP / January 26, 2014 / Ottawa	26,800	-3.9	38 (-8)	227 (+67)	118,062	12	74/3/17/6
15	15	PSB Boisjoli LLP / December 31, 2013 / Montreal	22,918	4.4	17	70 (+13)	327,400	1	48/27/19/6
16	17	Ginsberg Gluzman Fage & Levitz LLP/ Dec. 31, 2013 / Ottawa	21,725	7.3	12 (+2)	80 (+5)	271,563	9	35/2/10/53
17	18	KNV Chartered Accountants LLP / Dec. 31, 2013 / Surrey, B.C.	21,045	4.7	13	123 (+22)	171,098	3	52/6/37.5/4.5
18	19	Manning Elliot LLP / December 31, 2013 / Vancouver	20,050	0.3	23 (+1)	97 (-8)	206,701	2	79/5/16/0
19	16	Davidson & Company LLP / December 31, 2013 / Vancouver	19,000	-9.5	16 (+1)	62 (-16)	306,452	1	80/0/20/0
20	24	Demers Beaulne / December 31, 2013 / Montreal	18,672	14.4	15	79 (-1)	236,354	1	50/18/32/0



# Canada's Accounting Top 30



## EY

**E**Y "achieved solid results in fiscal 2013," says chairman and CEO Trent Henry. "We took important steps forward through continued transactions, particularly in the private middle market, where we've closed four deals that significantly grew our footprint in this space over the last three years." One, with boutique firm SRED Automation, created one of Canada's largest dedicated scientific research and experimental development (SRED) practices.

EY continued to grow in its priority sectors, including energy, financial services, government and the public sector. "And our advisory practice continues to achieve exceptional growth, with performance improvement services driving a significant part of that growth ... We're focused on fostering the highest performing, globally integrated teams to win in the market here and abroad. Formalizing this philosophy into a global purpose gives our commitment to these values new wings, and empowers us in big ways."

To support the "building a better working world" branding unveiled in 2013, EY is investing in technology upgrades and new infrastructure. "Work is almost complete for our new buildings in St. John's and Halifax, with open-concept environments, modern technology and other 'workplace of the future' features. And we're now working on plans for other locations across Canada."

The year also served as the springboard to move EY Canada into its 150-year anniversary. "We have a proud history in Canada — stretching back further than the country itself," Henry says. "This is a tremendous milestone and this year's 150th anniversary celebrations offer us an exceptional new platform for brand-building in major markets."



## Grant Thornton Canada

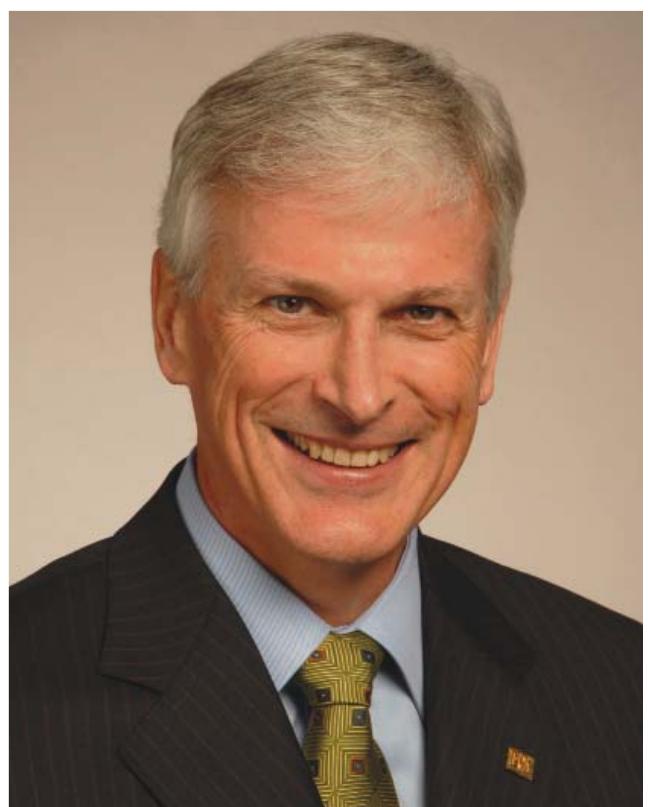
**T**he firm grew "a very healthy" 7.8 per cent in 2013, says Grant Thornton CEO Phil Noble, resulting from both organic and inorganic growth. "We achieved significant growth in our consumer insolvency practice as well as our joint federal consulting practice with Raymond Chabot Grant Thornton in Ottawa, which continues to win large new mandates." The tax practice posted nearly double-digit growth over 2012, as did the advisory services group, "which has been the fastest growing segment of our practice the past few years."

Grant Thornton continued to pursue mergers and acquisitions that meet the firm's core strategic objectives, merging with MacGillivray & Partners and GMA Partners in the Greater Toronto area, and acquiring Breakwater Associates in Vancouver, "which enhanced our advisory and mining sector practice."

Noble says the firm co-launched the Private Business Growth Award in 2013 with the Canadian Chamber of Commerce. "Private business plays such a significant and vital role in our Canadian economy that we both felt it was important to establish a national business award to recognize and celebrate the many private business success stories."

Grant Thornton became one of the first national firms to appoint two external members to its partnership board. "Dynamic, forward-thinking professional services firms can and must evolve their governance structure and improve transparency by adopting a hybrid model of governance, combining external independent board members with internal practitioners," he says.

Noble was also "absolutely thrilled" to be recognized by the Great Place to Work Institute as one of Canada's best workplaces for the sixth consecutive time.



## BDO Canada

**“G**iven the rocky economic and political forecast heading into 2013," explains CEO Keith Farlinger, "we entered the year with financial targets that we knew would be a stretch. In the end, we fell short of our growth targets for the year, but were comfortable with the overall 4.3 per cent increase over the prior year."

BDO experienced growth in most service lines, he says, with advisory showing the biggest gains. "Mergers and acquisitions activities also added to our bottom line, and were the prime source of growth to our core auditing and assurance and tax services."

Probably the biggest change in 2013 was the creation of the advisory services practice (ASP). "This new practice allows us to concentrate our specialty advisory services under a common leadership. It also allows us to build strength, depth and breadth to the four major service lines within the ASP — consulting, financial advisory, financial recovery and SR&ED."

BDO completed several strategic transactions, including the "welcome addition of a practice in Halifax, N.S. — a key market for BDO in Atlantic Canada," and Interis Consulting Inc., an Ottawa-based government and financial institution consulting practice with in-depth experience serving public sector clients at every level.

Farlinger says that BDO Canada and U.S. together developed a North America-wide advertising program that doubled BDO's name recognition in these key markets. "North America is becoming very big for us." Farlinger adds that, "given the success we have seen with this program, we are continuing to develop this alignment, and look for opportunities to expand this message abroad."

Rank by Revenue		Association/Year End/ Head Office	Revenue	Revenue	Partners/	Professional	Revenue per	Number	Revenue splitting
2013	2012		2013 ('000)	change (%)	Principals (+/-)	Staff (+/-)	professional staff	of offices	A & A/MAS/ tax/other
21	20	Millard Rouse & Rosebrugh LLP / July 31, 2013 / Brantford, Ont.	18,562	0.1	21 (-2)	70 (+6)	265,171	6	67/7/23/2
22	22	Zeifmans LLP / January 31, 2014 / Toronto	18,550	6.0	12 (+1)	63 (+3)	294,444	1	54/16/30/0
23	21	DMCL LLP / December 31, 2013 / Vancouver	18,350	0	17 (+2)	78 (-84)	235,256	3	68/1/31
24	25	Durward Jones Barkwell & Co. LLP / Dec. 31, 2013 / St. Catharines, Ont.	16,685	3.1	25 (-4)	72 (+27)	231,736	8	55/15/19/11
25	23	Smythe Ratcliffe LLP / December 31, 2013 / Vancouver	16,241	-4.9	13	101 (-20)	160,802	4	72/0/12.5/15.5
26	27	Kingston Ross Pasnak LLP / Dec. 31, 2013 / Edmonton	15,402	13.7	18 (+2)	65 (+7)	236,954	2 (+1)	62/4/24/10
27	28	Lemieux Nolet / August 31, 2013 / Levis, Quebec	13,327	1.1	19	76 (+1)	175,355	4	68/3/15/14
28	30	RLB LLP / December 31, 2013 / Guelph, Ont.	12,932	5.3	12 (-1)	74 (+33)	174,757	3	54/9/29/8
29	29	Wolridge Mahon LLP / December 31, 2013 / Vancouver	12,700	2.4	18 (+1)	70	181,429	1	65/15/20/0
30	--	Segal LLP / December 31, 2013 / Toronto	12,622	3.2	19 (+1)	38 (+3)	332,158	1	80/3/16/1



# Canada's Accounting Top 30

By GUNDI JEFFREY

With MNP LLP breaking into Canada's top six firms ahead of BDO LLP for the first time in *The Bottom Line's* annual *Canada's Accounting Top 30* rankings, the shake-up in the country's accounting profession is seismic, but hardly cataclysmic — and the result may be good for the industry, according to observers.

According to Len Brooks, director and professor of business ethics and accounting at the University of Toronto, "the Big 4 can certainly benefit from some more competition and society benefits from having a larger number of credible large firms in existence."

Dan Thornton, ICAO professor in accounting at Queen's School of Business, adds that "the academic literature indicates that audit firm size is positively associated with audit quality because big firms have economies of scale in mobilizing auditing and accounting skills and are motivated to do better work as they grow because they have more and more to lose from audit failures."

The two firms themselves don't see this as much ado about anything. According to BDO CEO Keith Farlinger, "actually, we expected it — MNP had great growth last year, along with a lot of mergers. But our focus is more on



Brooks

the international side. There are six international firms — the Big 4, Grant Thornton LLP and BDO. We're solidly No. 5 in most international markets and are certainly looking at being the largest firm outside the Big 4 globally. The global market, in our view, is what it is all about."

"This has never been about size," notes MNP CEO Daryl Ritchie. "It's about creating something unique. Moving up another spot in the rankings is really nice but that's not our focus. This has happened as a result of who and what we are."

In an era of consolidation in

Canada's accounting profession, with larger firms acquiring smaller accounting firms as well as specialty service boutiques, MNP is undoubtedly the merger king. Last year alone, MNP brought six firms into the fold, adding about 30 partners and 125 professional staff. The acquisitions also continued to broaden MNP's footprint in Ontario, with four 2013 mergers taking place there.

According to Brooks, MNP's strategy "is quite clearly growth and moving into a market space that they haven't been in before, which is Central and Eastern Canada, mainly through acquisitions and mergers. There's definitely also organic growth as a result of their focusing on and gathering people who have business development skills and are aggressively going after new business."

Ritchie points out that although "it is the mergers that grab the headlines — and mergers are certainly part of our expansion strategy," it is organic growth that

has pushed MNP to the top. "Over the past 15 years, organic growth has consistently been about two-thirds of our overall growth." He adds that, once a firm reaches a size such as MNP's, the mergers per se don't contribute a significant amount to the bottom line — what matters more are the opportunities they create.

The mergers, he says, "open up new geographic areas, strengthen the ones we are already in and add new expertise to the firm." That helps fuel growth. As well, "when we merge with a firm, we will often see that firm's business double after two or three years. The merger frees them up to spend more time on growing their business instead of focusing on running their practice, plus they now have more services to sell to their clients."

Over the past 25 years, as the firm grew from a Brandon, Man., firm to a regional and now a national firm with international aspirations, it vastly broadened its service areas, developing a con-

sulting practice and many specialty and niche services.

"We now have a full complement of services," says Ritchie. "When you have more services to sell, you open up new markets, both with your old clients and by having more to offer new clients."

And, as the firm grew in size and reputation, it was able to attract bigger and more diversified clients, not to mention that its original clients also grew and needed more help in their own expansions, domestically and abroad.

The one thing that has not changed is that the firm remains fixed on serving the entrepreneurial mid-market: private enterprises, small and medium-sized public companies and niche operations. "When you play in the middle market, you compete with everybody, from local accounting firms, to Grant Thornton and BDO, to the Big 4." As that market — and the competition for that market — has

See BDO on page 23

Rank by Revenue		Association / Year End / Head Office	Revenue 2013 ('000s)	Revenue change (%)	Partners/Principals (+/-)	Professional Staff (+/-)	Revenue per professional staff	Number of offices	Revenue splitting A&A/MAS/tax/other
2013	2012								
1	1	DFK Canada Inc. <sup>3</sup> / December 31, 2013 / Edmonton	146,064	10.3	137 (-3)	619 (+32)	235,968	38 (+8)	53/9/22/16
2	2	PKF North America <sup>4</sup> / December 31, 2013 / Atlanta	127,039	4.8	126 (-3)	610 (+77)	208,261	33 (+1)	64/8/21/7
3	9	Crowe Horwath International <sup>5</sup> / Dec. 31, 2013 / New York City	88,709	145.1	81 (+55)	321 (+210)	276,352	12 (+9)	65/10/19/6
4	3	BHD Association <sup>6</sup> / December 31, 2013 / Vancouver	83,083	1.8	88 (+3)	350 (-8)	237,380	16 (+1)	61/11/26/2
5	4	BKR International <sup>7</sup> / June 30, 2013 / New York City	63,000	8.6	59 (+10)	460 (-76)	136,957	23	78/0/16/6
6	5	Nexia Canada <sup>8</sup> / December 31, 2013 / Toronto	55,000	-2.1	57 (+9)	197 (-24)	279,188	6	65/9/24/2
7	6	PrimeGlobal <sup>9</sup> / May 31, 2013 / Atlanta	54,093	3.9	50 (-1)	328 (+109)	164,918	5	68/9/22/19
8	7	EPR Canada Group Inc. / Dec. 31, 2013 / Maple Ridge, B.C.	44,292	7.4	64 (+3)	257 (+13)	172,342	43 (+1)	63/9/23/6
9	10	Porter Hetu International / September 30, 2013 / Toronto	33,900	-2.9	59 (-1)	149 (-4)	227,517	35 (-5)	60/10/24/6
10	8	Moore Stephens International <sup>10</sup> / Dec. 31, 2013 / London, U.K.	26,431	-35.0	22 (-10)	118 (-53)	223,992	4 (-1)	71/5/24/0
11	11	The AC Group / October 31, 2013 / Amherst, N.S.	26,286	14.8	41 (+2)	191 (+31)	137,623	19 (+1)	61/14/23/2

<sup>3</sup> DFK Canada Inc. includes the firms of KNV Chartered Accountants (Surrey, B.C.), Kingston Ross Pasnak LLP (Edmonton), Kenway Mack Slusarchuk Stewart LLP (Calgary), Pope & Brookes LLP (Winnipeg), Davis Martindale LLP (London, Ont.), Taylor Leibow LLP (Hamilton, Ont.), Segal LLP (Toronto), Ginsberg Gluzman Fage & Levitz LLP (Ottawa), Levy Pilote LLP (Montréal), Dallaire Forest Kirouac CA, s.e.n.c.r.l. (Québec City), Teed Saunders Doyle & Co. (Saint John, NB), WBLI Chartered Accountants (Halifax), MRSB Chartered Accountants (Charlottetown), Noseworthy Chapman Chartered Accountants (St. John's)

<sup>4</sup> PKF North America's Canadian firms include Catalyst LLP Chartered Accountants (Calgary), Heywood Holmes & Partners LLP (Red Deer, Alta.), Kouri Berezan Heinrichs (Edmonton), Young Parkyn McNab LLP (Lethbridge, Alta.), Smythe Ratcliffe LLP (Vancouver), Walsh King LLP (Vancouver), Scarrow & Donald LLP (Winnipeg), Durward Jones Barkwell & Company LLP (St. Catharines, Ont.), Kraft Berger LLP (Markham, Ont.), NPT LLP (London, Ont.), RLB LLP (Guelph, Ont.), Fauteux, Bruno, Bus'siere, Leewarden (Montreal), Virtus Group LLP (Saskatoon)

<sup>5</sup> Crowe Horwath International's Canadian firms include Crowe Soberman LLP (Toronto), Horwath HTL (Montreal), Bessner Gallay Kreisman (Montreal) and Crowe MacKay (Vancouver)

<sup>6</sup> BHD Association figures include firms D&H Group (Vancouver); Buchanan Barry LLP (Calgary); Thomson Jaspar & Associates (Saskatoon), PKBW Group (Winnipeg); Millard Deslauriers Shoemaker LLP (Toronto); Hyatt Lassaline, LLP (Windsor); Marcil Lavallée (Ottawa); Demersbeaulne (Montreal); Choquette Corriveau (Québec City); Hilborn Ellis Grant LLP (Toronto); Nadeau Picard & Assocs (Grand Falls, N.B.)

<sup>7</sup> BKR International's Canadian firms include Blanchette Vachon Comptables Agréés & Gestion-Conseil (Sainte-Marie), Lohn Caulder LLP (Vancouver), Thornton VanTassel Chartered Accountants (Perth-Andover, N.B.), Villeneuve Venne CA, S.E.N.C.R.L. (Montreal), Welch LLP (Ottawa), SF Partnership, LLP (Toronto). Revenue is stated in U.S. dollars.

<sup>8</sup> Nexia Canada figures include firms Davidson & Company LLP (Vancouver), Zeifmans LLP (Toronto), Nexia Friedman LLP (Montreal), Perreault, Wolman, Grzywacz & Co. (Montreal) and Lyle Tilley Davidson (Halifax)

<sup>9</sup> PrimeGlobal figures include the firms of Manning Elliott LLP (Vancouver), Clarke Henning Group (Toronto) PSB Boisjoli LLP (Montreal) and Shimmerman Penn LLP (Toronto)

<sup>10</sup> Moore Stephens International's Canadian firms include DMCL LLP (Vancouver) and Mowbrey Gil LLP (Edmonton)



# Canada's Accounting Top 30

# Shifting trends challenge mid-sized firms

By GRANT CAMERON

**M**anaging partners at mid-sized accounting firms across Canada say growth should continue in 2014, but challenges remain.

In Ontario, for example, the hurdle is demographics, as firms try to figure out how to replace partners who are reaching retirement age. In Quebec and Alberta the challenge is recruiting and trying to keep talent from moving on to the Big Four accounting firms, while in B.C. the issue is how to deal with a shrinkage in public company work.

Marc Elman, managing partner at PSB Boisjoli in Montreal which employs about 140 people, said the firm had an excellent year in 2013. However, he said mid-sized firms are having more difficulty hiring and retaining top-quality talent.

"You have to be best of breed to be successful in our business. You need to hire top-quality people and you have to have access to those top-quality people, so that's a critical thing for an accounting firm and that's always been a challenge that mid-sized firms face."

Elman said such firms don't have the recruitment budgets or the perks on offer to compete with a Big Four firm, so they need to find novel ways to keep talent.

He also said firms are feeling a bit of a margin squeeze because accountants must provide more disclosures as a result of more stringent accounting standards, while business owners don't want to pay more money for services and don't understand the reasons.

"Our costs are not getting reduced, but our margins are getting squeezed."

Deborah Bourchier, managing partner at Ginsberg Gluzman Fage and Levitz (GGFL) in Ottawa, said 2013 was a good year and the firm is expecting the same in 2014. The firm has been bringing in new business from owners who are shopping around for accountants that can better meet their needs, she said.

Although business owners are often very attached to their accountants, Bourchier said the trend is shifting. "We're finding the market is very competitive and clients are looking for new professionals, which is a bit unusual in the accounting world because we normally enjoy client loyalties, strong loyalties. It's similar to changing banks, there's a lot of detail and a lot of history."

"But what we're finding is that within our market, people are looking for new professionals and what they're saying is, they're not getting the responsiveness they want. They're demanding responsiveness and access to their advisors."

In other words, Bourchier said business owners want more bang for their buck to ensure their accountants are available at short notice for advice. "They're businesses that are privately owned, often family-run, the entrepreneur is very active in the business and wants help and when he or she needs something they want it right away or reasonably soon, and they

**"Our costs are not getting reduced, but our margins are getting squeezed."**

*Marc Elman, PSB Boisjoli*

like to deal with a partner or senior person on the service team."

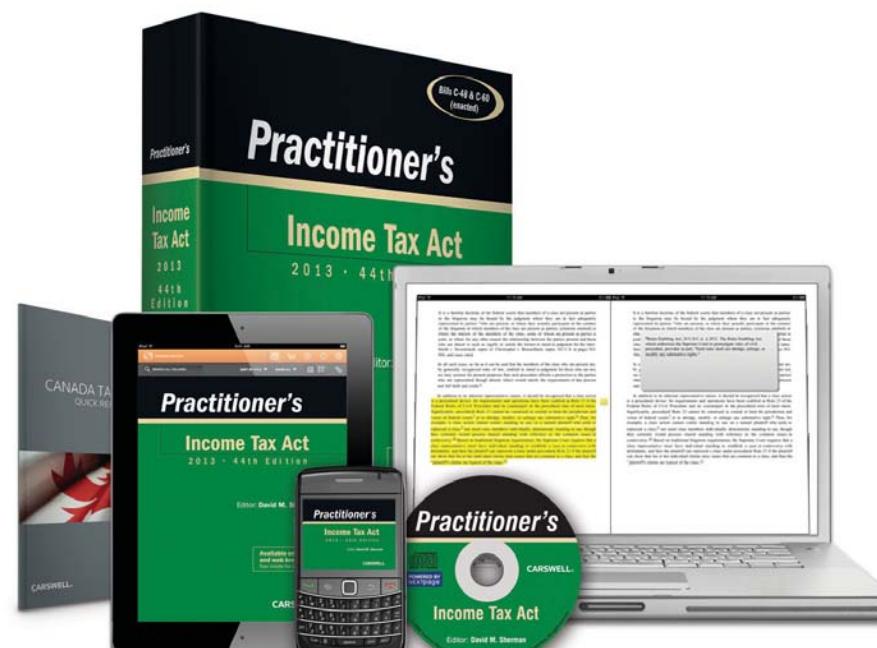
Bourchier said clients are much

more informed nowadays and better at taking care of bookkeeping and transaction entries by themselves.

But they often need help with tasks like strategy and tax planning and other high-end items.

The big challenge for mid-sized accounting firms, not only in Ontario but across Canada, is that partners are reaching retirement age and firms must replace that lost talent, she said.

See Mergers on page 21



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EDITOR: DAVID M. SHERMAN, B.A., LL.B., LL.M.

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THOMSON REUTERS



# Innovation is a top priority, says McFarland

Continued from page 13

every five years, in addition to its annual review of the audit, and more sharing of CPAB inspection information with audit committees. CPAB is currently finalizing the protocol which spells out how much of its inspection results will be shared, and how that process between the board and auditors will operate.

The EAQ recommendations found far more favour with Canada's accounting firms than those from the U.S. and Europe.

According to Bill Thomas, CEO of KPMG, "consistent with the recommendations of the Enhancing Audit Quality initiative, we believe that the audit committee is best able to assess the quality of the audit, and to determine who the auditors should be. There is a significant risk that regulations that establish arbitrary rotation or tendering requirements will have unintended consequences, such as reduced competition. We also support the EAQ recommendation that audit committees should conduct annual and comprehensive assessments of the external auditor."

Europe has a different perspective than North America, noted Bill McFarland, CEO of PwC. "Government and regulators over there feel that mandatory rotation is the way to go. It hasn't been shown in other jurisdictions, however, that it brings about an increase in audit quality." He feels that CPAB and CPA have set appropriate guidelines promoting audit quality. "We support these initiatives and believe they will be helpful to all stakeholders."

CPAB CEO Brian Hunt believes that, for now, Canada is better off going its own way. As he stated in CPAB's 2013 public report on 2012 inspections, "CPAB believes investors should continue to have confidence in the integrity of public company financial statements audited in Canada. Audit methodologies at the firms are generally sound, and the majority of audits are well done. CPAB's 2012 inspection results show overall improvement in audit quality."

Despite those laudatory remarks about Canadian auditing, firms in general bemoan the stagnating audit market and increased competition over audits, which they say is in part driving a resurgence in consulting that worries U.S. and European regulators.

The competitive landscape continues to be challenging, Farlinger said. "With fewer businesses looking to change accounting firms, the market becomes more congested. This

**"Companies are coming out of the recession. Industries are maturing more rapidly than ever before. Businesses are needing to adapt to the disruptive changes of technology."**

*Frank Vettese, Deloitte*

has resulted in some firms reducing their audit fees, which has a negative impact on the bottom line for all firms."

Phil Noble, CEO of Grant Thornton, added that "with the continued downward pressure on margins for traditional assurance services, in particular audit, combined with the risk profile of audit services and the ongoing regulatory oversight, it should be no surprise that firms would shift some of their focus to other areas of their business. All firms are investing and working hard to optimize the cost of delivery of high-quality audit services and, at

know not just how to operate in this fast-paced environment, but also how to succeed over the long term, and we'll continue to gear our people and our structure to help guide them on that journey."

In any case, MNP CEO Daryl Ritchie does not believe the regulatory concern necessarily is that firms are providing these services, "it's the potential conflict and independence issues the services create when they are provided to audit clients." Most of the major firms shed their consulting practices due to such concerns in the wake of several huge accounting scandals more than 10 years ago.

Revenue Agency has been stepping up its corporate tax disclosure requirements.

"Tax morality and transparency are rising to the agendas of governments, boards, investors and even the general public," said Thomas.

In their quest for enhancing and acquiring services to meet client demand, most of the firms have once again hit the merger trail, with all of the top seven looking for talent.

Deloitte, for example, recently closed a deal to acquire ATD Legal Services, which will give it end-to-end capability in e-dis-

**"Tax morality and transparency are rising to the agendas of governments, boards, investors and even the general public."**

*Bill Thomas, KPMG*

the same time, making investments to expand service offerings beyond core services."

Vettese said the expansion in consulting also responds to the changing needs of the marketplace. "Companies are coming out of the recession. Industries are maturing more rapidly than ever before. Businesses are needing to adapt to the disruptive changes of technology. From this complexity also comes more opportunity. In addition to providing audit services, we are in the business of finding and delivering solutions in this very dynamic environment."

McFarland feels the ability to innovate is now a top priority for companies everywhere, and the pace of technological change is playing a vital role. "Technology underpins most business processes, provides new ways of interacting with customers, generates new insights about unmet needs and facilitates the development of new products and services. As a result, there is a need to make sure that, as these changes occur, data and information security is maintained. Security issues are top of mind for senior executives and boards, and are areas where we assist companies in managing and understanding related risks."

Clients, said Henry, "want to

Says Ritchie, "I suspect that much of the concern is that this could happen again, not that [it] is happening again."

McFarland pointed out that "we continue to believe that, to attract and retain top talent — and complete high-quality audits — we need a diversity of skills and capabilities that may change over time. Audit-only firms would not, over the longer term, be able to deliver the high-quality services stakeholders demand."

Many firms report strong growth in the tax-practice area in 2013. As Thomas put it, governments around the world, including Canada, are increasingly focused on the financial activities carried out by foreign companies in their country and the profits attributable to them, as well as on domestic companies and their own citizens' activities abroad. "This is manifested in deeper scrutiny of financial transactions and increased requirements to report cross-border and global financial activities. We expect clients will feel the burden of this increased reporting."

The OECD, for example, has been working on a model that would have countries worldwide co-operate on exchanging tax information in an effort to combat tax avoidance, while the Canada

covery. At the end of January the firm announced a strategic alliance with Konrad Group, a digital market leader. PwC's major acquisition this past year was Booz & Co., a major player in the strategy-consulting field, amid acquisitions in the tax immigration and enterprise performance management areas.

KPMG acquired Plato Consulting Inc. and a new office in St. John's, Nfld., solidifying the firm's presence in Canada's East Coast. EY continued expand in the private middle market, welcoming boutique firm SRED [scientific research and experimental development] Automation into the family, broadening the firm's private middle market and Western Canada footprints.

Grant Thornton completed two deals that expanded the firm's operations in Greater Toronto, with MacGillivray & Partners in St. Catharines and GMA Partners in Georgetown, and a deal in Vancouver with Breakwater Associates which enhanced its advisory and mining sector practice. MNP concluded six transactions — described in more detail elsewhere in this issue — most of them aimed at ramping up the firm's presence in the Greater Toronto area. BDO completed several strategic transactions, including a

practice in Halifax which Farlinger describes as a key market for BDO in Atlantic Canada, and Interis Consulting Inc., a government and financial institution consulting practice headquartered in Ottawa.

Another merger of interest is the ongoing integration of Canada's accounting bodies — the Canadian Institute of Chartered Accountants, CMA Canada, CGA-Canada and all their provincial counterparts — into CPA Canada. As the merger involves three national bodies, 12 provincial bodies and several international affiliations, it is hard to predict when unification will be complete. But, finally, all parties are on board, with the three bodies in Ontario being the last to sign on in February.

Although there's been virtually no impact on the business of Canada's accounting firms as yet, Noble said that "both the accounting profession and the firms have been working very effectively through the complexities of this transition."

Clearly, said Henry, the regulatory environment is transforming quickly, reinforcing the need for firms to stay on top of changes and evolve accordingly. "Canada's politically charged natural resources climate also impacts our business, and the country's economic outlook overall — much like the ongoing debate over the future of our real estate market. The depreciation of the Canadian dollar that began at the end of 2013 will certainly make for more changes in 2014, and will bring challenges and opportunities depending on the type of business you're in."

Vettese added that, this year, "we are also going to have to engage audit committees more fully in discussing the realities of enhancing audit quality. We are adding to our capabilities and expertise, and committing more time and effort to ensure we are continuously improving quality. This is costing more, which is creating a pressure on our business, particularly in situations where auditor selection decisions evaluate price with only modest emphasis on assessment of audit quality."

Noble said that, in any case, "some regulatory and legislative reforms have the potential of negatively affecting the competitive and commercial landscape, providing advantage to some firms over others. In our view, the audit marketplace is better served by broader choice and, therefore, when implementing any changes, we must be mindful of the commercial implications as well."



# Alberta propping up western economy

By GEOFF KIRBYSON

After several years of firing on all cylinders, the one-time Western Canadian juggernaut is starting to sputter.

It's unlikely that the economic motor will cut out entirely but it's clear that the finely-tuned machine that routinely left Eastern provinces in its wake is in dire need of a tune-up. It could even be argued in some cases that an overhaul is in order.

Virtually every business across every sector continues to be helped by near-record low interest rates and the loonie, worth about US\$1.05 just three years ago, is helping export-oriented and manufacturing firms now that it has fallen to about 90 cents U.S.

Optimism is highest in Alberta, which is projected to churn out nearly 4.0 per cent of GDP growth in 2014, according to the Royal Bank. That's on top

of the 3.3 per cent growth it experienced in 2013 when much of the southern part of the province was devastated by flooding.

"Heavy investment in the energy sector will continue to be a key catalyst of activity in the province; however, the sheer breadth of the expansion will generate its own accelerating force," RBC said in its most recent provincial forecast.

Robert Wilson, CEO of Edmonton-based Kingston Ross Pasnak, believes the numbers. He expects the construction of new downtown high rises and a new arena for the NHL Oilers, as well as increased immigration, to drive activity.

"It's as busy as I've seen (the economy). It seems like it's 2005 or 2006, which were very busy years for us," he says.

Accounting firms will continue to be called upon for assurance and tax work as well as business evaluations and traditional accounting, he says.

His firm, which has 120 people today, roughly double from 2005, continues to look for good people.

"We'll probably be about 150 people in the next three years," he says.

Perhaps the darkest potential cloud on Alberta's horizon is the possibility of higher interest rates. There's no question they will have to go up eventually, but they've been so low for so long that most people consider the current state to be normal.

"Higher interest rates would bring things down fast. Housing is expensive (in Alberta) and the debt for that is quite high right now," he says.

There could also be some labour shortages in construction with so many industrial and residential projects happening at the same time, he says.

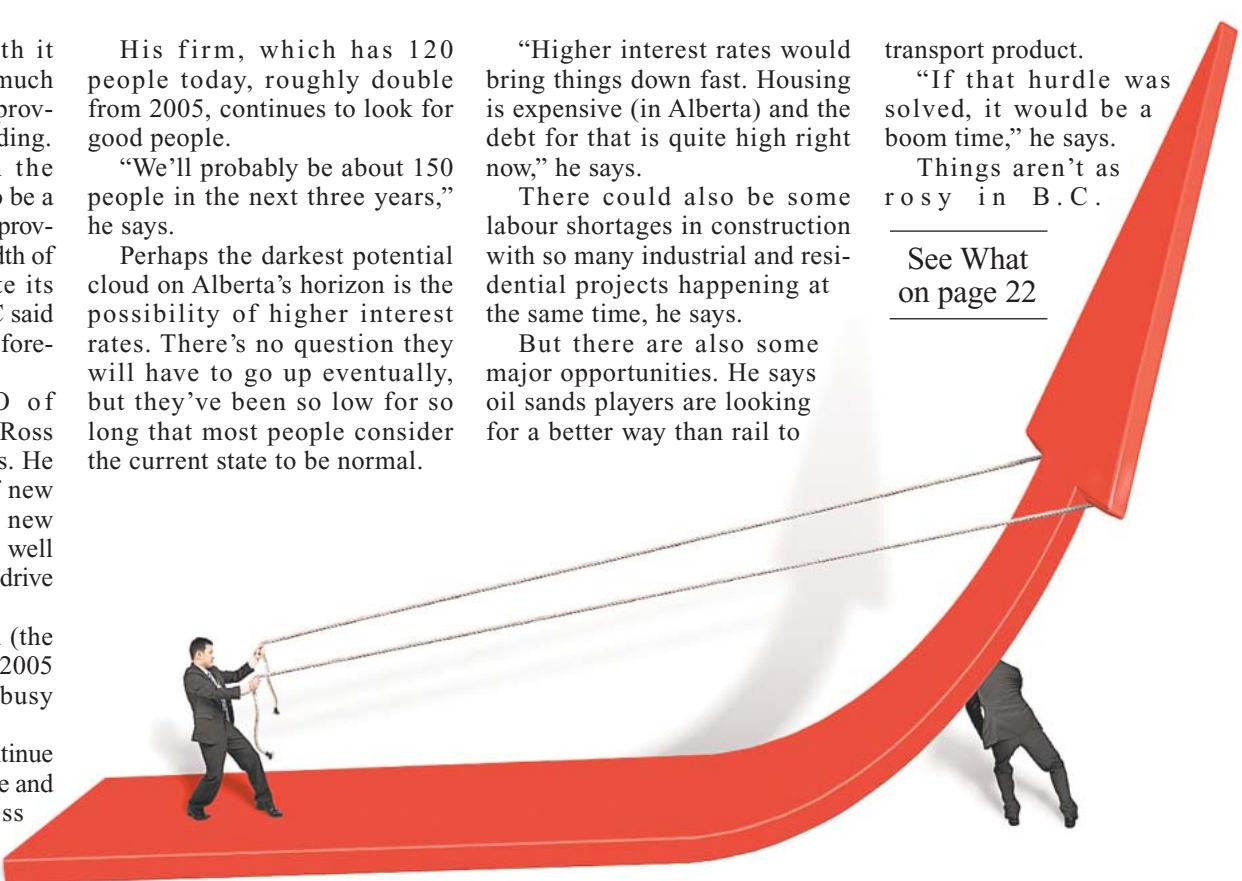
But there are also some major opportunities. He says oil sands players are looking for a better way than rail to

transport product.

"If that hurdle was solved, it would be a boom time," he says.

Things aren't as rosy in B.C.

See What on page 22



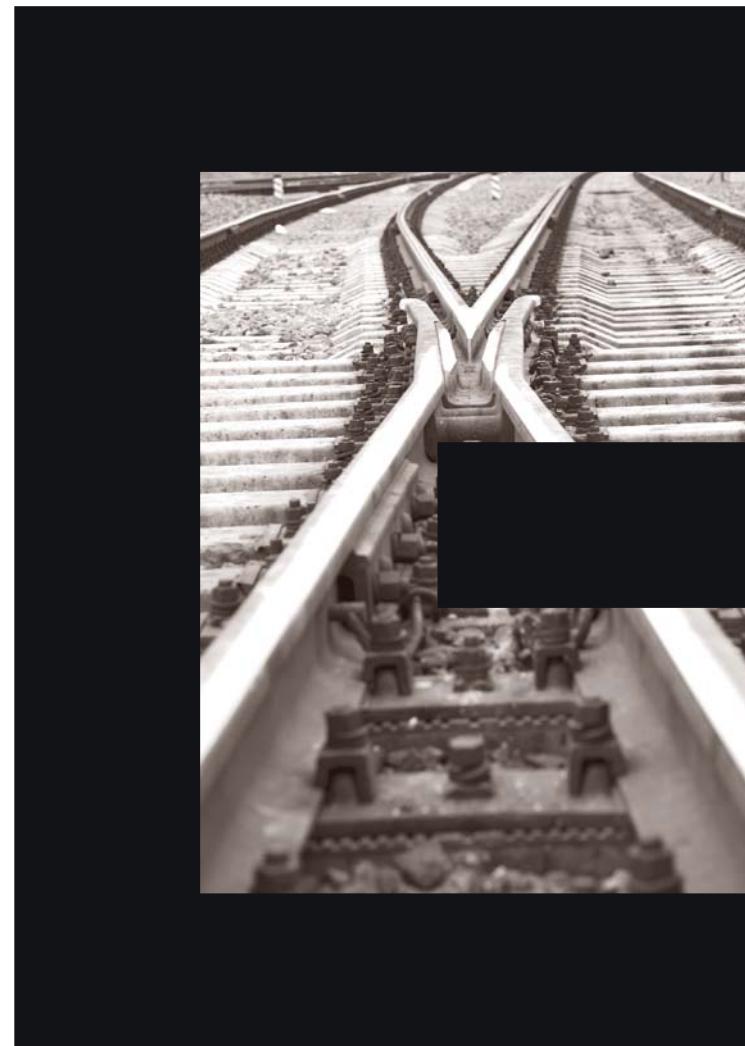
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## Light shining on East Coast

By DONALEE MOULTON

**S**teady ahead. So goes the economic forecast for all four Atlantic Provinces over the next year, and beyond. For some, that prediction marks an upward swing in their fiscal reality; for at least one, it means slower growth than experienced in 2013.

Newfoundland and Labrador's economy is expected to continue

growing, although not to the same extent as last year. TD Economics reported that solid oil production and healthy investment spending propelled real gross domestic product upward by an estimated 5.1 per cent in 2013, the strongest rate in the country. With all three of the province's oil fields up and running last year, oil production jumped 17 per cent, following a 26 per cent

drop in 2012. Production is anticipated to remain stable this year and next.

Two major projects bode well for the local economy. The government has announced construction of a third transmission line from Churchill Falls to Labrador West that is projected to create \$3.9 billion in tax revenues and create 800 full-time construction and 500 pro-

duction jobs. The Muskrat Falls project, a massive five-year hydroelectric initiative, is also booming. It has transformed the community of Happy Valley-Goose Bay, which has approximately 8,000 people, said Steve Belanger, a partner with BDO Canada in St. John's.

"On a recent trip there, it was no surprise to find all hotels overbooked, restaurants booked to cap-

acity, and, believe it or not, a traffic jam," said Belanger. "Some of the base wages at the project are as high as \$46 per hour. As this project develops, you are as likely to hear Italian being spoken as you are Filipino. It's very exciting times."

Nova Scotia is also looking forward to brighter economic days ahead. "The Nova Scotia story is quite positive," said Mary Webb, a senior economist manager with Scotiabank Economics in Toronto. "The province has faced numerous hurdles in the last few years. It hasn't been an easy time."

In 2013, the province struggled to rebound and had a GDP of only one per cent. Webb predicts that will double this year primarily due to renewed natural gas production.

The \$25 billion federal contract to build the next fleet of naval combat ships, won more than two years ago by Irving Shipbuilding in Halifax, is already having an impact. "\$175 million in contracts have been awarded as of December 2013, and half of the contract value has flowed to Nova Scotia firms," noted Fred Morley, executive vice-president and chief economist of the Greater Halifax Partnership.

In 2014, efforts will be focused on a \$300 modernization program to ready the shipyard for production of the first patrol vessels in 2015. According to a report prepared for the Greater Halifax Partnership, up to 11,500 jobs will be created over the life of the 30-year project and provincial GDP will increase by 2.4 per cent.

The real impact of the project will be felt long-term, stressed Webb. "What's important is the length of the contract."

That positive impact is not restricted to Nova Scotia. "There is a lot of optimism on the shipyard contract out of Halifax. It is expected to help the entire region," said Gerard Fitzpatrick, a founding partner of Fitzpatrick & Company Chartered Accountants in Charlottetown.

In neighboring New Brunswick, the outlook is not overly optimistic. A tailing off of major project investment spending, volatility in the resource sector, and demographic challenges have weighed heavily on the province's recent economic performance, according to TD Economics.

"Expect real GDP to come in essentially flat in 2013 relative to the year prior, as the perfect storm of declining employment, weak income readings and an underperforming export sector handcuffed economic activity for a third year running," the most recent report stated.

Looking ahead, however, the

See Lots on page 23



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# Canada's Accounting Top 30

## Mergers to continue as boomers exit

Continued from page 17

"Firms like ours have been working on succession plans within our own firms for several years. We continue to work on it. It continues to be foremost in our minds and definitely a priority."

However, firms are being proactive, she said, and are taking action to mentor new partners and ensure there's continuity in the mid-sized firms. "It's a challenge but it's being managed."

Gregory Mowbrey, managing partner at Mowbrey Gil in Edmonton, said the oil patch in Alberta is still going strong and as a result he's cautiously optimistic that mid-sized accounting firms will continue to do well this year.

"From our perspective, and I suspect it's the case for Alberta, we're looking at probably the same type of growth as last year, again moderate growth, nothing wild, but certainly we are experiencing what the economy is experiencing and there's a lot of



**Elman**

cautious optimism out there."

As the economy rebounds, more opportunities abound and smaller businesses might get a bigger contract, he said, and consequently require more services of mid-sized accounting firms.

Mowbrey said his firm is on the

lookout for new clients who may have gone out on their own and will need the expertise of an accountant. He echoed Elman in expecting the challenge for mid-sized accounting firms will be keeping enough of the talent they've developed. His firm hires articling students who gain experience and sometimes go on to industry or government jobs. The challenge is getting the right blend of new hires and experienced professionals.

Mike Corney, managing partner at Manning Elliott in Vancouver, said the company is hoping to do better in 2014, although many junior resource public companies are no longer in business so there's less work in that area.

"Despite the recovery from the recession, that's a very challenging area," he said. "A lot of junior companies have disappeared completely and the ones that are around are struggling to survive, so it creates challenges in getting paid for the work that we do."

With the same number of



**Bourchier**

accounting firms chasing a smaller pot of work, mid-sized accounting firms in B.C. are "seeing a race to the bottom in terms of fee quotations," he said, so that accounting firms have reduced fees and in some cases are having trouble getting paid for

work they've already done.

"Fortunately, that's only a part of our business so with the private company work and the other work we do it's fairly stable."

Corney said he expects mergers of mid-sized accounting firms to continue in B.C., with many smaller firms with a handful of partners dealing with succession issues. "As a mid-sized firm, we're approached from upstream and we're making approaches downstream as well."

Mowbrey in Edmonton said his sense is that there will be more mergers in 2014. "As an older practitioner it's certainly an exit strategy for them. They end up merging into larger offices where they can take clients and expand their services and bring in revenue and not necessarily have any more personnel."

Bourchier said the Big Four want access to markets and approaches are being made to mid-sized accounting firms.

"I don't think it's over. I think it's continuous, and, honestly, I think it will always continue."

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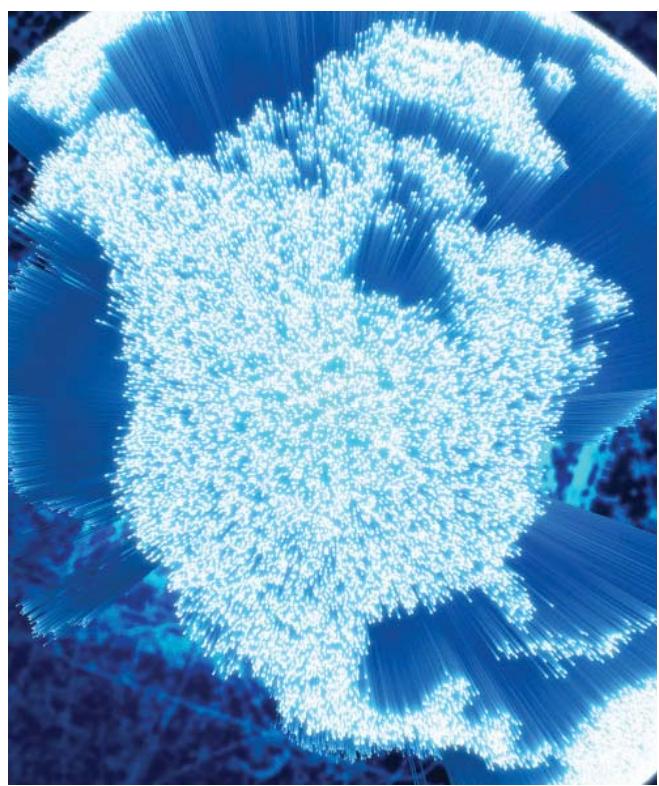
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# Canada's Accounting Top 30

# What happens when 'busy season is over?'

Continued from page 19

Growth on the left coast is projected to exceed 2 per cent in 2014, according to TD Bank's latest provincial forecast. That's nearly double last year's output, as the province's forestry industry is poised to supply a recovering U.S. housing industry. The bank says an improving trade picture should also prop up a weak labour market, which saw a decline in net employment growth and labour force participation in 2013.

**"Higher interest rates would bring things down fast. Housing is expensive (in Alberta) and the debt for that is quite high right now."**

*Robert Wilson, Kingston Ross Pasnak*

"The province will face an ongoing challenge retaining workers who will continue to be attracted by the promise of higher wages in neighbouring Alberta," the bank says.

There are also rosy forecasts for the potential of liquefied nat-

ural gas (LNG) this year, which baffles Bill Davidson, partner at Vancouver-based Davidson & Company. He says it will be years before the impact of LNG is felt.

"Once the construction starts, there will be jobs and cash moving around but it will be three or four years before the gas starts flowing and the royalties and taxes start coming in," he says.

B.C. is a tale of two economies. In the north the oil and gas sector is booming. But with many of the participants coming from offshore or Alberta, much of the profit is crossing provincial borders.

glimmer of hope that wasn't there before Christmas.

"We're all hunkered down for another tough year. We're into the busy season now but how busy are you going to be when the busy season is over?" Davidson says.

Manitoba will continue with its longstanding "Goldilocks" economy of not too hot and not too cold, as CIBC predicts it will post GDP growth of 2.2 per cent in 2014. Downtown development is one of the primary drivers, particularly the \$600-million SHED (sports, hospitality and entertainment district) and the soon-to-be-finished Canadian Museum for Human Rights, a \$351-million project.

Joel Lazer, senior partner of Winnipeg-based Lazer Grant, says while forecasts for the year are still positive, he's not as excited as he was 12 months ago.

"I don't have the same confidence about the future," he says.

Part of that lies in his perception that consumers and businesses don't have the same faith in either the economy or the provincial government that they did a year ago. Much of that stems from the Selinger government's decision to raise the provincial sales tax from seven per cent to eight per cent last summer. The move was met with widespread anger and frustration and pushed Selinger well behind the Progressive Conservatives in the polls.

Lazer says he's a little more reluctant to add more staff this year in case he doesn't have enough work for them to do.

"We won't look for them with the same energy that we did last year," he says, noting his goal is to build his employee base from its current level of 36 up to 50 in the next five years.

As incredulous as it might sound, Lazer Grant's business picked up immediately after the NHL returned to Winnipeg after a 15-year hiatus in May 2011. Lazer says he knows he can't expect that kind of bombshell on a regular basis, but he's hoping a combination of many things, including a \$180-million expansion of the RBC Convention Centre Winnipeg, the development of hundreds of additional downtown condo units and the

opening of the CMHR this September will light a spark.

"When people are excited, they try things and they're prepared to gamble a little more. They'll invest, they'll make capital expenditures and they'll spend on clients and equipment. I think that's what's missing today," he says.

The biggest changes out west are occurring in Saskatchewan. Just a few short years ago, its economy was the hottest in the country, churning out an impressive 5 per cent growth in GDP in 2011.

This year, however, BMO is predicting the figure will be less than half (2.4 per cent).

The province's potash sector provided much of the boom in recent years but new international competition means other sectors, notably small business, will have to pick up the slack.

Olajumoke Oni, a sole proprietor at JMK Accounting Solu-



**Davidson**

tions in Regina, believes the province has a significant role to play in creating a more favourable environment for tradespeople, mom-and-pop shops, small construction operators and home-based businesses.

At the top of her wish list are tax incentives and tax breaks.

"We (accountants) see the effects. If you have clients that are going out of business, it affects the work that you do," she says.

"The hardest time for small businesses is the first two years. A lot of business struggle then and most of them don't make it."

With the Saskatchewan economy tapering off, she says smaller accounting shops will struggle to attract new clients.

"This isn't a time when a lot of people go into business," she says.

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# Canada's Accounting Top 30

## Lots of hope in Newfoundland

Continued from page 20

glass is half-full. The export sector is expected to improve, thanks to a weaker Canadian dollar, and electricity exports, in particular, will remain strong, thanks to the Point Lepreau nuclear power plant, which is operating at close to full capacity. Other economic strengths include greater demand for forestry products and increased zinc production.

The province's Progressive Conservative government is also working to keep its spending in line. Its most recent budget includes more than \$230 million in spending-reduction initiatives designed to offset inflationary pressures and keep departmental spending virtually flat.

Canada's smallest province is also poised for moderate growth in

the next few years, according to RBC Economics. P.E.I.'s real GDP is forecast to rise slightly to 1.4 per cent in 2014, up from 1.2 per cent last year.

One bright light is found in the Comprehensive Economic and Trade Agreement between Canada and the EU.

"In 2012, merchandise trade flows to the European Union from P.E.I. represented eight per cent of the province's exports, with aerospace and lobsters making up the bulk of goods shipped to that market. The proposed tariff changes and subsequent widening of trade channels could have positive demand implications for the island's goods export prospects," economist Laura Cooper said in her most recent provincial report.

"There is a sense of cautious

optimism in the province," Fitzpatrick said.

Accountants in the province are doing reasonably well, in particular, helping businesses adjust to recent economic downturns, he noted. "Clients often require a little extra attention. They are looking at restructuring when times are not rosy."

On the personal side, individuals are adjusting to the aftermath of the economic downturn. "There has been a reality check with respect to pension income," said Fitzpatrick.

Growth for the P.E.I. accounting firm has been steady, he added. It is not alone; many firms elsewhere in the region are riding an upward wave of business. Late last year, for example, BDO Canada merged with two firms in Nova Scotia,

McCuaig & Company, an insolvency boutique in Halifax, and Raymond Yuill Chartered Accountants, an accounting, tax and advisory firm with offices in Bedford, Bridgewater and Liverpool. BDO's expanded team in Atlantic Canada now comprises more than 150 professionals with offices in 15 locations across the region.

Newfoundland and Labrador, however, is the province with the most marked change for businesses and their accountants, said Belanger.

"By and large, profitable companies are far more prevalent than was the case 10 years ago. After the cod moratorium, which was 20 years ago, I never thought we would ever recover financially; it was a very demoralizing time. I stopped



**Belanger**

going to pick up morning coffee on my way to work because of the vacant and shuttered businesses. That is no longer the case; there is a Starbucks on every corner, fine European pastries in abundance, and wines in our outlets for in excess of \$4,000. We are flourishing."

## BDO shifts focus to global growth

Continued from page 16

changed, MNP has had to change with it.

Global commerce, increased business complexity, more far-reaching regulation, new and better IT solutions, and the recent global financial crisis have all had an impact on how accountants interact with their clients and build service areas that are ahead of the change curve.

"The world has changed, Canada has changed and our clients simply need so much more from us than they ever have before," says Ritchie, adding that many MNP clients have also been eyeing and entering foreign markets. "They need international strategies and international representation, so international affiliate Praxity is an important part of our strategy for serving those clients."

Building the MNP brand was another key aspect of the long-term expansion. Randy Mowat, MNP's senior vice-president, marketing, says that, "like our founders, leaders and partners, the MNP brand promises and has a feeling of contemporary competence, friendly approachability and is comfortable and proud of its persona. The MNP brand is present and as relevant on Bay Street as in Brandon. As the firm has evolved, so too has our brand. However, at the core, and what has remained consistent, is our focus on understanding the client's needs and the way we communicate with them. Our brand embodies our collaborative approach in the way we work with our clients and not simply for them."

But it's the global perspective that matters most to BDO. "We have a strategic plan and it is going well. We are focusing on our international business a lot. There is a study just out that shows that BDO U.S. picked up the most new SEC filers in 2013 than any other firm, even the Big 4. Our U.S. firm is on fire and we're just starting to see the effects of that in Canada." The Chinese market is also really taking off for BDO, Farlinger adds. "We have a great firm in China, the largest firm by far outside the Big 4."

So, Farlinger doesn't care about BDO losing its No. 6 spot in the *Top 30*. "It is what it is — we are focused on our strategic plan."

As a result, MNP grew 13.3 per cent in the 2013 fiscal year.

Farlinger says the BDO brand is also gaining steam. Last year, the firm launched a North American advertising campaign — "People who know, know BDO." A recently commissioned independent survey found the campaign "doubled our name recognition over the last year. The North American market is becoming very big for us."

He's also "quite happy with where we are in Canada. We have had good growth in recent years and we did a couple of nice mergers in 2013 that really add value to our business." One was with Ottawa-based Interis Consulting Inc. "It's an advisory firm that does a lot of government work. It's a great merger for us because, even though we work for the federal government, this now enables us to work for provincial and municipal governments. There are great advisory opportunities there."

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