



INTERNATIONAL **Accounting** BULLETIN

MANY BRIDGES TO CROSS



RECRUITMENT, TECHNOLOGY AND BREXIT CHALLENGES IN GERMANY

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Regulatory and tax law challenges for accounting firms in France

PEOPLE

LEA Global's Erica Ishida and Michael Newton on the importance of succession

RANKINGS

Key accounting fee and staff figures for Germany, France and the Netherlands

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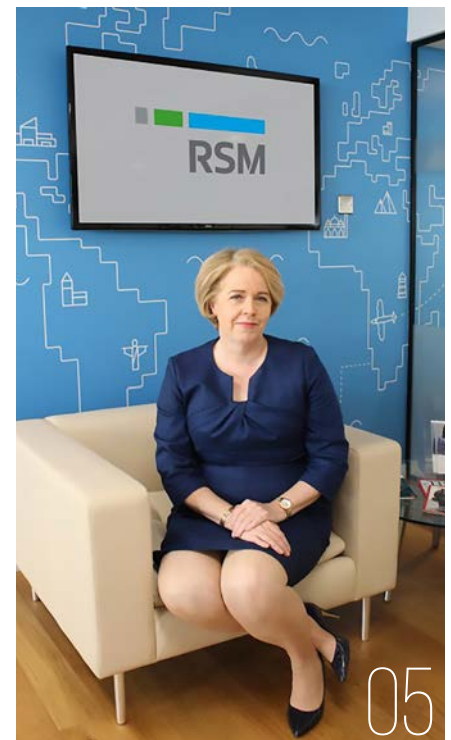
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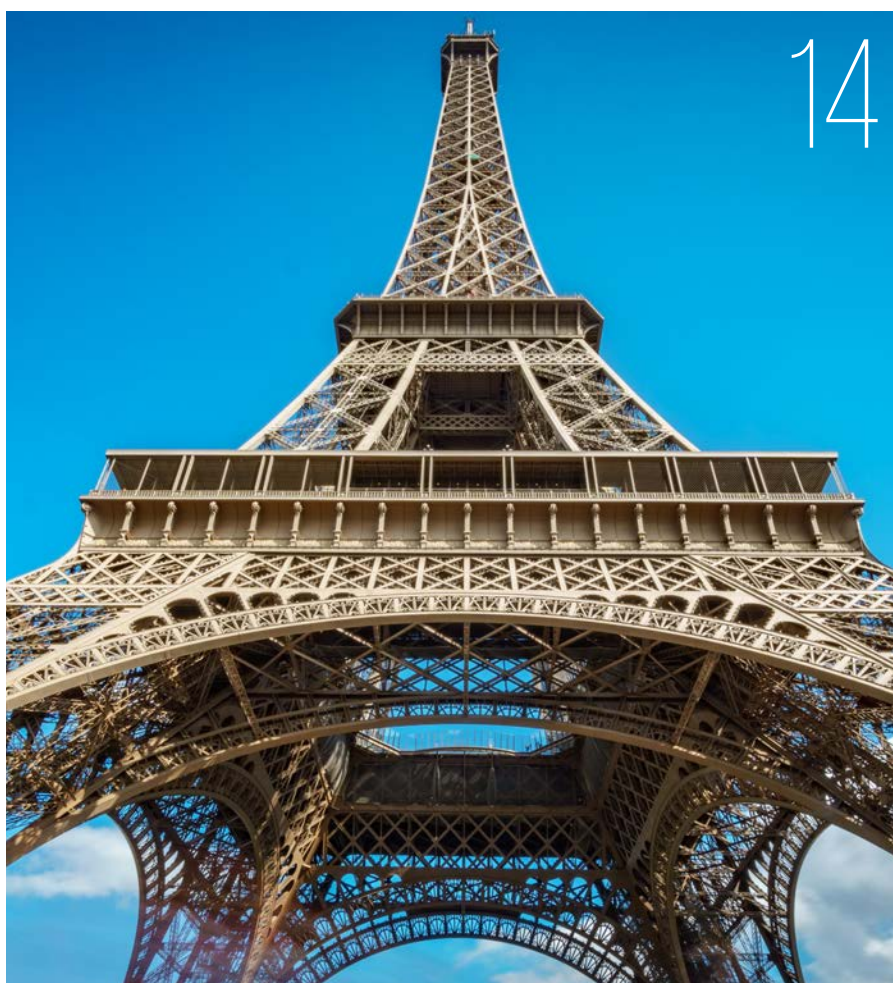
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NOVEMBER 2018



COUNTRY SURVEY

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Economic growth and low unemployment have presented recruitment challenges for Germany's highly developed accounting market. The profession looks set to benefit from Brexit, however. *Joe Pickard* reports

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EDITOR'S LETTER

TECH INVASION



Jonathan Minter, Editor

FOR THOSE WHO ATTENDED OUR CONFERENCE LAST MONTH, ONE POINT SHOULD HAVE BEEN MADE OVERWHELMINGLY CLEAR: THERE IS A LOT OF NEW TECHNOLOGY COMING INTO THE INDUSTRY.

From what I hear, this is rapidly changing the profile of your typical accountant, who is increasingly relying on their computer skills alongside the more traditional accounting skills. This brings up one of the passages from the day that really caught my attention: how do you make accounting appealing to young people?

There is a lot of power in this. Looking at companies like Google and Apple, these types of company are known to often get the pick of the litter when it comes to computer scientists. Everyone wants to work for them; there is a definite allure about working for one of these 'cool' tech companies in comparison to accounting firms.

But it is also fairly common knowledge that these tech companies expect staff to work incredibly long hours (never trust an office with bedrooms), often have much worse job security (there are anecdotes of Steve Jobs firing people in the lift to the car park), and have only recently made any real progress in gender and racial diversity. We talk about the fact that there are so few women heading up networks

and associations, but in many respects the gender balance at most accounting firms is something most tech firms still dream of.

And yet these companies continue to push their way to the front of the queue for candidates. Working for them sounds exciting: they have reputations for being at the cutting edge of the products that people use every day, they are younger companies – in general – and, in some cases, have 'campuses' as opposed to offices.

Accountancy is still an attractive profession. It is associated with job security, more reasonable hours of work – outside the Big Four, that is – and the potential for relatively rapid career progression. It also comes with internationally recognised qualifications, which is nice.

But the battle for talent now means firms are no longer just competing with each other for the best accounting people.

Now the field has been opened up to include these tech companies, the battle is on to make accounting seem exciting.

Firms are using a lot of technology, so it should not be too big a leap, after all. ■

GET IN TOUCH WITH THE EDITOR AT: JONATHAN.MINTER@VERDICT.CO.UK

NEWS UPDATE

RSM hires global leader for quality and risk

RSM International has appointed Marion Hannon as global leader for quality and risk.

With over two decades of experience gained from senior roles at PwC, Hannon will replace Bob Dohrer. She will be based at RSM's global executive office in London, and will lead the technical team focusing on quality assurance, risk containment, ethics and independence for the network, including the provision of audit and assurance services.

Additional responsibilities for Hannon will involve overseeing all aspects of the global network's policies, procedures, tools and processes aimed at maintaining services by member firms.

At her previous role at PwC, Hannon led the adoption of new audit methodologies in Hong Kong, overhauled risk-management processes in London, and built teams with improved skills to embed lasting quality improvements.

Hannon said: "The global network is committed to the provision of the highest-quality audit services around the world, and has already got in place robust policies and

procedures to achieve this. I am looking forward to working with the technical team and building upon what Bob achieved during his time at RSM."

She continued: "More than ever before, audit is under the microscope. Regulators are calling for improvements in quality while technology is transforming the amount and speed of data available to auditors. I am excited to work with RSM's member firms around the network to be at the forefront of these changes."

RSM International CEO Jean Stephens commented: "Quite rightly, our clients expect the highest-quality audit and assurance services, and this has always been the foundation of our network. As we grow our services, our global footprint and our client base, we must ensure that we do not lose sight of this essential pillar of our network. I am delighted to have an expert of Marion's calibre joining our team and leading our vision in this area.

"With our clients and member firms in mind, it is critical that RSM continues



Marion Hannon, RSM International

to contribute at the highest level with developments in our profession and help to steer the future path of our industry. With Marion's passion and vision, I have every confidence we can do just that." ■

GRANT THORNTON UK CEO TO STAND DOWN



Sacha Romanovitch, CEO of Grant Thornton (GT) UK, is to stand down as CEO. A successor will be elected by the end of the year.

Romanovitch's leadership has recently come into question after her internal appraisal was leaked to a number of UK national papers. According to the leak, Romanovitch had been accused of leading a "socialist agenda".

Romanovitch first took over GT UK in June 2015, following her election at the end of 2014. She had been due to stand for a second term in the coming weeks, but

this process will now no longer take place.

The outgoing CEO said: "It has been a privilege and an honour to lead this firm. I am proud of what we have achieved in the market, with our people and with our clients, breaking the mould in so many ways. We have attracted so many talented people and great clients to our firm due to our purpose and what we stand for.

"As we enter the next phase of our plans, following discussions with Grant Thornton's Board, we have agreed that the time is right for a new CEO to take the firm forward. I will be working to support a smooth

transition to our next CEO, focusing on continuing to deliver sustainable value for our clients through our diverse and talented team."

Ed Warner, chair of the partnership oversight board at GT UK, said: "In Sacha's four years leading Grant Thornton, her focus has enabled the firm to establish a distinctive position in the market. She has been an inspiring CEO, attracting great people to our firm and what we stand for. Crucially, Sacha has established a platform which will drive sustainable and profitable growth.

"Following discussions with Sacha, the board has agreed that a new CEO is the logical next step to create long-term sustainable profits for the firm. We are grateful for the innovative and inspiring work Sacha has done, and will work with her to support the newly elected CEO and ensure a smooth transition." ■

RUIHUA LEAVES RSM TO BECOME EXCLUSIVE CROWE MEMBER

Ruihua CPAs, the Chinese joint member of RSM and Crowe has become the exclusive member of Crowe, leaving RSM without a mainland Chinese firm.

Ruihua was the result of a merger between RSM China and Crowe Horwath China in 2013. At the time, it had 344 partners, 2,600 staff and annual revenues of about CNY2.8bn (then worth \$475m).

In a highly unusual turn of events, the firm requested, and was granted, joint membership of both RSM and Crowe.

At the start of 2015 Ruihua principle partner Yang Jiantao was appointed as co-chairman of the network, a position he continues to hold. Zhang Lianqi, management committee member of Ruihua CPAs and member of the National Committee of Chinese People's Political Consultative Conference (CPPCC), was elected to the Crowe Global board in 2017.

Following the move to become an exclusive member of Crowe, Crowe Global will establish a China Marketing Centre in Beijing. The Centre will work with global CEO, David Mellor, and Ruihua CPAs to establish greater opportunities for Crowe member firms to provide high quality assurance and advisory services to Chinese enterprises investing overseas.

Although it was one firm, it remained able to split its fees between RSM and Crowe for the purposes of the IAB country rankings. In the most recent IAB China survey Crowe were ranked 9th by fee revenue and RSM 14th. If all of RSM's

Chinese fees were combined with Crowe's, this would lift Crowe Global to 2nd in the table, behind PwC.

Jiantao said: "We thank our clients for their consistent trust and support of Ruihua. As a fresh start for both Ruihua and Crowe, we shall leverage our strengths and capabilities worldwide to better serve them and help them achieve sustainable and healthy development."

Mellor said: "I believe in the importance of China and Chinese businesses to the future of the global economy. The exclusive membership of Ruihua CPAs in the Crowe network is a great achievement which will provide lasting value to our members."

Speaking to IAB Mellor said: "I do not believe that having Ruihua join us 100% will change the strategic direction of this network but I would argue the strategic direction of this network was set with an understanding of the demand for what a firm like Ruihua would bring to the table. We're committed to cross border business and servicing the cross border business needs of our clients.

Mellor said the decision was made independently by Ruihua and that Crowe was not involved in their decision making process.

He did comment however that Crowe were aware that Ruihua wanted to make a choice between the two networks.

Mellor said that he has not lingered on the reason why Ruihua decided to choose Crowe, though he said: "What I would like

to think was part of their decision making process, but I do not know, I think we have always stressed the importance of china to our strategy. I think we have always made effort with the regulators and the Chinese Institute of Certified Public Accountants (CICPA) to demonstrate the importance of not just inbound business into China but outbound business from China.

"From a personal perspective I think if I was in China, how I service my clients' needs as they go abroad would probably be a factor that would make my decision if I was one of their partners. But I honestly don't know, I suspect it has not been an easy decision for them."

RSM said that it has been planning for this change and does not expect any disruption to client services.

RSM's global CEO Jean Stephens commented "China is an important region for internationally ambitious middle market businesses that RSM serves. We are in advanced discussions with a potential new member firm that will meet our clients' needs and share our global values.

"Our clients in the region will continue to receive the highest quality service, supported by an ongoing office in China and member firms in Hong Kong, Singapore and Taiwan.

We are excited about the ample opportunities the market presents and look forward to the next stage of our growth in China and the broader Asia Pacific region." ■

AUDIT WORKING CONDITIONS COMPLAINTS GO VIRAL

The health implications of the long hours worked by audit staff have been questioned after the deaths of a number of auditors in recent weeks gained international attention.

An employee at KPMG in Malaysia died in an accident on the way home from work. According to posts that have gone viral on Facebook, audit working culture was a serious contributory factor.

Aquanic EcoVenture founder and a close friend of the deceased, Adam Chan, claimed on Facebook that the death was a result of being overworked as an auditor.

Chan told *the IAB*: "People who newly join into the company will start from fresh, no matter what qualifications that they are holding. I am also referring to people

without any work experience, so they are exploited in a way that the norm is them working under control."

Chan is now raising awareness of the issue through social media, and believes the cause of his friend's death is a culture within audit in which no one feels able to leave the office before work is completed, or before senior management leave.

He claims his friend was the "newbie", and was, as a result, exposed to a toxic working environment where employees are scared to express their thoughts or opinions, and comply with anything that managers demand.

Other stories have since emerged about workers who have suffered stress-related breakdowns. Some have spoken out openly

to share their experiences of long office hours, physical health problems and the demise of their mental health.

An example is Hoo Xinyi, who gained an internship with a Big Four firm in Malaysia, and used social media to share her experience of audit culture. #

In her post, she said: "I remember asking my manager if I could leave work early because I had to attend my friend's father's wake, but my manager told me to finish my work first."

She added: "I remember getting gastritis from eating at irregular times. That three months of internship was the reason why I have never stepped into the auditing field since, and never want to work for any corporate any more." ■

Former KPMG executive director guilty of fraud



Former KPMG executive director Cynthia Holder has pleaded guilty to fraud in relation to a scheme to steal confidential information from the Public Company Accounting Oversight Board (PCAOB) to improve KPMG's PCAOB inspection results.

Holder was previously the PCAOB's inspection leader before joining KPMG.

KPMG has fared poorly in recent PCAOB inspections, receiving roughly twice as many comments as competitor firms in 2014. In 2015, the firm made efforts to improve its performance, including hiring PCAOB personnel such as Holder and co-conspirator Brian Sweet.

Holder, with other KPMG employees David Middendorf, David Britt and Thomas Whittle, worked to acquire confidential

PCAOB information on which KPMG audits would be inspected, in an effort to improve inspection results.

After Sweet joined KPMG, but while Holder was still employed by the PCAOB, Holder passed on confidential PCAOB information about pending inspections to Sweet.

Holder was seeking employment at KPMG at the time, and while doing so, continued to work on KPMG inspections at the PCAOB, in violation of PCAOB rules. On securing employment at KPMG, Holder stole valuable information before leaving the PCAOB, which she passed on to Sweet, her new manager at KPMG.

On acquiring the 2016 inspection selections, Sweet, Middendorf, Whittle and

Britt launched a programme to 're-review' the audits that had been selected.

PCAOB employee Jeffrey Wada initially sourced the information and passed it on to Holder, who in turn passed it on to Sweet. Wada then provided the 2017 selection to Holder, and also sent her his resume in an effort to gain employment at KPMG.

In 2017, a KPMG partner who received early notice that their engagement was on the confidential 2017 inspection list reported the matter. KPMG's office of general counsel then launched an internal investigation. Holder and Sweet subsequently took measures to destroy or fabricate evidence relevant to the investigation.

Holder pleaded guilty on 16 October 2018 to one count of conspiracy to defraud the US, one count of conspiracy to commit wire fraud, and two counts of wire fraud. She is due to be sentenced on 5 April 2019.

Manhattan US attorney Geoffrey Berman said: "Holder undermined the work of the SEC and the PCAOB by stealing confidential inspection information from her former employer, the PCAOB, and helping insiders at her new employer, KPMG, to cheat the regulatory system put in place to protect the investing public. This was a revolving door tainted by fraud, and today we hold the defendant accountable for her conduct."

Two weeks after Holder pleaded guilty, Whittle changed his plea to guilty. He is due to be sentenced on 13 September 2019, and could face a total of 85 years in prison. ■

SEC SUSPENDS FORMER BDO ACCOUNTANTS

The Securities and Exchange Commission (SEC) has suspended three former BDO US accountants for "predating" audit work papers.

The SEC found that BDO had fallen behind schedule while conducting its 2013 integrated audit of insurance company AmTrust Financial Services, and failed to complete procedures before the deadline to file its annual report with the SEC.

BDO senior audit engagement manager Lev Nagdimov was found to have instructed the audit team to sign off on all work papers and audit programmes, regardless of whether the work was finished. Following this, Nagdimov instructed the team to load and sign blank or placeholder work papers in BDO's electronic files, which led to the

team predating the audit documentation.

After AmTrust filed its 2013 annual report, the audit team completed the work papers by overwriting the documentation in the placeholder work papers. The SEC discovered the predating following a request to see earlier versions of the work papers from the period when they were predated, and then comparing them to the backdated work.

The SEC found that had BDO engagement partner Richard Bertuglia and engagement quality-review partner John Green exercised due professional care, they would have identified the audit deficiencies before releasing the audit report, which provided "unqualified opinions on AmTrust's 2013 financial statements and

internal control over financial reporting".

Nagdimov, Bertuglia and Green neither admitted nor denied the SEC's findings, but agreed to be suspended from appearing before the SEC as accountants. The SEC's order allows Nagdimov to apply for reinstatement after five years, Bertuglia after three years and Green after one year.

Director of SEC's Fort Worth regional office, Shamoil Shipchandler, said: "Auditors are entrusted with significant responsibility when auditing public companies.

"Public accountants who manipulate their files to conceal audit deficiencies represent a serious breach of those professional obligations, and the commission will impose suspensions to protect investors." ■

GERMANY: RECRUITMENT, TECHNOLOGY AND THE BREXIT EFFECT



Economic growth and low unemployment have presented recruitment challenges for the Germany's highly developed accounting market. The profession looks set to benefit from Brexit, however. *Joe Pickard* reports

Since the global economic crisis hit in 2008, Germany has enjoyed long periods of relative economic stability, with healthy GDP growth and low unemployment regularly reported.

Opportunities are widespread and, despite uncertainty around the wider effects of Brexit, German accountants remain optimistic that as the UK departs the EU, consultancy service lines will grow to meet client demands.

A number of global businesses, which have previously been headquartered in the UK, have decided to move, or are contemplating moving their operations to other European financial hubs, such as Paris and, of course, Frankfurt. This will create opportunities for German firms in both the short and long term; to provide these services, however, firms will need the support of well-qualified staff. Increasing the number of staff required may prove to be a more of a challenge, as a result of the tight labour market

RECRUITMENT

One of the greatest challenges facing German practices is the difficulty of attracting quality staff, with the tight labour market making it difficult for some firms to remain appealing to

the younger generation of graduates.

Ralf Zeiss, a partner at Inpact member firm uniTreu, says: "It is very hard to find employees. The salaries and the competition with companies from other sectors which are looking for professional staff with tax and accounting knowledge are increasing."

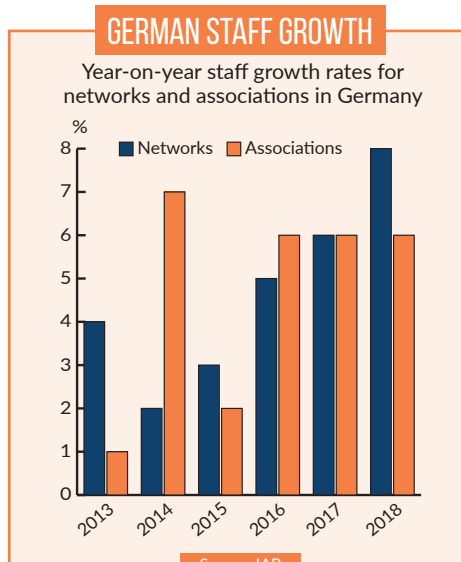
Crowe Germany's international liaison partner, Stefan Prechtel, echoes this: "For Germany it is a big issue, because the number

of students which intend to become CPA tax advisors is getting less and less. The professional organisations are trying to make the profession more interesting for young people and students, to make the office more attractive."

Prechtel suggests that one reason for the lack of graduates entering the profession is the number of exams needed to become qualified. Businesses are looking to combat this, however; Prechtel explains: "The organisations of the profession are working to make it more attractive, to simplify the qualifications, to simplify the exams. This is an ongoing process we are working on. This should make the profession more attractive to younger people."

As an example, one of the intended regulations will see the introduction of a modularisation of the CPA exam, so tests can be taken over a set period rather than in a single block.

As well as working on long-term solutions, firms are using a variety of recruitment methods. Markus Emmrich, partner at Nexia International member firm Ebner Stolz, says his firm has launched a social media campaign in an attempt to increase awareness of both the Ebner Stolz and Nexia brands, and reach a younger audience in the process.



Prechtl says Crowe is mainly using headhunters to find suitable staff, especially for higher-qualified people, while Zeiss says uniTreu is primarily trying to find staff through online platforms.

Despite the current issues surrounding recruitment, overall staff numbers for networks and associations have grown steadily over the last couple of years. This year's *IAB* Germany tables show that networks and associations have grown their staff year on year by 8% and 6% respectively.

Similarly, *the IAB's* Germany 2017 tables showed that both networks and associations grew by 6% year on year; in 2016, networks and associations grew their staff by 5% and 6% respectively.

TECHNOLOGY

Alongside recruitment, technology is also regarded by some firms as one of the biggest challenges. However, while it is likely to be a challenge, firms *the IAB* speaks to see it equally as an opportunity.

One benefit of being a part of a global network is that it allows more investment into technology to be pooled between the different members. It can then be rolled out to individual member firms, which will not suffer the financial burden.

Emmrich says: "A lot of technology is transferable between our different member firms, so it is good to be part of a large network which can invest in technology which can then be shared between members.

"While this works well for certain service lines such as audit, it can be more difficult to share technology with members in different jurisdictions when it comes to tax. Because each country has a different tax system, it is partly impossible to use a universal system."

This issue is compounded for firms, as one of the main current recruitment challenges is for quality staff to work within tax service lines. While technology is set to change the role of auditors through more automated processes, the difficulty of rolling out technology in different jurisdictions to provide tax services means it will potentially require a larger human workforce in the near future, which cannot be replaced or supplemented by AI or other automated technologies.

Prechtl says: "The biggest opportunities and challenges are digitisation and AI; these are both challenges and opportunities. Looking at the size of the firms, especially in the accounting and advisory area, I think it will not be a big issue for the Big Four or for



Stefan Prechtl, Crowe Germany

the larger firms; for the smaller and mid-size firms, this will be a challenge, of course."

He notes that while the challenge will be, in some respects, the amount of investment needed, it will also involve keeping up with the pace of developments in new technology.

BREXIT

While lack of clarity about the outcome of Brexit is a major challenge for UK firms and businesses, German firms see the uncertainty as an opportunity, both in the long and medium terms.

Zeiss explains: "There is a short-term increase in consulting requests about the consequences of Brexit. In the mid-term, we expect the relocation of companies and employees to Germany, especially in the banking sector in our area. From the relocation, we expect an increase in tax consulting services."

Prechtl comments: "For German firms in the accounting, tech or advisory sectors, I think it is more of an opportunity.

"It is just an estimate, but there might be more headquarters moving from the UK to Germany. There will be more advisory services requested by clients regarding tech services, VAT and custom queries, and more legal services because you have to check all the contracts between the firms, so I think there will be more opportunities than challenges."

The uncertainty will also allow for consultancy service lines to grow, with some businesses being largely underprepared for the possible outcomes of Brexit.

Despite the uncertainty, however, some firms are working to prepare as best they can. Prechtl explains: "The problem is the political situation: even the politicians do not know what will really happen next year. How can you react to an absolutely unknown situation? I think this is the main problem.

"The firms which are reacting right now, they are more ahead of the political situation, they say: 'I don't care about the political situation,' they are preparing to move headquarters and renew relationships."

Prechtl says Crowe will be relatively undisturbed by the effects of Brexit, as the network began preparing its clients shortly after the referendum vote in June 2016.

LOOKING FORWARD

From the people *the IAB* speaks to, the prevailing worry seems to be the difficulty in recruiting the right staff, especially in service lines such as tax. It was also noted that technology is set to be one of the largest disruptors in the near future.

However, the development and introduction of new technology also seems to be a huge opportunity for accountancy firms. What is more, if the technology can be utilised properly, it could even solve some of the issues surrounding recruitment.

Many people in the industry have expressed the opinion that technology is not going to entirely replace job roles, but change them. This could help the recruitment situation in numerous ways: firstly, some tax jobs may be transformed so more processes are automated. This will mean traditional tax roles will change, and firms will, therefore, have less of a struggle to attract potential employees to what is perhaps seen by a younger generation as an old-fashioned career path.

Secondly, if technology does change the types of role needed, it will also likely change the types of employee needed to perform them. This may mean that firms can start to look outside the traditional recruitment pipelines, and the jobs may become more appealing to different types of candidate.

Across the board, it is not just accountancy firms that are struggling with the effects of Germany's tight labour market.

However, the profession is fortunate in that it can provide a clear career path, with the added benefit that accounting is changing in many exciting ways due to the way that technology is – and will be – used within the profession, and also the opportunities that will come from Brexit. ■



GERMANY

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (EURm)	Fee income last year (EURm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	PwC*	1,929.3	1,778.0	9%	n.d.	n.d.	n.d.	n.d.	n.d.	Jun-17
	2	EY* (1)	1,775.3	1,529.4	16%	39	-	-	-	61	Jun-17
	3	KPMG*	1,577.0	1,520.0	4%	n.d.	n.d.	n.d.	n.d.	n.d.	Sep-17
	4	Deloitte*	963.0	813.8	18%	n.d.	n.d.	n.d.	n.d.	n.d.	May-18
	5	Nexia International*	266.8	248.1	8%	20	15	38	14	13	Jun-17
	6	BDO*	230.2	214.9	7%	42	8	38	8	5	Jun-17
	7	HLB International* (1)	183.0	193.6	-5%	39	-	39	-	22	Dec-17
	8	ECOVIS International*	154.2	152.2	1%	17	31	35	16	1	Dec-17
	9	Moore Stephens Int'l* (e)	148.9	137.9	8%	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
	10	Baker Tilly International* (2)	147.5	139.8	6%	38	5	23	18	16	Dec-17
	11	PKF International*	137.7	128.7	7%	27	26	27	15	5	Jun-18
	12	Mazars*	130.2	113.6	15%	40	7	40	7	6	Aug-17
	13	Crowe*	128.1	122.4	5%	22	16	32	16	14	Dec-17
	14	RSM*	108.0	103.3	5%	32	17	30	15	6	Dec-17
	15	Grant Thornton* (1)	96.5	87.9	10%	41	-	28	28	3	Sep-17
	16	Kreston International*	55.8	54.8	2%	35	5	40	1	19	Oct-17
	17	MGI Worldwide*	42.8	39.5	8%	29	23	23	14	10	Jun-17
	18	Russell Bedford International*	40.0	36.0	11%	28	24	30	9	9	Dec-17
	19	Auren*	20.3	20.0	2%	15	60	15	10	-	Dec-17
	20	Reanda International*	11.6	9.8	18%	6	24	34	4	32	Dec-17
Total revenue / growth			8,146.2	7,443.6	9%						
ASSOCIATIONS	1	Praxity*	218.2	199.1	10%	38	9	39	10	4	n.ap
	2	PrimeGlobal* (1)	102.8	96.9	6%	40	-	37	11	12	May-18
	3	AGN International*	91.8	88.8	3%	15	11	12	10	52	Dec-17
	4	Morison KSi* (3)	69.2	n.ap	n.ap	20	27	35	11	7	Dec-16
	5	BKR International*	53.5	44.5	20%	n.d.	n.d.	n.d.	n.d.	n.d.	n.ap
	6	MSI Global Alliance* (e)	47.1	44.4	6%	n.d.	n.d.	n.d.	n.d.	n.d.	n.d.
	7	Antea*	43.0	42.3	2%	22	40	14	23	1	Dec-17
	8	GMN International*	29.0	26.0	12%	40	5	34	21	-	Sep-17
	9	INPACT* (4)	22.4	11.4	96%	13	29	45	12	2	Dec-17
	10	Integra International*	18.3	17.6	4%	40	25	25	10	-	Dec-17
	11	Allinial Global*	16.2	14.8	9%	10	28	30	18	14	Dec-17
	12	IAPA* (5)	9.4	30.4	-69%	16	15	36	19	14	Dec-17
	13	CPA Associates International*	6.7	6.3	6%	8	20	31	41	-	Dec-17
	14	Abacus Worldwide*	3.6	3.8	-5%	25	27	12	7	29	Dec-17
	15	EuraAudit International*	2.9	2.7	6%	36	-	46	17	1	Dec-17
Total revenue / growth			734.0	629.0	6%						

Notes: (e) IAB estimate, n.d = not disclosed, n.c = not collected, n.ap = not applicable, n.av = not available. (1) Accounting services are included in audit and assurance, (2) Bakery Tilly International has restated its fee income figures as there were errors in its submission for last year, (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) Added a new member firm, (5) Lost a member firm.

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Source: International Accounting Bulletin

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
NETWORKS								
1	PwC* (e)	11,477	10,627	8%	n.d	n.d	n.d	n.d
2	Deloitte*	6,927	6,131	13%	n.d	n.d	n.d	n.d
3	Nexia International*	2,231	2,042	9%	218	1,586	427	41
4	BDO*	1,705	1,690	1%	132	1,191	382	26
5	Moore Stephens Int'l* (e)	1,712	1,585	8%	n.d	n.d	n.d	n.d
6	HLB International*	1,660	1,545	7%	200	1,168	292	35
7	ECOVIS International*	1,658	1,643	1%	198	1,336	124	100
8	PKF International*	1,365	1,235	11%	79	1,031	255	26
9	Mazars*	1,208	1,053	15%	74	898	236	12
10	Baker Tilly International*	1,171	1,152	2%	121	747	303	12
11	Crowe*	1,097	1,042	5%	92	807	198	11
12	RSM*	1,056	1,003	5%	96	820	140	23
13	Grant Thornton*	885	853	4%	102	718	65	12
14	Kreston International*	478	443	8%	40	318	120	14
15	Russell Bedford International*	459	444	3%	33	357	69	29
16	MGI Worldwide*	451	458	-2%	55	396	-	20
17	Auren*	254	235	8%	28	200	26	9
18	Reanda International*	159	160	-1%	6	139	14	16
-	EY*	n.d	n.d	n.d	n.d	n.d	n.d	n.d
-	KPMG*	n.d	n.d	n.d	n.d	n.d	n.d	n.d
Totals staff / growth		35,953	33,341	8%	1,474	11,712	2,651	386
ASSOCIATIONS								
1	Praxity*	2,031	1,854	10%	171	1,514	346	48
2	PrimeGlobal*	1,208	1,112	9%	138	814	256	57
3	AGN International*	1,030	976	6%	123	611	296	32
4	MSI Global Alliance* (e)	591	558	6%	n.d	n.d	n.d	n.d
5	Antea*	527	506	4%	52	420	55	23
6	BKR International*	465	452	3%	52	350	63	11
7	GMN International*	444	431	3%	42	307	95	15
8	INPACT*	285	149	91%	31	230	24	18
9	Integra International*	224	199	13%	19	136	69	8
10	Allinial Global*	172	157	10%	13	142	17	8
11	IAPA*	126	325	-61%	15	85	26	7
12	CPA Associates International*	83	73	14%	9	64	10	2
13	Abacus Worldwide*	64	53	21%	5	26	33	4
14	EuraAudit International*	28	30	-7%	7	16	5	3
15	Morison KSi* (1)	n.av	736	n.av	n.av	n.av	n.av	n.av
Total staff / growth		7,278	7,611	6%	677	4,715	1,295	236

Notes: (e) IAB 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 submitted estimates. FY15 figures are not available as Morison KSi is born out of the merger of Morison International and KS International in 2016.

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Source: International Accounting Bulletin



GERMANY

TOP FIRMS: FEE AND STAFF DATA

Rank	Network/Association	Firm	Fee income (EURm)	Fee income last year (EURm)	Growth (%)	Total staff	Total partners
1	PwC* (1)	PwC Germany	1,929.3	1,778.0	9%	11,477	n.d
2	EY*	EY Germany	1,775.3	1,529.4	16%	n.d	n.d
3	KPMG*	KPMG Germany	1,577.0	1,520.0	4%	n.d	n.d
4	Deloitte*	Deloitte Deutschland	963.0	813.8	18%	6,927	n.d
5	BDO*	BDO AG Wirtschaftsprüfungsgesellschaft	230.2	214.9	7%	1,705	132
6	Nexia International*	Ebner Stoltz	188.8	178.2	6%	1,309	135
7	ECOVIS International*	ECOVIS	154.2	152.2	1%	1,658	198
8	Baker Tilly International*	Baker Tilly Germany	147.5	139.8	6%	1,171	121
9	Praxity*	Mazars Germany	130.2	113.6	15%	1,208	74
10	RSM*	RSM Germany	108.0	103.3	5%	1,056	96
11	Grant Thornton*	Warth & Klein Grant Thornton AG	96.5	87.9	10%	885	102
12	PKF International*	PKF Fasselt Schläge Partnerschaft	68.8	66.9	3%	633	36
13	Nexia International*	DHPG	47.9	45.0	7%	537	41
14	Crowe*	Möhrle Happ Luther	37.8	35.2	8%	309	34
15	Praxity*	Falk GmbH & Co KG	35.0	33.2	5%	355	37
16	Kreston International*	Kreston Bansbach	33.5	32.7	2%	266	20
17	Praxity*	Fides	27.5	27.5	0%	301	33
18	Antea*	Auren	20.3	19.8	2%	254	28
19	PrimeGlobal*	KSB Intax Treuhand GmbH	18.4	18.4	0%	105	18
20	Praxity*	Flick Gocke Schaumburg GmbH	16.0	15.5	3%	85	15
21	PKF International*	PKF Industrie- und Verkehrstreuhand GmbH	15.6	14.2	10%	125	10
22	Morison KSi*	Ehler Ermer & Partner	15.2	n.ap	n.ap	195	21
23	PKF International*	PKF WMS Bruns-Coppenrath & Partner mbB	15.0	13.1	15%	183	8
24	PKF International*	PKF Wulf & Partner	14.1	11.0	28%	195	-
25	PKF International*	PKF Osnabrück WMS Treuhand GmbH Wirtschaftsprüfungsgesellschaft	14.1	11.8	19%	195	8

Notes: (e) = IAB estimate, n.d = not disclosed, n.c = not collected, n.ap = not applicable, n.av = not available. (1) Staff figure is estimated.

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Source: International Accounting Bulletin



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FRANCE: DIGITAL RESPONSES TO NEW CHALLENGES

Regulatory and tax law changes have created a challenging environment for accounting firms in France, emphasising the need for the profession to embrace digitisation and changing work practices. *Paul Golden* reports

French economic growth may be expected to slow this year compared to 2017, but GDP is still predicted to expand by 1.8% on the back of robust investment.

The French government has initiated a reform strategy that includes changes to the tax system, a move welcomed by the IMF.

Grant Thornton's *International Business Report* for the first quarter of 2018 noted that business confidence was at an all-time high in France as the so-called 'Macron effect' rubbed off on French business leaders. However, increased political uncertainty across Europe quickly dented that optimism, with the report for the period April-June finding that only half as many French businesses were confident as in the previous quarter.

The most significant development affecting the French accounting market over the last 12 months has been the progression of the Business Transformation and Growth Action Plan, which was passed in the national assembly in October and progresses to the senate in January 2019. The plan proposes to raise the audit requirement thresholds for statutory accounts in line with European standards.

According to the government, the average cost of an audit for companies in France below the European threshold is €5,500 (\$6,250). The change would mean that only companies fulfilling two of the following three conditions would be legally required to have their accounts audited:

- A balance sheet greater than €4m
- Turnover (excluding taxes) of €8m
- A workforce greater than 50 employees

According to Frédéric Lafay, president of BKR International member firm Exponens, the Business Transformation and Growth Action Plan will have a significant impact on accounting and audit firms in France, as it represents a potential loss of 175,000 audit engagements, or 70% of the current total number of audit engagements in the country.

"Consequently, it brings into question the viability of some smaller audit firms, and certainly the attractiveness of our profession, since there is a probable risk of redundancy of professional auditors and an inevitable concentration in the sector," he says.

GOVERNMENT MISSION

The French government has committed to establishing a mission on the future of the audit profession to identify new areas of development, although the details of what this would entail are yet to be revealed.

However, Lafay observes that the Business Transformation and Growth Action Plan also creates new opportunities for accountants in services they were not allowed to offer before – such as cash management on behalf of clients.

The future of accounting firms lies in consulting services, he says, adding: "We have a very loyal portfolio of clients who trust us and want to keep on working with us if we are able to offer them more than compliance accounting and audit."

Crowe France CEO Christophe Rocard agrees that over the next few years, many small and medium-sized audit firms will likely disappear, to be replaced by firms organised in such a way as to support large companies

and those that require specific technical services. He suggests that membership of an international network to support clients with investments and acquisitions of foreign companies will become an increasingly sought-after asset.

"Technological developments will increasingly become a factor of differentiation, and will result in auditors fulfilling their assignments differently," he notes. "Those assignments that are currently conducted on a one-off or ad hoc basis will evolve into ongoing and real-time assignments that call for improved responsiveness."

Bettina Cassegrain, partner at Cogep and technical director at HLB International, refers to the impact digitisation will have on the profession, suggesting that the basic compliance services that have formed a large part of the revenue stream for many firms will become obsolete within the next five years.

"Cheap, easy-to-use, off-the-shelf solutions are already available, and clients will no longer rely on the profession for their basic accounting needs," she says.

"We believe that being proactive is the only possible response to these challenges, and we have focused on high-value-add services to reinforce our brand image."

Rocard also mentions the importance of technological transformation, noting that the emergence of low-cost offerings, the lowering of the profession's audit-requirement threshold, and new tools for automating bookkeeping procedures are revolutionising the market.

"The use of technology will become a cornerstone of accounting assignments," he



Frédéric Lafay, Exponens

says. “Artificial intelligence and big data will permit firms to expand their consulting mission and provide predictive analytics to clients so as to enable them to better understand their own market. Customer relationships will thus remain a key element and an asset for differentiating between the various firms, as well as from other parties outside the profession.”

To do this, Rocard says firms must revisit their standard operating procedures and, in particular, their ways of working.

“The key issue of staff development must be addressed right now, if it has not already been addressed,” he adds. “In the future, new people must be recruited that are capable of adapting to and anticipating new technological developments.”

“The profession is becoming less attractive in contrast to the volume of business, and

must be rethought to allow new talent to join it. Writing up a firm’s internal training plan becomes a strategic element and a first order of business for the development of personnel committed to their firm and dedicated to their clients.”

In this context, the profession needs to be able to diversify and develop new business, for instance in collaboration with legal professions or IT specialists. That is the view of Jacqueline Wolfovski, BKR International chair and partner at Exponens, who says there are many examples of accounting practices absorbing legal and tax firms.

“We have also had to cope with regulations that have increased our workload and caused concern to our clients,” she continues. “These include the implementation of electronic accounting (which imposes a standard format of accounting ledgers for all companies paying tax in France and must be remitted on day one of a tax audit), the implementation of GDPR and the introduction of withholding tax on personal income from 1 January 2019, which is psychologically difficult to accept for many French citizens.”

PROCESS DIGITISATION

New operators and platforms are targeting the French accounting market for process digitisation, and firms must develop competitive offerings, says PKF Audit Conseil president Guy Castinel.

“The quality of the relationship is crucial for our members to continue their growth,” he adds. “We see important potential for growth in outsourced services – clients are focusing on their core business and many major companies are using outsourced and back-office services for accountancy, tax and HR services.”

The next challenge facing the profession in France is the opening up of the market with the end of some protectionist rules, says MGI Worldwide member firm FCN partner, Stéphane Loubieres. “Traditional businesses are not very confident as they have been suffering for a long time,” he adds. “Newer, more innovative businesses and startups are more confident. GDP seems to have risen in recent months, but it is not easy to feel it.”

Stephen Dale, tax advisor at law firm Hedeos, says clients are confident that the economic environment will improve over the next 12 months on the back of measures adopted by the government to help businesses. “The reduction in corporate taxation from 33% to 28%, reform to capital gains, social charges



Christophe Rocard, Crowe France

and wealth tax and other measures, such as labour reform, will enable French businesses to become more competitive,” he says.

“Other major reforms are in the pipeline in relation to pensions and on-the-job training, with the ultimate goal of accelerating the competitiveness of French companies.”

This final point is important, according to Pascal Ferron, vice-president of Allinial Global member firm Walter France, who refers to a challenging human market where growth will only take place if firms are able to recruit enough quality staff.

“We also have to take into account the depth of reforms that will be passed when the first two quarters of this year have shown weaker economic growth,” he concludes.

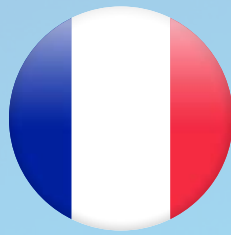
“Many clients are not expecting high growth for the final months of 2018 and the beginning of 2019.” ■



Bettina Cassegrain, Cogep



Guy Castinel, PKF Audit Conseil



FRANCE

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (EURm)	Fee income last year (EURm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	Deloitte*	1,275.0	1,195.0	7%	60	30	-	-	10	May-18
	2	EY*	1,084.0	1,018.0	6%	n.d	n.d	n.d	n.d	n.d	Jun-18
	3	KPMG*	981.1	947.3	4%	n.d	n.d	n.d	n.d	n.d	Sep-17
	4	PwC*	896	849*	6%	n.d	n.d	n.d	n.d	n.d	Jun-17
	5	Mazars*	359.5	329.6	9%	52	19	2	25	2	Aug-17
	6	Grant Thornton* (1)	170.4	165.4	3%	50	-	8	42	1	Sep-17
	7	Kreston International*	157.9	147.7	7%	30	50	10	5	5	Oct-17
	8	HLB International*	155.6	150.6	3%	39	22	19	11	9	Dec-17
	9	BDO*	127.6	113.0	13%	22	48	11	13	6	Sep-17
	10	Crowe*	122.5	107.6	14%	27	54	-	9	10	Dec-17
	11	RSM* (2)	103.0	81.0	27%	35	42	8	16	-	Jun-18
	12	Baker Tilly Int'l* (3)	96.6	122.8	-21%	7	59	-	21	13	Aug-17
	13	Nexia International*	83.1	79.1	5%	22*	40	28	5	6	Jun-17
	14	TGS Global*	76.9	75.9	1%	4	75	10	4	7	Sep-17
	15	MGI Worldwide*	43.1	41.1	5%	15	60	5	8	12	Jun-17
	16	Russell Bedford Int'l*	18.9	16.5	15%	25	65	1	2	7	Dec-17
	17	PKF International*	18.0	16.0	12%	69	20	8	2	1	Jun-18
	18	Moore Stephens Int'l* (e)	18.0	17.0	6%	n.d	n.d	n.d	n.d	n.d	n.d
	19	Ecovis International*	4.9	4.7	4%	15	31	32	8	14	Dec-17
Total revenue / growth			5,792.1	5,477.4	6%						
ASSOCIATIONS	1	Praxity*	368.6	338.8	9%	51	20	2	24	3	n.ap
	2	PrimeGlobal* (4)	218.0	349.1	-38%	62	-	12	13	13	May-18
	3	Allinial Global* (5)	163.8	9.4	1637%	17	45	23	10	5	Dec-17
	4	MSI Global Alliance* (e)	104.0	96.3	8%	n.d	n.d	n.d	n.d	n.d	n.d
	5	EuraAudit International* (1)	35.3	33.2	6%	87	-	-	5	8	Dec-17
	6	Morison KSI* (6)	21.2	n.ap	n.ap	35	46	11	3	5	Dec-16
	7	GMN International*	16.0	15.5	3%	15	55	10	14	6	Sep-17
	8	Integra International* (7)	8.2	6.6	24%	10	30	30	30	-	Dec-17
	9	INPACT*	5.7	5.2	8%	40	37	10	3	10	Dec-17
	10	Antea*	4.2	n.ap	n.ap	17	10	46	27	-	Dec-17
	11	Abacus Worldwide*	2.8	3.0	-7%	10	30	50	5	5	Dec-17
	12	CPA Associates Int'l*	2.8	2.8	0%	40	40	10	10	-	Aug-17
	13	IAPA* (e)	2.5	2.3	8%	n.d	n.d	n.d	n.d	n.d	n.d
Total revenue / growth			953.0	862.3	8%						

Notes: (e) = IAB estimate, n.d = not disclosed, n.c = not collected, n.ap = not applicable, n.av = not available. (1) Accounting services are included in audit and assurance, (2) Increase in fee income was attributed to organic growth, (3) A larger firm left and a smaller firm joined, (4) Lost member firms, (5) Added a new member firm, (6) 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, (7) A larger firm joined and a smaller firm left.

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Source: International Accounting Bulletin

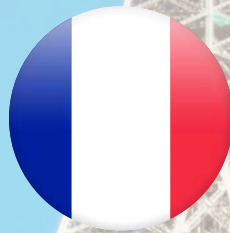
NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
NETWORKS								
1	Deloitte*(1)	11,900	11,300	5%	602	n.d	n.d	18
2	KPMG*	9,000	n.d	n.d	n.d	n.d	n.d	238
3	PwC*	6,400	n.d	n.d	n.d	n.d	n.d	24
4	EY*	6,000	n.d	n.d	n.d	n.d	n.d	18
5	Mazars*	3,249	2,900	12%	170	2,727	352	41
6	HLB International*	1,823	1,320	38%	125	1,529	169	99
7	Kreston International*	1,801	1,800	0%	144	1,525	132	99
8	Grant Thornton*	1,792	1,670	7%	112	1585	95	25
9	BDO*	1,265	1,137	11%	110	1010	145	45
10	Crowe*	1,180	1,087	9%	133	949	98	67
11	TGS Global*	1,094	1,052	4%	67	902	125	90
12	Baker Tilly International*	1,048	1,361	-23%	62	911	75	50
13	RSM*	850	760	12%	79	711	60	12
14	Nexia International*	782	775	1%	70	630	82	30
15	MGI Worldwide*	541	500	8%	61	480	-	30
16	Russell Bedford International*	169	164	3%	14	140	15	6
17	PKF International* (2)	162	134	21%	22	127	13	4
18	Moore Stephens Int'l* (e)	135	127	6%	n.d	n.d	n.d	n.d
19	Ecovis International*	45	45	0%	5	37	3	4
Total staff / growth		45,987	n.a	n.a	1,776	13,263	1,364	900
ASSOCIATIONS								
1	Praxity*	3,381	3,033	11%	179	2,844	358	48
2	PrimeGlobal*	2,959	4,470	-34%	203	2,570	186	154
3	MSI Global Alliance* (e)	1,430	1,300	10%	n.d	n.d	n.d	n.d
4	Allinial Global*	1,277	119	973%	145	1,030	98	99
5	EuraAudit International*	376	360	4%	44	307	25	29
6	GMN International*	185	182	2%	10	155	20	10
7	Integra International*	88	69	28%	10	67	11	5
8	INPACT*	69	65	6%	7	56	6	4
9	IAPA* (e)	29	26	10%	n.d	n.d	n.d	n.d
10	Antea*	25	n.ap	n.ap	5	16	4	4
11	Abacus Worldwide*	24	24	0%	4	18	2	1
12	CPA Associates International*	24	21	14%	4	18	2	1
-	Morison KSi* (3)	n.av	202	n.av	n.av	n.av	n.av	n.av
Total staff / growth		9,867	9,871	-1%	611	7,081	712	355

Notes: (e) = IAB estimate, n.d = not disclosed, n.c = not collected, n.ap = not applicable, n.av = not available. (1) Staff numbers include some staff in Africa, (2) Added a new member firm, (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.

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FRANCE

TOP FIRMS: FEE & STAFF DATA

Rank	Network/Association	Firm	Fee income (EURm)	Fee income last year (EURm)	Growth (%)	Total staff	Total partners
1	Deloitte*	Deloitte	1,275.0	1,195.0	7%	11,900	602
2	EY*	EY	1,084.0	1,018.0	6%	6,000	n.d
3	KPMG*	KPMG	981.1	947.3	4%	9,000	n.d
4	PwC*	PwC	896.0	849.0	6%	6,400	n.d
5	Praxity*	Mazars	359.5	329.6	9%	3,249	170
6	Allinial Global*	Walter France	176.0	n.ap	n.ap	1,160	128
7	Grant Thornton*	Grant Thornton France	170.4	159.1	7%	1,792	26
8	Kreston International*	Exco	150.0	139.8	7%	1,721	136
9	RSM*	RSM	103.0	81.0	27%	850	79
10	Baker Tilly International*	Strego Group	96.6	n.ap	n.ap	1,048	62
11	PrimeGlobal*	Fiteco	95.2	94.5	1%	1,300	73
12	HLB International*	Cogep	85.0	84.7	0%	1,066	57
13	TGS Global*	Groupe Soregor/TGS France	76.9	75.9	1%	1,094	67
14	PrimeGlobal*	Segeco	61.6	60.0	3%	772	51
15	MGI Worldwide*	FCN	43.1	41.1	5%	541	61
16	Nexia International*	ACA Nexia	23.1	21.3	8%	189	16
17		Groupe Y	17.8	17.4	2%	206	18
18	EuraAudit International*	Cocerto Group	17.8	20.6	-14%	226	21
19	Crowe*	Fideliand	17.2	15.6	10%	191	17
20	Nexia International*	Novances Nexia International	16.5	15.2	8%	160	16
21	GMN International*	DBF Audit	16.0	15.5	3%	444	42
22	Crowe*	Avvens	15.2	14.1	8%	161	11
23	Nexia International*	Sefico Nexia	14.8	15	0%	145	9
24	PrimeGlobal*	Afigec	12.8	10.6	20%	217	17
25	Morison KSi* (1)	Aplitec	11.0	n.ap	n.ap	101	12

Notes: (e) = IAB 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 submitted estimates. FY15 figures are not available as Morison KSi is born out of the merger of Morison International and KS international in 2016.

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Source: International Accounting Bulletin

LEA GLOBAL: CEO SPECIALIST IN SUCCESSION

The IAB speaks with the new CEO of LEA Global, Erica Ishida, and chair Michael Newton about the importance of succession, and how the role of accountants is expanding

When looking to create the position of CEO, one of the strengths LEA Global chair Michael Newton was looking for in potential candidates was succession management.

A number of the association's firms are looking at the tricky problem of how to help the next generation of accountants become leaders in their firms. In particular, Newton hoped the new CEO would help tackle the historic gender imbalance the industry is still dealing with through this new generation.

In this regard, Erica Ishida was an ideal candidate. Her career began at a telecoms company, but also includes time at BDO USA as a national business development director. While at BDO, Ishida received a master's degree in Positive Organization Design from Case Western Reserve University, and became certified as a leadership development coach.

Since her time at BDO, Ishida has led a number of companies as COO, but most recently founded a business that focuses on developing leaders, with an emphasis on women.

There is something appropriate about bringing on a succession specialist at this time at LEA Global, as LEA president and co-founder Karen Kehl-Rose is due to retire next year. Kehl-Rose has been president since the association was founded in 1999.

Asked about her initial plans for the role, Ishida says the first order of business will be to get to know the history and the strengths of the association, and build relationships with the board and other leaders.

Unsurprisingly, she adds that she would like to help member firms develop their leadership

and work on a plan or programme to make this scalable to a global level.

DISRUPTION

Ishida is also joining at a time when the industry is changing ever-more rapidly as a result of technology. She notes: "It is predicted that technology like cognitive computing will eventually replace tax preparation, robotic process automation will reduce the need for accountants and bookkeepers, and blockchain will eliminate the need for audits.

"People will still be needed for implementing, monitoring and managing all these automated systems and attesting to their reliability. So, accounting firms will need to begin looking for people with skill sets like IT, data analytics and consulting."



Erica Ishida, LEA Global

Newton adds: "In addition, the CPAs with analytical skills – including data and supervisory skills – will mean that the CPA will be even more valuable, albeit less of them may be needed, unless the CPA can improve their IT and data analytics skills to manage these situations."

As a result of this, the typical accounting candidate may soon begin to change. Both Ishida and Newton note that this means that the types of people the profession will attract will not necessarily be from traditional accounting backgrounds, but may come from areas such as HR or IT so they can handle the increase in the use of technology.

Ishida notes: "Firms will need to begin shifting their recruiting efforts to employees who have skill sets in more advisory types of work, like talent consulting, data analytics and IT. LEA has been at the forefront of educating member firms on these market trends, and our member firms share best practices with one another as to how to best address these challenges and embrace new opportunities that come with them."

Technology is also pushing accounting firms to offer a greater variety of services, beyond the typical audit, assurance and tax services. The use of technologies such as AI, blockchain and machine learning means firms are able to offer clients much more than in the past. This has already been seen in the Big Four, with the huge growth in advisory, but it is now becoming increasingly apparent in the mid-tier. This could result in firms finding that they no longer are just competing with their traditional auditing peers.

Ishida notes: "This means CPA firms will need to compete with businesses outside the profession, and will require some entrepreneurialism and creativity"

Newton adds: "As we continue to reach out to non-traditional service lines, we face non-traditional competitors that will require us to be creative, open-minded and flexible to compete at 'their' game, while bring our integrity and professionalism to the playing field. This melding is very positive for the marketplace, but should our firms try to compete as traditional CPA firms using the same approach, we face uphill battles."

Asked the final question of what she would consider a first successful year, Ishida remarks that it would be one that sees her develop strong relationships with members of the board and other member firms in the organisation, and reach a shared vision with the members of how they will work together to move the association into the future. ■



THE NETHERLANDS

NETWORKS & ASSOCIATIONS: FEE & STAFF DATA

Rank	Name	Fee income (EURm)	Income last year (EURm)	Growth (%)	Fee split (%)					Year end	
					Audit & assurance	Accounting services	Tax	Advisory	Other		
1	Deloitte* (1)	897.0	814.0	10%	26	-	22	27	25	May-18	
2	EY*	837.0	796.0	5%	43	-	24	32	-	Jun-18	
3	PwC* (1)	832.7	767.0	9%	40	-	33	27	-	Jun-18	
4	KPMG*	622.0	608.0	2%	40	-	27	32	-	Sept-17	
5	BDO*	274.6	249.4	10%	37	29	25	9	-	Dec-17	
6	Moore Stephens International* (e)	129.4	118.7	9%	n.d	n.d	n.d	n.d	n.d	n.d	
7	Baker Tilly International*	99.4	90.7	10%	34	35	22	7	2	Dec-17	
8	Mazars*	83.0	78.0	6%	38	24	34	4	-	Aug-17	
9	Nexia International*	75.1	72.6	3%	22	42	21	8	7	Jun-17	
10	Crowe*	52.5	48.4	8%	17	26	17	14	26	Dec-17	
11	Grant Thornton* (1)	50.2	48.4	4%	32	-	29	34	5	Sep-17	
12	HLB International*	48.3	42.6	13%	42	22	12	22	2	Dec-17	
13	RSM*	47.3	42.1	12%	24	30	36	9	1	Dec-17	
14	Kreston International*	43.0	41.5	3%	12	50	20	14	4	Oct-17	
15	PKF International*	21.9	20.3	8%	24	30	41	-	5	Jun-18	
16	Russell Bedford International*	18.1	17.7	2%	15	53	13	6	13	Dec-17	
17	UHY*	15.3	14.7	4%	25	35	25	15	-	Dec-17	
18	MGI Worldwide*	15.3	16.9	-9%	29	30	22	13	6	Jun-17	
19	ECOVIS International* (2)	11.5	13.5	-15%	11	51	26	4	8	Dec-17	
20	TGS Global* (3)	10.3	7.3	42%	7	70	23	-	-	Sep-17	
21	Auren*	4.9	5.2	-5%	14	55	17	14	-	Dec-17	
Total revenue / growth		4,188.8	3,913.1	7%							
ASSOCIATIONS	1	PrimeGlobal* (1)	131.0	126.5	4%	53	-	23	9	15	May-18
	2	BKR International*	129.5	132.0	-2%	n.d	n.d	n.d	n.d	n.d	n.ap
	3	Praxity*	83.0	78.0	6%	38	24	34	4	-	n.ap
	4	Morison KSi* (4)	26.3	n.ap	n.ap	11	51	17	5	16	Dec-16
	5	Allinial Global* (5)	22.4	15.9	41%	20	27	30	14	9	Dec-17
	6	MSI Global Alliance* (e)	20.3	19.5	4%	n.d	n.d	n.d	n.d	n.d	n.d
	7	AGN International* (6)	15.8	8.4	88%	53	34	11	1	1	Dec-17
	8	CPA Associates International*(2)	10.0	114.4	-91%	27	39	25	5	4	Dec-17
	9	Integra International*	8.7	7.8	12%	40	35	25	-	-	Dec-17
	10	Antea*	8.2	8.3	-1%	13	48	13	11	15	Dec-17
	11	INPACT*	3.3	3.4	-4%	14	47	24	15	-	Dec-17
	12	EuraAudit International* (1) (5)	2.8	2.1	34%	50	-	15	-	35	Dec-17
	13	IAPA* (6)	2.1	1.4	50%	-	50	20	28	2	Dec-17
	-	Abacus Worldwide*	n.ap	2.6	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap
Total revenue / growth		463.3	520.2	-16%							

Notes: (e) = IAB estimate, n.d = not disclosed, n.c = not collected, n.ap = not applicable, n.av = not available. (1) Accounting services are included in audit and assurance, (2) Increase in fee income was attributed to organic growth, (3) A larger firm left and a smaller firm joined, (4) Lost member firms, (5) Added a new member firm, (6) 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, (7) A larger firm joined and a smaller firm left.

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

Source: International Accounting Bulletin

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Partners	Professionals	Admin	Offices
		2017	2016					
NETWORKS								
1	Deloitte*	5,285	5,047	5%	260	4,270	755	14
2	PwC*	5,091	4,835	5%	n.d	n.d	n.d	13
3	EY*	4,616	4,287	8%	263	4,353	-	16
4	KPMG*	3,015	2,847	6%	n.d	n.d	n.d	12
5	BDO*	2,542	2,427	5%	77	2,126	339	25
6	Moore Stephens Int'l* (e)	1,240	1,181	5%	n.d	n.d	n.d	n.d
7	Baker Tilly International*	764	830	-8%	45	590	129	16
8	Nexia International*	725	693	5%	45	557	123	14
9	Mazars*	654	600	9%	47	496	111	10
10	Crowe*	494	456	8%	46	401	47	13
11	Grant Thornton*	443	422	5%	41	320	82	8
12	Kreston International*	424	411	3%	39	318	67	13
13	HLB International*	411	409	0%	28	359	24	18
14	RSM*	379	366	4%	31	288	60	11
15	PKF International*	187	160	17%	24	146	17	4
16	Russell Bedford International*	177	183	-3%	15	140	22	8
17	UHY*	138	129	7%	6	119	13	1
18	ECOVIS International*	104	166	-37%	9	80	15	4
19	TGS Global*	88	76	16%	10	73	5	8
20	Auren*	49	60	-18%	4	37	8	2
21	MGI Worldwide*	38	38	0%	8	30		3
Total Staff / Growth		26,863	25,623	5%	998	14,703	1,817	213
ASSOCIATIONS								
1	PrimeGlobal*	1,497	1,541	-3%	60	1,293	144	37
2	BKR International*	1,198	1,193	0%	1	1,153	44	51
3	Praxity*	654	600	9%	47	496	111	10
4	Allinial Global*	213	169	26%	20	219	22	8
5	MSI Global Alliance* (e)	201	197	2%	n.d	n.d	n.d	n.d
6	AGN International*	178	100	78%	25	107	19	13
7	CPA Associates International*	108	1,062	-90%	5	80	23	2
8	Antea*	79	89	-11%	9	59	11	4
9	Integra International*	72	66	9%	8	56	8	1
10	INPACT*	36	40	-10%	5	25	6	2
11	IAPA*	33	20	65%	4	7	22	3
12	EuraAudit International*	22	19	16%	4	16	2	4
-	Morison KSi* (1)	n.av	192	n.av	n.av	n.av	n.av	n.av
-	Abacus Worldwide*	n.ap	37	n.ap	n.ap	n.ap	n.ap	n.ap
Total Staff / Growth		4,291	5,325	-16%	188	3,511	412	135

Notes: (e) IAB 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 submitted estimates. FY15 figures are not available as Morison KSi is born out of the merger of Morison International and KS International in 2016.

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Source: International Accounting Bulletin

2018 DIGITAL ACCOUNTANCY FORUM AND AWARDS: VIEWS FROM THE TOP LINES

International Accounting Bulletin presents highlights from The Digital Accountancy Forum & Awards 2018 panel discussions

PANEL 1: DIGITAL TRANSFORMATION IN ACCOUNTANCY AND SHIFTING BUSINESS MODELS

The first panel conversation of the day saw a series of experts discuss some of the latest and biggest trends affecting the accounting industry.

MODERATOR:

Sylvia Wei Yen Tsen, executive director – knowledge, technology and operations, International Federation of Accountants

SPEAKERS:

Andrew Harding, chief executive – management accounting, Association of International Certified Professional Accountants (AICPA-CIMA)

Mark Edmondson, CEO and President, Inflo

Chris Potter, assurance transformation partner, PwC

Danny Gal, chief revenue officer, Validis

Sylvia Wei Yen Tsen: Andrew, what do you think are going to be the technology trends to most impact roles and tasks, which should we watch out for in the next few years?

Andrew Harding: The thing most likely to make tasks obsolete is the swivel-chair technology. The idea of shifting things from one place to the other and using Excel spreadsheets – I think a couple of others talked about that as well, that is historic.

There a lot of people out there who have built their careers on that and have spent 20 years just doing that, and those roles are at risk, and are fast at risk; they are at risk over the next two or three years.

ST: What is the panel's view on the impact of digital transformation

and technology on the confidence in external audit, both in terms of opportunities and threats?

Mark Edmondson: The key thing around the current state of workers' performance for external audit is that the framework, the auditing standards and the methodologies that are generally in use right now were designed, conceived and built for a time when what was potentially possible was different.

In my presentation I touched on the fact that they had moved from sampling to using full populations to analyse everything, and that completely shifts not just efficiency but the quality of the work that is being performed – when you are no longer relying on sample-based techniques in which we inherently introduce sampling risk to what is being done.

We also live in a world where people doing audit, shall we say, are slightly creative in how they actually execute that work and how that pulls together for the overall picture.

There is a real drive for using technology – not just data, more the use of tools, that are strong for risk-assessment purposes, and really making them the fundamental building blocks to the external audit process.

It is going to significantly change how the work is performed and, therefore as a natural by-product of that, what the work provides to the stakeholders more broadly.

But it is going to be much broader than simply technology: there are going to be some changes needed at a broader level in terms of the way that the performance of auditing standards are evaluated. Things are going to be combined to build the picture out completely. It is not just technology.

ST: In building new technology for automation or visualisations, do you have a preference for open-source technology and software?

Chris Potter: Almost every provider of technology is building into technology visualisation and is building machine learning technology to suggest visualisations that might be appropriate for the data we can get.

These days you get a lot of things out of the box that we previously needed to design and build ourselves. Whether it is open-source or whether it is using a vendor product, you should be able to find many visualisations that bring things to life easily, whereas four years ago it was hard to do this.



I think yes, definitely, try to use out-of-the-box stuff as much as possible when using visualisation. The value is in looking at the data a number of different ways, showing this to your people and seeing what visualisation resonates with them.

ST: If everything is going to be easily visualised, do you actually have to understand financial concepts?

ME: It always makes me laugh, the need for traditional accounting skills, because some of our most progressive techniques actually fundamentally rely on the concept of T accounts.

For those of you in the room who learned how to do accountancy with T accounts, a number of times I have rolled it back to very simple basics – Chris, you shared that one of the things that Halo does is that it looks for unusual combinations of entries. Well, that is actually looking at, basically, what are the debits and credits involved in a transaction? Does it make sense? Does it fundamentally follow the business context that we would expect here or is it something completely different?

So actually, almost to play it back; those skills are actually more important. When I talk to a lot of firms, it is the fundamental skills of being able to prepare financial statements; they are actually becoming incredibly valuable to now being able to interpret more advanced data analytical visualisations, because they fundamentally understand how the books and records were built up from the beginning to arrive at the visualisation and what the outputs are meaning, as opposed to the other way round where you are scratching your head trying to work out what this visualisation tells you.

I would suggest that those skills are more important now than they ever have been,

and they are just being applied in a slightly different context.

AH: There are two things I would like to add. One is, robots over time age and degrade so you need to understand what the robot is meant to be doing and you need to constantly do sensor checks on that robot's activity.

The other thing we need to be thinking about is the breaking down and the changing shape from the traditional pyramid to something that looks more like a diamond, with a narrowing base. That is people, and its base is narrowing – that is, people entering the profession at the most junior levels.

We still have a broad middle to that profession, which I would describe roughly as those which are newly qualified; those people are expected – and will be expected – to have mastery of these concepts. The challenge to the profession is how you ensure that these people have that experience, are able to look critically at that stuff in this new world.

ST: How do the risks of cyberthreat change when adopting new technology? Does the pace of change leave businesses more exposed?

CP: If I look at what fundamentally creates risk, it is a combination of two things: it's a combination of complexity and change, those two things create risk.

The problem we have is that most of our systems and technology are becoming more complex. The threat profile at the moment is increasing very rapidly. The fact that cyberthreat is rising up the top 10 list of CEO worries is incipient.

ST: Andrew, what skills will accountants need to be good storytellers?

AH: It is about telling the story of the business. It is about where the business

is going, what the opportunities are for that business, and what the risks are. It is communicating that story in a way that engages and influences and helps the business in its decision-making.

It is talking about the future; data analytics gives us the ability to better predict the future. Communicating in the old way with spreadsheets and so on, people are not going to be engaged.

ST: Do you see a time when accountancy firms can be software providers for smaller firms?

CP: Our strength as an organisation is about understanding our clients' businesses and finding creative solutions to overcome problems. That is what we do really well, and that is not the same thing as running an operations service. There will be times when we do that, and there will be times when we partner with other organisations.

I think it is a quite a complex-model world, and you will see many different solutions. We do see technology as something that gives us a competitive advantage. Audit committees often look at the technology as being a proxy for quality, whether or not that is the right thing or not, but they often do that because quality is quite often a difficult thing to assess.

For us, it has been really important over the last six or seven years to invest in technology, to make sure we have the best possible tools for our practice, and selling that to others would potentially diminish our advantage.

As a profession as a whole, it would be a help if all firms had access to good technology, so I can understand from a regulator's perspective why that would be an attractive thing. We are operating in a highly regulated environment, and some of our business practices will be driven by what our regulators chose to ask. ■

PANEL 2: DEEP DIVE INTO TECHNOLOGY

The second panel session of the day saw experts discuss how new technologies should not just be seen as a threat, and could be used to improve accounting.

MODERATOR:

Martin Bissett, founder, Upward Spiral Partnership

SPEAKERS:

Matthew Baker, senior manager – global blockchain assurance, EY

Katie Canell, UK audit innovation lead, Deloitte

Phillip Fitz-Gerald, director – financial reporting lab, Financial Reporting Council

Martin Bissett: *Are cases of ‘cold corruption’ and other technological gremlins a worry?*

Matthew Baker: That is a challenge. This is part of the evolving technology; glitches may happen over time which will have to be overcome.

As an auditor, when we look at the Bitcoin net worth, you have to be skilled enough and have the right people to go in and review and launch the network and say: ‘Do I rely on that?’ and ‘does it have the integrity I want to rely on?’ because that is what you always want to do fundamentally.

You are now in power to rely on the blockchain technology as opposed to a middle party who is regulated, so I think it is a concern. You need to make sure that you are equipped and use the right people to properly interrogate and review that code and make sure that those gremlins aren’t there – or at least they are to a manageable and acceptable level. You need to manage it and be aware of the risks that you take on when you are engaging in that peer-to-peer distributed environment.



MB: *Are you seeing issues of people asking to be paid in cryptocurrencies?*

KC: Personally, I have not had that issue.

There is still an inherent nervousness around that. It is something we need to be thinking about, but at the current time there is too much volatility. It is about having that governance in place to be able to identify and mitigate any risks and having those controls in place to identify any issues that arise.

PFG: Like any technology, you have to look at how it has been set up and the risks that entails. We have not had people in organisations that have asked to be paid in cryptocurrency. A lot of potential with blockchain is not cryptocurrency, but there are other uses. Within the world we operate, blockchain is based on distributed-ledger technology, and you can really see the link between that and the accounting world which records on ledgers. The difference being it is a distributed ledger.

Instead of having a sales ledger from a company that sells a product and a purchase ledger from the company that buys it, you have a distributed ledger where there is no problem over reconciling the two. You just have one ledger that records that transaction from both sides. Blockchain technology is moving from talking about currencies to more about the other potentials.

KC: I think there is a really interesting angle, from a personal perspective, around the smart identity piece, so not just about how we get paid but how we actually have our identity on the blockchain and validating that one and then giving that key to others on a trusted basis. You’re not having to go through KYC, if you like, for each individual party that approaches you, so I think that is interesting.

Bissett: *‘Our systems and processes lack standardisation’ was the top answer on our poll that asked what is the main blocker for introducing AI. Is that consistent with what you see?*

PFG: From my point of view, the biggest blocker of getting AI embedded is the quality of data, so I think it goes to that top answer of lacking standardisation.

Let me give you an example, which also brings some of the other answers into play as well: we spoke to a company which has got hundreds of thousands of long-term contracts, and like many companies that have been battling with the requirements of contracts and analysing them in a better way, that required a lot of investment in compliance with reporting standard IFRS 15. But actually, what they said internally was: ‘We’re spending all this money on something which is a compliance exercise or for reporting purposes, why don’t we use that investment to benefit the business?’

The way they could do that is to apply AI to look at those customer contracts to analyse customer behaviour, in terms of would that customer renew their contract at the end of its term? Is that customer likely to go into default? Things like that.

IFRS 15 gave them the requirement to invest in the system, but the fact that they did that, and that they invested in systems which gave them better-quality data and better-quality systems, allowed the AI to run it effectively on that.

Getting an appropriate return on investment is interesting in that example, because they had to invest for a compliance purpose, but it actually gave them a big benefit in the way they manage their customers.

Baker: I would go with what Phil said: we see the main challenge today, to have AI, is do you have the right quality of data?





What I would add is, to check what the other risk concerns specific to AI are, if we get to the point where we are actually looking to implement these solutions, which is perhaps the next stage, how do we actually ensure that we are equipped to manage the risks? Some of the challenges around AI are whether it is really a data science, or is that scientific element left? Like what I think Katie said earlier, we have data scientists and trainers, and trainers are not exactly working back through the audit trail of what is causing the algorithm to lead to a certain correlation, yet the kind of pressure of seeing the correlation between what we base decisions upon, they kind of get to back to relying on algorithms while not fully understanding the correlation. That specific risk I expect to become more relevant as people start standardising their data.

KC: For me it is about the short-term and long-term dynamic. Are you looking far enough ahead? There is a piece which says you need to get your house in order up front to be able to make it a long-term value, but so

often strategies around an in-year return on something don't always play to some of the benefits of the long term.

Bisset: How can businesses or organisations start to take advantage of AI technology – the first steps?

PFG: I would reiterate the comments of an early presentation, which said rather than thinking about AI and how to apply it in your business, you need to start thinking about what the problem is you are trying to fix, or what the opportunity is – what you want to achieve from technology – before starting to think about what the right technology is.

That might be a current problem that you have. I think the key thing is to start with the problem rather than the technology.

Baker: Make sure the changes are business-led. Instead of being technology-led and not probably understanding the problem you are trying to solve, make sure you have a team that is truly incorporating the people who understand the processes and who are dealing with this day to day.

That is how you are probably going to engage support for the change in the business, and that is how you will understand is AI suitable for this process, by being business-led but also ensuring those that are going to be affected by the change, and those that best understand the process, are engaged in driving how that change is going to work.

KC: Culture is a big aspect for me. I would say: 'Think about the simple, first step you can make.' I think, so often, when you are looking at trying to embed new technology within your business, people look at that final end aspiration and it becomes very, very difficult.

Think about that first step as a way of dipping your toe in the water. There are so many opportunities to take that single first step, to partner with others outside the business, recognising you do not have to have that skill set in-house.

There are some very powerful partnerships you can have with startups who can work alongside you to help you understand what AI can bring you. ■



PANEL 3: THE POWER OF DATA

The third panel discussion of the day saw panellists discuss some of the worries their clients have had, how to overcome them, and how data and technology are providing real business opportunities.

MODERATOR:

Markus Kammüller, global head of transformation, BDO International

SPEAKERS:

Alex Davis, business development manager, Intuit Quickbooks

Sheila Pancholi, partner – technology, risk assurance, RSK UK

Robert Mills, COO, Satago

Matthew Campbell, audit technology director, KPMG

Markus Kammüller: If you think about creating business value, how do you deal with client requests that want a reduction in fees?

Matthew Campbell: There are two perspectives on value. We have clients who, when they see the value of the data analytics, say they want to do that themselves. I have sat in audit committee meetings where the first thing the audit committee chair has done is turn to the CFO and say: ‘Why aren’t we doing this?’

You have got a challenge when you are the external auditor that you cannot become part of the management process, but obviously when we are supporting clients we can help them develop their own data.

In terms of pricing strategy, we do get clients asking whether, because they are using our technology, our price comes down because we are automating it. The key thing we talk about in that respect is that the audit model is moving from an hourly charge-out rate to a combination of people and technology together. When you explain that to clients, they understand that.

MK: Alex, you are one of the world’s largest software companies, and must be sitting on lots of data. How much of it can you access due to privacy laws?

Alex Davis: I do not know the intricacy in terms of privacy laws. In terms of how we use and monetise data, the intent is not to monetise it directly, other than for product improvement.

MK: Are attitudes to cybersecurity changing? and if so, are the risks being taken seriously enough?

Sheila Pancholi: I think as we are seeing more significant data breaches being reported, the attitudes are changing.

What we are seeing is that organisations operating in heavily regulated environments tend to take cyber more seriously. SMEs tend to focus on operational efficiency and are trading off security against investment, but they are not thinking through the damage a cyberattack could cause in terms of reputation and financial launch.

MK: Satago’s service offering sits on top of other service offerings, as part of what I call the digital ecosystem. Where do you see this market going forward? Is there a chance an Amazon or Google could take it over?

Robert Mills: When I look at Amazon, Google and Microsoft, I view them as wanting to grow in terms of enabling an industry. I do not think they want to get heavily involved in the intricacies of the accounting world, and the add-ons to those kinds of things. Essentially, these are specialist areas where they can get the most value providing the tools and systems to enable, and give others the tools to build on those systems. That is where they will make their profits in the long term, and where they are best at managing their own risk.

Where the industry is going? We are part of the add-on world. I think we are at an interesting point because you are starting to see lots of new innovation. At the same time, in some of the other areas, we are starting to see a little bit of consolidation, like with RBS and FreeAgent not so long ago. Last week, Xero raised \$300m for the purpose of acquisitions.

MK: Should audits look at cybersecurity?

MC: Absolutely, yes. When you are looking at an audit risk, you have to factor in the business risk. Something as devastating as a

cyberattack could result in a business going out of business, and no longer being able to continue. We have to be focusing on that, and with our big corporate financial services clients, it is part of the risk assessment.

Simple things like when we first started introducing IT controls, people asked what the point in testing a backup control was. It is now so fundamental to a business’s ability to continue that you have to be testing that as part of an audit

SP: An audit is one source of assurance for a business. Cyber should be on the board’s agenda.

Businesses have many sources of assurance, so I do agree there should be a little more emphasis on cyber within audit, whether it’s an internal or external audit, but actually, when you look at an assurance framework, it is much broader than an internal audit or external audit.

Organisations need to be thinking: ‘Where are we going to get our assurance from around cybersecurity? Is it going to be independent?’ There is going to be an element through audit, but you might also want to have an annual vulnerability and penetration test undertaken. There will be lots of other sources of assurance you can rely on.

MK: Is cybersecurity too expensive? Does moving to the cloud help solve cost issues?

AD: It is a really interesting question. I carry USB sticks, I have a desktop at home, I have a server and so on, and you go through the logistical ways of securing all that data, and you compare that to what a tier-one data centre looks like – that price argument quickly goes away.

My sense is it is often an emotional response to say: ‘I don’t think my data is safe in the cloud.’

SP: I’m not saying data in the cloud is not secure. It is about going back to good contract management – like you would do with any procurement process: understand the supplier, what controls do they have in place? Do your due diligence. The reason you are outsourcing something is because you are expecting that environment to have all of the security that you do not want to invest in.

MK: Microsoft claims to have 3,500 people monitoring its framework. Facebook is trying to recruit another 10,000 security specialists. Where are you guys getting the security specialists from, going forward?



SP: In the UK we have a responsibility to train and educate people so they are the future security experts, to help us protect the UK.

MK: For data analytics to make sense for your clients you need the right data. Do you experience any pushback when you ask for more data?

MC: The simple answer is we do get pushback from clients when we ask for more data. We have our own data security processes in place, so you can talk them through that.

The place where we get most pushback is, in the past we would have looked at 40 transactions and we would have asked them questions about 10 of them. If we are now looking at 10,000 transactions, does that mean we are going to ask questions about thousands of them? That is an education piece.

When we talk to audit committees and CFOs, they understand why we would want to do this. When we talk to people more junior, they say: 'We don't want you to see this; it is going to create more work for me.'

MK: Sheila, when you talk about this to regulators, what do they say?

SP: We are seeing regulators moving in the direction of wanting to see a lot more in terms of organisations protecting their systems and data. For example, the FCA has got very strict regulation around cyber.

Even if you look at smaller organisations, particularly online ones, you have got the Payment Services Directive 2 which is very heavily focused on technology controls and cybersecurity. You have got the same with the PRA, Ofcom, they are all very cybersecurity-focused. They just have to be.

MK: Do clients ask for your security certificates?

RM: GDPR threw that up again. Just before May it was pretty much a daily task, and it certainly came on our radar, but it felt like a tick-box exercise a lot of the time.

When you started challenging why they were asking those questions, the answer was: 'I don't know, we just need to know.'

So whether it changed any behaviour, I do not know.

MK: Alex, you put the client experience as a key driver for your business model. Could technology reduce accountants' incomes?

AD: A question I would always ask is: would you trust a piece of software to do a tax return for you?

In the States we have something called TurboTax, which is a piece of software that does a tax return straight to the revenue. But we were finding people still want to check it with a human being – maybe because they wanted to check they were getting around the kind of things they thought they could get around.

In terms of the client experience of what we are doing, and the questions around the reduction in accountancy fees, certainly for the near- to long-term future, we will always see a role for accountants to have that final check. ■



PANEL 4: THE FUTURE OF THE PROFESSION AND DEVELOPING THE NEXT GENERATION

With young people more mobile, and technology changing the industry rapidly, the final panel session of the *Digital Accountancy Forum* looked at how firms would need to adapt to the new reality.

MODERATOR:

Jamie Lyon, interim director – professional Insights, ACCA

SPEAKERS:

Matthew Campbell, audit technology director, KPMG

Jeanne Boillet, global assurance innovation leader, EY

Peggy Gondo, assurance transformation partner, PwC

Paul B Kazarian, chair and CEO, Japonica Partners

Martin Bissett, founder, Upward Spiral Partnership

Jamie Lyon: *Clearly, the poll [see panel poll box] is not the most uplifting statistic. What are your reflections on it? What does it mean in terms of making the profession exciting and attracting the next generation?*

Peggy Gondo: I can understand why that is the answer. One of the things about the accounting profession is what you are really doing is understanding and getting under the skin of how a business is operating.

As we look forward, and technology impacts all organisations, we still need to understand how the businesses are working. So while the role of what a CA does could shift significantly with technology, there is still absolutely a role to be able to get under the skin of business, see how it works, and interpret, challenge and evaluate those processes.

JL: *So you are slightly less pessimistic than those stats suggest. Jeanne, what are your thoughts?*

Jeanne Boillet: Maybe we can refer to a global study published a few days ago. If you look at the attractiveness of the Big Four compared to digital-first companies, we were in the same place. So we still are attractive compared to Google and Apple.

I agree, we will still need accountants – by accountants, what we mean is judgement and scepticism. It is clear that technology is going to impact how we perform audit, but the human touch will play a huge role in the future.

JL: *Does anyone on the panel disagree with this?*

Martin Bissett: I agree with the poll answers,

but not the reason. A decrease, I can certainly see that at AAT level. I can see that with feedback from institutes, but not because of technology and redundancy of positions, rather because of a lack of education in what is achievable with a career in accountancy.

If it was demonstrated to 16-21-year-olds just what technology is enabling you to do in accountancy, it would be a far more sexy proposition than is currently perceived.

Matthew Campbell: I completely agree with that. To me, technology has made audit so much more exciting. I have had the ability to do so many new and exciting things that I would not have had the opportunity to do in the past. I do not think that message is coming across to people who are potentially interested in the profession.

JL: *What should we be doing in terms of attraction strategies?*

JB: The young generation want to be built, they do not want to be bought. What they are looking for is not necessarily a career, they are looking for experiences. We need to find ways of offering different types of experience, across

service lines sometimes. They really want to learn; they want to understand what they are doing, to have focus, so it is really important that we are able to articulate clearly what is the purpose of what they are doing and why they are doing it.

JL: *Can you accommodate their ambition?*

JB: It is about change management. We need to be agile. And we know if we want to keep the best ones we need to adapt, otherwise we will be dead at some point.

It is our role to make sure we offer this young generation the types of experience and training they are looking for. We need to adapt the training and the career paths; we need to be more agile and more flexible. It is a huge change, but we are preparing for that.

JL: *Jeanne used the term 'built, not bought'. Peggy, does PwC have any views on that?*

PG: I would echo the experiential learning parts. People want to try different things.

So much of learning comes from practical, on-the-job experience. I think the ask is much more visible because Generation Z coming through now tends to be more vocal about what they want and the deal they are expecting in return.

Often it is more about educating those already in a firm that it is OK to talk about the way we are doing things a bit differently, and maybe for others to learn in a way that you did not learn yourself – and to not be afraid of that.

JL: *Paul, from your perspective, are you looking to bring in a new generation of accountants?*

Paul Kazarian: We're actively hiring and expanding. Greece was very good for us; our investment concluded last year.

For us, we invest; it is about money, as opposed to a social mission. It is about being analytical; for this, the accounting training is absolute essential. Regardless of the age, we try to get their mind set out of 'it is just accounting'. It is not just accounting. It has relationships that can expand and be valuable, and with us, if you contribute to the value, you share in the value proportionally. I do not want to sound crude, but we are investors, and that requires a slightly different personality.

JL: *And there is opportunity around that – that base-line understanding*

PANEL POLL

How do you foresee technology impacting the number of qualified accountants in the next 10 years?

Decrease: 79%

Increase: 13%

Stay the same: 8%



of accounting, so you can take that, nurture it and build all the things you have spoken about in terms of the focus around values, the analytical skills, the relationship skills, all of those sorts of things. That is a powerful combination, is it not?

PK: It is, but if I was to ask anyone here: 'What is your net worth, properly stated?' almost nobody knows.

That is the basis of life for us: you have assets, you have liabilities. You buy a car and drive it off the parking lot – you have lost 20% of your value if you are someone young. It is this type of mentality that is so powerful.

JL: *Technical skills are pretty much a given, but there is a lot of discussion around broader skills. What are some of the wider skills you are seeing?*

JB: We are looking for the type of mind set rather than skill set, and the ability to raise questions, to address complexity, not being frightened to address questions we do not necessarily have the answers for.

Be quick, because the pace of change is accelerating so fast, and be keen to keep up the momentum of learning and changing all the time.

JL: *Why is there this requirement to have a broader skill set?*

PG: The continually learning mindset is really important. The world around us is changing so quickly, and to come in and learn a set of skills is great. Give it a year and there will be another new technology to learn. This constant evolution of disruption means we need people willing to ask questions.

MB: I have a research project that looks at senior managers in mid-tier firms and managing partners. We look at the partner side, in terms of what they are looking for, and they give seven answers on a recurring basis. The top two of those seven are

commerciality and winning new work. What those two mean is they want the rising star to be able to demonstrate why they are profit centres for the firm, and that they can think and then behave as business owners. Breaking out of the technical mindset and technical training and culture to get to that is a big jump.

JL: *There seems to be agreement about how the skill set is changing. How do you see the career paths for younger people – similar, or markedly different from what you had?*

MC: It is a live challenge. Over the next five years the skill set of people in audits will change significantly. So how is that being built into career paths right now? No longer, when you have someone join and they work up, are they definitely going to be an audit partner.

You have some people who will be skilled professionals, subject-matter experts, data scientists, those sorts of things – how do you keep those people motivated with continual progression and challenge in their career, knowing that it will not be a 'gold star' and them signing off an audit? Because that does not interest them.

JL: *Career paths in EY: what is your view?*

JB: The one-size-fits-all model, where everybody comes from a business school, is no longer true. We need to combine these different profiles.

When you are a young senior manager, you have to manage a different type of profile, including people in India, for example. So, having to manage a different type of profile means we need to find a way of dealing with these careers.

One of the answers is around the type of experience that you can offer to these people. Being promoted as a partner is no longer what people are looking for: they want to

understand what they are doing for the next six months.

PG: There have always been the people that come to the big firms, expecting to leave after three years to do something more interesting; we are seeing more of that. One of the exciting things around some of the opportunities that technology gives us is the ability to create a latticed career, so there are more things people can do.

JL: *With the focus on technology, are we losing focus on people?*

MB: I would say no, we are not losing the focus; I don't think we had the focus to lose! The focus has been on the billable hours until now, it has been on capacity. I do not think it has been on relationship skills.

What I see is senior managers who see glass ceilings fairly early on in their careers because they know they will not move forward in certain opportunities along the way.

The partners in the healthiest firms I work with have spotted that, and are saying: 'Let's develop the skills we haven't. Let us not create more than us; let us create better than us to succeed us.' What that has led to is the publishing of career paths for individuals.

JL: *So it can be accommodated?*

MB: Yes, it can.

JL: *Reflections on this from KPMG?*

MC: You have this divergence in skill sets now where some of the data analytics people at KPMG are not 'people' people; they are geniuses in what they do, but they do not want to be put in front of clients all the time. You have to balance that with the people who do want to do that, and have that strength.

Equally, you cannot advantage or disadvantage one skill set or another because they are different from each other. When you look at progression, that is where it starts to become a challenge. ■

ALLINIAL GLOBAL: ASSOCIATION OF THE YEAR

Fresh from winning the *IAB's* Association of the Year award, Allinial Global president and CEO Terry Snyder explains to *Jonathan Minter* how associations should be helping firms keep up in accounting's technological arms race

Among the various presentations at the 2018 *Digital Accountancy Forum* in London, each member of the Big Four detailed some example of an advanced technology, and how it is going to change the industry soon – if it has not done so already.

The bit they did not mention was the cost of investment, both in terms of money and time, that went into developing these technologies and then training staff to use them. It can be astronomical.

So, if you are a smaller firm, there might be a slight feeling of discomfort: just how can you afford to compete? It is a simple question, and one to which Terry Snyder, president and CEO of Allinial Global, has a relatively straightforward answer: “Can smaller firms afford the investment? The purpose of organisations like ours is to pool the resources in such a way that they can, for a smaller investment, afford the upside.”

INITIAL INVESTMENT

Allinial won the Digital Accountancy Association of the Year award later that evening, and its entry served as a demonstration that the association is taking these developments seriously. Not only are clients beginning to demand more from their firms, but member firms are beginning to ask more for their fee money from associations and networks. Coping with this is going to require initial investments on everyone's part.

Snyder notes: “I think, in the beginning, technology is going to be an expensive investment for any firm, particularly firms that divide up profits at the end of years,

and have never been forced to use their cash for investments. It has been a slow-moving industry.

“Today the industry is moving faster, and asking for more. Combine that with members or prospects who are now asking for value in terms of their dues and what they are going to get, and ‘value’ is getting a broader definition.”

INDUSTRY EVOLUTION

Using himself as an example of how the industry has evolved, Snyder explains that he trained at Arthur Anderson as an auditor.

He says: “We were trained to be good technical solvers. We would take care of issues in the team – from the staff to the manager to the partner. Then, if it got too difficult, we would go to central A&A. But a lot of those things got contained in the job, and we trained ourselves to be technically competent.”



Terry Snyder, Allinial Global (right)

The big money for employees was, invariably, to be on the more client-facing side of the business, though. Translating how an association can help its firms in this regard in a modern-day setting, Snyder says associations need to facilitate co-operation between those firms that are able to provide the technical help in some areas, and those that wish to focus on client-development-type initiatives.

At Allinial, there are a number of ways that firms can communicate. There are no-fee methods, including Knowledge Connect, where firms can ask the general Allinial population a question and get an answer, or there is what Snyder terms an Expertise Portal, where firms can post questions to self-appointed ‘experts’ in various topics for a fee.

As this might suggest, Snyder is of the opinion that, in the future, the better-integrated associations will do better.

SHIFTING TARGETS

The need to cover more bases is also becoming important, as accountants begin to recognise that their opportunities lie beyond just providing audit and tax services.

Snyder notes that, even though people have known about the special relationships that often exist between a company and its auditor or tax advisor, firms are only now beginning to understand that this opens the door for them to many other commercial opportunities with their clients.

He says: “They call it being a ‘confident councillor’ or an ‘advisor’ or any number of terms, but now I think accounting firms are realising they can use that relationship to advance more services than just auditing and tax, because clients trust them.”

The role of associations or networks is increasing, to include supporting firms in understanding how they can operate beyond their traditional service lines. As Snyder notes: “I used to tell people I was a hell of an auditor, and we had a great tax staff. That was what we did: audit and tax. Now we say that partner role has been advanced to that trusted advisor role, where we say: ‘You have a problem, we have a solution.’”

“Accountants have to have a broad base of skills. They see clients in a lot of different ways, and participate with them in different ways, and therefore they can sit there and be more of an advisor.

“Now the question is: now I am an advisor, what is the solution? How do I find the solution? These days, I dial into Allinial Global and see who has the solution.” ■

2018 DIGITAL ACCOUNTANCY FORUM AND AWARDS

Winners of the 2018 awards were announced following the conference and gala dinner. The International Accounting Bulletin would like to thank its independent panel of judges, and all those who entered

Network of the Year

BDO

Association of the Year

Allinial Global

Rising Star Association of the Year

Abacus Worldwide

Audit Innovation of the Year

Deloitte & Touche

Employer of the Year

Crowe

Accountancy Software of the Year

Iris

Expense Management Software of the Year

AutoEntry

CRM Software of the Year

Satago

Communication Campaign of the Year – Network and Associations

Praxity Global Alliance

Communication Campaign of the Year – Professional Body

Chartered Professional Accountants of Canada

Thought Leadership Initiative of the Year

CPD Worldwide

Professional Body of the Year

Institute of Management Accountants

Advisory Project of the Year

Mazars

Sustainability Champion of the Year

Auren International

Accounting Capacity Building Champion of the Year

Nexia TA

Rising Star Network of the Year

Daxin Global Group

International Accounting Bulletin Young Accountant of the Year

Amy Eybsen, Green Hanson Janks

International Accounting Bulletin Personality of the Year

Sujata Jaffer, Nexia SJ Tanzania

International Accounting Bulletin Lifetime Achievement Award

Fayezul Choudhury, International Federation of Accountants

William Pitt the Younger Award, presented by The Kazarian Center for Public Financial Management

Franciscos Koutentakis & UniLEO



Hala Rashed is a female pioneer in the Egyptian accounting profession. The Mazars Mostafa Shawki & Co partner speaks about her firm, the early days of the IT audit service in Egypt and the opportunities for women to progress

■ Audit threshold rise hampers small firm training

- Mid-tier firm enters into Azerbaijan audit market
- Insolvency specialists benefit from downturn
- Morison International to establish US membership
- Sweden proposes audit liability cap

Liquidity levels, business confidence and property prices are plunging in the UK as the wider economy farewells a sustained period of growth. Nicholas Moody reports professional service firms are cautiously optimistic their restructuring and advisory practices will insulate them from the full force of the credit crisis chill

AUDITING

Audit firms to focus heavily on going concern during crisis

Auditors face huge challenges combating uncertainty around going concern in the credit crisis, according to a UK mid-tier leader.

Liquidity is set to become a key issue for companies with December 2008 year-ends as auditors decide how comfortable banks are going to be funding businesses over the next few years.

BDO Stoy Hayward managing partner Simon Michaels said audit reports needed to be meaningful but auditors "were caught between a rock and a hard place".

"On one hand do they draw out issues around going concern or do they give a company a clean bill of health?" Michaels said.

"What we really need is guidance as soon as possible from the UK Financial Reporting Council [FRC] on going concern statements, and how accounts and audit reports should deal with the general risks rising from the economic climate.

"Without that, uncertainty is going to be compounded."

Michaels wants specific guidance from the FRC that is tailored to the current financial environment.

"We don't want to have to qualify accounts if the market can be given some guidance as to how best to deal with some of those challenges, with regards to bank facility letters and comfort on ongoing trading," he said.

"What I don't want to happen is for the investors to lose confidence in the companies they invest in because of concerns around going concern."

PricewaterhouseCoopers UK chairman and senior partner Ian Powell agreed that auditors had to make sure clients had adequate working capital. The firm is currently talking to regulators, clients, financial institutions, funders and the government about going concern issues.

"Auditors need to feel comfortable that there is good liquidity out there in respect to individual companies so we can sign off from a going concern perspective," Powell said.

"When you're looking at the situations in regard to financial service businesses the level of available liquidity is one of the key things we have got to consider in forming our view," Powell added.

GOING CONCERN

A business is referred to as a going concern if there is an assumption that the company will continue to trade for the next 12 months. Company management and auditors are required to judge whether that assumption is appropriate. If there is any doubt about the continuation of trading this must be indicated in the company's financial statements. ■

The FRC said it is due to publish some suggested key questions for audit committees within the next week. Those questions will address issues such as going concern and liquidity risk.

Shortly after, the FRC will publish a short paper providing an update on issues facing directors for December 2008 year ends relating to going concern and liquidity risk. This will bring together the current requirements of the Listing Rules, Companies Act (Business review) and IFRS.

KPMG UK chairman John Griffith-Jones welcomes any FRC guidance on going concern and said it "was absolutely an area that requires particular focus".

"I think the profession just needs to stand up and be counted a little bit and say 'look guys our crystal ball is no better than everybody else's.' No one wants us to qualify everything in sight just to make us feel good, that is not our job," he said.

"But on the other hand, if that is not going to be the way, we do not expect to be blamed afterwards for a recession because we didn't cause it, we are reporting on the facts."

Liz Murrall, director of corporate governance and reporting at the UK-based Investment Management Association (IMA), said it was timely the FRC was looking at the issue. The IMA is the trade body for the UK investment management industry and its members collectively manage £3 trillion (\$4.5 trillion) worth of assets globally.

She said the credit crunch has shown how quickly financial institutions could unwind and disclosures in the forthcoming year end need to be very robust. ■

Nicholas Moody

OVERSIGHT

Firms divided on new firm reports

An audit firm head fears new high-level Audit Inspection Unit (AIU) reports on major firms could lead to greater economic uncertainty in the UK.

The UK Financial Reporting Council is due to begin publishing separate high-level inspection reports on seven major firms in mid-December. Grant Thornton UK chief executive Michael Cleary said any criticism of an accounting firm by the AIU needs to be considered in the context of good audit quality overall.

"At this critical point of time in the economic position of the UK, the danger is that the AIU reports may be misinterpreted and there's so much uncertainty that any criticism of auditors may be taken out of all context [due to the credit crunch]," warned Cleary.

Commentators have suggested that firm-specific reports would better serve the public interest and point to the Public Company Accounting Oversight Board in the US, which publishes parts of its reports on individual audit firms.

RSM Bentley Jennison national managing partner Tony Stockdale said while anything that improved the quality of work undertaken had, in principle, to be a good thing, the devil was in the detail.

"If changes such as this are delivered in a way which are a negative, rather than a positive, it won't have the beneficial effect that it could do. The focus of something like this should be to improve matters – not to be a firm bashing or audit bashing exercise," he said.

PKF senior partner Ian Mills said while he supported an increase in transparency, the reports distort the playing field when comparing larger firms subject to the AIU review to smaller firms that are not and do not have a public report issued on them individually.

BDO Stoy Hayward managing partner Simon Michaels welcomed the move.

"[The reports] allow audit committees to take more informed decisions about auditor appointments; it gives end users greater confidence and enhances the reputation of the profession more generally. I think there are a lot of good things [in them] for the profession and it provides an external perspective in regards to individual firms," he said. ■

Nicholas Moody