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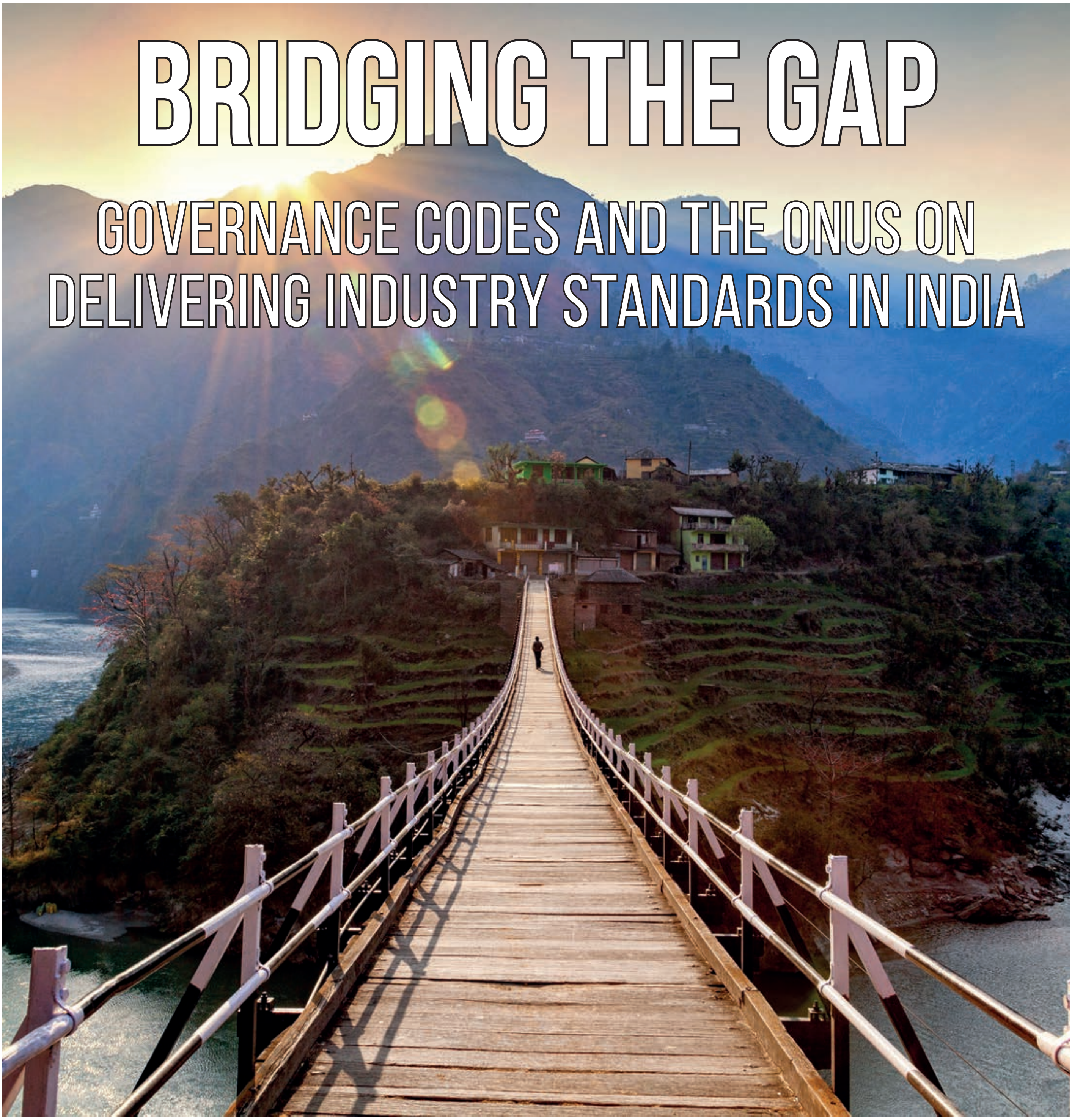
INTERNATIONAL Accounting BULLETIN

BRIDGING THE GAP

GOVERNANCE CODES AND THE ONUS ON DELIVERING INDUSTRY STANDARDS IN INDIA



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INDUSTRY FOCUS

How leveraging business credit ratings could be the key to unlocking growth

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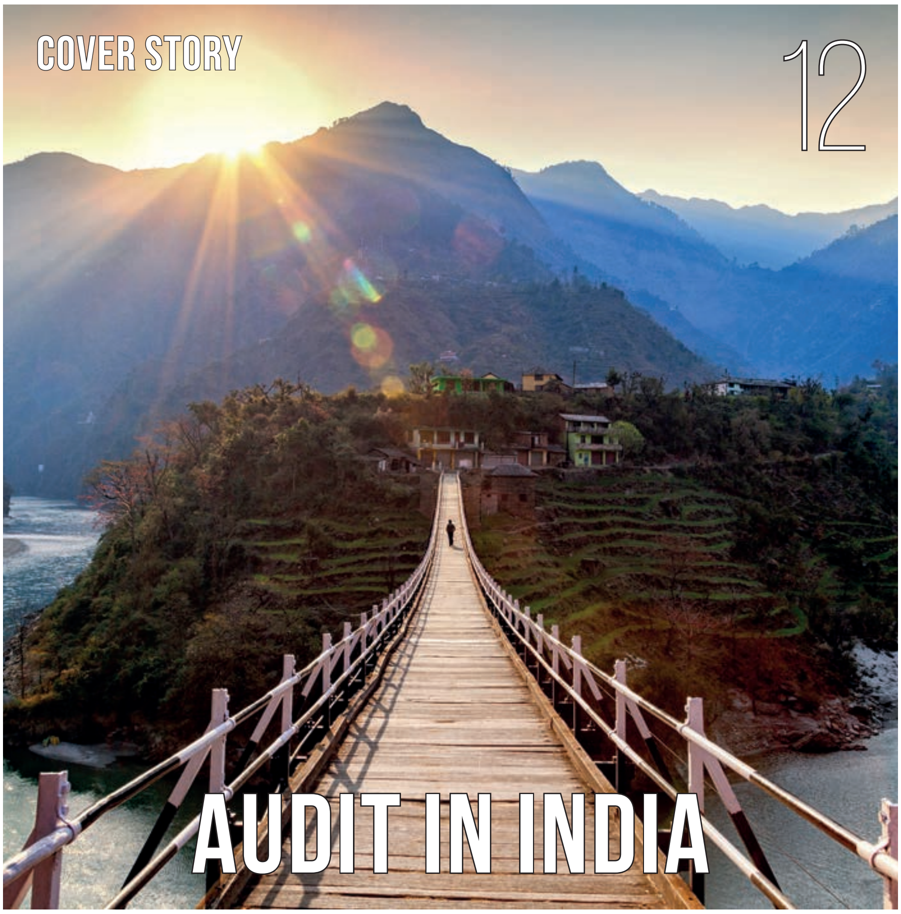

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EDITOR'S LETTER
A DIFFICULT YEAR WITH A HANDFUL OF POSITIVES

Zoya Malik, Group Editor

THIS ISSUE, READ THE CEO INTERVIEW WITH MEMORIA LEWIS OF MORISON KSI, WHO OUTLINES THE CRITERIA FOR RECRUITING NEW BOARD MEMBERS CHAIR PAUL WAN AND VICE-CHAIR MARK BARAN, AND ABOUT THEIR VISION FOR THE ASSOCIATION'S FUTURE.

Continuing with our Women in Leadership series, there is a feature spotlighting Jill Santos, CEO and founder of DFK member firm JSC & Co, who is an inspiration to young entrants into the accounting industry.

IAB's inaugural 2020 Digital Accountancy Forum virtual event received very positive feedback from delegates and vendors, so much so that we are receiving early bookings for next year. Our partners too have reported high numbers of attendees at various annual events, with conference highlights offered by Nexia International, Russell Bedford International and MSI Global Alliance.

Read my Q&As with Jamil Khatri, partner at BSR & Co, India – a KPMG sub-licensee in India – on bridging auditor expectations in India. I also speak to Circit CEO and co-founder David Heath about the current climate for technology investment in the era of open banking.

Other technology-focused commentary this month is offered by Xledger, discussing outsourcing to boost business, and by FinancialForce's Andy Campbell, who espouses the operational benefits of sales and finance departments aligning their objectives and replacing front- and back-office operations with the ideal of the 'one office' policy.

The December edition carries features for the Nordics region and Russia, and also includes ranking tables for Spain. There is also a round-up of the past month's global happenings in the news.

This has been a tough year for communities, businesses and government agencies alike to respond to challenges thrown up by Covid-19. Many are suffering as a result but, for some, there have been a few positives. Working from home, for example, has been a shared experience for us all, and has resulted in increased productivity for many.

From our team at *IAB* and *The Accountant*, we wish you all the best for the holiday season, and here's to a better outlook for 2021. ■

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

NEWS UPDATE

HMRC UNDER FIRE FOR 'SERIOUS' DATA BREACHES

HM Revenue and Customs (HMRC) has reported 11 "serious" personal data incidents to the Information Commissioner's Office (ICO) in the most recent financial year, according to official figures.

The incidents, disclosed in HMRC's newly published annual report, are estimated to have affected 23,173 people in total and have been analysed by litigation practice Griffin Law.

The most widespread and serious incident recorded in the report happened in May this year at the height of lockdown, when National Insurance number letters relating to 16-year-old children were sent out with incorrect details, impacting up to 18,864 members of the public.

The most severe incident occurred in February, when a fraudulent attack resulted in 64 employees' details being obtained from three PAYE schemes. Name, contact details and ID data such as passwords and usernames were leaked, and an estimated 573 people are said to have been impacted as a result.

According to the report, which was released on 5 November, the affected customers had not yet been contacted, but the incident is still under investigation.

Other incidents documented by HMRC in its annual report include a cyberattack against an agent and their client data, affecting 25 people; an incorrectly accessed taxpayer record and resulting refund to the taxpayer's mother; leaked addresses and property details due to the use of an incorrect Excel spreadsheet, and leaked medical documents, private correspondence and company data due to paperwork being left on a train.

A further 3,616 "centrally managed" security incidents were also recorded; however specific details were not revealed.

HMRC stated in the report: "We deal with millions of customers every year and tens of millions of paper and electronic interactions. We take the issue of data security extremely seriously and continually look to improve the security of customer information.

"We investigate and analyse all security incidents to understand and reduce security and information risk. We actively learn and act on our incidents, for example by making changes to business processes relating to post moving throughout HMRC and undertaking assurance work with third-party service providers to ensure that agreed processes are being carried out."

Cybersecurity expert Tim Sadler, CEO at Tessian, commented: "Given that people are in control of more data than ever before, it's also not that surprising that security incidents caused by human error are rising." ■

UKRI announces new accounting tech funding

UK Research & Innovation (UKRI) has announced its latest round of funding for projects through Innovate UK's Sustainable Innovation Fund, with two organisations receiving funding to develop and accelerate commercialisation of their accounting technology products and services during the Covid-19 pandemic.

As part of a £550m ($732m) package to support SMEs' response to the pandemic, UKRI is supporting businesses that require funding to keep ideas alive during a period of uncertainty. The projects, which were independently assessed for innovation, sustainability and their impact on Covid-19 recovery, either to the business or more broadly, were Clearview Systems and Action Artificial Intelligence.

A UK SME specialising in financial reporting technology, Clearview has received funding to develop a novel, leading-edge technology that detects fraud and financial weakness. The project aims to use machine learning to quickly and efficiently analyse millions of accounts filed in online repositories, and determine KRI patterns from this data to establish, generate and patent models that predict financial challenges.

In collaboration with RGS Accountants, Action Artificial Intelligence aims to provide a tool that makes cashflow management simpler for non-experts by developing an intelligent virtual assistant. Business owners will be able to interrogate their cashflow positions using normal, conversational language through a range of channels including instant messenger, Webchat, or via the phone using automatic speech recognition.

UKRI has seen increased interest from accounting tech organisations since the launch of its Next Generation Services programme in 2019, which set out to support the responsible development and adoption of AI and data technologies in accountancy, insurance and legal services.

Stephen Browning, challenge director of Next Generation Services at Innovation UK, commented: "Innovate UK is actively working in the accounting tech area, with the Next Generation Service programme being the clearest example of this. Accounting tech companies seeking funding for research and development projects can apply for Smart Grants and sign up to AI for Services to learn of other opportunities as they develop."

Although the Sustainable Innovation Fund has now closed, organisations can still apply to the Smart Grants Programme. Smart Grants are available to any UK-registered organisation on a two-month rolling cycle. The next application submission deadline for Smart Grants is 20 January 2021.

Projects with durations of 6-18 months must have total eligible costs between £25,000 and £500,000, and projects of 19-36 months having total eligible project costs between £25,000 and £2m. All projects must be collaborations between multiple parties. ■

ARCADIA COLLAPSE: SUPPLIERS FACE £250M IN UNPAID INVOICES

With retail empire Arcadia Group heading into administration, invoice insurance business Nimbla has estimated that around £250m ($331m) owed to Arcadia suppliers will go unpaid, threatening the existence of hundreds of small businesses and jobs down the supply chain.

Nimbla CEO Flemming Bengtsen commented: "The much-needed injection of cash into UK businesses via CBILS and BBILS has succeeded in staving off insolvency for many SMEs. However, it has also created a wave of 'zombie' companies that have little realistic chance of survival. Arcadia's collapse highlights the danger of a domino effect as defaults on trade credit trigger others to fail. We estimate as much as £250m of unsecured debts will be left behind to Arcadia's suppliers.

"SMEs are in a precarious position, heavily leveraged and unable to withstand further stress to their business. They require their suppliers to offer credit terms as they cannot borrow more, and in equal measure they cannot afford for their debts to go unpaid."

He continued: "The average amount of bad debt SMEs said would tip them into insolvency was £30,000 before Covid-19. That number is undoubtedly much lower now. Arcadia sadly is just the tip of the iceberg as many more defaults can be expected in 2021. The scheme is set to end on 31 December 2020."

Nimbla is calling for the government to extend the Trade Credit Insurance Reinsurance Scheme until such time as the effects of the crisis and the stimulus have worked their way through the system.

Bengtsen added: "We want to see these companies genuinely recover, if they can. What we must prevent is them dragging others down with them."

Nimbla has issued the following guidelines for SMEs trading on credit:

- Forget what you think you know about your trading partners, they may have been strong historically but can you really be sure they are now? Engage with them and do not be afraid to ask difficult questions;
- Check your customers' credit rating frequently, conditions are changing rapidly. Nimbla offers real-time ratings and insurance quotes free of charge;
- Stay on top of overdue debts. Every insured invoice with Nimbla includes a debt-collection service;
- If you have overdue invoices, encourage your buyers to start a repayment plan as soon as possible;
- Even the safest-seeming and best-rated companies are prone to failure. It is always best to insure. Consider what value invoice you can afford to lose and above what value you cannot. ■

FRC: Research supports audit committee standards

Research commissioned by the UK's Financial Reporting Council (FRC) and conducted by YouGov has found that the development of standards for audit committees would support a more consistent approach to audit quality.

The research, which involved interviews with audit committee chairs (ACCs) on how they carry out their roles, found that ACCs placed great emphasis on the audit tendering process in order to ensure a high-quality audit, and on challenging auditors on how their approach would deliver quality.

However, challenge was less apparent in relation to auditors' judgements and findings. Few ACCs mentioned regularly challenging company management as well as their auditors during the audit process.

FRC executive director of regulatory standards Mark Babington said: "Audit committee chairs and audit committees have a vital role to play in ensuring high-quality audits are conducted in the public interest. Today's research reveals there is a lack of consistency in how to approach audit quality with insufficient focus on challenge of management and professional scepticism.

"Delivering high standards of audit, corporate governance and reporting remains a key focus for the FRC, and we are working closely with the government to take forward proposals that will better meet the needs of stakeholders and users of accounts." ■

2020 MARKETING: RUSSELL BEDFORD HOSTS YEAR'S FINAL WEB CONFERENCE

As Covid-19 forced businesses to adapt how they work almost overnight, marketing departments had to step up. No time for long, slow ruminating in comfortable meeting rooms; 2020 was the year for short, snappy Zoom meetings, quick thinking and creative problem-solving. *IAB* reports from the final Russell Bedford web conference

Marketing professionals have been particularly well placed within organisations to support communication, both internal and external, and to ensure that the most important messaging is distributed coherently and, most importantly, in a timely fashion.

This has meant that they have needed to take a lead role in businesses around the world – often becoming the glue that keeps departments together and focused on the larger business objectives.

Attracting almost 100 delegates, the meeting was opened by Russell Bedford CEO Stephen Hamlet, who welcomed participants and commended marketing professionals throughout the network for their invaluable contribution to their firms in 2020. Paying particular attention to the area of communication, he praised their persistence and tenacity in keeping teams and clients feeling supported and well informed throughout the pandemic.

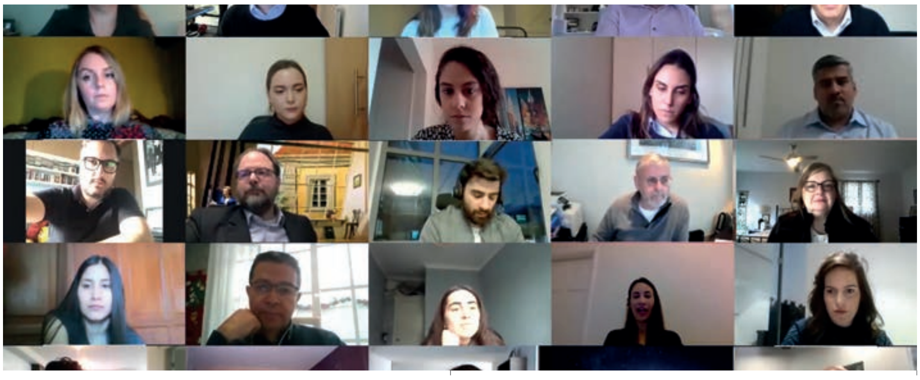
Russell Bedford's central office team led the first session with an update on effective use of Russell Bedford's Branding and Marketing Centre of Excellence. Marketing and communication manager Susan Barron reminded delegates of the central tenets of the brand and how "it is the total sum of relationships, feelings, attitudes, beliefs, actions and perceptions, related to our network, our firms and our services."

Also discussed was the concept of bringing the brand to life, through uniform brand adoption and upholding Russell Bedford's brand values within all member firms, which were celebrated at Russell Bedford's annual Taking You Further day on 4 December.

TURNED UPSIDE-DOWN

Following a year that turned almost everything on its head, attendees heard from professionals who were forced to abandon their 2020 marketing plans, starting from scratch part-way into the year. Despite the trials caused by the pandemic, marketing professionals have had a distinct advantage in that their skill sets are well suited to the challenges that businesses have faced, being nimble and agile when tackling problems.

Updates were also received from various regions, including Alfonso Milla, marketing representative at Russell Bedford Mexico, and Bruno Celidonio from Russell Bedford Brasil.



Later, the group heard an update from Alison Simons and Elianna Makiej from the marketing team of Russell Bedford's latest recruit, LGA in Boston, and from Heather Kunz of long-standing member WBL, Atlanta, on its marketing priorities.

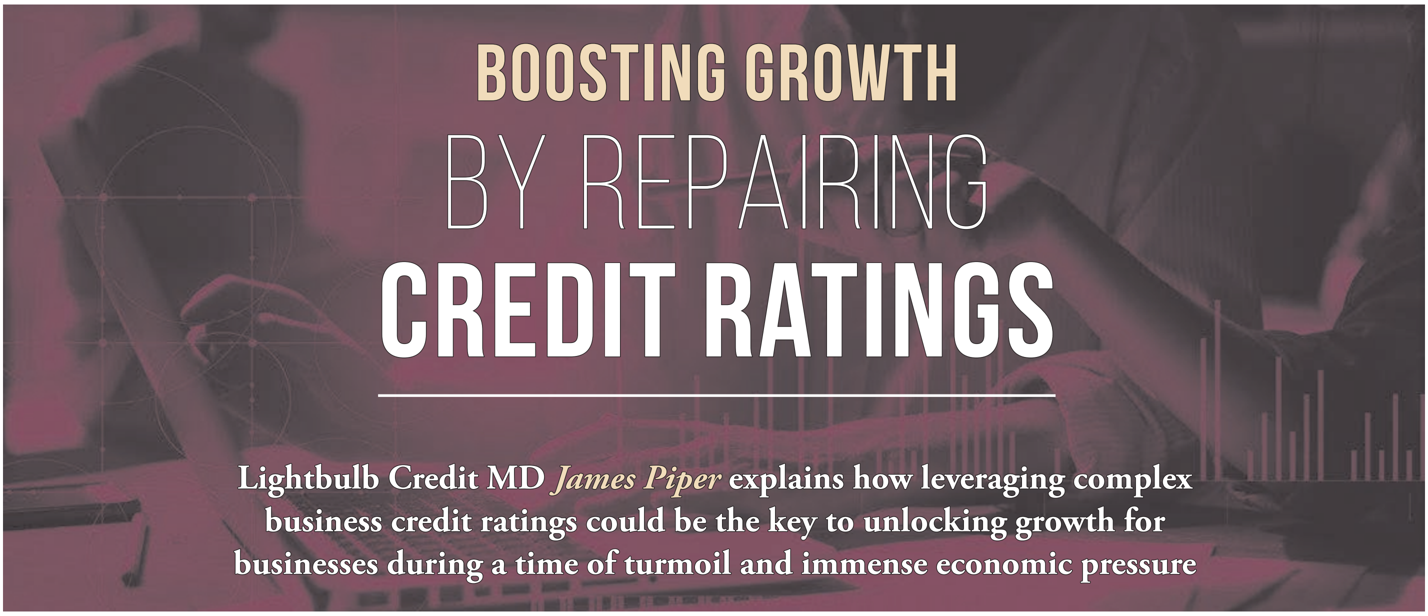
Delegates also heard from Mahmoud Saghir, of Bureau Saghir & Associates, Beirut, about marketing in the Middle East, from Anabel Salinas of GNL, Barcelona about marketing efforts by Russell Bedford Spain, and from Claire Williams of Lubbock Fine in London.

The final Question Time session offered the group an opportunity to share insights into how marketing has evolved in 2020, and their thoughts on future strategies.

Speaking about the event, Hamlet commented: "It's been so interesting to hear about the marketing strategies of our firms around the globe. Priorities will vary from firm to firm, but the commonalities are in line with Russell Bedford's larger strategy, with a strong appetite for growth amongst the marketing teams around the world.

"We heard a lot about how teams had to quickly adapt to changing priorities over the course of the year, and lean on their communication skills to keep teams and clients well informed. They've done an incredible job formulating robust communication strategies practically overnight."

Hamlet continued: "For what has been a difficult year, it was encouraging to hear that marketing teams throughout the network have had some surprising successes in 2020 and are eagerly anticipating 2021, with hopes of taking their firms even further during the new year." ■



BOOSTING GROWTH BY REPAIRING CREDIT RATINGS

Lightbulb Credit MD *James Piper* explains how leveraging complex business credit ratings could be the key to unlocking growth for businesses during a time of turmoil and immense economic pressure

Business credit ratings have been around for a long time, but many business owners still do not really understand exactly how they impact day-to-day operations, or that they can be improved.

Trade terms, access to funding and the rates payable, working capital and tendering are all directly impacted by credit ratings. With more credit checks being done than ever before, and each credit rating agency having a different approach, it is vital to get specialist help in this area.

Business credit repair is a relatively new concept in the UK and has already made a positive difference to hundreds of UK businesses. It can instantly improve financial capabilities and boost longer-term growth opportunities, making it a solution worth exploring.

BUSINESS BARRIERS

The stark reality is that Covid-19 has changed the business landscape permanently. As a result of reduced trading during the pandemic, many businesses will find themselves up against barriers such as limited cashflow, poor credit and difficulty filing accounts.

Creditsafe data from April 2020 reported 61% of all invoices being paid late, which is a 41% increase on last year. Sectors showing the most significant increases were transport, IT and real estate.

In addition, the threat of CCJs and insolvency is very real, and taking action quickly is paramount to ensure businesses can be saved. Although CCJs have slowed in the first half of 2020, due to Covid-19 closing courts and changes to the Corporate Insolvency and Governance Act, the value of CCJs issued, actually increased by 16% in the same period.

All indicators point to CCJ activity not only reaching previous levels, but as the recession kicks in, increasing to higher levels than previously seen. Whilst targeted government support in the form of tax breaks, CBILS loans and extending the deadline for year-end accounts are helping businesses stay above water in the short-term, this is still creating further debt.

Registry Trust chair Mick McAteer comments: "Government interventions are shielding businesses against the worst economic impacts of Covid-19. But, the damage to business finances could show up later this year."

There are five main credit rating agencies in the UK, and all LLPs and limited companies are rated using their respective algorithms. Their scoring methodologies are different, but all utilise data from Companies House, alongside payment data collected to evaluate how suppliers are paid against agreed credit terms.

James Piper, Lightbulb Credit

During this process, a specific issue can occur for businesses where the time lag of filing their annual accounts has a negative impact on their ratings and limits in the meantime. More significantly, business owners may also be unaware that further delaying of their year-end accounts will only intensify this problem. All too often businesses only become aware of an issue with their ratings when it is flagged to them by others, by which time the damage has already been done.

ADVICE AND GUIDANCE

Combined with general uncertainty around what to do about bad credit terms, the threat of sector downgrades and auditors flagging concerns with working capital statements, the picture can seem bleak.

Now more than ever, clients will be looking to their accountants for advice and guidance on how to navigate this difficult economic period. Undertaking credit review and repair services can help you understand what's going on in your client's business and flag exactly where the areas of concern are.

Every business is different, but all can benefit from the unique insight that a credit review report can provide. Showing clients the potential of their business credit rating can provide a brand new solution that could improve their financial capabilities now and in the future. ■

NEXIA WEEK 2020: AN OPPORTUNITY TO KEEP THE NETWORK CONNECTED

Given the current environment and the absence of its annual conference, which is attended by over 300 delegates each year, Nexia decided to organise a virtual week of online topical sessions using Zoom and Microsoft Teams. The highly successful virtual event attracted over 1,600 participants from more than 180 member firms. *IAB* reports

Nexia's virtual conference followed the numerous virtual meetings and webinars that the network has delivered over the past year to help members manage the challenges of Covid-19 and keep the network connected.

The key objectives of Nexia week were to:

- Provide members with global and regional updates on what was happening across the network;
- Deliver topical sessions to share expertise and best practice across the network through inviting specialist speakers to present;
- Enable member firms to share knowledge across the network through Q&As, panel sessions and break-out rooms;
- Give members the opportunity to connect with each other and share stories through the virtual happy hours!

DELIVERING EXPERTISE

There were 1,675 participants from 180 member firms who attended the virtual event across 25 sessions, over five days. More than one live session was delivered for each topic to cater for the time differences across the world and recordings were made available for individuals who could not attend the live events. The sessions delivered across the week included the following:

- **The Technology Summit** delivered presentations by different software providers and information about cybersecurity including frameworks and training;
- **Regional and global updates** informed members about the performance of the network, rankings, the different activities taking place across the globe, new firms joining and panel discussions around specialist services provided by firms;
- **Tax and advisory forums** covered global key trends and possible solutions to help clients overcome the trends, as well as case studies of successful cross-border member firm collaboration;
- **The China Desks Summit** provided key updates and focuses, sharing of experiences and a tea ceremony from different member firms;
- **The Audit Forum** delivered information about Nexia's audit methodology and how to use existing automation and data mining tools.

POSITIVE EXPERIENCES

The week ended with regional virtual happy hours, where members spoke about their positive experiences of managing Covid-19, listened to presentations on the key wines and spirits across different countries, and shared a drink with each other.

Reflecting on the event's positive outcome, Nexia International CEO Kevin Arnold commented: "The resounding success of Nexia week was the result of the commitment from our members and the global office to deliver a virtual event, which provided members with a platform to share and gain expertise.

"The lack of a physical conference did not deter our members from gaining valuable knowledge on key areas, learning and networking with each other, sometimes until the early hours of the morning!

"The annual conferences have always been a success, but the number of participants who attended our virtual Nexia week was astounding and we have concluded that hybrid events, which involve both face-to-face and virtual collaboration could be the way forward." ■

MORISON KSI: TAKING A LEAD FROM THE FRONT

With chair Paul Wan and vice-chair Mark Baran recently elected to Morison KSi's Board, *Zoya Malik* spoke to CEO Memoria Lewis about the leadership experience and professional knowledge that the organisation can draw on for its future positioning in the market

Zoya Malik: How do you elect members to your board?

Memoria Lewis: We have introduced an open and transparent recruitment process for new board members. We recently had a round of appointments to our regional boards where we advertised to all our members and encouraged applications, especially from younger partners.

We have a nomination committee that received the applications, reviewed and interviewed shortlisted candidates. The exciting result is that we have eight new board members at the regional level.

ZM: What are their key roles?

ML: Our board members are directors under UK law. In an official capacity they are there to uphold the constitution and policies of the organisation. In partnership with the executive team, they are responsible for setting and delivering the strategy and managing risk for the association. They are visible and active leaders within the association.

ZM: How do they support the CEO and executive office?

ML: Most of our main board members also lead a region. We therefore work very closely and in partnership. We bring different skills to the table which is important when running an organisation and delivering a strategy. We set priorities with them and that ensures that we are supported in our clear focus on delivery. In terms of supporting us, they work alongside us to support other members and act as advocates for the brand.

ZM: What are the strengths and weaknesses of the current board?

ML: The main board also has 'new blood' which is always healthy. Diversity is a strength, as our regional representation ensures that we are culturally diverse and therefore very strong in that respect. While we are improving, we would benefit from greater gender diversity.

ZM: How closely will you work with the newly elected chair and vice-chair over the next quarter to face up to Covid-19 challenges in 2021? What guidance will you look for?

ML: Currently we have meetings every two weeks to discuss regular operational matters, but also how best to implement the strategy in the 'new normal'.

ZM: What makes Morison KSi's mission powerful to Paul and Mark?

ML: As Morison KSi celebrates its 30th anniversary, Paul and Mark are excited to report that they continue to grow and attract high-quality firms in locations worldwide.

Our association's success is a result of a shared vision of our members that emphasises both the quality of professional services and the highest degree of integrity. As we continue to adapt to the changing global professional services environment, these key areas will remain central to our mission.

ZM: What strengths do they bring to their roles in order to guide the board?

ML: Though Paul and Mark have diverse leadership styles, backgrounds and experiences, both share a common goal of ensuring transparency and integrity and maximising business opportunities for all members. They believe it is a strength for professionals leading the association to have a broad range of experiences and knowledge of the various regions and the members within those regions. It is also unique that both work on opposite sides of the globe, which brings an important global perspective to the board.

Paul is a founding member of the association and has served in various leadership roles, including as a director of Morison International and chair of the Asia regional board. He understands the needs and challenges of the association and member firms in each region.

Paul participates on many boards, including multinational corporations, and handles numerous corporate finance matters both globally and throughout Asia. Mark has extensive industry, technical, leadership and business development experience.

ZM: What plans will you put in place for onboarding new members?

ML: Both our Global Executive Office and the regional board chairs work together during the new member selection and onboarding process.

The potential member review and application process is comprehensive and includes a detailed diligence process as well as advance research on desired firm types, locations, and service lines. Though we are in the process of evaluating ways to improve or streamline the application and review process, our longstanding high standards for review will remain unchanged.

ZM: What experience do you have in crisis management and managing reputational risk?

ML: Fortunately, the association currently does not have any major exposure in this area. Nevertheless, we have an established framework to handle potential situations.

ZM: How will they advise the organisation on facing challenges from Covid 19 in 2021?

ML: Both Paul and Mark take a positive view regarding vaccines for Covid-19. While confident that global economies will bounce back and recover in 2021, we are preparing for contingencies and providing our members with up-to-date information and resources.

Our members must be resilient, adapt and prepare for a wave of opportunities. ■

WOMEN IN LEADERSHIP: DEVELOPING THE NEXT GENERATION

An inspiration to young accountants, Jill Santos, CEO and founder of DFK member firm JSC & Co, grew her small business into a globally recognised firm. She plays a key role in a national convention in the Philippines, and believes it is never too late to pursue your passions. *IAB* finds out more

Jill Santos, JSC & Co

Jill Santos, CEO and founder at DFK member firm JSC & Co, is national vice-president for operations at the Philippine Institute of Certified Public Accountants (PICPA), and has played a leading role in coordinating its Virtual 75th Annual National Convention, 2020.

It is the first time that the four-day convention has been held online, and was filmed and streamed to delegates in Santos's home city of Cagayan de Oro.

Santos took centre stage to deliver welcome remarks, present national awards and chair a session. As part of her role, she hopes to inspire others to follow their dreams and passions, no matter their age or gender.

Santos founded JSC & Co in Cagayan de Oro in 2009, and went on to expand the firm, opening three more offices in Davao City, Cebu City and Makati City. In 2017 she made the decision to take on international work, becoming the Philippine member firm of both DFK International and IC & Partners. As well as being national vice-president for operations of PICPA, which has approximately 30,000 active members, Santos is a key member of the Association of Certified Public Accountants in Public Practice (ACPAPP), acting as overall chair of its recent annual national convention. She is also a member of the DFK Asia-Pacific executive committee.

Santos has won numerous awards throughout her career, including the PICPA National Outstanding CPA in Public Practice award in 2019 held during PICPA's 74th Annual National Convention in Laoag City.

She says: "I use myself as an example to try and inspire others. When I established the firm I was struggling to juggle the roles of being a mother, being a student studying for a masters degree in business administration, and growing the firm. But I worked hard and expanded the business, opening offices in the three largest cities in the country. I then decided to expand internationally and joined a number of international groups.

"Everyone asks me how I did it, but I always say it's down to me having a strong team around me and having the right people in the right roles. I'm always really keen to see those in my team succeed, particularly the women as we work in a very male-dominated industry. I'm extremely proud to say that a number of my employees have gone on to set up their own firms and said that JSC helped make it possible, and the majority of these have been female."

Santos continues: "It's so important to empower women in male-dominated industries and highlight that our qualities and skills complement each other. It's also important to spread the message that the world has endless possibilities with no deadlines and it's never too late to follow your passions or make a difference."

EACH ONE TEACH ONE

As well as inspiring those in the profession, Santos has also worked hard to both support and inspire young people.

She launched the Each One Teach One Foundation in 2013 when her daughter, Scarlette Nicole, was just 10 years old, to help fund college places for high school graduates from low-income backgrounds in Cagayan de Oro. In 2018 the foundation shifted its focus to provide mentoring to girls as young as 12, supporting them to progress in their education. This includes a seven-day annual intensive programme which focuses on development and encourages leadership and entrepreneurship. Now, while Santos is president of the foundation and leads the board of trustees, which includes a number of high calibre professionals from a range of sectors, Scarlette Nicole has an integral role in working with young people.

Santos says: "In 2018 we had a paradigm shift and made the decision to support girls from an earlier age to enable us to have even more of an impact on their lives.

"We wanted to focus on developing leaders, not just scholars, and so far it has been a great success. It's fantastic to inspire young people and show that they can do anything, no matter what their background.

"Originally the foundation was funded solely by myself, but now we have people who want to make donations and are also being contacted by other not-for-profit organisations who want to partner with us."

Looking to the foundation's future, Santos says: "One of our next projects will be setting up a centre in my hometown in Balingoan, Misamis Oriental, where the mentees have access to computers, laptops and the internet so they can continue their education.

"Due to Covid-19, schools nationwide in the Philippines are virtual, and it's a real problem as many people don't have the technology to access their education and it looks like teaching could be online for the whole of 2021. The centre will ensure that young people have access to the resources that they need to progress and thrive." ■

BRIDGING AUDITOR EXPECTATIONS IN INDIA

Zoya Malik spoke to Jamil Khatri, partner at BSR & Co, India – a local KPMG sub-licensee – about governance codes for auditors in India, the audit expectation gap, and the onus on accountability in upholding and delivering industry standards

Zoya Malik: In India, what are current governance codes for auditors? How strong are the frameworks and punitive measures?

Jamil Khatri: Auditors in India are governed through multiple regulations, and the landscape has evolved over time. For a long period, the Institute of Chartered Accountants of India (ICAI) was the primary body governing the audit profession. Over the last few years, through specific provisions under corporate law and the formation of the National Financial Reporting Authority (NFRA) as an independent regulator, regulation for auditors of public interest entities is increasingly being strengthened.

Both the ICAI and NFRA have powers to review the work being done by auditors through direct inspections or through other quality-control measures, such as peer review programmes. Between the ICAI and the NFRA, the regulators have a wide range of punitive powers. Sector-specific regulators such as the Reserve Bank of India have additional powers in relation to auditors of sectors they govern.

ZM: How are these governance codes different if at all from international industry governance codes?

JK: With the formation of the NFRA and amendments in the corporate law over the last few years, audit regulations in India are fairly aligned to international standards. For example, requirements on auditor independence under the Indian Companies Act are generally aligned to the requirements under the US Sarbanes Oxley Act. Similarly, the broad objectives of NFRA around inspection of individual audit engagements, and overall systems of quality controls in audit firms, are largely similar to the objectives of the US Public Company Accounting Oversight Board.

ZM: What is the view of senior managers on a corporate accountability system? How are their relationships with external auditors?

JK: In India, senior managers represent a mix of both professional managers and promoter-founders with large shareholdings in their companies.

Senior managers are increasingly becoming aware of their responsibilities to ensure strong corporate governance. This is being driven by a variety of factors: First, there is increased regulatory scrutiny and focus on management accountability, which has been enabled through changes to corporate and securities law. Second, independent audit committees are getting more active in challenging management. Third, institutional investors are getting more conscious and vigilant on corporate governance matters. Finally, the focus on audit quality by the audit profession has also sharpened in recent years.

While management at many companies has sharpened the overall focus on corporate governance, including working closely in this area with audit committees and external auditors, a lot more needs to be done.

ZM: In light of corporate failures, what are your views on institutional investors' perceptions, assessments of corporate accountability, and the audit expectation gap?

JK: My own view is that while investors see an improvement in corporate governance in India, they are mindful that this is a journey, and a lot more needs to be done to strengthen the overall environment. They would like the audit profession to step up and play a meaningful part in this journey.

Investors are now becoming conscious of developments in audit. For example, auditor resignations are tracked closely and are seen negatively by investors. However, apart from resignations, we still do not see active engagement by investors on matters relating to audit. Investors could do more to understand matters reported by the auditors, and challenge management in these areas.

The general perception of an audit among investors is different from the legal scope of an audit. There is a need for the audit profession, investor community and regulators to engage more to determine whether the current scope of the audit meets the expectations of the investors and determine changes required in this area. For example, we still do not see enough dialogue on whether the auditor should provide assurance on non-GAAP (Generally Accepted Accounting Principles) measures reported by companies, which are often used extensively by investors. Several investors mistakenly assume that these numbers have been audited.

ZM: What is your view on having a fully active and independent audit committee to ensure the best implementation of corporate accountability and governance? How is this working in India?

JK: An active, competent and independent audit committee is one of the main pillars of corporate governance.

Given their direct oversight of the financial reporting and audit process, audit committees can particularly support the high-quality financial reporting and audit agenda by ensuring that they objectively evaluate the competence and independence of the auditor, understand the work done by the auditor, evaluate issues raised and help in addressing any information flow or other challenges faced by the auditor. Further, by playing an active role in appointing and determining the remuneration of the auditor, audit committees can help to reiterate the message that the auditor is accountable to all stakeholders, not just the management.

Over the last few years, the powers and responsibilities of the audit committee have been suitably enhanced to provide for oversight. However, while the framework around the responsibilities and powers of the audit committee under Indian regulations is in line with global norms, the effectiveness of audit committees in India varies greatly between companies. While the process is very effective in certain cases, a lot more can be done when we view corporate India as a whole. This would require an honest assessment of the quality of independent directors, their independence in spirit, and the amount of time available for audit committee deliberations. These are all essential for audit committees to constructively challenge management.

Finally, there is a need for balance around the legal liabilities of audit committee members to ensure that the flow of strong independent directors is not affected by concerns around personal liability. We have seen a spate of resignations by independent directors, driven in part by concerns around personal liability.

ZM: What is lacking in the mindsets of practitioners at local level in terms of applying high standards to the audit process? What more needs to be done to prepare them for accountability throughout the work cycle?

JK: With the increased scrutiny of the audit profession, there has been an increase in the focus on audit quality over the last few years. While the quality of the auditing profession in India has been improving gradually, there is still a lot of ground to be covered in five key areas.

First, auditors need to embrace the fact that they are accountable not just to management, but to a wider group of stakeholders who expect the right level of challenge and professional scepticism in performance of the audit. This culture of challenge is needed to be embedded across the audit firm. Second, auditors should understand that their independence is fundamental to the work they perform. They need to take steps to address this issue, both in form and in perception. Third, auditors need to ensure that they have the right talent across all levels. Fourth, auditors need to invest in training this talent not only in the areas of accounting and auditing, but in areas such as forensic, valuations, technology and analytics. Finally, auditors need to invest in developing the right quality systems and tools, including technology and analytics tools.

The quality of the audit profession in India will improve as auditors address these elements and make the necessary investments. Several leading audit firms in India have been working on programmes to address these elements.

Historically, audit fees in India have been significantly lower than global benchmarks. As auditors make the additional investments to enhance audit quality, audit fees in India would also need to increase.


Jamil Khatri, BSR & Co, India

“ WE HAVE SEEN A SPATE OF RESIGNATIONS BY INDEPENDENT DIRECTORS, DRIVEN IN PART BY CONCERNS AROUND PERSONAL LIABILITY

ZM: What more can be done by regulators and by law to promote and encourage auditors to act transparently and flag issues that may have negative consequences?

JK: Regulators need to ensure transparent and well-defined processes to review the work done by auditors. This needs to be achieved in a balanced and constructive manner keeping in mind the objective of continuous improvement in audit quality.

Regulators also need to recognise and acknowledge that it is not only the auditor, but the entire reporting ecosystem that needs to step up to achieve enhanced financial reporting and audit quality. Therefore, regulators need to ensure that management and audit committees fulfil their responsibilities such that high-quality financial reporting and governance is a collective responsibility.

As a part of this process, regulators would need to engage actively with auditors and the audit profession to ensure that regulators understand and address the challenges faced by auditors. This dialogue would also enable regulators to share expectations and understand the steps taken by auditors to enhance audit quality, the ultimate goal being to build trust based on the common objective of ensuring consistent high-quality audits. ■

MSI GLOBAL ALLIANCE: VIRTUAL CONFERENCE BREAKS NEW GROUND

2020 was meant to see MSI Global Alliance celebrate its 30th anniversary at an international gathering in Sydney. Instead, a virtual event attracted its largest conference attendance of the year. *Zoya Malik* spoke to CEO Tim Wilson about the conference's objectives and findings

Zoya Malik: Tell us about MSI's decision to hold a virtual international conference in 2020, and how you set about delivering it?

Tim Wilson: Conferences have been the bedrock of MSI's member engagement and networking, and we were devastated to have to cancel our 30th anniversary international conference to be held in Sydney in October 2020 due to the pandemic.

We consider ourselves a forward-thinking organisation that embraces technology, and quickly pivoted to online engagement with our members. During the early months of the pandemic, we focused on providing opportunities for members to connect virtually to share experience, information and knowledge.

We also began to explore how we could deliver a virtual international conference. It was important for the conference to be more than just another Zoom meeting; it needed to be different, dynamic and innovative to bring the MSI community together and provide learning, development and networking opportunities. Our aim was to deliver a full conference programme that would match the expectations of a physical conference – no small task!

We partnered with an online conference provider and used the platform that we felt provided a great virtual conference experience for attendees and one which was interactive, engaging and 'different'.

ZM: How did you structure the conference to meet the needs of members across the globe?

TW: We mapped out a full three-day programme that provided over 30 hours of conference content. We put together a communications campaign that included regular emailers and video clips to engage our members and encourage registrations. The campaign was successful, and we were delighted to reach full capacity with a record 900 conference registrations.

The central theme for our conference was *Preparing for an Uncertain Future.* Six keynote speakers, chosen for their expertise and reputation, delivered live presentations that were thought-provoking and insightful. The sessions were followed by interactive Q&As and explored the skills, expertise and technologies required to thrive in a post-pandemic world and how to look after your people and practices in uncertain times.

To enhance member engagement and prevent screen fatigue, the conference incorporated 45 breakout sessions on professional and technical subjects, networking sessions as well as some fun through a variety of social activities, yoga and art classes. There really was something for everyone!

The digital platform also allowed delegates to set up their own one-to-one meetings and video calls to catch up with existing acquaintances and make new connections. For any members unable to attend, all live sessions were recorded for wider dissemination post-event, ensuring that the conference content could reach every member.

Tim Wilson, MSI

ZM: How have you been supporting the mental well-being of members during the pandemic, and how did this affect the conference content?

TW: Supporting the psychological well-being of our members throughout this pandemic has been essential, and we have provided a range of opportunities for members to connect, collaborate and gain mutual support. Our members are facing many of the same challenges, but at different stages and in different ways. To quote one of our conference keynote speakers: "We are all in the same storm, but not necessarily in the same boat."

We recognised that leadership can be a lonely place and wanted to help the leaders of our member firms to learn how to support their people and practices in these uncertain times. To that effect, we commissioned the Positive Group to undertake a survey investigating the psychological health and well-being of MSI members firms during the pandemic. The survey gathered responses from 650 members across our legal and accountancy member firms. During the conference, Dr Brian Marien of the Positive Group shared the results with members and explored how to use the data to inform a psychological health strategy for their firms.

In addition to the survey, we have partnered with the Positive Group to offer member firms' leaders the chance to explore the science of psychologically informed leadership through a 12-week Positive Leaders Programme.

ZM: The conference was clearly a great success. Do you think you will continue to run virtual meetings instead of physical ones?

TW: Our first virtual international conference was indeed a resounding success, and I am grateful to the MSI Secretariat team and our digital platform provider, Dynamic Events, who worked tirelessly to make it happen.

We quadrupled the capacity of a physical conference with 900 registrations. This enabled us to engage and collaborate with many more MSI members than usual. It was also a unique, exciting and enjoyable way to celebrate 30 successful years of MSI.

As we look to the future, I have no doubt we will continue to host virtual events alongside physical ones, or perhaps offer a blend of both, thus allowing for increased inclusivity and involvement. ■

REMOTE WORKING LEADS TO INCREASES IN CYBERATTACKS

Global businesses have seen cyberattacks rise as the world continues to adjust to remote working, with 65% of organisations noting they have either been breached or exposed to an attack. That is a key finding from HLB's *Cybersecurity Report 2020*, which surveyed 76 IT professionals on information security and data protection. Chief innovation officer *Abu Bakkar* writes

From mobile security threats to unauthorised access to files, recent cyberattacks shed light on an increasing problem.

Cyberattacks not only disable programmes and steal data, but they can also cause reputational damage, financial losses and disruptions to business operations. While 65% of our respondents noted their organisation had been targeted, a worrying figure of 35% responded that they had not noticed a difference, potentially raising the question of whether a potential breach had been missed.

Covid-19 has demonstrated how important technology is for business leaders, but the pandemic has truly highlighted the critical role cybersecurity plays. CEOs must work closely with their chief technology officers (CTOs) and IT consultants and recognise the investment needed in this area and build it into their business strategy. Without cybersecurity at the heart of your organisation, can you truly deliver for your customers?

Cyberattacks on the rise in 2020

Our experts' overwhelming opinion is that phishing attacks are increasing, and social engineering is also on the rise. The impact of social isolation is also playing a key role in the rise in cyberattacks as remote workers do not have their colleagues to double check any potential queries.

Making home offices secure

At the start of the pandemic, CTOs and IT management scrambled to get remote workforces running, facing vulnerabilities across several areas, from securing personal devices to giving access to virtual private networks. These vulnerabilities allowed cyberattacks and data breaches to take place, leading to 88% of respondents noting that their companies had changed their cybersecurity strategies and protocols.

Strengthening cyber-risk strategy

To manage cyber-risk, it is necessary to adapt the three tenets of information security of data availability, data confidentiality and data integrity to remote working.

When asked about the level of security across the three tenets of information security, one in five respondents said they do not believe their online systems are secure. HLB's global advisory leader, Jim Bourke, points out that much of this is due to "the fact that our workers are still working remotely and touching confidential data, so there continues to be exposure. From a cybersecurity awareness perspective, it is worth noting that the question about data confidentiality should have been answered with '100% secure'. We have rules and regulations, like GDPR, so we should be secure. However, the rapid shift to remote working, and with such a large portion of the workforce still working from home, many organisations have just not been able to fully comply in the short time."

Lessons learned from lockdown

When the pandemic hit, business leaders' priority was business continuity. However, the cyber-risk management lessons learned continue to build on the common themes of agility and resilience. The lessons business leaders should be aware of are:

- Improve cybersecurity training and support;
- Do not wait to prepare IT infrastructure and cybersecurity protocols;
- Think long-term relief, not short-term solutions;
- Regularly assess cloud computing threats and vulnerabilities;
- Addressing cyber-risk is an organisation-wide exercise. ■

FINANCIAL SERVICES AND THE IMPORTANCE OF THOUGHT LEADERSHIP

***Yogesh Shah,* CEO at iResearch Services, argues that now more than ever there is a huge opportunity for financial services organisations to leverage the benefits of thought leadership content within their communications strategies to rebuild brand authority and trust**

The collapse of Lehman Brothers in 2008 marked a turning point in the financial services industry.

Not only did the collapse have disastrous financial and regulatory consequences, but it also caused reputational damage on a mass scale, leaving the entire industry to rebuild trust. Indeed, as little as two years ago, Axa Group CEO Thomas Buberl commented that while trust may have returned to the financial markets, "it has still not found its way to society and citizens yet." Perhaps hauntingly, Buberl also warns of the need to "better understand new risks to avert the next crisis", which he says, "could well have a non-financial cause".

Yogesh Shah, iResearch Services

If the issue of trust remained fragile two years ago, then Covid-19 has only compounded matters. KPMG recently reported that, of six principal matters that financial services organisations face because of the pandemic, communications and transparency are right up there. For executive teams and chief marketing officers (CMOs), this highlights the need to communicate effectively not just with customers, but with employees, suppliers and third-party dependents too.

Within every financial services organisation, a CMO will be able to find spokespeople with expertise and experience in a range of matters. From data security to financial liquidity, business stability and risk mitigation, it is these experts that must form the backbone of an effective communication strategy. Effective communication, after all, relies on the ability of the reader to relate to its content; this in turn, relies on the ability of the author to convey their thought leadership position.

Thinking back to rebuilding trust post-Lehman, there are many related and relevant topics to be addressed. What impact will regulation have on not just demonstrating compliance, but on providing customer insight as well as safeguarding customers and investors in the event of economic uncertainty? How will these regulations enable the market to continue to grow, while protecting data and removing unethical sales and promotions from the industry? How can customers be reassured about the use of automation, AI and data security during seemingly endless reports of cybersecurity breaches? Every CMO should have a solid content strategy to address these issues – and planning for other eventualities.

PRACTICAL ADVICE

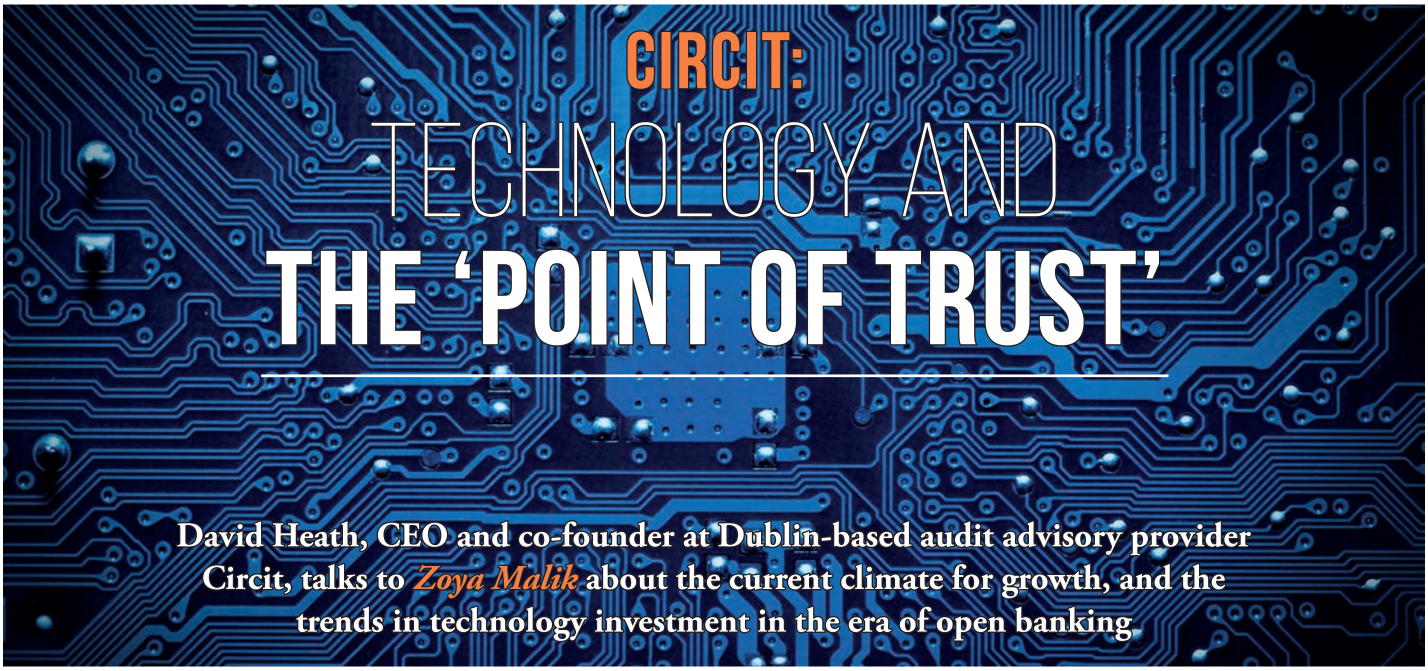
There are numerous examples of financial services companies that have used thought leadership effectively within their content strategies. In addition to the excellent example from Buberl, in response to the discussions around topics such as Brexit and the coronavirus, JP Morgan regularly produces thought leadership articles, reports and insights on the consequences of new developments and practical advice for not just its customers, but for the industry as a whole.

Using data within thought leadership content is also extremely important. Backing up key arguments with industry research or surveys to show why the issue or challenge is so pertinent, and how the rest of the industry might be responding to these issues, will also see engagement soar, especially if the research is relevant, timely and issues-driven. BlackRock Investment Institute has used data intelligently within its thought leadership strategy by creating focused investment information that aims to improve the way its portfolio managers control their funds and, importantly, helps its clients to maximise their own investment results.

Thought leadership content should be used to create a community; after all, every CMO will be aware that the financial services sector has been through the same challenges together for years. Capital Dynamics has been a prime example of this, regularly producing a 200-page guide of professional advice, guides, statistics and case studies in order to encourage other institutional investors to invest in its clean energy strategy. It is by creating this community that financial services companies can truly establish trust and authority with their target audience, and in turn, that the industry's reputation can continue to be rebuilt. HSBC is demonstrating both data depth and continued community communication effectively in this space through their annual sustainable financing and investing survey.

KPMG highlighted how important both communication and transparency are for financial services organisations, and with so much change and turbulence currently across many sectors, customers in both the B2B and B2C worlds need to be assured that they can have confidence in financial services organisations once again; that they are one step ahead of industry issues and that their investment, in any capacity, is safe. And with no doubt more disruption and uncertainty on the horizon, CMOs need to plan how they can use thought leadership content to support contingency plans and be prepared with comments on possible scenarios.

By discussing issues directly relating to the sector and subtly showing the reader a solution to their challenge, thought leadership content will demonstrate invaluable industry expertise. Every CMO knows that content is king, but data-driven, issues-led thought leadership content is a proven way to appeal to target audiences and show how they can trust the financial services industry once more. ■



CIRCIT: TECHNOLOGY AND THE 'POINT OF TRUST'

David Heath, CEO and co-founder at Dublin-based audit advisory provider Circit, talks to *Zoya Malik* about the current climate for growth, and the trends in technology investment in the era of open banking

Zoya Malik: What has the business climate been like for Circit to onboard new clients through 2020?

David Heath: Positive. We set ambitious growth targets focused on growing our footprint in the UK and beginning to engage with audit teams across Europe.

Despite Covid-19 and it shifting our product development to better serve under-pressure audit teams, we look to be closing out 2020 as forecast, with particular growth coming from firms within the UK top 100, across our confirmations, verified transactions and PBC modules. This has led to a successful fundraising round, growing our team and recently making the finalists list for Software Innovation of the Year at the *Accounting Excellence Awards.* 2020 has by no means been plain sailing, but we're happy that our agility has enabled us to adapt and solve new requirements shared by auditors.

ZM: What new services have been most needed?

DH: Prior to Covid-19, auditors were under the spotlight from clients and regulators, both looking for improvements in audit quality and efficiency. This has only been heightened by Covid-19; not only have audit teams needed to maintain their service delivery, they have also had to raise standards to ensure that going-concern risks and risks of misstatement and fraud, inherent in the new environment, are not overlooked.

Enforced remote working has led to firms pushing forward with technology adoption, which we have witnessed ourselves. We focus on firstly automating existing and often paper-based processes, so with limited or no access to offices we've been able to support firms with their business continuity whilst also improving assurance standards across a number of key audit areas.

This does not mean technology has all the answers, however; maximising the use of existing resources and understanding the capabilities of existing technology should come first. The most obvious example being videoconferencing, for instance Zoom or Teams, which was likely occasionally used pre-Covid, but has now become critical for client engagement.

ZM: Have you seen trends in the types or sizes of firm adopting technology?

DH: We've seen all sizes of firm review and address their options to handle the increase in remote working, although larger firms that have typically relied on in-house business support teams to work through administrative processes have certainly had to re-evaluate how these teams can operate.

The adoption of quality business applications built on cloud technology is key to maintaining business continuity, especially at the administrative level, which can sometimes be left behind when the service is not client-facing. Additionally, we've seen audit teams pay closer attention to how they obtain evidence to increase audit standards and reduce the client workload, particularly where onsite meetings are not possible.

ZM: What is the current state of play in terms of open banking's impact on the accounting industry?

DH: Open banking has certainly accelerated its pace of adoption over the past 18 months. The banks are continuously improving their technology capabilities, and this is resulting in more applications being created to benefit businesses and their accountants.

The shift to open banking from 'bank feeds' powered by screen scraping, means a far more secure method of the transfer of client data. Traditional cloud bookkeeping software companies will need to change their methods of how they obtain the bank data and become regulated with the FCA separately. There is significant time and cost involved in making this shift; however, it does result in a much safer environment on which to build accounting software.

The industry API and security standards set forth in the open banking legislation has created a greater level of trust amongst the largest commercial enterprises who can now connect new applications to their corporate banking partners, and unlock new benefits to help their business move faster with connected systems. As a result, accountants in larger practices are going to see a revolutionary shift in how they approach their client engagements. These large practices did not see the technology advances which were seen in the bookkeeping world, primarily because the infrastructure was not in place. However, for five years now since 2015, large commercial banks have been working behind the scenes and rebuilding their technology stack to comply with open banking regulations.

While it could be argued that open banking is still in its infancy stage, clear use-cases are

David Heath, Circit

emerging that will bring major value to all stakeholders in a large corporate environment.

ZM: What audit applications is Circit developing, and whom are they targeting? What has Circit's investment been into R&D in 2020?

DH: We are firm believers in the application of technology to audit processes where the impact on audit standards and efficiencies can be found immediately. Over the past year, this has predominantly been supporting firms' removal of paper confirmations, and standardising the complete process across the firm, improving visibility and supporting the reduction in fraud risk on a critical audit process.

In the background, after a successful fundraise, we've grown our product development team to ramp up the building of banking relationships and integrations with banks globally. This has led to audit teams across Europe being able to obtain balance confirmations and transactions independently and in real time. This provides immediate improvements to efficiencies and audit quality, as it removes the reliance on the client to share bank information and opportunities for interference.

2021 will see new audit applications built on this source to further support auditors and fully automate many key audit tests, from revenue to going concern, to fraud and an analytics engine. Additionally, as a regulated AISP, we are in a position to build a connected network between banks, accountants and corporate clients, bringing value to each party. If the end goal is a continuous audit, there is certainly now a clearer path to making that happen.

ZM: How are these audit applications and services improving the quality of client engagement?

DH: From an assurance perspective, the ability to obtain bank transactions independently and repeat the process in real time creates an improved and solid foundation for audit work. This should now be one of the first items which an auditor obtains at the start of any job.

ZM: How do you see open banking developing for the audit practice?

DH: Today, there are applications that can provide greater assurance especially in verifying bank transactions. This higher-quality set of evidence is valuable in itself for all sizes of firms, but those exploring or investing in areas like data analytics can perform high-quality testing and reconciliations, feeding into improved client insights.

Ultimately though, the end goal is the continuous audit, providing the auditor and client with opportunities to identify risk and maintain an accurate company position and valuation throughout the year. Open banking can support this real-time view.

Additionally, consideration should be made for the increasing adoption of blockchain, as a more secure digital financial system, as applications built to connecting nodes will become key for auditors to have a window into assets and products not held on traditional financial platforms. Hence, open banking not only provides greater assurance and a foundation for improved audit quality in the short term, in the longer term it is vital to simply maintain visibility of all company assets.

ZM: How important to Circit is ICAEW accreditation in an increasingly busy vendor landscape? How will this increase market and stakeholder confidence and market differentiation?

DH: The security review and due diligence that ICAEW is undertaking for the accreditation process, we hope, allows audit teams to start conversations with us from a point of trust. Together, we can then focus on creating value and efficiencies, building our product set from auditor requirements and ultimately working alongside auditors as a trusted partner.

We are aware that there are many vendors and some are also expanding their product sets, which can create crossover with existing software that firms are using. This can be problematic and create inefficiencies. The ICAEW accreditation should assist firms in understanding and assessing Circit's capabilities clearly and with confidence, so that when the timing is right, they can select us as the right option to review.

ZM: What has Circit's experience been during Covid-19 in terms of clients' technology investment?

DH: Covid-19 has brought forward firm technology investment and focused attention on the skill sets required to implement and maximise the efficiencies promised. We've had more questions around how best-of-breed solutions can still integrate with other systems, while more consideration seems to be being taken in how firms clients interact with the software. Rightly so, firms' clients have been front of mind, with efforts to minimise client workload, especially considering increasing Covid-19 relationship concerns.

Part of this has also been attempting to limit the software with which clients have to engage and ultimately spend time performing their own due diligence. At Circit, this thinking is embedded into each of our modules, whether it is simplifying or reducing client steps during the PBC/request list phases, and in some instances we can remove client involvement completely, for instance during the bank confirmations process. ■

RUSSIA: SIGNIFICANT AML LEGISLATION IS AFOOT

It takes a lot to push coronavirus-related developments off the top of the agenda in this most turbulent of years, but the evolving regulatory environment has come close to doing this in the world's largest country. *Paul Golden* reports

In June, Draft Law no. 975888-7 was submitted to the Russian parliament. The law provides for an increase in the revenue threshold for a mandatory tax audit from RUB400m ($5.4m) to RUB800m.

The initiative to exempt most of the SME sector from mandatory audit was expected to come into force by the end of 2020. According to Sergey Kharitonov, managing partner of Kreston International member firm Marillion Audit Company, this would have a variety of impacts on the profession.

"The negative impact is that many small Russian firms involved in this kind of mandatory audit will have to close their audit business," he says. "On the other hand, the quality of such audits has always been a subject of criticism from the bigger firms as they were often conducted for a very low fee with minimum procedures. Therefore, the reputation of the audit profession suffered."

The proposed changes will segregate audit firms into two tiers, with tier one firms able to provide audit services to PIE and non-PIE entities and tier two firms able to provide audit services only to non-PIE entities.

There will also be the introduction of a new regulator with the Central Bank of Russia becoming either the sole regulator or co-regulator with the Ministry of Finance, which currently oversees the profession.

These changes will significantly change the landscape of the Russian audit market. However, the final quantitative and qualitative requirements for audit firms are not yet clear, notes Alexander Malkov, partner at Baker Tilly Russia.

"Over the last year requirements around anti-money laundering (AML) have also become more stringent," he says. "Auditors and audit firms are now subject to Russian AML legislation and are required to notify the state body [Rosfinmonitoring] of any suspicious transactions when rendering services to all their audit or non-audit clients."

REFORM DELAYS

One factor behind the delay in reforming the audit sector is that transferring the functions of state audit regulation from the Ministry of Finance to the Central Bank of Russia triggered a lot of debate, says Crowe Expertiza managing partner Alexander Yerofeev.

"In June, the Ministry of Finance revised a number of regulations governing the principles of external quality control of audit organisations," he says. "Measures are envisaged to improve the planning of control procedure and improve reporting and transparency of the results of control work."

There is also a completely new, longer and difficult exam for auditor certification – a process that could seriously limit the amount of newly certified auditors according to Konstantin Shcherbakov, deputy director general at Morison KSi member firm Avantage Audit.

In September, two new standards were introduced for fixed assets and capital investments which will be applied from 2022. However, these effectively replace the previous standard and do not contain any crucial amendments according to Alexey Tsibin, managing partner at PrimeGlobal member firm Quattor Advisory.

"The standard for capital investments will more regulate the issue of capital recognition since there was no clear regulation of that area of accounting before," he explains. "However, it will not create any significant new rules."

Changes to the standard for accounting for profits tax began to apply this year. These changes amended the method for determining and recording deductible and taxable differences, since previously such differences were accounted for under the income statement method, whereas now the balance sheet method must be used.

The profession has also been impacted by the limitation of benefits under double taxation treaties with Cyprus, Malta, Luxembourg and the Netherlands observes Daniil Berlizov, chief business development and marketing officer at Mazars Russia. "Moreover, a number of laws in November 2020 significantly changed taxation of CFC companies, dividends, and inter-company transactions."

Yet another significant event in the regulation of accounting in Russia this year was the entry into force of the Russian financial reporting standard (Russian FRS) inventory 5/2019, which in 2021 will replace inventory accounting 5/01. The transition to Russian FRS, which is close to IFRS, has been on the agenda for several years and the introduction of 5/2019 is seen as the first step towards significant reform of accounting in Russia.

"The development of lease 25/2018 as well as the introduction of new standards (property, plant and equipment 6/2020 and capital expenditure 26/2020) can be considered as the next stage of accounting reform and its harmonisation with IFRS," explains Daria Perkovskaya, audit and consulting partner at MGI Worldwide member firm Delovoy Profil Group.


Sergey Kharitonov, Marillion Audit Company

"It should also be noted that since the beginning of this year a new version of the Russian FRS income taxes 18/02 has come into force, which totally changed the reporting of information on income tax calculations rules."

Outside the regulatory agenda, firms have implemented a variety of measures to support clients through the pandemic. For example, Berlizov says clients whose businesses have suffered particularly badly have been given discounts and revised fees. "At the same time, for hourly charged tax consultations, we offered a fixed ruble rate as the Russian currency has lost about 20% of its value in comparison to the dollar this year," he adds.

The pandemic has increased demand for accounting outsourcing from SMEs, according to Perkovskaya. "In particular, significant interest has been noted in services connected with payroll preparation due to the ongoing increase in complexity of payroll preparation rules and frequent changes in reporting," she says.

Olga Gorina, executive director at BKR International member firm Interkom-Audit explains that in relation to coronavirus specifically, the government has taken measures to support SMEs as well as the most affected industries. Deferral and instalment plans for taxes and fees, and an instalment plan for debt repayment have been enacted into law, and general measures are provided for businesses of any level in affected industries, such as bankruptcy protection.

"There will be almost no planned and extraordinary inspections under the law on the protection of the rights of legal entities and individual entrepreneurs until the end of 2020," adds Gorina. "Federal Law No. 115-FZ dated 7 April 2020 amended the timing of the annual general meetings of shareholders and participants of companies so the timing of approval and submission of annual financial statements for 2019 has significantly shifted and made it possible to extend the timing of the audit for 2019."

She describes the priorities for the Ministry of Finance over the next five years as promoting international cooperation in the audit industry, increasing the level of involvement of the Russian audit profession in international activities, interacting with bodies setting international standards in the audit industry and international organisations in the development of such standards, and ensuring recognition of the Russian regulatory system of audit activities and its supervision.

CONSTANT CHANGES

Victoria Smirnova, advisor to the managing partner at IEF PKF, agrees that the accounting industry in Russia is characterised by constant legislative changes to comply with best accounting practice and the transition to online reporting.

"The latter factor will have a significant impact on the provision of services to a segment of customers from the smallest companies to medium sized start-ups, but in the future will undoubtedly lead them to a number of clients from the growing business segment using statutory audits," she says.

Smirnova says a new business line has emerged in the study and comparison of federal and regional legislation. "Despite the reduction in on-site inspections, the interest of the tax authorities in the ordinary activities of companies has not diminished, so it is important to respond in a timely fashion to a large number of requests for documents or information received by taxpayers," she says.

"We expect increased demand for services in support of tax disputes which will arise when the moratorium on tax audits ends and the active stage of consideration of the results and making decisions begins," she adds.


Daria Perkovskaya, Delovoy Profil Group


Alexander Malkov, Baker Tilly Russia

Malkov notes that price competition has intensified in those markets with regulated compulsory services. "This has further driven down historically low margins for such products and services, making them – in our opinion – non-sustainable in the long run on a quality/value basis," he continues.

Alexander Sirous, managing partner at Crowe CRS Russaudit, refers to increased demand for outsourcing services from clients reluctant to grow their accounting function internally and more interest from clients that are becoming more transparent as a result of growing compliance pressure.

"Demand for tax and legal services was very low during first wave of the pandemic when the moratorium on tax audits was introduced and the courts were closed," he explains. "Litigation services are in higher demand now and tax is back to normal with expectations of growth in 2021. Demand for transaction support and lead advisory services has been low with a few exceptions. We see some demand from companies' shareholders on the performance assessment of management during first wave of the crisis, which may continue through the second wave and possibly beyond."

Companies used to submit accounting statements to supervisory bodies physically or by post. Now almost all enterprises should submit their accounting statements for 2019 in electronic form and sign them with a digital signature, explains Tamara Kasyanova, founder and CEO of Morison KSi member firm Joint Stock 2K Audit.

"The companies that will be first to come out of recession are those able to quickly move their businesses online and those that provide digitisation-related services," she concludes. "Conventional offline businesses face significant issues." ■

RUSSIA

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (RUBm)	Fee income last year (RUBm)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	EY* (e)	18,013.0	16,835.0	7%	n.d	n.d	n.d	n.d	n.d	n.d
	2	PwC* (e)	14,726.0	13,763.0	7%	n.d	n.d	n.d	n.d	n.d	n.d
	3	KPMG* (e)	13,789.0	12,887.0	7%	n.d	n.d	n.d	n.d	n.d	n.d
	4	Deloitte* (e)	9,037.0	8,446.2	7%	n.d	n.d	n.d	n.d	n.d	n.d
	5	BDO* (1)	5,546.8	4,937.3	12%	20	-	-	-	80	Dec-19
	6	HLB* (2)	1,945.3	4,690.9	-59%	16	1	5	72	6	Dec-19
	7	Grant Thornton International*	1,383.1	1,395.1	-1%	50	-	3	32	15	Sep-19
	8	Crowe* (3)	989.9	872.3	13%	59	5	9	27	-	Dec-19
	9	FinExpertiza*	971.1	936.0	4%	44	6	10	8	32	Jun-20
	10	Nexia International*	816.3	791.6	3%	74	2	1	18	5	Jun-19
	11	Russell Bedford International* (4)	797.0	914.0	-13%	6	73	1	18	2	Dec-19
	12	Mazars* (5)	663.6	570.0	16%	43	35	6	11	5	Aug-19
	13	Kreston International*	553.0	576.0	-4%	31	4	3	1	61	Oct-19
	14	Baker Tilly International*	540.0	542.0	0%	20	39	3	37	1	Dec-19
	15	PKF International*	478.8	433.8	10%	32	1	57	9	1	Jun-20
	16	RSM* (1)	384.2	324.2	19%	74	3	1	22	-	Jun-20
	17	Moore Global* (6)	177.0	195.6	-10%	74	22	1	-	3	Dec-19
	18	UHY International*	145.9	147.6	-1%	24	35	13	28	-	Dec-19
	19	Reanda International* (3)	46.7	25.4	84%	67	9	3	21	-	Dec-19
	20	ECOVIS International* (7)	32.9	20.1	63%	14	14	17	1	54	Dec-19
Total fee income/growth			**71,036.4**	**69,303.1**	**3%**						
ASSOCIATIONS	1	Antea* (6)	983.0	944.0	4%	-	69	2	19	10	Dec-19
	2	Praxity*	663.6	570.0	16%	43	35	6	11	5	n.ap
	3	Morison KSi* (8)	402.8	644.5	-38%	29	3	3	4	61	Dec-18
	4	Integra International* (3)	120.2	86.0	40%	40	30	20	10		Dec-19
	5	IAPA*	117.0	115.3	1%	55	17	3	10	15	Dec-19
	6	EAI International*	56.1	56.8	-1%	47	28	10	15	-	Dec-19
	7	Abacus Worldwide	30.5	n.ap	n.ap	6	-	94	-	-	Dec-19
	8	Allinial Global*	23.8	22.4	6%	-	42	1	17	40	Dec-19
	9	PrimeGlobal*	21.5	n.ap	n.ap	-	5	70	5	20	May-20
	10	MGI Worldwide with CPAAI*	12.5	n.ap	n.ap	58	37	5	-	-	n.ap
Total fee income/growth			**2,431.0**	**2,439.0**	**-2%**						

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Increase in fee income attributed to organic growth. (2) Decrease in fee income attributed to sale of the large part of the business. (3) Added a new member firm. (4) Decline in fee income due in part to reduced volume of audit work. (5) Increase in fee income attributed to hiring. (6) Restated figures for last year as they were *IAB* estimate; they are actual now. (7) Increase in fee income attributed to gaining new clients. (8) Decrease in fee income attributed to loss of some clients.

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Source: *International Accounting Bulletin*

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2019	2018		Staff	Partners	2019	2018	2019	2018	2019	2018	2019	2018
NETWORKS														
1	EY* (e)	3,459	3,294	5%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
2	KPMG* (e)	2,921	2,782	5%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
3	Deloitte* (e)	2,431	2,315	5%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
4	PwC* (e)	2,227	2,121	5%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
5	BDO*	1,712	1,527	12%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	11	10
6	FinExpertiza*	705	746	-5%	575	27	36	35	585	595	84	116	20	19
7	Crowe*	551	415	33%	355	5	27	21	444	336	80	58	11	9
8	Nexia International*	512	500	2%	317	0	28	29	414	388	70	83	12	11
9	HLB*	497	1,053	-53%	256	14	27	37	366	873	104	143	15	15
10	Grant Thornton International*	482	486	-1%	321	11	22	22	330	335	130	129	2	1
11	Russell Bedford International*	313	326	-4%	n.d	n.d	6	6	291	302	16	18	7	7
12	Baker Tilly International*	286	290	-1%	202	3	10	8	229	235	47	47	3	3
13	Kreston International*	278	285	-2%	n.d	n.d	9	9	217	222	52	54	3	4
14	Mazars*	252	224	13%	n.d	n.d	6	5	211	186	35	33	2	2
15	PKF International*	227	262	-13%	n.d	n.d	14	14	156	186	57	62	4	4
16	RSM*	111	135	-18%	86	7	10	10	92	118	9	7	1	1
17	Moore Global*	91	102	-11%	62	8	9	13	65	73	17	16	4	5
18	UHY International*	57	59	-3%	36	1	6	6	44	45	7	8	4	4
19	Reanda International*	53	29	83%	25	3	5	4	43	12	5	13	4	3
20	ECOVIS International*	22	20	10%	16	1	3	3	15	15	4	2	3	3
Total staff/growth		**17,187**	**16,971**	**1%**	**2,251**	**80**	**218**	**222**	**3,502**	**3,921**	**717**	**789**	**106**	**101**
ASSOCIATIONS														
1	Allinial Global* (1)	513	456	13%	0	0	10	4	369	414	134	38	10	11
2	Antea*	344	318	8%	263	1	7	3	297	285	40	30	2	2
3	Praxity*	252	224	13%	n.d	n.d	6	5	211	186	35	33	2	2
4	Integra International*	94	77	22%	n.d	n.d	9	9	77	60	8	8	3	2
5	IAPA*	79	80	-1%	n.d	n.d	5	6	54	54	20	20	2	2
6	EAI International*	46	46	0%	22	5	9	9	32	32	5	5	3	3
7	Morison KSi*	35	112	-69%	29	3	5	9	24	89	6	14	2	8
8	Abacus Worldwide*	15	n.ap	n.ap	n.d	n.d	3	n.ap	9	n.ap	3	n.ap	3	n.ap
9	PrimeGlobal*	12	n.ap	n.ap	n.d	n.d	2	n.ap	8	n.ap	2	n.ap	1	n.ap
10	MGI Worldwide with CPAAI*	12	n.ap	n.ap	n.d	1	2	n.ap	10	n.ap	-	-	2	n.ap
Total staff/growth		**1,402**	**1,313**	**4%**	**314**	**10**	**58**	**45**	**1,091**	**1,120**	**253**	**148**	**30**	**30**

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Staff figures for last year were not updated; they are now.

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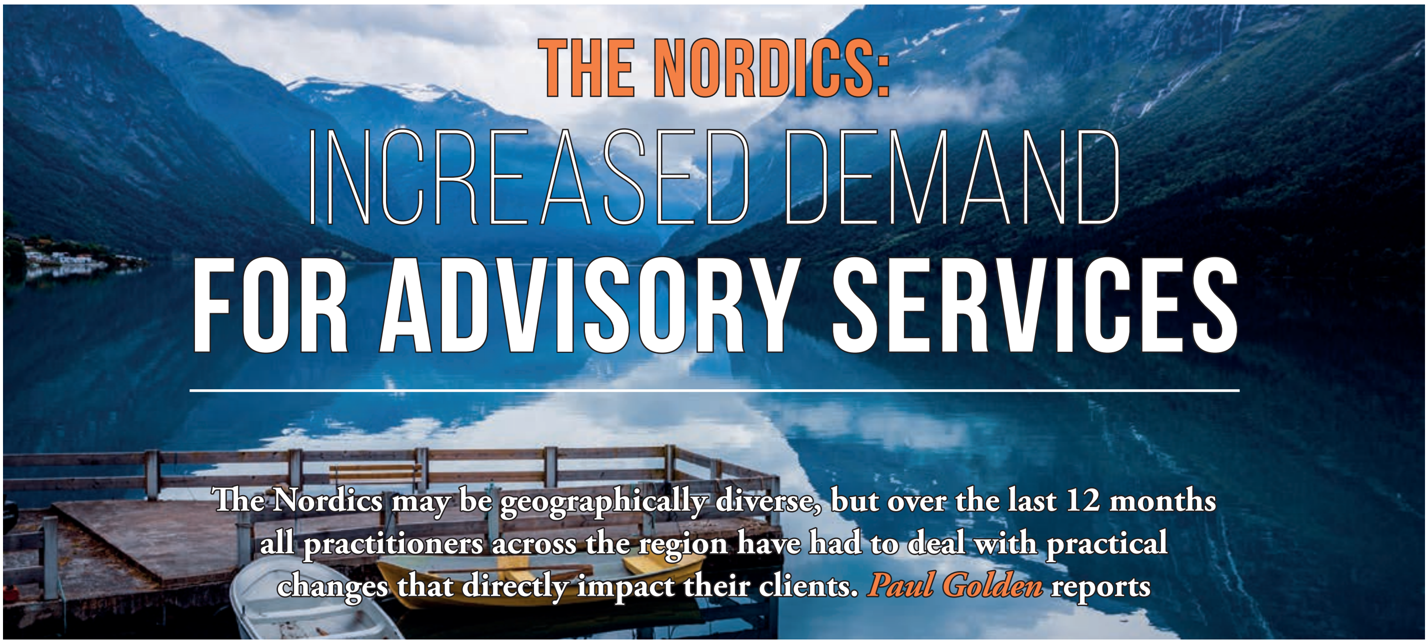
Source: *International Accounting Bulletin*



THE NORDICS: INCREASED DEMAND FOR ADVISORY SERVICES

The Nordics may be geographically diverse, but over the last 12 months all practitioners across the region have had to deal with practical changes that directly impact their clients. *Paul Golden* reports

Despite being the most populous nation in the Nordics, there have been no significant regulatory changes in Sweden this year.

In terms of industry trends, there is still an appetite for consolidation, and industry participants suggest that fees for accounting and audit have remained strong.

The problem facing many firms has been finding the right people, says Eric Emilsson, partner at MGI Worldwide with CPAAI member firm Revideco. "A very high level of digitisation and fully automated bookkeeping in SMEs has led to more qualified services, and we have also seen more focus on advisory services and fixed prices for structured accounting services," he says.

June Mejlgaard Jensen is MD at Allinial Global member firm Azets in Denmark and Sweden. She observes that both markets were in good health prior to Covid-19, while acknowledging that some smaller companies have subsequently gone out of business.

"In both Sweden and Denmark, we have experienced an increase in demand for advisory services, while demand for interim accounting services has fallen," she says. "However, we expect this to increase as part of the trend towards a more flexible workforce."

Accounting firms have played a major role in helping clients obtain state support – especially those in the most affected sectors such as travel, hospitality and retail explains Emilsson. "In Sweden, where we have had coronavirus restrictions but no real lockdown, offices have generally been open, albeit with a limited number of employees present – and different ones every day," he says. "But since we were already used to working from home, even these limitations have not affected productivity. We were accustomed to online video meetings, but our solutions were rather ad hoc. We therefore had to invest in more permanent solutions for professional client meetings, but also so we could meet online internally and keep up spirits and community among employees working from home."

In Denmark, Jensen notes that the new Holiday Act was introduced on 1 September, leading to several changes for payroll and HR departments in connection with the implementation of new tasks and processes.

IMPACT ON REPORTS

The implementation of ISA 540 and ISA 315 is in process and will have an impact on annual reports for 2020 says Martin Brinch Therkelsen, international partner at Morison KSi member firm Tal & Tanker in Denmark. "There are talks in Denmark about reintroducing requirements for the use of auditors in all Danish companies," he adds. "This is because of more cases of fraud in companies that do not use auditors regularly. Companies trust their auditors in times when trust in business as a whole, and the financial sector in general, is decreasing."

June Mejlgaard Jensen, Azets

Deadlines for payment of VAT, company taxes and payroll taxes have been postponed more than once, and companies have received support for payroll and to cover lost turnover and payment of fixed expenses. Supporting packages for the entertainment industry have been issued and local/regional arrangements have been made for areas affected by restrictions.

"There have been fewer interactions with clients when it comes to assistance not related to coronavirus," says Therkelsen. "Denmark was on shutdown from early March until the middle of April, but fortunately a lot of deadlines were postponed. Having dealt with these assignments from quarters one and two, we are still behind with our ordinary assignments from quarters three and four, so hopefully we will not have to push a lot of this work into next year."

In general, 2019 was a good year with steady growth in demand and many accounting firms had one of their best years according to Bent Kofoed, managing partner of Kreston CM in Denmark. "Most industries also had a good year and demand for economic advice was high," he adds.

He says his firm has spent much of this year supporting clients to make sure that their liquidity contingencies were sufficient and helping them to secure loans. "The pandemic has had an overwhelming impact on our work," adds Kofoed.

Martin Brinch Therkelsen, Tal & Tanker

"Statements to government regarding assistance packages have taken up most of our focus – merger and acquisition activity and new business creation have been limited."

Finland has been at the vanguard of developments in e-invoicing. The Finnish e-Invoicing Act 241/2019 came into force on 1 April 2020, since when all public organisations – as well as private companies with a turnover of over €10,000 ($121,000) – can require e-invoices from their suppliers. Although the act stipulates EU-compatible e-invoice formats from that date, the deadline was pushed back and older formats that do not meet the standard will be accepted until further notice as a result of Covid-19.

"Prior to the pandemic the accounting industry in Finland was experiencing healthy annual growth of between 3% and 6%," says Ulla Nikkanen, MD at Azets Finland. "Now, although we see that the pandemic has slowed down growth, our industry is less impacted than many others.

"We have supported our clients by helping them utilise the subsidies and funding provided by the government in the best possible manner, finding cost saving opportunities and securing cashflows. We have also been giving legal advice in different types of human resources matters, such as temporary layoffs."

The pandemic has increased demand for BPO services in Finland as organisations have been forced to evaluate their critical payroll and accounting processes, levels of digitisation and potential continuity risks related to those processes. Outsourcing has been an opportunity to capture the benefits of digitisation quickly while reducing risk.

Norway might be the least populous of the four Nordic countries covered in this report, but it has probably been the most dynamic in terms of regulatory developments affecting the accounting profession over the last 12 months. For example, Roger Drage, managing partner at Crowe Global member firm Vidi Revisjon, refers to work and discussions on the new Auditors Act, which is scheduled to take effect from the beginning of next year.

"Among other areas these changes relate to risk assessment, independence and the continuing education requirements for all authorised auditors and not just auditors with client responsibility," he explains. "Most of the special Norwegian requirements have also been removed, and the legal rules are now mainly in line with EU rules and regulations."

REPORTING FORMAT

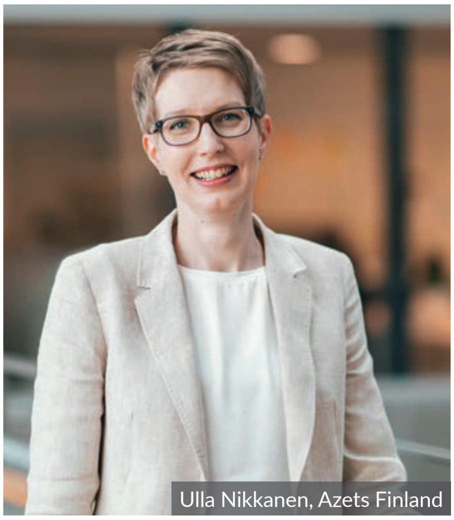
SAF-T Financial was implemented for financial reporting from 1 January 2020. This is a standard format used in the exchange of accounting data, and all accounting systems have had to be adjusted to produce and submit information in SAF-T format.

From 1 April 2020, foreign business-to-consumer online sellers or markets must register for the VOEC-scheme in Norway, which gives sellers responsibility for collecting, declaring and paying VAT when selling to customers in that country. The scheme is similar to the EU VAT E-commerce package that will be implemented from January 2021.

Rune Norbakk, MD at Azets Norway refers to increased competition and price pressure because of greater automation while adding that so far, the industry has been able to compensate by introducing additional services. "Demand for consultancy services has increased this year, while volumes in payroll and accounting – apart from payslips and invoices – are down," he says. "Short-term assignments have been particularly badly affected by the coronavirus crisis."

Ecovis Ardur Tax in Norway has experienced increasing demand for compliance advisory from cross-border companies involved in construction or IT projects in Norway, according to the firm's partner, Ding Xu.

"As Norway is not a member state of the EU, accounting and tax regulations are not always the same, and due to the strengthened immigration regulations as a result of the pandemic, international clients are seeking advice on immigration processes for their posted employees," he adds. "Therefore, clients wish to find a service provider who can support them with a full range of services, not only in tax and accounting, but also in spin-off services such as employee handling and personnel registration assistance."



Ulla Nikkanen, Azets Finland

Revenue in the auditing industry in Norway increased by 8.3% from 2018 to 2019 according to DnR, the Norwegian Auditor's Association. The six largest auditing companies – EY, KPMG, PwC, Deloitte, BDO and RSM – controlled 78.4% of the market by revenue, reflecting the value of being bigger in terms of developing professional knowledge.

"The accounting industry is in a similar situation," says Drage. "There are still more of the smaller companies as consolidation has not happened as quickly here as in the audit sector. Revenue growth in the accounting industry in 2019 was 4.1% according to Regnskap Norge [the Norwegian Accounting Association]."

In the audit space, he says there has been more focus on the going concern assumption and possible ways of strengthening company equity, as well as technical assistance with capital increases. "For accounting services we have had to familiarise ourselves with new rules related to salaries and redundancies as well as other changes," continues Drage. "There has also been a demand to keep both our Norwegian and foreign customers continuously informed about the situation in Norway and which rule changes apply, especially with regard to deferred payment deadlines in connection with public fees."

For international clients who do not necessarily have sufficient Norwegian language knowledge, Ecovis Ardur Tax has become a vital source of information on the latest measures from the Norwegian authorities says Ding. "We have also taken a more active role in advising clients to apply for stimulus packages such as reduced employer's tax and the business compensation scheme," he concludes. ■

THE NORDICS

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income ($m)	Fee income last year ($m)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	PwC* (e)	1,760.0	1,742.5	1%	n.d	n.d	n.d	n.d	n.d	n.d
	2	EY* (e)	1,410.0	1,396.5	1%	n.d	n.d	n.d	n.d	n.d	n.d
	3	Deloitte* (e)	1,137.0	1,125.7	1%	n.d	n.d	n.d	n.d	n.d	n.d
	4	KPMG* (e)	736.0	728.7	1%	n.d	n.d	n.d	n.d	n.d	n.d
	5	BDO*	507.7	503.3	1%	53	26	7	14	-	Sep-19
	6	Grant Thornton International*	225.5	218.6	3%	47	-	12	39	2	Sep-19
	7	HLB*	163.4	157.0	4%	65	22	6	6	1	Dec-19
	8	Baker Tilly International*	99.5	103.8	-4%	40	43	7	8	2	Dec-19
	9	RSM*	58.7	59.0	-1%	51	11	6	32	-	Dec-19
	10	Mazars*	52.3	50.4	4%	86	3	11	-	-	Aug-19
	11	UHY* (1)	52.0	54.0	-4%	54	28	10	4	4	Dec-19
	12	Moore Global*	48.4	50.2	-4%	53	34	7	3	3	Dec-19
	13	Crowe*	47.5	44.9	6%	36	11	15	3	35	Dec-19
	14	Kreston International*	45.6	46.2	-1%	26	38	14	10	12	Oct-19
	15	Russell Bedford International*	44.1	47.0	-6%	32	49	8	2	9	Dec-19
	16	Nexia International*	30.7	32.2	-4%	45	19	24	11	1	Jun-19
	17	PKF International*	13.3	13.0	2%	57	17	13	7	6	Jun-20
	18	ECOVIS International* (2)	10.2	8.9	15%	22	39	6	4	29	Dec-19
	-	TGS Global*	n.d	6.7	n.d	n.d	n.d	n.d	n.d	n.d	n.d
Total fee income / growth			**6,441.9**	**6,388.6**	**1%**						
ASSOCIATIONS	1	Praxity*	61.6	59.2	4%	80	6	11	2	1	n.ap
	2	Integra International*	53.0	52.5	1%	50	20	30	-	-	Dec-19
	3	PrimeGlobal*	39.5	37.0	7%	58	17	13	8	4	May-20
	4	MGI Worldwide with CPAAI*	34.9	n.ap	n.ap	37	38	9	13	3	n.ap
	5	Inpact*	21.4	24.5	-13%	49	34	7	8	2	Dec-19
	6	GMN International*	10.4	10.6	-2%	52	28	7	2	11	Sep-19
	7	BKR International* (3)	8.9	15.6	-43%	n.d	n.d	n.d	n.d	n.d	n.ap
	8	Morison KSi* (4)	8.4	7.0	20%	47	25	14	3	11	Dec-18
	9	Antea*	1.5	1.5	4%	2	84	5	8	1	Dec-19
	10	BOKS International*	1.1	1.0	8%	40	30	10	10	10	Dec-19
	-	IAPA* (3)	n.ap	8.6	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap	n.ap
Total fee income / growth			**240.7**	**217.5**	**-1%**						

Notes: (e) = *IAB* estimate, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Restated last years figures as they were *IAB* estimates; they are actual now. (2) Added a new member firm. (3) Lost member firm(s). (4) Restated fee income figures for last year as there were errors in submission. Increase in fee income attributed to gaining new clients.

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Source: *International Accounting Bulletin*

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff		Growth (%)	Female		Partners		Professionals		Admin		Offices	
		2019	2018		Staff	Partners	2019	2018	2019	2018	2019	2018	2019	2018
NETWORKS														
1	PwC* (e)	8,847	8,507	4%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
2	EY* (e)	7,792	7,492	4%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
3	Deloitte* (e)	6,770	6,510	4%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
4	KPMG* (e)	5,201	5,001	4%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
5	BDO*	3,709	3,443	8%	1,933	61	395	391	2,974	2,717	340	335	142	138
6	HLB*	1,595	1,457	9%	708	19	164	158	1,371	1,241	60	58	46	44
7	Grant Thornton International*	1,569	1,651	-5%	858	54	197	198	1,201	1,297	171	156	33	32
8	Baker Tilly International*	816	820	0%	523	47	173	175	594	610	49	35	84	85
9	Russell Bedford International*	476	473	1%	n.d	n.d	118	104	351	360	7	9	74	74
10	UHY*	400	418	-4%	231	16	72	73	295	312	33	33	27	28
11	Moore Global*	371	373	-1%	198	11	77	72	264	267	30	34	23	23
13	RSM*	354	311	14%	181	15	66	58	261	223	27	30	18	18
12	Kreston International*	319	330	-3%	n.d	n.d	45	49	254	259	20	22	44	40
14	Crowe*	304	312	-3%	140	7	61	70	200	198	43	44	16	17
15	Mazars*	294	296	-1%	n.d	n.d	41	42	221	224	32	30	15	16
16	Nexia International*	218	206	6%	79	7	38	42	156	144	24	20	12	11
17	ECOVIS International*	88	73	21%	55	4	23	18	59	53	6	2	13	10
18	PKF International*	80	81	-1%	n.d	n.d	22	22	54	54	4	5	4	4
-	TGS Global*	n.d	60	n.d	n.d	n.d	n.d	12	n.d	47	n.d	1	n.d	3
Total staff/growth		**39,203**	**37,814**	**4%**	**4,906**	**241**	**1,492**	**1,484**	**8,255**	**8,006**	**846**	**814**	**551**	**543**
ASSOCIATIONS														
1	Integra International*	680	687	-1%	n.d	n.d	22	19	595	596	63	62	4	4
2	Praxity*	368	371	-1%	n.d	n.d	53	53	276	283	39	35	22	23
3	MGI Worldwide with CPAAI*	345	n.ap	n.ap	n.d	7	43	n.ap	302	n.ap	-	-	13	n.ap
4	PrimeGlobal*	308	295	4%	n.d	n.d	43	37	251	240	14	18	15	15
5	Inpact*	175	187	-6%	110	10	34	44	127	131	14	12	17	18
6	Morison KSi*	79	64	23%	43	1	15	10	59	50	5	4	4	5
7	GMN International*	65	65	0%	41	1	13	11	50	48	2	6	5	5
8	BKR International*	55	115	-52%	n.d	n.d	7	16	31	77	17	22	3	5
9	Antea*	17	17	0%	12	0	3	3	13	13	1	1	1	2
10	BOKS International*	11	11	0%	6	0	2	1	8	9	1	1	2	2
-	IAPA*	n.ap	67	n.ap	n.ap	n.ap	n.ap	18	n.ap	34	n.ap	15	n.ap	7
Total staff/growth		**2,103**	**1,879**	**-3%**	**212**	**19**	**235**	**212**	**1,712**	**1,481**	**156**	**176**	**86**	**86**

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

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Source: *International Accounting Bulletin*

SPAIN

NETWORKS & ASSOCIATIONS: FEE DATA

	Rank	Name	Fee income (€m)	Fee income last year (€m)	Growth (%)	Fee split (%)					Year end
						Audit & assurance	Accounting services	Tax	Advisory	Other	
NETWORKS	1	Deloitte* (e)	808.0	762.0	6%	n.d	n.d	n.d	n.d	n.d	n.d
	2	PwC* (e)	617.0	582.0	6%	n.d	n.d	n.d	n.d	n.d	n.d
	3	EY* (e)	483.0	455.7	6%	n.d	n.d	n.d	n.d	n.d	n.d
	4	KPMG* (e)	479.0	451.9	6%	n.d	n.d	n.d	n.d	n.d	n.d
	5	BDO*	104.2	94.8	10%	35	17	20	28	-	Aug-19
	6	ETL Global* (1)	95.9	65.4	47%	n.d	n.d	n.d	n.d	n.d	Dec-19
	7	Grant Thornton International*	80.1	77.4	3%	38	-	18	40	4	Sep-19
	8	Auren*	66.2	57.1	16%	27	5	35	28	5	Dec-19
	9	PKF International* (2) (3)	40.5	33.8	20%	29	12	11	39	9	Jun-20
	10	Mazars*	34.6	30.4	14%	49	15	10	10	16	Aug-19
	11	Baker Tilly International* (4)	23.3	16.4	42%	33	10	9	29	19	Dec-19
	12	Nexia International*	18.2	18.9	-4%	32	19	26	14	9	Jun-19
	13	RSM*	16.7	16.0	5%	41	8	7	44	0	Dec-19
	14	HLB*	16.7	17.0	-2%	20	17	34	17	12	Dec-19
	15	Kreston International*	15.1	14.8	2%	29	9	32	16	14	Oct-19
	16	Moore Global* (5)	13.8	28.3	-51%	53	8	12	13	14	Dec-19
	17	UHY*	11.6	11.5	1%	37	6	23	16	18	Dec-19
	18	Russell Bedford International*	9.9	8.6	15%	19	25	32	10	14	Dec-19
	19	ECOVIS International* (1)	5.0	3.3	50%	32	19	14	12	23	Dec-19
	20	TGS Global*	3.1	2.9	8%	22	47	0	0	31	Dec-19
	-	Crowe*	n.d	31.8	n.d	n.d	n.d	n.d	n.d	n.d	n.d
Total fee income/growth			**2,941.9**	**2,777.6**	**6%**						
ASSOCIATIONS	1	Antea*	77.2	67.7	14%	24	6	35	30	5	Dec-19
	2	Praxity*	34.6	30.4	14%	49	15	10	10	16	n.ap
	3	PrimeGlobal*	8.5	8.2	3%	31	22	23	6	18	May-20
	4	MGI Worldwide with CPAAI*	8.3	n.ap	n.ap	38	7	17	8	30	Dec-19
	5	Morison KSi* (3)	7.9	6.6	19%	29	3	21	14	33	Dec-18
	6	BKR International*	7.6	7.2	5%	n.d	n.d	n.d	n.d	n.d	n.ap
	7	IAPA*	5.5	5.4	1%	7	41	31	12	9	Dec-19
	8	Inpact*	4.5	4.2	6%	17	25	35	10	13	Dec-19
	9	Abacus Worldwide*	3.3	n.ap	n.ap	n.d	n.d	n.d	n.d	n.d	Dec-19
	10	Integra International*	3.2	3.2	0%	10	20	30	40		Dec-19
	11	GMN International*	3.0	3.0	0%	29	10	20	17	24	Sep-19
	12	EAI International*	1.7	1.7	0%	81	0	0	10	9	Sep-19
	13	Allinial Global* (3)	1.1	0.7	52%	47	16	22	10	5	Dec-19
	14	UC&CS Global* (6)	0.4	0.3	41%	2	-	98	-	-	Dec-19
Total fee income/growth			**166.7**	**138.7**	**12%**						

Notes: **(e)** = *IAB estimate*, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Added new member firm(s). (2) Restated fee income figures for last year as they were net; they are gross now. (3) Increase in fee income attributed to organic growth. (4) Increase in fee income attributed to integration of some smaller member firms. (5) Decrease in fee income attributed to separation of consulting activities, which now lie outside the network. (6) Last year's submission did not include data from one member firm; it does now.

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Source: *International Accounting Bulletin*

NETWORKS & ASSOCIATIONS: STAFF DATA

Rank	Name	Total staff 2019	Total staff 2018	Growth (%)	Female Staff	Female Partners	Partners 2019	Partners 2018	Professionals 2019	Professionals 2018	Admin 2019	Admin 2018	Offices 2019	Offices 2018
NETWORKS														
1	Deloitte* (e)	7,958	7,579	5%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
2	PwC* (e)	4,893	4,660	5%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
3	KPMG* (e)	4,196	3,996	5%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
4	EY* (e)	3,499	3,332	5%	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d	n.d
5	BDO*	1,271	1,187	7%	478	7	53	51	1,103	988	115	148	13	19
6	ETL Global*	1,135	778	46%	677	25	98	80	959	629	78	69	70	67
7	Auren*	858	777	10%	430	38	151	145	669	598	38	34	15	15
8	Grant Thornton International*	784	613	28%	370	9	54	58	665	482	65	73	10	12
9	Mazars* (1)	472	418	13%	n.d	n.d	17	17	412	362	43	39	7	7
10	PKF International*	456	429	6%	n.d	n.d	62	55	360	330	34	44	10	10
11	Kreston International*	289	253	14%	116	7	33	33	206	171	50	49	15	16
12	HLB*	262	264	-1%	130	6	28	28	185	211	49	25	10	12
13	Baker Tilly International*	243	205	19%	119	4	31	25	186	157	26	23	11	11
14	RSM* (2)	238	226	5%	83	2	34	37	183	167	21	22	7	7
15	Nexia International*	220	222	-1%	86	4	29	29	159	158	32	35	10	10
16	Moore Global*	182	367	-50%	88	9	40	72	125	235	17	60	10	15
17	UHY*	157	156	1%	99	7	22	25	121	117	14	14	4	4
18	Russell Bedford International*	142	129	10%	n.d	n.d	17	16	112	102	13	11	7	7
19	ECOVIS International	74	57	30%	42	1	10	10	55	37	9	10	6	5
20	TGS Global* (2)	62	54	15%	36	1	5	4	45	27	4	5	3	2
-	Crowe*	n.d	369	n.d	n.d	n.d	n.d	51	n.d	277	n.d	41	n.d	19
Total staff/growth		**27,391**	**26,071**	**6%**	**2,754**	**120**	**684**	**736**	**5,545**	**5,048**	**608**	**702**	**208**	**238**
ASSOCIATIONS														
1	Antea*	988	906	9%	493	47	188	183	741	673	59	50	29	27
2	Praxity*	472	418	13%	n.d	n.d	17	17	412	362	43	39	7	7
3	PrimeGlobal*	146	134	9%	n.d	n.d	20	22	101	89	25	23	11	11
4	MGI Worldwide with CPAAI*	118	n.ap	n.ap	n.d	7	24	n.ap	94	n.ap	-	-	14	n.ap
5	BKR International*	111	114	-3%	n.d	n.d	23	23	85	85	3	6	6	6
6	IAPA*	98	96	2%	n.d	n.d	14	14	22	20	62	62	6	8
7	Morison KSi*	89	87	2%	48	6	18	17	67	62	4	8	5	6
8	Inpact*	68	69	-1%	30	7	27	25	26	29	15	15	11	11
9	Abacus Worldwide	65	n.ap	n.ap	n.d	n.d	8	n.ap	32	n.ap	15	n.ap	2	n.ap
10	GMN International*	52	52	0%	28	n.d	9	9	33	33	10	10	3	5
11	Integra International*	49	49	0%	n.d	n.d	9	9	32	32	8	8	2	3
12	Allinial Global*	24	10	140%	0	0	4	3	18	6	2	1	2	1
13	EAI International*	23	23	0%	13	1	5	5	16	16	2	2	2	1
14	UC&CS Global*	9	10	-10%	1	1	3	3	5	6	1	1	3	3
Total staff/growth		**2,312**	**1,968**	**8%**	**613**	**69**	**369**	**330**	**1,684**	**1,413**	**249**	**225**	**103**	**89**

Notes: (e) = *IAB estimate*, **n.d** = not disclosed, **n.c** = not collected, **n.ap** = not applicable, **n.av** = not available.
(1) Increase in staff number attributed to recruitment. (2) Restated staff figures for last year as there were errors in submission.

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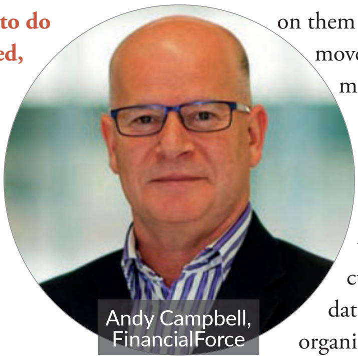
Source: *International Accounting Bulletin*

ACHIEVING A CUSTOMER-CENTRIC WORLD BY ALIGNING SALES AND FINANCE

***Andy Campbell*, global solution evangelist at FinancialForce, advises that sales and finance teams need to align strategy and operations by implementing systems and processes to deliver a unified objective to enhance customer-centricity**

Finance and sales teams do not always see eye to eye. And when conflict springs up between the two, it usually has nothing to do with the individuals involved, but rather the systems and processes being used.

In truth, finance and sales teams are allies in their pursuit of the same goal – trying to create a successful business – but lack of proper integration between the two creates friction and factions.


Andy Campbell, FinancialForce

Lack of integration leads to slow responses to new opportunities. Quick response is vital to any business at any time, but even more pronounced during the current economic crisis. One of the most common disconnects I see concerns data management and integration. Ideally, both finance and sales would connect their datasets through customer relationship management (CRM) and accounting systems – giving everyone a 360-degree view of the data available. However, the reality is that sales and finance still operate in organisational silos, with inconsistent data sourced from different systems.

The outcomes are not beneficial for the business. And, at crucial pinch points when accurate data is vital, finance and sales departments are unable to look to a single source of truth, instead left to toil through vast amounts of confused, mismatched customer records, datasets and spreadsheets. This leaves teams with questionable data that can do more harm than good.

We are, however, beginning to see the early signs of change. Customer-centric businesses have seen great success, and in their wake, more organisations are moving to similarly customer-centric infrastructure to reap the same rewards. First and foremost, this hinges on them being able to effectively move away from a siloed data mentality.

To make this transition, a business first needs to open two-way dialogue between the front and back offices, with the aims of growing customer value, facilitating data transparency and enabling organisational agility. What follows are three first steps businesses should be making to better align their data and ensure that finance and sales are working in concert:

Centralise organisational data

It does not matter whether you are a fresh start-up or a 100-year-old business, unifying the data used by finance and sales departments is crucial for any customer communications today, sales or otherwise. Centralise all your information on a single cloud platform, so all the right data can be easily accessed by all members of both teams.

Cloud-based systems have advanced massively in recent years, and encompass all aspects of the modern business. In essence, this means a business can manage both CRM and accounting in a single cloud environment. Greater flexibility and integration enables sales and finance teams to easily share the same data and account records, eliminating old, disconnected processes.

Re-evaluate the back-office culture

The issue is not just a matter of tech, but of culture and mindset. A joint purpose in mind between finance and sales is vital. Firstly, 'front office' and 'back office' as concepts need to be retired, and what is needed is 'one office' to service the whole enterprise.

This enables the finance teams to access the right details at the right time. This is important because, in today's services economy, the finance function should be providing business-critical insights. These insights should impact on how the organisation can make the most of the value and margin contribution derived from customer relationships in aggregate, across both the products and actual services offered.

A modern back office should seamlessly combine finance systems with CRM, providing finance teams with an accurate and transparent view into revenue and sales streams, while enabling them to build more accurate forecasts and pricing plans based on company-wide figures.

Putting the customer at the centre

Business should be built on the ideal that a life-long relationship is forged with the customer. If finance and sales activity fail to align, uncoordinated and mismatched communications with customers can lead to frustration.

For example, a customer could agree to one set of terms with the finance team but agree to an entirely different set with the sales team. Additionally, when sales and finance departments lack coordination, there is the potential for revenue leakage after the deal is closed. The occasional invoicing error or payment error may be small at first, but when it is an organisation-wide issue, those numbers quickly add up and customer satisfaction can be easily compromised.

Consolidating around the customer, however, provides teams access to the insights they need to work effectively on each lead or existing customer. Accounts receivable might decide against pressing a customer for the next payment if they are aware that a large sale is on the horizon with that account. The support team might spot an ongoing service issue that needs to be resolved before they bother the customer with 'past due' communications. In this manner, sales can function as an extension of finance, bringing up invoices during a sales or service call.

Removing the disconnect between finance and sales departments enables efficiency gains, cost savings and opportunities to grow. Coupling this with more customer-centric mindsets and processes ensures finance and sales are singing from the same song-sheet, with a shared plan for success. ■

CLOUD TECHNOLOGY AND THE BENEFITS OF OUTSOURCING

Mark Pullen, **CEO at cloud-based finance software provider Xledger, explains the extent to which outsourcing can make businesses more agile, give them a competitive edge and boost resilience for a lockdown recovery**

Lockdown restrictions plus virus uncertainty have prompted a change of mindset across businesses of all industries, not least in accounting.

Many businesses have had to take stock and as a result have begun to recognise that outsourcing core services can make them more agile and give them the competitive edge they need to compete in today's market.

Recent research has found that almost a third of companies are looking to outsource at least one business area, as a result of Covid. It challenges the long-held tradition that when a business reaches a certain size, it insources as many functions as possible to allow for greater control when growing the business, only outsourcing heavy time-intensive tasks.

Accounting sector pain points

Client and corporate expectations are continuing to evolve and grow and with them, a new set of demands are placed on accounting departments and firms.

As a result, the need for value-added services on top of payroll and bookkeeping needs to be addressed, if firms are to differentiate themselves and stand out from the crowd. That provides a new set of challenges as the role of the accounting professional evolves, meaning that attracting and retaining the right talent is going to be a key business challenge in the years to come.

As client demands change, so do workloads. Accountants need to contend with ever-shifting goalposts which can be detrimental for keeping projects on track and hitting deadlines. Using multiple tools to manage projects such as chat tools, email and spreadsheets can lack opportunities to effectively communicate. These disparate tools can also foster misunderstandings and inaccuracies which can lead to greater challenges in the accounting sector.

What role can technology play?

Inefficient processes are prone to causing delays and errors which can have a huge impact on the bottom line when viewed at scale. They can also negatively impact the client experience, causing frustration with missed deadlines and mounting uncompleted tasks.

Technology is automating many of the daily, monotonous accounting functions such as bank reconciliation and invoice entry meaning that the nature of the work that an accountant provides will change. This presents a huge opportunity as accounting professionals could be involved in higher-level work. It can also provide a resource that gives real time insight, allowing for better strategic decision making.

Optimising the accounting function

Outsourcing high-value services within the accounting function can improve workflow by implementing defined and transparent process which streamlines operations. For a finance department, this can speed up areas that require internal controls such as expense reporting and cash release, but it can also speed up the full lifecycle of a project; from time tracking and resource to accounting and billing.

There is also a cost efficiency benefit when outsourcing, as management bandwidth is effectively increased by eliminating the need to be involved in many day-to-day processes. Instead this time can be focused on other business priorities and planning for future growth.

Outsourcing accounting functions to use bespoke and standardised technologies means data-led processes can be measured, optimised and benchmarked against in-house requirements. These processes can also be undertaken remotely, boosting the resilience of your business in a post-lockdown world. ■

CASE STUDY: ROB HOWARD, CEO, ACCURISE

As an accountancy practice, we realised that where the real value is in the market is the more complex customers that want something more than just having their statutory obligations met, such as VAT returns. We enable clients to scale up and maintain visibility and control while outsourcing their finance department by benefiting from Xledger, a premium accounting software package that they otherwise would not be able to afford.

In the UK, clients normally insource processes when they reach a certain size in order to maintain visibility and control. This opened my eyes to the power of collaborative cloud technology. If you allow your end customers to maintain visibility and control over their finances, there really is no value with insourcing.

Xledger's integrated document management system gives customers enhanced visibility and control with access to in-system live-reports through budget holder dashboards, and budget holders can likewise gain confidence and understanding over their financials by drilling-down to the individual transactions.

Xledger is a one-stop solution covering expenses, approvals, payments and reporting, and all our customers can log in to one place. We can offer them enhanced visibility and control, onboard them quickly, and it is a larger, more scalable solution.

In terms of our day-to-day operations, not a single thing has been affected by Covid-19 and we have carried on working seamlessly. That is now a great discussion point when we are talking about our services with potential new clients, as we offer an uninterrupted service, even during the worst pandemic in a generation. ■