BENCHMARK INTELLIGENCE FOR THE ACCOUNTING INDUSTRY

INTERNATIONAL Accounting BULLETIN

August 2015 Issue 552

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Dutch firms take criticism to heart

..and adopt changes in culture and behaviour

- Mazars and BDO Italian merger
- Awards finalists
- Interview: EY's Nancy Altobello
- Rankings: South Korea, Mexico, Netherlands

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Lighting effects

It's said that northern Europe is culturally more equipped when it comes to transparency and public debate. The Scandinavian model of democracy is often hailed as an example in that regard. If this were true, this month's issue could feed the stereotypes of a cultural divide between Northern and Southern Europe.

Or one could also say that this month's issue is made up of lighting effects where jumping from one page to another, is like a jump from transparency to opacity.

On the one hand, the Netherlands has embarked on a journey to revive the audit profession's relevance and reputation.

Faced with a series of accounting scandals involving some of the larger accounting networks, and pressed by politicians and public opinion, Dutch firms in collaboration with the Dutch professional body are implementing a series of reforms that could alter culture and behaviour in accounting public practices forever (pages 8-11).

On the other hand in the Italian peninsula, a deal steeped in secrecy and still very little advertised brings to mind the intrigues of ancient Rome. Mazars and BDO the two largest mid-tier networks have merged and yet no one talks about it. It would seem this is due to legal issues (page 5).

Also in this issue, Nancy Altobello, one year into her new role as EY global vice-chair talent, tells us about the challenges of a Big Four firm attracting and retaining talent in more than 150 countries and how corporate culture can be effective across borders.

In other news this month we announce the finalists of this year's *International Accounting Bulletin*'s awards (page 4). Winners will be revealed at *International Accounting Bulletin* 2015 Forum held in partnership with sister publication *The Accountant* on 1 October 2015 in London.

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Firms need to rethink their business models

The Institute for the Accountancy Profession in Sweden (FAR) secretary general Dan Brännström has called on accounting firms to rethink their client offering in order to better adapt to future market trends. "Many audit and accounting firms have been successful for a long period with traditional business models and now is the right time to review those models and come up with more modern solutions and develop new services," Brännström said speaking at DFK International annual conference. He explained that two years ago FAR had commissioned a study into the future of the profession, and a key outcome of it was the need to differentiate services, for instance, not providing the same audit for small companies as for complex financial institutions.As such, since January 2014, FAR as part of the Nordic Federation of Public Accountants has worked in collaboration with other institutes in the region on the development of a Nordic audit standard for SMEs.

The Standard for Audits of Smaller Entities (SASE) was published in early July of this year for consultation.

"The standard is principle based. Rather than tell the auditor how to carry out the audit, it will be up to the auditor's professional judgement," Brännström told the DFK delegates. "The audit must be very risk focused and the auditor should design the right procedures to be able to submit a report that will give the same level of assurance as an ISA based audit."

He believes that if adopted in the Nordic region, the standard could be rolled out to other countries as according to him it has already attracted interest from around the world.

DFK International executive director Martin Sharp said that while SASE is very topical for firms throughout the Nordic region, other member firms from around the world had been very interested to hear about the project.

Dan Brännström, FAR

GLOBAL

Deloitte launches IFRS research initiative

Deloitte has appointed Alan Teixeira as global director of International Financial Reporting Standards (IFRS) research to enhance the networks knowledge and expertise on financial reporting. Teixeira will lead the network's new initiative to help member firms and their clients better understand IFRS, their development and implementation.

Technology: the key to audit's future

US executives, board members and academics say external audit needs to evolve, with a majority indicating technology is the force that will transform the profession, according to a survey from KPMG US in association with Forbes Insights.

The Forbes Insights/KPMG survey entitled *Audit 2020: A Focus on Change*, surveyed 151 individuals in the US. Ninety-three percent of respondents said they believed the audit profession needs to evolve. A third answered that auditors should go beyond certifying numbers, and 59% think that while auditors' role should stay the same, how they perform it should evolve.

Asked which issues will have the greatest impact on the audit profession over the next three to five year, 58% of respondents pointed at technology. The regulatory environment came as a close second, highlighted by 56% of respondents. Trailing in third place, the global economy was mentioned by less than half (44%) of the respondents.

EY launches health consultancy practice

EY Global has launched a health consultancy practice to help clients manage costs and improve efficiency. In a statement the Big Four firm said that health care around the world is being disrupted by unsustainable cost inflation and the rapid rise of digital health technologies. As such the new practice aims at helping clients leverage technology to deliver digital health solutions and use big data and analytics to improve health services management and health outcomes.The new practice will be headed by global health sector leader Jacques Mulder who previously served as EY global industry and market strategy leader.

MALAYSIA

BDO Malaysia has appointed Dato Feizal Mustapha as chairman. Previously Mustapha served for 19 years up to 2012 at the Securities Commission Malaysia, holding various senior positions including senior general manager for corporate finance and senior general manager for market development.

SINGAPORE

Less than six months after announcing it was leaving Grant Thornton's network, Singaporean firm Foo Kon Tan has joined HLB International.

As reported by International Accounting Bulletin in March of this year, Foo Kon Tan left Grant Thornton's network and suggested it would remain independent. But the firm has now joined HLB International to become the third HLB member in Singapore.

Founded in 1968, Foo Kon Tan is the seventh largest firm in Singapore with revenues of SGD 32.4m ($23m), according to HLB International.

With this new addition HLB International could become the sixth largest network in the country with total revenues of around SGD 40.6m.

Grant Thornton who was left without representation in Singapore after parting ways with Foo Kon Tan has set up from scratch a new member firm in the country.

With plans to focus more on advisory and tax, rather than audit, the firm plans to double its 25-strong workforce by the end of this year. It is also targeting the financial services industry as well as the energy sector in the city state and pitching itself as the challenger brand to the Big Four in Singapore.

Singapore adopts enhanced auditor reporting standards

Singapore's accounting regulator has reviewed and approved the enhanced auditor reporting standards issued by the institute of Singapore Chartered Accountants (ISCA) in a pledge to improve transparency and audit insights.

Following the Accounting and Corporate Regulatory Authority (ACRA)'s Public Accountants Oversight Committee (PAOC)'s approval, the enhanced standards will take effect for audits of financial statements for periods ending on or after 15 December 2016.

Two changes are being introduced under the enhanced standards. First auditors will be required to communicate key audit matters in their report on the financial statements of listed entities, marking a move away from the traditional pass/fail audit opinion.

The second important change relates to the aspect of going concern. Previously when a material uncertainty over a business's going concern arose, auditors were required to highlight this matter in their report. Under the enhanced standards auditors will now have to ensure that the business has made adequate disclosures in its financial statements regarding management's judgement and assessment on going concern.

"While not in itself new, such information was previously provided only to the audit committees," KPMG in Singapore head of audit Roger Tay said. "It will also now be available to shareholders and other stakeholders "

JAPAN

The Japanese Institute of Certified Public Accountants (JICPA), a self-regulated professional body, has launched an investigation into EY ShinNihon's past audits of Toshiba Corp, while the firm will audit the company's corrected accounts.

Toshiba Corp is accused of having overstated its profits by $1.2bn since 2008 according to an investigation by an independent commission. Making it Japan greatest accounting scandal since Olympus in 2011.

The report suggests auditors EY ShinNihon, member firm of EY Global, were given false explanations of the company's position and that

it would have been difficult for them to detect the malpractices.

"It is hard to understand the nature of the difficulties that the auditor would have encountered," CFA Institute director of financial reporting policy Matt Waldron wrote in a post on Market Integrity Insights. "Given the sheer size of the misstatement, it begs the question: Why was the auditor blind to the accounting irregularities?"

The independent commission's revelations provoked a mass resignation of Toshiba top management and the Japanese company has published an action plan to correct past accounting irregularities. However, according to Toshiba's action plan, the corrected amounts will be audited by EY ShinNihon.

"The very auditor under whose watch the irregularities occurred," Waldron wrote. "Having another audit firm review the corrections seems a more reasonable strategy given what Ernst & Young ShinNihon missed, for whatever reason, over the span of six years. "

A spokesperson for JICPA told *International Accounting Bulletin*: "As our all-out investigation will have to take into account the amendment reports due to be published by the end of August, we are currently unable to give you any timelines regarding our investigation. "

He concluded: "Depending on the complexities of the issues, it could take a long time before we reach the final conclusion."

At the time of publication, EY Global and EY ShinNihon were not available for comment.

UK

The UK Financial Reporting Council (FRC) has announced an investigation into the auditors of insurance technology provider Quindell Plc, for financial years 2012, 2013 and first half of 2014.

According to Quindell Plc's annual reports and financial statements, RSM Tenon Audit Limited was its auditor before KPMG took over in October 2013.

The FRC said in a statement it had "launched an investigation under the accountancy scheme into members and two members firms in relation to the preparation, approval and audit of Quindell's financial statements for the period ended 31 December 2011 to the year ended 31 December 2013, and for the preparation and approval of the company's interim results for the half year ended 30 June 2014."

RSM Tenon was acquired by Baker Tilly UK (Baker Tilly) in 2013, a few months before Baker Tilly left the Baker Tilly International network to join RSM International.

Students outside of the Big Four come on top in latest ACA exam

Five out of seven prize winners in the latest Institute of Chartered Accountants of England and Wales's ACA exam came from a firm or business outside of the Big Four.Prize winners are the student who scored the top mark in each of the six papers in the exam session. Apart from two prize winners from PwC UK and Deloitte UK, the remaining five came from firms outside of the Big Four. 4,798 students sat the June 2015 session attempting 9,047 papers in total. 74.2% of the students passed all the papers they took.

USA

BDO USA has reported total revenue of $1.05bn in the year to 30 June 2015, up 26% from the previous year. The firm's assurance business line, which represents 52% of the whole business, grew by 17%. Tax, which represents 32% of the business, grew by 30%. Consulting and advisory representing 16% of the business was the fastest growing service line with 51% growth year on year.

AGN International rebranding

After a little over a year as AGN International CEO and a lot of groundwork covered, Malcolm Ward meets with International Accounting bulletin to announce the association's rebranding as the starting point of a new strategy to take the organisation to new heights.

"Any incoming CEO will probably make the same remark, and that is, there was quite a bit more to do than I thought," Ward says reflecting on the first year of his tenure as CEO of AGN International. "And I think our first six months we had a lot of basics to fix, we moved out from Wimbledon where we had a large and frankly not particularly pleasant office, [...] we needed to get all of our systems up into the cloud and all this sort of things."

Malcolm Ward, AGN Int.

Even though it is not particularly exciting it is a lot of work he continues, the association also did a lot of work in ensuring that its members records were updated. "And really in that whole mix, there was rebranding."

While people tend to focus on the logo when talking about branding, Ward says the most important is the organisation's new moto which defines AGN's focus. "'Excellent connected individual.' Is something I devised shortly after joining," he says. "So excellence is at the heart of what we do and there is whole raft of things behind that, not just me saying let's be excellent, so we are going to publish a transparency report later this year as far as I'm aware we're going to be the first association to do that. "

The second aspect of the moto, connected, refers to the usual description of associations as loose organisations. "If you are trying to find what an association is, it's all in the negative, and if you pick the IFAC ethical guide one of the things it actually says is 'loose association'," he says. "And I can't see that, I'm thinking there isn't something loose about our members, these are strong relationships over many years, these people are every bit as connected as my old place and in some way more."

Finally the 'individual' part, he explains is an antidote to the polish corporate image where particularly in big networks things are very much standardised, people have to act in a certain way, wear specific clothes for work, with the wordings always carefully crafted, and you have to follow a set of procedures. "We are quite different to that, we are real three dimensional and professional people you actually want to do business with," he says.

Is the rebranding a way to counter the negative image to which associations are often linked to I ask. "I think one of the big issues is associations are incredibly poor about getting across to the market what we really are," he responds. "All of the accounting industry, and I do mean all, is kind of defined by networks."

However he says AGN is not in the global audit space and have no intention of entering it. Going forward he sees three areas of focus for the organisation. First continue the work to ensure AGN is "a lean organisation focused on high standards and great services". Second is to help drive member's revenues through for example trainings, and creation of sector groups. And finally improve practice performance with a focus on talent attraction and retention.

"Associations need to have scale, so do not rule out that something else might happen during that period, scale, scale is important," he says.

Asked if he is hinting at anything in the pipeline, he replies: "We have strength in the USA, in Europe, we are pretty good in Asia Pacific, I'd like to be bigger in Africa and I'd like to be stronger in central and south America. There are some dots there that maybe could be joined, but we'll see."

V.H

2015 International Accounting Bulletin awards finalists

This year's finalists for the 2015 International Accounting Bulletin Awards have been announced and winners will be disclosed at the International Accounting Bulletin: Forum & Awards 2015 event held on 1 October.

The finalists and winners have been selected by an independent panel of judges including Jane Howard partner at Wragge Lawrence Graham & Co LLP; Ndungu Gathinji former chairman of the Institute of Certified Public Accountants of Kenya (ICPAK) and former IFAC board member; and Mark Koziel vice president - firm services & global alliances at the American Institute of Certified Public Accountants.

NETWORK OF THE YEAR

BDO
KPMG
PwC.

RISING STAR NETWORK OF THE YEAR

Auren
Santa Fe
ShineWing
SMS Latinoamerica
Reanda

ASSOCIATION OF THE YEAR

DFK International
INPACT
Praxity

RISING STAR ASSOCIATION OF THE YEAR

Abacus
INPACT

AUDIT INNOVATION OF THE YEAR

Caseware
Deloitte

ADVISORY FIRM OF THE YEAR

Global organisations:
Crowe Horwath International
PwC

Single firms:
Crowe Horwath UAE
Clearwater
Nexia Malta

EMPLOYER OF THE YEAR

Grant Thornton
Mazars
Nexia Tanzania
PwC
WithumSmith+Brown (HLB USA)

SUSTAINABLE FIRM OF THE YEAR

Crowe Horwath International
KPMG
ShineWing

SOCIAL MEDIA NETWORKING CHAMPION OF THE YEAR

Global organisations:
KPMG
Mazars

Single firms:
Baker Tilly Malaysia
Nexia SKP
RSM Egypt

IT VENDOR OF THE YEAR

Blackline
Caseware
Energy Consulting (HLB Russia)
FreeAgent
Intuit

YOUNG ACCOUNTANT OF THE YEAR

Amy Askew, partner at Menzies LLP, HLB UK

Benjamin Mullin, chair of the global board of directors at the Institute of Management Accountants

PERSONALITY OF THE YEAR

Fayezul Choudhury, CEO, IFAC

Olivia Kirtley, president of the board, IFAC

Sacha Romanovitch, CEO, Grant Thornton UK

LIFETIME ACHIEVEMENT

Aziz Dieye, founding member, Pan-African Federation of Accountants

Fayezul Choudhury, CEO, IFAC

Geoff Barnes, immediate past CEO and president of Baker Tilly International

Jos van Huut, board member of Royal NIVRA; vice-president Federation of European Accountants; member of managing board and governance council of Paxiti AISBL

Khalid Maniar, founder and group managing partner of Horwath MAK

Olivia Kirtley, president of the board, IFAC

Raul Correa, CEO, BDO Brazil

Zhang Ke, chairman, ShineWing International

An offer that couldn't be refused?

The two largest mid-tier networks have merged and yet nothing was made public and no details have filtered through. The deal filled with secrecy is worthy of one of movie director Francis Ford Coppola best plots, **Vincent Huck reports.**

Like in most Mediterranean countries, the summer months are slow in Italy. July and August are considered the holiday season and usually little news comes out in that period. However this year, in the heat of the summer a major merger took place between parts of the two largest mid-tier networks in the country.

But no announcement was made and it was kept under the radar by all parties until *International Accounting Bulletin* broke the news in mid-August.

On 23 July, a letter was sent to clients announcing that on the same day BDO S.p.A. and Mazars S.p.A. had "transferred" their activities in audit, accounting and consulting to BDO Italia S.p.A.

The letter did not specify what was meant by "transfer". It was signed by Paolo Scelsi, managing partner of BDO in Italy, and Mazars in Italy managing partner Simone Del Bianco, the latter signing under BDO Italia S.p.A's name.

International Accounting Bulletin understands that this entity was originally incorporated in February 2015, suggesting that the move had been months in the making. It's still unclear when Del Bianco became a shareholder and director at BDO Italia S.p.A.

This magazine also understands that Mazars Group was not informed of the merger until after 23 July.

BDO International answered our inquiries by sending a BDO Italy press release dated 27 July. However the press release can't be found online. The release confirmed the move and BDO International said it had nothing to add.

Mazars on the other hand described the move as "an independent, inappropriate and non-coordinated initiative undertaken by part of the Mazars Italian partnership and part of the BDO Italian partnership".

A spokesperson said that the situation was in total breach of the operating rules of Mazars' integrated partnership and ethics rule and as such it would take "legal action and disciplinary proceedings to dispute the situation, which effectively takes our clients hostage".

Asked against whom the legal action would be taken and to which authority, Mazars declined to answer for the time being. *International Accounting Bulletin* received the same answer when asking which operating rules had been breached.

International Accounting Bulletin understands that the reason Mazars says its clients are hostages is because under Italian law the sale of a business means the clients go with the business.

"In some cases, but rarely, client's contracts specify that in case of a change of control, ownership, sale or just cause of business, prior consent is required," a partner of a mid-tier Italian firm not wishing to be named says. "But I've never seen this for an audit engagement in Italy and maybe it's not possible because auditors are 'appointed' by shareholders , not 'contracted'. So effectively all Mazars clients in Italy have become clients of BDO and most are a three-year appointment."

A Mazars spokesperson described the move as a blow to any rapprochement between the two organisations globally. "BDO International's support of this aggressive and inappropriate manoeuvre also thwarts, were it be confirmed, cooperation between the two organisations," said the spokesperson.

A source close to the case tells *International Accounting Bulletin* that BDO International is coy about the whole situation as if indeed Mazars partners were in breach of any rules it could mean trouble that the largest mid-tier network globally would be eager to avoid and as such are staying cautious.

It's still unclear how much of Mazars operation in Italy has transferred to BDO, but all of the emails listed on Mazars's Italy website are no longer active, and none of our calls have been picked up.

Additionally partners and directors heading the departments of financial advisory services, compliance, accounting and payroll solutions and tax seem reachable through BDO email addresses.

Contacted by *International Accounting Bulletin* BDO's Scelsi did not reply to our numerous inquiries. ■

ITALY

Top 15 firms: fee data (FY14)

Rank		Fee income (€m)
1	PwC	436.0
2	EY	214.8
3	KPMG Advisory S.p.A.	237.8
4	Deloitte	130.8
5	Mazars (1)	41.0
6	Crowe Horwath SASPI Italy	21.6
7	BDO S.p.A.	19.3
8	Rödl & Partner	17.3
9	Baker Tilly Revisa	14.7
10	Haegar & Partners (3)	11.3
11	Blue Line Consulting	7.2
12	Ditrag Srl (4)	6.9
13	Kreston GV Italy Audit	6.8
14	PKF Italia SpA	6.6
15	ECOVIS STLex Studio Legale Tributario	6.1

Notes: (1) Mazars is part of Praxity; (2) Studio Associato Servizi Professionali Integrati is part of Crowe Howarth; (3) Haegar & Partners is part of Nexia; (4) Ditrag Srl is part of BKR International; (5) Ardito Cojutti Corciulo Graffi Brunoro Zilli E Associati is part of PrimeGlobal.
Source: *International Accounting Bulletin*

ITALY

Estimates post merger: fee data

Rank		Fee income (€m)
1	PwC	479.6.0
2	EY	221.2
3	KPMG Advisory S.p.A.	261.8
4	Deloitte	117.2
5	BDO Italia	63.3
6	Crowe Horwath SASPI Italy	23.3
7	Rödl & Partner	18.6
8	Baker Tilly Revisa	15.6

Notes: Fee income was estimated on the same growth basis as previous year.
Source: *International Accounting Bulletin*

Excellence through empowerment

After a 35 years career in various leading roles at EY, Nancy Altobello was appointed EY Global vice-chair talent in July 2014. She tells **Vincent Huck** about the challenges with regards to talent in an organization spread over 150 countries and with a little more than 200,000 staff.

***International Accounting Bulletin*: How did the interest in talent which led you to your current position came about?**

Nancy Altobello: I've been in and out of talent roles throughout my career. I ended up as a fairly young partner moving into my first talent role in the mid-90s when we were growing what we called our AABS practice: audit and advisory business services; we put those two practices together. And we were looking to really transform our audit practice, as well as building the advisory practice.

We needed a whole different talent model. We built a lot of things that have endured today, such as the idea of hiring experienced people. Up to then we had only ever hired from university. We changed our performance management, our pay systems, and our career path to support that.

Then I moved back into client services, but also into management roles. I spent the next nine years in various managing roles really learning about our business. From that I really got an understanding of what we needed to do from a talent perspective to support the business better.

***International Accounting Bulletin*: So now, your profile on EY's website says you are "responsible for EY's effort to build an exceptional experience for each of our more than 200,000 people". That's quite a challenge; how do you do that?**

Altobello: You do it through empowering everybody in the firm to make that happen. I obviously cannot sit and make sure 200,000 people have exceptional experiences. But I can help our partners and our senior managers do it, and I can help our younger people understand how they can ask for it and how they can get it. It's really about how we make sure that the work they're doing is challenging and they're really learning, while at the same time somebody covers their back.

The other thing is to make sure we're helping our people develop day to day through coaching, feedback, mentoring or sponsorship. But also through real high-quality learning programmes. And then making sure they have good work environment: there isn't an EY model of a person, it's whoever you are, bring it. We want all of that diversity of thought.

We want to have a really flexible working environment so that people can meet the very high demands we have, but also have very happy and balanced personal lives.

And when you do those kinds of things, you have exceptional experiences. Not every day, but frequently.

***International Accounting Bulletin*: EY is present in more than 150 countries; it must be a challenge to deal internally across borders?**

Altobello: Part of the EY culture is to respect local cultures. But there are some elements in our culture that aren't dependent on the local market cultures. Elements of respect, integrity, and trust, and how we work together, how we communicate, how we are very client service focused.

We do need to be very cognisant and respectful of other cultures. We need to understand that, for instance, how you get feedback and how feedback is received will vary by culture.

Actually, our people are looking for us to help them better work globally. We have a global people survey that we undertake annually, like many other organisations. And we ask staff if they agree with the statement: "I appreciate being part of a global organisation". We saw that score just skyrocket; its up to over 80%. So our people are enjoying very much being part of a global organisation and appreciating the excitement and dynamic things that come along with that.

But at the same time a statement where we didn't score well was: "I'm prepared to work across all these different cultures". They're saying help us more there. So that's a major focus area for us now. We're not doing worse than we used to, but the expectation is so much higher.

***International Accounting Bulletin*: What are the changes you've seen over the past few years in recruitment?**

Altobello: We'll hire over 80,000 people this year. About 80% of them will be full-time positions and 20% will be internships. That's are a lot of people. To hire the people that we need, the really top talent, people who are aligned with our values, we've got to have a value proposition.

Nancy Altobello, EY.

We're also looking at different kinds of people, more so than ever before. The days of only going to universities and hiring from the accounting programmes are gone. We are all over the world looking for talent and people with all different kinds of backgrounds.

***International Accounting Bulletin*: So is that the main change, before you used to go to universities and accounting programmes and now it's a broader base?**

Altobello: Yes it's a broader base and plus we're hiring people at all kinds of stages within their careers. The people looking to join us aren't just looking to get a job. They're looking to be in a place they'll be proud of. And we need to make sure they'll be proud to be here. So the messaging is different than it used to be.

***International Accounting Bulletin*: That leads to what has been dubbed as "the war on talent, or the talent gap". More people go to university, plus employers are more will-**

ing to employ people out of the university framework. It seems the base has broadened, so why is there a war on talent?

Altobello: Students in universities are on programmes that will easily fit into our organisation. But it goes beyond universities; the bigger challenge is those who are more experienced. As we're growing 10% a year, our recruiting is growing more than 20% a year. That's a lot more people that we have to find every year. So the war for talent is just the volumes that are out there, and people's skills.

Some of the skills that are very scarce are around cybersecurity and data analytics. The skills that make companies more efficient and produce effective supply chain management. Also, anything in health care is a very hot skill. These haven't been big markets for very long, so the need is much greater.

***International Accounting Bulletin*: And looking forward, how do you see the recruitment process evolving?**

Altobello: It's going to be a global pool, clearly. Fifty per cent of our revenue will be in emerging markets, so we need to get enough resources to support that, whether the hiring is there, or we hire in other places and move people there. We have not made our hires over the years at a 50% level in those markets, so we've got to catch up greatly and make sure our emerging markets are staffed up. We're preparing a lot for that now by having a lot of our folks in emerging markets do international assignments in developed markets so they can bring that skill back to their markets. These things take years to get ready for. We just can't turn a switch.

We're also looking at how we train and develop people differently. Traditionally in the developed markets we did a lot of classroom training where people would travel to it. That gets very expensive, so we're looking much more into online video and on demand programmes, bringing live sessions to them from top universities around the world, and getting really good leverage by having big populations all around the world participate. That requires a really different investment, and, again, a lot more forward thinking.

***International Accounting Bulletin*: We mentioned the talent gap and the need for diversity, you think the two are linked?**

Altobello: I don't think the talent gap has brought a need for a more inclusive world, I think business problems have. And as companies are dealing with more complex issues, you can't solve those without having a diverse team looking at them. They're having people think about issues from different perspectives – people who can see around corners, people who have context and history, people who are really savvy in technology, introverts, extroverts. You need a group of people to think about problems really differently. That's where we've seen the greatest need for diversity. And then inclusion is important because if you're sitting around a room and only two people are talking, you're not taking any advantage of that diversity.

***International Accounting Bulletin*: How do you ensure diversity and inclusion?**

Altobello: Within countries we've had to do a lot of work to get different groups to understand our profession and understand the opportunities.

For instance in the US for many years there was a low percentage of new certified public accountants who were either Hispanic or black. We've been working for years, being in high schools and trying to drive the number of accounting majors and finance majors up in university, providing scholarships, and working with universities. And we've been able to increase the population.

We're doing that around different pockets of the world where accounting is still not understood to be as great an employer as it is, so we're working to get people to understand it.

To give you a story, three years ago in China we were number 55 ideal employer for business students in the Universum ranking, and this year we're number 5.

***International Accounting Bulletin*: It seems there's this push at the moment for flatter structures within organisations, would you agree? Have you seen this as a change?**

Altobello: It's very much flatter now. I went into the America's talent role in July 2008, so the US had just come off a huge high. July was terrific and the first half of August was pretty good. And then, two months into my term, the whole world fell apart and there were two really dark years when we were trying to understand how deep the recession was going to be.

We managed through that very well as an organisation, but what I found when we came out of it is our partners had really lost contact with our staff. Because during the time when they didn't know what to tell them: about promotions, salary increase and more generally about when recession was going to be over, the partners avoided talking to the staff. So we artificially tried to rebuild connections and we created something called "counselling families".

There are 20 people in a counselling family and it consists of one or two partners, one or two senior managers, and then it cascades down through the whole organisation.

We said just get together and talk: there might be something brand new in regulation, there might be something new that we're doing in the business, or there might be an economic event that you want to talk about, or just talk about whatever you want.

They get together once a month for a couple of hours meeting and then they go do something social: bowling, movies, drinks or whatever.

We've found over time the connections have become incredibly strong. We saw retention improve significantly; we've seen engagement between management and employees go up significantly.

So there's something about connection that I think is different than it used to be. Our younger people want to be connected with the senior people, and the senior people gain a lot from it. So we've really been studying and pushing this.

***International Accounting Bulletin*: Well again there's a cultural aspect to it. Taking the Toshiba scandal as an example with EY being the auditor – in a TV interview a professor was saying one of the reasons it got that bad is because the staff wouldn't question the leadership, because even though they knew it was illegal, Japanese culture prohibited them going against the management.**

Altobello: Yes I think that's right and that's why I said we "artificially rebuilt connections". We found we had to put a structure in place and there were a lot of mandates like "you must meet once per month". Over time it took root. That was a US thing at the time, but it spread all over the world. We just put it in Singapore and the results have been outstanding. We did it in South Korea – outstanding. So we're seeing how it can work in different cultures. I think having these kinds of connections helps break down bureaucracies. The world is too complex to have bureaucracy. ■

Bloody, but unbowed

In the wake of a series of accounting scandals involving the largest firms in the Netherlands, the Dutch profession pressed by politicians took the matter at hand and is now implementing a number of measures to address culture and behaviour within the firms, **Vincent Huck** report

In May of last year, the Dutch profession was shaking on its foundations as a string of scandals had urged the parliament to organise a public debate into the relevance of the audit profession.

A few days before the parliamentary debate the chairman of KPMG's Dutch operations, Jurgen van Breukelen resigned. And while the Dutch accounting scandals of the previous few months were not limited to KPMG, the Big Four firm certainly epitomised the issues faced by the audit profession in the Netherlands.

In 2013, KPMG was fined €900,000 by the Dutch financial sector regulator, The Netherlands Authority for the Financial Markets (AFM), for failing to have proper internal procedures in place. The firm was also involved in the collapse of housing corporation Vestia, according to *dutchnews.nl*.

In December of 2013 KPMG reached a €7m out of court settlement with the public prosecution department after being accused of disguising bribes paid on behalf of building group Ballast Nedam to win orders. The firm also failed to pay proper attention to ensuring integrity demands were met, according to the public prosecutor as reported by *dutchnews.nl*.

The last blow which prompted Van Breukelen's resignation came in early 2014 and related to suspicions of tax fraud involving the construction of the firm's new headquarters.

As such Berry Wammes, CEO of the Dutch institute (Nederlandse Beroepsorganisatie van Accountants – NBA) recalls that when the parliamentary debate came about, the issues discussed captured the attention of the public at large.

"Audit is something usually covered by journalists with an economic background and it is most of the time limited to the financial papers," he says. "But last year it was extended to the general press, the management of the audit firms were regarded in the same way as the management of the banks so there was a lot of criticism on the way they behave."

Remembering specifically the debates in the parliament which he attended, Wammes says that while usually in these sessions politicians just discuss amongst themselves, on this occasion the members of parliament specifically addressed the profession and its representatives present in the audience.

"They said you as the audit profession, have a last chance to improve. And if you don't we will take severe measures," Wammes says. "And that is two years after the Netherlands ahead of the European Union's reform implemented audit rotation and separation of audit and advisory."

Mazars partner Jos van Huut remembers: "The choice was you either say 'we performed along the standards' which means that you admit that the standards are not fit for purpose, and that you are not relevant. Or you say that you have not performed according to standards and that you will improve."

Van Huut says the Dutch Minister of Finance Jeroen Dijsselbloem, who is also the president of the Eurogroup, urged the profession to come up with a series of proposals for improvement by the 25th of September 2014.

The minister's deadline was no coincidence as at about the same time in September, AFM was expected to release its results of the review of the audit files of the Big Four firms in the Netherlands. And with the previous reviews having found a large number of insufficiencies, there was not a lot of hope for better results in the new AFM report.

"Over the summer the Dutch institute took the initiative to create a group, or task force, of seven young partners coming from the largest firms: the Big Four, BDO, Mazars and one representative of the smaller practices," Van Huut says.

The task force was formally known as the Future Accountancy Profession Working Group, because it was purposely composed of partners with young profiles. "In response to the public criticism the leaders of the firms and the management of the professional body did not say 'we are going to solve it ourselves'," Wammes explains. "But they said 'we are partly the cause of the problem so we will leave it to the young professionals because they still have another 30 or 40 years in the profession'."

This was very courageous from the management of the firms, Wammes points out.

As such the working group was composed of: Arjan Brouwer from PwC Netherlands, Diana Clement from Borrie (an Alliott Group member firm), Nout van Es from EY, Theo Jongeneel from Deloitte, Marie-Pauline Lauret from Mazars, Pieter-Paul Saasen of BDO and Caspar Segers of KPMG.

Wammes explains that the seven professionals were given a free assignment to come up with everything they could imagine to improve the profession now and fundamentally.

Audit reviews

Simultaneously, and as expected, in September 2014 AFM published the results of the inspection of the quality of statutory audits at the Big Four audit firms. "The quality was a little bit better, but still very insufficient in the eyes of the oversight board of AFM," Van Huut comments. "They inspected 40 files and 18 were inadequate, which is not a nice quota."

AFM Inspected 10 audit files from each of the Big Four firms and found 40% of files inadequate at Deloitte, 30% at EY, 70% at KPMG and 40% at PwC.

The findings, apart for one or two audit files, were recognised by the firms, Wammes says. "If you look at other industries like cars, if you deliver 40 cars and 16 of them have a technical problem, as a manufacturer you have a real problem," he continues. "I think one of the biggest problems of the profession is the continuous denial of the quality issues."

As such one of the good thing that happened in the Netherlands in the last years according to Wammes is the recognition on the part of the firms that the problem was on their side and not on the politicians or others.

However many interviewed firm leaders, whilst not denying the issue temper AFM's findings. "Yes it was a high percentage. […] And I think inadequate is very harsh, if you go to an audit file there is always something you can improve," Crowe Horwath Foederer managing partner Johan Daams says.

Going through the report he says he recognised some of the findings but even so he is confident that it wasn't that bad. "I'm not sure it was such a poor job as it seemed in the report, to me as a managing partner of a mid-tier firm the percentage of audit files judged inadequate seemed on the high side to be honest."

For Frank van Disseldorp a partner at WIJmetAARTS, an independent firm, the results of the review have to do with the way in which the reviews are conducted. "Some years ago if you do a review of an audit file you look at the whole file, all the documents that are there," he says. "Now it is done by risk analysis where you take the very high risk clients, the very high risk figures and you draw conclusions for the whole audit."

HLB Netherlands chairman Erik van der Haar points that AFM not only commanded negative on the reviews of the Big Four firms audit files but also on the audit files of the next six as well as the audit files of the smaller practices. As such Van Der Haar supports the measures for improvements suggested by the task force of young partners formed by the NBA.

53 measures to improve

Indeed on the same day as AFM published its inspections result, NBA was publishing the proposals of the task force in a report entitled *In the Public Interest: Measures to improve the quality and independence of the audit in the Netherlands*.

"It is a set of 53 measures which affects the governance of the audit firms," Wammes says. "I have been in the profession for 18, 19 years but I haven't seen a huge change like this before, so this is a very promising development."

Van Huut explains that the 53 measures can be divided into two sections, one is about the appointment of the auditor, the audit engagement, the reporting, which is aligned with the EU audit reform. "But there is a second section and that is the culture and behaviour of the professionals and of the firms themselves and not the audit work in a technical sense."

Johan Daams, Crowe Horwath Foederer.

It is about how the firms are run, managed, how the oversight within the audit firm is organised, how the partners are remunerated, he continues. "It tackles how the CEOs and the management are organised and you don't see this discussion to the same extent in other European countries and it's actually that part which takes most of the energy and the actions that needs to be taken."

The most important measures proposed are in respect of the governance of accountancy organisations with, for example, the creation of a supervisory board for firms with a Public Interest Entities (PIEs) audit licence.

The supervisory board will be made of external members, from outside of the profession, Wammes explains. Only one member on the board coming from the accountancy profession will be allowed.

The supervisory board will be tasked to oversee the organisation-wide aspects that affect audit quality, independence, integrity and the interests of external stakeholders during the audit. as part of its responsibilities the supervisory board nominates the board of directors of the audit firm.

"There is a small legal issue because there is an EU regulation which says audit firms have to be independently run, which means the board has to be assigned by the partners themselves," Wammes says. "This has been

SUMMARY OF THE AFM'S CONCLUSIONS REGARDING THE STATUTORY AUDITS INSPECTED

Audit firm	Number of Inspected	Number of Inadequate	% of Inadequate
Deloitte	10	4	40
EY	10	3	30
KPMG	10	7	70
PwC	10	4	40
Total	40	18	45

Source: *AFM, Resulsts of the inspection of the quality of statutory audits at the Big 4 audit firms*

resolved in the Netherlands by saying the supervisory board will make bidding nominations, which have to be followed."

The second measure which has received a lot of attention relates to the remuneration system at firms, and this measure applies to all firms not only the PIE-licensed ones. "They [the working group] also looked at the remuneration system which means that for instance the board has fix salaries and they are independent from revenue but dependent on the quality that is delivered," Wammes explains.

For Van Huut the remuneration part of the measures is the hardest to implement in practice. "Remuneration needs to be based on quality, it needs to be proven that the commercial contribution by partners in bringing clients and new work is not the most important part of their remuneration, rather that the independence, quality of their work and firm is far more important in setting their compensation," he says.

And a controversial aspect of these proposals, he continues, is the introduction of a claw-back scheme for audit partners. Meaning that part of the remuneration of the partner is put in a fund within the firm and that it is only paid out to the partners after six years.

"And if something happens if there is an issue or the quality of the files is not sufficient these funds will be used to improve the quality of the audit work within the firm and it will not be paid to the partners," Van Huut says. "It is a nice idea but not easy to implement and especially within multidisciplinary firms."

Asked whether firms who already have to deal with the implementation of the EU audit reform where reluctant to see more rules to comply with coming into the picture, Van Huut says that in the weeks following the publication of the report the NBA asked the PIE-licensed firms to have a statement by their CEOs in support of the report and the measures.

Erik van der Haar, HLB

These statements were published on the websites of the firms, he continues, and it was very good starting point.

"Of course the report itself is not very detailed, some of the measures mentioned need to be further detailed and analysed to establish how you actually put those into an action plan," Van Huut says. "This is where we are: the firms support the proposals but to implement them in practice it can prove to be difficult, on the other hand the partners realise and especially in the PIE-licensed firms that it needs to be done."

Wammes agrees that the firms are supportive of the changes and most have already started to implement the measures. In the spirit of a transparent implementation, his institute, NBA, publishes a live online update of the implementation process progress based on the firms' self-assessment.

This is one of the three steps which have been taken to ensure transparency in the implementation process, Van Huut explains. Another step is undertaken by AFM. "Dijsselbloem asked AFM to monitor the implementation closely and they doing it starting with an inventory, a survey, of more than 300 questions to the firms," Van Huut says.

AFM followed this up with interviews at the individual firms, he continues, and is expected to report back next month.

The third step is an independent monitoring board created by NBA, it is made of six people with good reputation form the financial world in the Netherlands. The board will be created for four years and they will work on overseeing the implementation of the measures as well as additional requirements to restore the trust in the profession.

For Van Der Haar at HLB Netherlands these developments had an unexpected impact in the market for accountancy firms. "Clients appreciate more the work we do," he says. "And that is caused by the public discussion, and they understand that price only is not the way it works, you don't get quality by dropping the fees."

Fee pressure has been a tough challenge for firms around the world, but in recent years

Jos van Huut, Mazars

the Dutch market had been particularly affected by this issue. For Daams at Crowe Horwath Foederer this was driven by economic issues as well as the tough competition.

"If you are a small firm and you only have five to 10 audit clients and you want to maintain those you can do it cheaper," he says. "Also for the larger firms you used to offer the full service audit, accounting and tax, but now you can only offer audit, so clients realise they can decrease the fee by 10/20%."

However, Van Der Haar says that now when meeting new potential clients, the tone differs from two to three years ago.

"Not all clients of course, but people are more interested in what we do and what they get for the money they have to spend, there was a time they were only discussing the price," he says.

As such Van Der Haar sees 2015, if not as the year for growth at least the year of improvement where there is no loss on the turnover, he estimates growth at around 1%. "So not really a big thing but after a couple of years off decrease it is now going better."

Daams on the other hand expect 4%-5% growth. "But it will be in HR services, in corporate finance and in accounting services."

EU audit reform

On top of the challenges of dealing with a slow market and an increased oversight, Dutch firms like in the rest of the EU are affected by the new regulation passed by Brussels in 2014 and referred to as the EU audit reform.

The reform introduces audit firm rotation and prohibition of non-audit services to audit clients. However for Dutch firms this is not new as ahead of the EU the Dutch government had adopted such measures back in 2012. Making the implementation less tedious than in other EU member states, as it is just a matter of reconciling what was adopted by the Dutch government and the EU parliament.

Van Huut says the proposals to reconcile the two have been out for consultation for a few weeks, but appart for minor details the Dutch government should align its rules with the EU rules.

The Netherlands will keep a white list, a very short one, of non-audit services that can be offered to audit clients as opposed to the black list suggested by the EU.

Rotation which was originally set at eight years in the Netherlands will be extended to 10 years as per the EU rules.

However the Dutch proposals did not pick up on the options offered by the EU reform to extend the audit engagement by 10 or 14 years in the case of a public tender or a joint audit.

"Following the change of the law in January 2013 we went through the first round of rotation, and many of the larger companies have rotated already but it hasn't changed much," Van Huut says. "This is between the

Berry Wammes, NBA

Big Four they have not really gained or lost any works in the PIEs and they still control around 95% of the market, it is a sort of game of musical chair with four chairs and four players."

All other interviewed firm leaders paint a similar picture. Daams laments that even though one of the purpose of the regulation was to offer a chance to the mid-tier firms to offer audit services to PIEs, it hasn't worked. Nevertheless he is not opposed to the changes. "I don't think it is a threat, I see it as an opportunity to distinguish ourselves, not only for the Big Four but for the smaller firms as well," he says.

Asked if the rotation rules offer an opportunity for the smaller to compete with the Big Four on the PIE market, Van Der Haar replies: "Not in the Netherlands, if that is the purpose it is the wrong set of regulations […] we have tried but you see that the person taking the decision always says 'let's go for the Big Four it is safe for us'."

Looking forwards he says HLB International Dutch firms will focus on family owned internationally oriented businesses. Like in Germany where the Mittelstand's internationalisation have been an important engine of growth, Van Der Haar sees the Dutch family owned businesses more and more looking international.

"In the end we want successful clients and we want to help them be successful," he says. "If they focus within border they are not ambitious enough."

After an extraordinary few years were the profession's reputation and relevancy was shaken, and were the profession as a whole had to do some soul searching, accounting firms look at the months ahead like the light at the end of a tunnel, out of which they will come out maybe bloody, but unbowed. ■

SUMMARY OF THE MOST IMPORTANT MEASURES PROPOSED BY FUTURE ACCOUNTANCY PROFESSION WORKING GROUP

Areas	Measures
Robust governance	A supervisory board with external members at the level of the Dutch top holding of the group to which the accountancy organisation belongs. This supervisory board nominates and assesses the board of directors and in addition to its general tasks undertakes specific supervision of the protection of public interests, in which audit quality is used as a guiding principle
	A board of directors which primarily focuses on management within the boundaries set by the Supervisory board, including in respect of their time spent.
Remuneration and earnings model of accountancy organisations	A profit-independent remuneration of directors, with a variable component up to a maximum of 20% and which is dependent on the achievement of long term objectives which are appropriate to the social function of the organisation
	A leverage model which safeguards quality, in which there is scope for good coaching and supervision, and upon which public accountability is imposed
	A quality-based remuneration and a claw-back scheme for audit partners, on which basis an element of the payment of profit entitlements is delayed for a period of six years and which expires in the event of culpable shortcomings resulting in social harm
	A promotion policy which assumes proven professional qualities.
Culture and learning capacity of the sector	The foundation of an independent research institute which has amongst its tasks the undertaking of analyses into the cause of faults and incidents
	Annual reporting by accountancy organisations on a prescribed set of quality indicators, on which basis accountancy organisations can be better compared and differentiation in quality can be made visible
	The introduction of a professional oath and compulsory periodic assessment of professional and ethical attitudes.
Improvement of the relevance of the audit	A compulsory extensive audit opinion and compulsory active intervention at the general meeting of shareholders (AGM)
	Expansion of the management report and the splitting of the audit opinion into an opinion in respect of the annual accounts and an opinion in respect of the management report
	More extensive reporting on the risks of fraud and continuity.

Source: *NBA, In the public interest*

Slow improvement in a sluggish environment

South Korea's accounting market continues to experience fierce audit fee competition as mid-tier firms increase efforts to expand their market share, putting Big Four practices' audit service pricing under intense pressure, **David Hayes** reports

South Korea has experienced slow economic growth since 2012. The Bank of Korea recently adjusted its projected growth rate for 2015 downward from 3.1% to 2.8% due to the recent adverse economic effects of the widely reported outbreak of Middle East Respiratory Syndrome (MERS) in May, though the threat of a MERS epidemic now thankfully appears to have been contained.

Exports to major overseas markets including the US and the EU continue to slow. However, domestic demand such as private consumption is expected to show some improvement due to an increase in real purchasing power.

Looking for improvement

South Korean business leaders are looking for some improvement this year due partly to cost cutting activities, while most accounting firms are hoping for stable revenue or for a low single-digit increase due to growing advisory service engagements and the South Korean government's strengthening of external audit regulations.

"Clients are focussing on improving productivity related to their workforce or expenses rather than in new investments or business expansion," Hyun-Cheul Yoon, senior partner and assurance lines of services leader at Samil PwC Korea, comments.

KPMG Korea senior director of marketing and communications Yun-Seob Lee says that equally accounting firms are evolving in a difficult environment: "Due to intensive competition and lowering profit in the accounting market, accounting firms are struggling to find ways for further growth by diversification in non-audit services as well as audit services."

According to firms surveyed by *International Accounting Bulletin*, three Big Four practices – KPMG, Deloitte and EY, reported revenue growth in the financial year ending March 31, 2015 (fiscal year 2014).

Samil PwC saw a decrease in total revenue. However, the decrease was due to the separation of Samil PwC's consulting practice from 1 December 2014, as part of a worldwide strategic business move by PwC Consulting to merge individual country consulting units into a single global firm.

For mid-tier firms, fiscal year 2014 was a year of mixed fortunes with some practices reporting an increase in revenue, while at least five medium firms saw revenue figures drop by single-digit percentages.

BDO Korea (BDO Daejoo), the largest mid-tier firm, reported a 3.6% increase in revenue firmly positioning the practice in fifth place in South Korea's accounting market.

Sixth-ranked Nexia International reported a strong 16% rise in revenue, while Crowe Horwath International (Hanul Choongjung) climbed into seventh position, almost level with Nexia in reported revenue, following the recent merger of Crowe Horwath Korea (Horwath Choongjung) and Hanul Accounting Corporation.

Sharp division

South Korea's accounting market is sharply divided between large companies and conglomerates requiring Big Four services and smaller companies that use mid-tier firms. However, the two sections of the market are not completely separate.

Medium-tier accounting firms are looking to increase their market share including serving the steadily growing number of private companies seeking stock market listings. This could lead to a number of mid-tier firms

merging in future as smaller practices look to expand and attract larger clients.

A clear example of this trend is the recent merger in March of Crowe Horwath Korea and Hanul Accounting Corporation to create Hanul Choongjung which has created a practice with total revenues of $36.5m in fiscal year 2014 compared with Crowe Horwath Korea's $3.8m revenue in fiscal year 2013.

The newly merged practice employs 416 staff including 153 registered CPAs along with 17 junior and foreign CPAs. Tax work and outsourced services account for 39% of revenue, while audit represents 33% of the merged firm's revenue and advisory services 28%.

"Growth in the number of our people and revenue will most likely continue in fiscal year 2015," says Heung-Ju Hwang, managing partner of Crowe Horwath Korea.

"With our manpower and the rise in our accounting industry ranking in South Korea after the merger, Crowe Horwath Korea is expecting a rise in audit engagements of listed companies in 2015 and onward."

The newly-merged practice is looking to South Korea's growing accounting market for more opportunities as the government continues to develop new initiatives to improve corporate governance.

The South Korean government is pushing for more organisations, such as non-profit organisations and apartment complexes, to be audited by an external auditor, Hwang explains.

Mid-tier firms

South Korea's Financial Supervisory Service (FSS) could play a role in increasing the number of listed companies using mid-tier firms for audit and other services. FSS plays a role in assigning audit firms to companies seeking listing and companies in financial difficulty where an independent audit of accounts is needed.

BDO Korea international liaison partner Michael Oak says: "FSS has tried to serve a role as an equitable assigner of audits to companies with big problems or looking for IPOs. They assign second-tier firms to provide a transparent audit service – that's a trend in this market."

As a consequence companies, having had a taste of mid-tier firms through an FSS assignment, may continue to use mid-tier firms in the future, Oak continues.

Despite rising opportunities in the audit market, the continued audit fee pressure has prompted Big Four firms to look for other service line opportunities, in particular advisory services.

"Samil PwC is expecting risk assurance services to be the next business driver in the South Korean market," Yoon explains. "There's little growth expected in the assurance line of service as a result of increased competition in the market and no future growth engines.

While the tax service line has enjoyed strong growth in the past five years, Yoon says that with the current weak economy growth rates in tax are declining.

KPMG Korea, meanwhile, is targeting business growth opportunities serving blue-chip clients with international operations and growing mid-size companies.

The firm provides growth support for mid-sized clients through its 'Growth Strategy Centre for mid-sized corporations' which was set up in 2012.

"By providing advisory services to such companies, KPMG Korea enables clients to develop sustainable growth strategy and seek overseas expansion," KPMG Korea's Lee says.

Support

Outbound South Korean clients are supported through the firm's 'Global Korea Practice'. This has involved setting up 'Korea desks' staffed by some 32 seconded KPMG Korea staff in KPMG offices in 22 countries worldwide to support South Korean clients as they expand their global business activities.

"By providing various advisory services such as IT and strategic consulting, risk management consulting, actuaries and more, KPMG has a strong market share particularly in international trade and customs, and the M&A advisory market," Lee says.

Samil PwC also supports a growing number of South Korean clients that are expanding their international operations.

"Outbound referrals are mainly foreign subsidiaries of large Korean conglomerates with significant operations overseas such as Samsung Electronics, LG Electronics, Hyundai Motors, Mando and CJ Group," Yoon notes.

"Inbound referrals are Korean subsidiaries of foreign multinational corporations with business in South Korea or who are serving large domestic conglomerates."

BDO Korea, South Korea's largest mid-tier practice is also looking for growth this year from advisory and other service lines.

"Advisory covers a lot of categories especially M&A including financial due diligence, evaluation and feasibility studies," BDO Korea's Oak remarks. "We need to develop advisory. In one recent M&A service development BDO Korea was selected by a Korean construction conglomerate with a Hanoi branch, so we expect to develop services with them."

Audit and accounting work contributed 49% of revenue in fiscal year 2014 and drove business growth while tax work accounted for 26% and advisory services for 24% of revenue.

"For fiscal year 2015 we expect at least 3% to 4% organic growth," Oak says. "This year we're planning an aggressive strategy to

■ SOUTH KOREA

At a glance

POPULATION	50.5m
UNEMPLOYEMENT RATE	3.3%
GDP	US$ 1.4tr
GDP GROWTH	3.9%
GDP PER CAPITA (PPP)	$35,417
INFLATION	2.9%
FDI (NET INFLOWS)	0.7% of GDP
CURRENT ACCOUNT BALANCE	2.4% of GDP
CORRUPTION PERCEPTIONS INDEX	Ranked 43rd out of 175
HUMAN DEVELOPMENT INDEX	Ranked 15th out of 187

Source: IMF, Transparency International, UNDP, World Bank

increase revenue by structuring our firm for an industrial focus, especially inbound referral clients, including financial services and chemical company clients from Europe and China.

"The petrochemicals industry is inbound investment but related to outbound chemicals transhipment to China. Some BDO International clients have established China businesses, while for the finance industry we are seeing inbound referrals."

Crowe Horwath also expects inbound and outbound referrals to grow following the recent merger.

"For inbound, mostly clients in engineering, machine tools and automotive component industries are investing in South Korea," Hwang says at Crowe Horwath Korea.

"For outbound, before the merger our clients mostly were foreign non-Korean clients who entered South Korea and contemplated on expanding to other Asia-Pacific areas.

"The merged firm, Hanul Choongjung, has a number of listed clients in South Korea and we expect we will be able to bring more outbound referrals not only to the Asia-Pacific region but also to other regions."

Submit reports

Meanwhile, in a move to strengthen corporate governance and companies' internal audit capability, the government recently introduced requirements for all listed companies and large non-listed companies to submit their draft financial reports to their external auditors and the Securities and Futures Commission in advance of the general shareholders meeting to decrease companies' reliance on external auditors for their financial statements preparation process.

"The amendment to the Act on External Audit of Stock Companies was made to prohibit external auditors' involvement in preparing companies' financial statements starting from 1 July 2014," said KPMG's Lee.

"Companies shall submit drafted financial statements to the Securities and Futures Commission at the same time with the submission of drafted financial statements to the external auditors, which shall be six weeks before the shareholders meeting."

To assist corporate directors in effectively discharging their growing responsibilities KPMG Korea opened its Audit Committee Institute (ACI) in April.

"KPMG Korea ACI is comprised of professionals such as CPAs, lawyers, analysts and industry experts," Lee says. "ACI supports independent directors including audit committee members to fulfil their increasing responsibilities.

"Also, our KPMG Korea tax and deal advisory functions have been strengthened to cope with the needs of clients and the market."

Meanwhile, regulatory authority efforts to improve the quality of audit work have resulted in increased inspections of audit firms.

The frequency of joint inspections by FSS and South Korea's Public Company Accounting Oversight Board has been shortened to two-yearly intervals recently.

Efforts by South Korea's mid-tier accounting firms to expand their client base by targeting companies and organisations that traditionally have used big four services has prompted the FSS to seek legislative changes to improve management and quality control standards among medium and small accounting practices.

No central control

Currently many medium and small accounting practices with branch offices do not operate central management control.

Although local branch offices use the firm's name, each office is left to manage its own affairs resulting in a varying standard of quality control and accounting work across the practice.

"Many second and third-tier firms are not centrally organised, so the FSS wants medium and small firms to be centrally organised to provide good quality control and risk management," BDO Korea's Oak explains.

Proposed legislative changes requested by FSS are under consideration by South Korea's National Assembly which is expected to approve the proposed reforms in one or two years, after further debate and scrutiny.

Reforming the management of mid-tier and smaller practices will mark an important stage in the development of South Korea's accounting market which has developed as a two-tier market divided between the Big Four and other firms.

Introducing centralised management control will ensure greater professionalism and an improved quality of work among second and third-tier firms enabling them to offer a better level of service to clients and to compete more effectively to expand their business.

"This will be a big change for mid-tier and smaller accounting firms," Oak says. "It will not affect Big Four firms as they are organised globally and through their regional offices already.

"However, many medium-tier are network firms and not controlled centrally on a global scale like the Big Four."

The challenge of recruitment

"It is getting harder for non-Big Four firms to hire or retain young and talented new staff as Big Four firms hire most of the new junior CPAs every year," Crowe Horwath's Hwang comments.

"Even in the case where we were successful in hiring young CPAs [before the recent merger], they usually left the firm within a short period of time of one to three years to join Big Four firms or industrial companies."

Big Four firms also face competition from local companies in retaining their talented young staff and recognise the importance of offering a structured career with ongoing training and progression in retaining young talent.

"Staff are evaluated annually and recognised and rewarded for performing as competent accountants and auditors, consistent with the firm's focus on quality," Samil PwC's Yoon says.

"Managers are formally evaluated at least annually by partners for whom they have performed substantial work during the year.

The annual assessment process captures information about how well each of the staff has performed relative to the firm's values, he continues.

Meanwhile, looking ahead at future prospects for South Korea's accounting market, Big Four and mid-tier firms see little prospect of a let up in fee-based competition for audit market share.

However, audit engagements are expected to increase and prospects for growth in tax-related work appear bright once the economy picks up again.

"In the short term, continued fee-based competition among the Big Four firms is expected as there's little perceived differentiation of services provided," Yoon says.

"In the medium to long-term, an IT-based data audit trend for audits is expected to increase and in response we're planning to expand our risk assurance business and capabilities." ■

SOUTH KOREA

NETWORKS – FEE DATA

Rank	Name	Fee income (KRWm)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	PwC* (1)	460,000.0	-4%	-	-	-	-	-	-	-	Mar-15
2	Deloitte* (1)	292,100.0	4%	-	-	-	-	-	-	-	Sep-14
3	KPMG* (1)	276,000.0	3%	-	-	-	-	-	-	-	Mar-15
4	EY* (1)	166,750.0	12%	-	-	-	-	-	-	-	May-14
5	BDO*	63,816.0	4%	62	14	24	-	-	-	-	Mar-14
6	Nexia International*	40,254.0	16%	54	17	14	-	-	-	15	Jun-14
7	Crowe Horwath International*	40,133.2	859%	34	39	22	3	-	-	3	Mar-15
8	RSM International*	33,888.0	16%	-	-	-	-	-	-	26	Dec-14
9	Moore Stephens International*	18,500.0	29%	38	16	12	8	10	7	9	Mar-15
10	Kreston International*	18,229.9	-2%	16	22	59	1	1	-	1	Oct-14
11	Baker Tilly International*	13,493.6	-9%	57	18	1	9	6	-	9	Mar-15
12	PKF International (2)	10,692.0	-11%	32	22	22	-	-	-	24	Jun-14
13	Reanda International*	7,408.1	-1%	77	-	-	-	-	-	23	Dec-14
14	ECOVIS International*	7,331.2	15%	58	26	16	-	-	-	-	Mar-15
15	Grant Thornton International*	6,592.0	-3%	40	15	26	-	-	-	19	Sep-14
16	HLB International*	5,384.2	-7%	70	10	15	-	-	-	5	Mar-15
17	Mazars*	3,659.8	-7%	57	43	-	-	-	-	-	Aug-14
Total revenue/growth		**1,464,232.0**	**5%**								

Notes: (1) 2015 data from financial reports filed with the KICPA. (2) PKF International figures are from correspondand and non exclusive member firms . *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/ association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin,* KICPA

SOUTH KOREA

NETWORKS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	PwC*	3,700	3,700	0%	-	-	-	-	-	-	3	-
2	KPMG*	2,437	2,350	4%	151	138	-	-	-	-	-	-
3	Deloitte* (e)	2,387	2,300	4%	-	-	-	-	-	-	-	-
4	EY* (e)	1,027	940	9%	-	-	-	-	-	-	-	-
5	BDO*	551	538	2%	70	66	275	257	206	215	6	6
6	Nexia International*	431	372	16%	35	42	254	209	142	121	3	6
7	Crowe Horwath International*	416	56	643%	82	7	324	42	10	7	6	1
8	RSM International*	337	316	7%	42	32	245	136	50	148	8	8
9	Moore Stephens International*	197	195	1%	10	9	67	66	120	120	3	1
10	Kreston International	151	161	-6%	16	16	118	127	17	18	7	6
11	Baker Tilly International*	137	130	5%	15	12	110	106	12	12	4	3
12	PKF International	107	107	0%	18	15	35	89	54	3	1	1
13	Reanda International*	94	72	31%	14	14	71	52	9	6	9	6
14	ECOVIS International*	76	68	12%	26	22	48	44	2	2	3	3
15	Grant Thornton*	69	53	30%	8	7	52	49	9	9	2	2
16	Mazars*	55	58	-5%	3	3	48	50	4	5	1	1
17	HLB International*	44	51	-14%	9	9	25	32	10	10	1	1
Totals		**12,216**	**11,467**	**7%**	**499**	**392**	**1,672**	**1,259**	**645**	**676**	**57**	**45**

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

Source: *International Accounting Bulletin*

SOUTH KOREA

ASSOCIATIONS – FEE DATA

Rank		Fee income (KRWm)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	Morison International*	27,332.9	8%	51	19	28	1	1	-	-	Mar-14
2	DFK *	23,201.4	20%	44	27	27	-	-	-	2	Mar-14
3	KS International*	16,342.0	-31%	62	13	25	-	-	-	-	Mar-14
4	Praxity*	16,037.8	4%	81	19	-	-	-	-	-	N/A
5	MGI*	12,252.3	15%	-	-	-	-	-	-	-	Jun-14
6	PrimeGlobal*	10,612.2	-73%	63	21	5	-	-	-	11	May-15
7	Integra International*	8,500.0	0%	60	25	15	-	-	-	-	Dec-14
8	AGN International*	7,463.3	6%	35	16	16	33	-	-	-	Mar-14
9	INPACT*	1,600.0	19%	55	35	10	-	-	-	-	Dec-14
Total revenue/growth		123,341.9	-18%								

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

Source: *International Accounting Bulletin*

SOUTH KOREA

ASSOCIATIONS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	Morison International*	275	228	21%	28	20	62	56	185	152	7	7
2	DFK International*	201	191	5%	10	10	177	92	14	89	2	2
3	Praxity*	183	184	-1%	24	27	101	97	58	60	3	5
4	KS International*	162	273	-41%	32	35	123	229	7	9	3	5
5	MGI*	153	129	19%	16	12	37	15	100	102	3	1
6	PrimeGlobal*	114	452	-75%	17	62	37	325	60	65	2	8
7	AGN International*	97	94	3%	13	13	84	26	N/A	55	3	3
8	Integra International*	81	80	1%	3	3	76	75	2	2	4	4
9	INPACT*	11	11	0%	3	3	7	7	1	1	1	1
Totals		**1,277**	**1,642**	**-22%**	**146**	**185**	**704**	**922**	**427**	**535**	**28**	**36**

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

Source: *International Accounting Bulletin*

SOUTH KOREA

FIRM MOVEMENTS

NETWORK/ASSOCIATION	FIRM ADDITIONS, MERGERS & ACQUISITIONS
Baker Tilly International	**Merger:** Deloitte, (Changwon City, Gyeongsangnam-do)
Crowe Horwath International	**Merger:** Horwath Choongjung LLC merged with Hanul Accounting Corporation (Seoul, Korea) as of 30 March, 2015 and renamed as Hanul Choongjung LLC
Reanda International	**Added:** Gangbuk office (Seoul, Gangbuk), Songpa Office (Seoul, Songpa),
PrimeGlobal	**Lost:** Hanul Accounting Corporation

Source: *International Accounting Bulletin*

Su-won castle

THE NETHERLANDS

Top 30 firms: fee data

Rank		Fee income (€m)	Growth rate
1	PwC	672.0	1%
2	EY	635.3	0%
3	Deloitte	637.5	1%
4	KPMG	448.6	-5%
5	BDO	229.1	0%
6	Flynth (1)	140.0	-5%
7	Baker Tilly Berk	81.4	-2%
8	Mazars (2)	71.6	-1%
9	de Jong & Laan (3)	59.8	-1%
10	Grant Thornton Netherlands	48.7	N/A
11	Moore Stephens Rotterdam	39.5	-2%
12	CROP Registeredaccountants en CROP Belastingadviseurs (4)	38.9	91%
13	RSM Netherlands	38.5	-4%
14	Accountantskantoor Foederer (5)	37.7	31%
15	Moore Stephens MTH B.V.	37.5	-3%
16	Visser & Visser Accountants-Belastingadviseurs (4)	36.0	-7%
17	ConQuaestor (6)	29.2	N/A
18	HLB Van Daal & Partners	28.9	-1%
19	Krose Wevers (7)	26.1	2%
20	Koenen en Co (7)	24.1	-5%
21	PKF Wallast	19.7	1%
22	DHW International (8)	11.7	1%
23	Horlings (7)	10.4	N/A
24	Kreston BonsenReuling	8.9	-1%
25	FSV Accountants + Adviseurs B.V. (7)	8.3	-7%
26	Vanhier (9)	7.9	0%
27	Crowe Horwath Peak	7.8	-2%
28	Kreston Lentink	7.6	2%
29	AUREN (10)	5.6	-21%
30	ECOVIS Lodder&Co OOST	5.6	0%

Notes: (1) BKR member firm; (2) Praxity member firm; (3) CPA Associates International member firm; (4) PrimeGlobal member firm; (5) Crowe Horwath International member firm; (6) Grant Thornton member firm, the network did not provide information from previous year; (7) Nexia member firm; (8) Morison International member firm; (9) MSI Global Alliance member firm; (10) ANTEA member firm.

Source: *International Accounting Bulletin*

THE NETHERLANDS

FIRM MOVEMENTS

NETWORK/ASSOCIATION	FIRM ADDITIONS, MERGERS & ACQUISITIONS
AGN International	**Added:** DK Accountants & Adviseurs (Veenendaal and 4 other branches)
ECOVIS International	**Lost:** Avant Accountants, Oudewater
HLB International	**Added:** HLB Blömer, Accountants & Adviseurs, Nieuwegein, Netherlands (data not included in this survey)
IAPA	**Added:** HoogeveenLuigjes Accountants en Belastingadviseurs, Leusden
MSI Global Alliance	Ruitenburg adviseurs & accountants **merged** with deWaardKramer advisors & accountants. Ruitenburg adviseurs & accountants retained the membership. (Rotterdam)

Source: *International Accounting Bulletin*

MEXICO

Top 40 firms: fee data

Rank		Fee income (MXNm)	Growth rate
1	Deloitte	5,048.7	15%
2	PwC (e)	4,693.2	8%
3	KPMG (e)	2,997.4	10%
4	EY (e)	2,916.2	11%
5	Salles, Sainz Grant Thornton	416.5	-3%
6	Gossler(1)	347.5	6%
7	RSM Bogarin	327.6	-5%
8	BDO Castillo Miranda y Compañía	310.0	15%
9	BHR Enterprise Worldwide Mexico	296.1	2%
10	Baker Tilly Mexico	241.1	11%
11	Russell Bedford México	235.2	6%
12	PKF Mexico	146.0	4%
13	Grupo KMC Contadores Públicos (2)	116.0	6%
14	Cajal Sen Azcune y Cia (3)	110.0	69%
15	Mazars (4)	109.2	7%
16	Moore Stephens Marcelo de los Santos y Cia	108.3	3%
17	Rivero & Olivares (5)	86.4	25%
18	Ksi Mexico	84.3	15%
19	Kreston CSM	83.4	13%
20	Traust Accounting and Legal Firm (5)	81.4	9%
21	De la Paz Costemalle (6)	77.9	1%
22	Mexico Global Alliance (7)	77.3	-6%
23	Kreston BSG	68.9	13%
24	Soliao Nexia	68.6	0%
25	Moore Stephens Orozco Medina	65.5	8%
26	Vázquez Pola Consultores (6)	64.3	0%
27	AUREN (8)	63.2	5%
28	Despacho Zesati y Cía. (9)	53.1	19%
29	Nyssen Consultores Asociados (9)	42.0	19%
31	UC&CS ADVISORS	41	33%
30	UCCS DEL GOLFO	40.0	60%
32	Lores Budiño y Cia (10)	35.1	46%
33	CPC Rangel (11)	33.0	6%
34	Alvarez Carmona y Asociados (10)	25.2	74%
35	VegaPrieto (12)	20.7	8%
36	ECOVIS QUIBRERA SALDAÑA	16.4	15%
37	QGA Contadores Publicos (11)	15.0	15%
38	Gonzalez Espinosa	14.7	5%
39	Nunez Rosas y Asociados	9.3	11%
40	SPC COntadores Y Abogados (13)	7.6	-14%

Notes: (1) Crowe Horwath International member firm; (2) Morison International member firm; (3) UC&CS Global member firm; (4) Praxity member firm; (5) PrimeGlobal member firm; (6) DFK international member firm; (7) Plante Moran Alliance independent member firm; (8) Antea member firm; (9) CPAAI member firms; (10) MSI International member firms; (11) BKR International member firms; (12) Nexia member firm; (13) EuraAudit member firm.

Source: *International Accounting Bulletin*

THE NETHERLANDS

NETWORKS – FEE DATA

Rank	Name	Fee income (€m)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	PwC*	672.0	1%	-	-	-	-	-	-	-	Jun-14
2	EY*	635.3	0%	82	6	-	-	-	-	12	Sep-14
3	Deloitte*	637.5	1%	43	25	25	-	-	-	7	May-14
4	KPMG*	448.6	-5%	-	-	-	-	-	-	-	Sep-14
5	BDO*	229.1	0%	67	27	2	1	-	-	3	Dec-14
6	Moore Stephens International*	105.4	-1%	65	23	-	2	1	-	9	Dec-14
7	Baker Tilly International*	81.4	-2%	63	27	5	3	-	-	2	Dec-14
8	Grant Thornton* (1)	77.9	53%	27	17	42	-	-	-	14	Sep-14
9	Nexia International*	73.4	-2%	63	22	6	1	-	2	6	Jun-14
10	Mazars*	71.6	-1%	77	23	-	-	-	-	-	Aug-14
11	Crowe Horwath International	45.9	24%	47	14	13	1	-	-	25	Dec-14
12	RSM Netherlands*	38.5	-4%	56	39	-	-	-	-	5	Dec-14
13	HLB International*	37.2	5%	62	12	20	-	-	-	5	Dec-14
14	Kreston International*	34.1	3%	55	22	7	3	2	-	11	Oct-14
15	PKF International*	19.7	1%	52	42	-	-	-	-	6	Dec-14
16	ECOVIS International*	19.2	-4%	72	15	6	3	-	4	-	Dec-14
17	AUREN*	5.6	-21%	69	10	8	2	3		8	Dec-14
Total revenue/growth		**3,232.4**	**1%**								

Notes: (1) Grant Thornton FY13 fee data do not include ConQuaestor revenue. *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/ association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

THE NETHERLANDS

ASSOCIATIONS – FEE DATA

Rank		Fee income (€m)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	BKR International* (1)	140.0	-5%	65	28	1	2	1	2	1	Dec-14
2	CPA Associates International*	111.5	-3%	55	25	5	2	-	-	13	Dec-14
3	PrimeGlobal*	100.6	77%	56	22	5	1	-	-	15	May-15
4	Praxity*	71.6	-1%	77	23	-	-	-	-	-	N/A
5	MGI	27.9	14%	-	-	-	-	-	-	-	Jun-14
6	IAPA* (2)	20.4	N/A	59	28	5	6	1	-	1	Dec-14
7	Morison International*	20.3	2%	66	12	4	2	-	6	10	Dec-14
8	MSI Global Alliance	13.1	7%	67	20	13	-	-	-	1	Dec-14
9	Alliott Group*	12.6	21%	55	30	11	2	-	-	2	Dec-13
10	AGN International*	9.0	13%	65	15	19	-	1	-	-	Mar-14
11	Antea*	7.2	-17%	71	12	6	2	3	-	6	Dec-14
12	Integra International*	5.7	0%	55	35	10	-	-	-		Dec-14
13	INPACT International*	3.5	-4%	63	22	14	-	-	-	-	Dec-14
14	GMN International*	2.7	7%	67	13	15	-	-	5	-	Sep-14
15	Abacus Worldwide*	2.4	13%	30	33	5	-	14	-	18	Dec-14
16	EuraAudit International*	2.2	27%	50	20	-	-	-	-	31	Dec-14
17	KS International*	1.8	0%	45	30	15	10	-	-	-	Dec-13
Total revenue/growth		**552.4**	**12%**								

Notes:. (1) BKR International has restated it's FY13 figures. last year it reported €158.6m for FY13, however this was FY12 figures. (2) IAPA was unable to provide FY13 figures. *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

THE NETHERLANDS

NETWORKS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	Deloitte*	4,320	4,341	0%	239	242	3,288	3,230	793	869	-	21
2	PwC*	4,153	4,292	-3%	-	261	-	3,180	-	851	11	12
4	KPMG*	2,925	3,131	-7%	149	167	2,195	2,339	581	625	11	10
3	EY*	2,063	3,625	-43%	138	226	-	2,654	-	745	15	15
5	BDO*	2,062	2,093	-1%	81	82	1,555	1,583	426	428	28	29
6	Moore Stephens International*	997	1,025	-3%	68	70	800	824	129	131	30	30
7	Nexia International*	691	765	-10%	53	59	505	573	133	133	18	20
8	Grant Thornton International*	670	470	43%	64	48	490	320	116	102	10	9
9	Baker Tilly International*	618	642	-4%	44	45	467	486	107	111	18	18
10	Mazars*	544	679	-20%	40	49	388	473	116	157	12	10
11	Crowe Horwath International*	405	377	7%	40	34	319	320	46	23	14	13
12	HLB International*	358	374	-4%	32	33	295	305	31	36	17	17
13	RSM Netherlands*	320	336	-5%	29	30	229	243	62	63	10	10
14	Kreston International*	300	304	-1%	26	27	223	225	51	52	10	10
15	ECOVIS International*	177	209	-15%	16	17	130	158	31	34	9	12
16	PKF International*	148	157	-6%	20	20	116	125	12	12	4	4
17	AUREN*	69	76	-9%	4	4	60	66	5	6	2	2
Totals		**20,820**	**22,896**	**-9%**	**1,043**	**1,414**	**11,060**	**17,104**	**2,639**	**4,378**	**219**	**242**

Notes: *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included.

Source: *International Accounting Bulletin*

THE NETHERLANDS

ASSOCIATIONS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	BKR International*	1,336	1,598	-16%	73	2	1,218	1,596	45	107	55	44
2	CPA Associates International*	1,155	1,270	-9%	57	64	1004	1,099	94	3	43	2
3	Praxity*	544	679	-20%	40	49	388	473	116	79	12	17
4	PrimeGlobal*	539	625	-14%	42	47	394	499	103		18	
5	IAPA* (1)	252	N/A	N/A	23	N/A	185	N/A	44	N/A	11	N/A
6	Morison International*	210	205	2%	23	28	164	163	23	14	6	6
7	MSI Global Alliance*	126	124	2%	18	16	94	94	14	157	2	10
8	MGI*	119	182	-35%	19	16	100	79		23	11	6
9	AGN International* (2)	104	N/A	N/A	18	N/A	86	N/A	n/a	13	10	4
10	Alliott Group*	91	78	17%	9	9	69	56	13	7	2	3
11	Antea*	83	90	-8%	6	6	72	77	5	-	3	71
12	Integra International*	47	47	0%	8	8	33	33	6	1	1	2
13	INPACT International*	38	44	-14%	5	5	27	33	6	6	2	1
14	Abacus Worldwide*	31	23	35%	2	2	26	18	3	3	1	1
15	GMN International*	29	29	0%	3	3	20	20	6	6	1	1
16	KS International*	19	20	-5%	2	4	16	15	1	87	2	11
17	EuraAudit International*	17	22	-23%	5	3	7	16	5	6	4	1
Totals		**4,740**	**5,036**	**-6%**	**353**	**262**	**3,903**	**4,271**	**484**	**512**	**184**	**180**

Notes: (1) IAPA was unable to provide FY13 figures. (2) AGN International has changed its year-end and basis for measuring member's revenue and headcount. Accordingly, 2013 headcount is not available
*Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

MEXICO

NETWORKS – FEE DATA

Rank	Name	Fee income (MXNm)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	Deloitte*	5,048.7	15%	49	25	20	6	-	-	-	May-14
2	PwC*(e)	4,693.2	8%	-	-	-	-	-	-	-	May-14
3	KPMG* (e) (1)	2,997.4	10%	-	-	-	-	-	-	-	Sep-14
4	EY* (e)	2,916.2	11%	43	40	14	3	-	-	-	Jun-14
5	Grant Thornton International*	416.5	-3%	59	19	6	-	-	-	16	Sep-14
6	Moore Stephens International*	400.0	6%	77	11	6	1	-	-	5	Dec-14
7	Crowe Horwath International*	347.5	6%	54	38	2	4	-	3	-	Dec-14
8	RSM International*	327.6	-5%	79	15	2	-	-	-	4	Dec-14
9	BDO*	310.0	15%	77	16	4	1	-	-	2	Dec-14
10	Enterprise Worldwide International*	296.1	2%	35	9	2	3	-	15	36	Dec-14
11	Baker Tilly International*	241.1	11%	49	21	-	-	-	-	30	Dec-14
12	Russell Bedford International*	235.2	6%	46	29	7	-	-	2	16	Dec-14
13	Kreston International*	232.2	-3%	44	30	9	1	-	-	16	Oct-14
14	PKF International*	146.0	4%	59	28	4	3	-	3	3	Dec-14
15	SANTA FE ASSOCIATES	139.6	18%	70	46	24		-	-	-	Dec-14
16	HLB International*	125.0	6%	80	12	8	-	-	-	-	Dec-14
17	Nexia International*	113.3	3%	51	34	2	-	-	4	9	Jun-14
18	Mazars*	109.2	7%	90	3	7	-	-	-	-	Aug-14
19	MXGA - México Global Alliance	77.3	-5%	71	26	2	-	-	1	-	Dec-14
20	AUREN*	63.2	5%	60	5	23	-	-	12	-	Dec-14
21	SMS Latinoamérica*	40.2	3%	77	17	6	-	-	-	-	Dec-14
22	ECOVIS International	16.4	15%	33	67	-	-	-	-	-	Dec-14
Total revenue/growth		**19,291.9**	**10%**								

ASSOCIATIONS – FEE DATA

Rank		Fee income (MXNm)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	UC&CS Global*	598.0	67%	76	15	1	-	-	8	-	Dec-14
2	DFK International*	320.8	27%	49	15	3	4	-	3	26	Dec-13
3	CPA Associates International	276.6	-3%	54	26	13	-	-	-	7	Dec-14
4	PrimeGlobal*	223.0	28%	52	25	10	1	1	3	8	May-15
5	Praxity*	109.2	7%	90	3	7	-	-	-	-	Aug-14
6	Morison International*	116.0	6%	60	30	5	-	-	1	4	Dec-14
7	KS International	84.3	15%	60	10	5	10	5		10	Dec-13
8	MGI*	82.2	10%	-	-	-	-	-	-	-	Jun-14
9	MSI Global Alliance*	77.8	37%	70	23	-	-	-	-	7	Dec-14
10	ANTEA*	63.2	-9%	60	5	23	-	-	12	-	Dec-14
11	AGN International*	62.5	6%	55	22	-	-	-	-	24	Dec-14
12	GMN International*	52.7	4%	49	40	4	1	2	3	1	Sep-14
13	Integra International*	48.6	12%	60	30	10	-	-	-	-	Dec-14
14	BKR International*	46.0	17%	76	20	-	-	-	-	4	Jun-15
15	EuraAudit International*	7.6	-8%	34	32	34	-	-	-	-	Dec-14
Total revenue/growth		2,168.5	23%								

Notes: (e) *IAB* estimates. (1) KPMG confirmed that in FY14 they registered 10% growth in fee income, this has been applied to *IAB* estimates of FY13. *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

MEXICO

NETWORKS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	Deloitte*	4,274	5,304	-19%	274	261	4,902	4,128	902	915	21	21
2	PwC* (e)	4,325	4,003	8%	-	-	-	-	-	-	21	-
3	EY* (e)	3,173	2,851	11%	-	146	-	2,077	-	628	-	22
4	KPMG*	3,012	2,690	12%	183	152	2,317	2,101	512	437	18	17
5	Moore Stephens International*	1,320	1,288	2%	53	54	1,129	1,077	138	157	21	21
6	Crowe Horwath International*	920	840	10%	57	57	750	692	113	91	25	25
7	RSM International*	884	892	-1%	58	49	689	702	137	141	28	28
8	Grant Thornton*	806	811	-1%	49	42	668	667	89	102	13	11
9	Kreston International*	735	796	-8%	43	52	600	641	92	103	26	29
10	Baker Tilly International*	679	641	6%	33	84	532	446	114	111	17	22
11	Russell Bedford International*	506	532	-5%	49	51	397	410	60	73	17	17
12	BDO*	497	499	0%	30	31	410	407	57	61	6	6
13	Enterprise Worldwide International*	463	406	14%	37	37	383	317	43	52	13	13
14	HLB International*	420	398	6%	50	42	320	309	50	47	21	20
15	PKF International*	391	455	-14%	30	35	300	341	61	79	12	9
16	SANTA FE ASSOCIATES*	355	296	20%	65	53	180	154	110	89	30	30
17	Nexia International*	291	307	-5%	20	20	225	247	46	40	5	9
18	Mazars*	249	215	16%	9	9	197	165	43	41	9	8
19	AUREN*	211	201	5%	19	18	178	170	14	13	11	10
20	MXGA - Mexico Global Alliance*	206	227	-9%	17	16	154	178	35	33	12	11
21	SMS Latinoamérica*	74	72	3%	8	8	52	51	14	13	3	3
22	ECOVIS International*	34	40	-15%	2	2	21	31	11	7	2	2
Totals		**23,825**	**23,764**	**0%**	**1,086**	**1,219**	**14,404**	**15,311**	**2,641**	**3,233**	**331**	**334**

ASSOCIATIONS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	UC&CS Global*	1,439	1,661	-13%	139	142	1,105	1,227	195	292	85	106
2	CPA Associates International	581	611	-5%	56	67	418	435	107	109	18	16
3	DFK Internanional*	490	533	-8%	36	37	385	427	69	69	25	28
4	PrimeGlobal*	410	353	16%	26	21	339	293	45	39	16	12
5	GMN International*	326	291	12%	17	12	274	257	35	22	10	9
6	Morison International*	319	253	26%	16	12	249	199	54	42	8	8
7	Praxity*	249	215	16%	9	9	197	165	43	41	9	8
8	MGI*	244	297	-18%	26	20	218	201		76	16	14
9	ANTEA*	211	228	-7%	19	21	178	191	14	16	11	12
10	AGN International*	163	164	-1%	8	9	130	130	25	25	2	2
11	MSI Global Alliance*	162	165	-2%	11	14	128	106	23	45	5	3
12	Integra International*	153	152	1%	10	10	130	130	13	8	8	8
13	KS International	81	73	11%	4	8	65	55	12	10	10	10
14	BKR International*	63	61	3%	6	6	57	55	-	-	3	3
15	EuraAudit International*	12	18	-33%	4	4	5	9	3	5	1	1
Totals		**4,903**	**5,075**	**-4%**	**387**	**392**	**3,878**	**3,880**	**638**	**799**	**227**	**240**

Notes: (e) International Accounting Bullletin estimates. *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included. *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

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BENCHMARK INTELLIGENCE FOR THE ACCOUNTING INDUSTRY

INTERNATIONAL Accounting BULLETIN

August 2015 Issue 552

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Dutch firms take criticism to heart

..and adopt changes in culture and behaviour

- Mazars and BDO Italian merger
- Awards finalists
- Interview: EY's Nancy Altobello
- Rankings: South Korea, Mexico, Netherlands

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BENCHMARK INTELLIGENCE FOR THE ACCOUNTING INDUSTRY

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Lighting effects

It's said that northern Europe is culturally more equipped when it comes to transparency and public debate. The Scandinavian model of democracy is often hailed as an example in that regard. If this were true, this month's issue could feed the stereotypes of a cultural divide between Northern and Southern Europe.

Or one could also say that this month's issue is made up of lighting effects where jumping from one page to another, is like a jump from transparency to opacity.

On the one hand, the Netherlands has embarked on a journey to revive the audit profession's relevance and reputation.

Faced with a series of accounting scandals involving some of the larger accounting networks, and pressed by politicians and public opinion, Dutch firms in collaboration with the Dutch professional body are implementing a series of reforms that could alter culture and behaviour in accounting public practices forever (pages 8-11).

On the other hand in the Italian peninsula, a deal steeped in secrecy and still very little advertised brings to mind the intrigues of ancient Rome. Mazars and BDO the two largest mid-tier networks have merged and yet no one talks about it. It would seem this is due to legal issues (page 5).

Also in this issue, Nancy Altobello, one year into her new role as EY global vice-chair talent, tells us about the challenges of a Big Four firm attracting and retaining talent in more than 150 countries and how corporate culture can be effective across borders.

In other news this month we announce the finalists of this year's *International Accounting Bulletin*'s awards (page 4). Winners will be revealed at *International Accounting Bulletin* 2015 Forum held in partnership with sister publication *The Accountant* on 1 October 2015 in London.

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South Korea's accounting market continues to experience fierce audit fee competition as mid-tier firms increase efforts to expand their market share, putting Big Four practices' audit service pricing under intense pressure, David Hayes reports

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Firms need to rethink their business models

The Institute for the Accountancy Profession in Sweden (FAR) secretary general Dan Brännström has called on accounting firms to rethink their client offering in order to better adapt to future market trends. "Many audit and accounting firms have been successful for a long period with traditional business models and now is the right time to review those models and come up with more modern solutions and develop new services," Brännström said speaking at DFK International annual conference. He explained that two years ago FAR had commissioned a study into the future of the profession, and a key outcome of it was the need to differentiate services, for instance, not providing the same audit for small companies as for complex financial institutions.As such, since January 2014, FAR as part of the Nordic Federation of Public Accountants has worked in collaboration with other institutes in the region on the development of a Nordic audit standard for SMEs.

The Standard for Audits of Smaller Entities (SASE) was published in early July of this year for consultation.

"The standard is principle based. Rather than tell the auditor how to carry out the audit, it will be up to the auditor's professional judgement," Brännström told the DFK delegates. "The audit must be very risk focused and the auditor should design the right procedures to be able to submit a report that will give the same level of assurance as an ISA based audit."

He believes that if adopted in the Nordic region, the standard could be rolled out to other countries as according to him it has already attracted interest from around the world.

DFK International executive director Martin Sharp said that while SASE is very topical for firms throughout the Nordic region, other member firms from around the world had been very interested to hear about the project.

Dan Brännström, FAR

GLOBAL

Deloitte launches IFRS research initiative

Deloitte has appointed Alan Teixeira as global director of International Financial Reporting Standards (IFRS) research to enhance the networks knowledge and expertise on financial reporting. Teixeira will lead the network's new initiative to help member firms and their clients better understand IFRS, their development and implementation.

Technology: the key to audit's future

US executives, board members and academics say external audit needs to evolve, with a majority indicating technology is the force that will transform the profession, according to a survey from KPMG US in association with Forbes Insights.

The Forbes Insights/KPMG survey entitled *Audit 2020: A Focus on Change*, surveyed 151 individuals in the US. Ninety-three percent of respondents said they believed the audit profession needs to evolve. A third answered that auditors should go beyond certifying numbers, and 59% think that while auditors' role should stay the same, how they perform it should evolve.

Asked which issues will have the greatest impact on the audit profession over the next three to five year, 58% of respondents pointed at technology. The regulatory environment came as a close second, highlighted by 56% of respondents. Trailing in third place, the global economy was mentioned by less than half (44%) of the respondents.

EY launches health consultancy practice

EY Global has launched a health consultancy practice to help clients manage costs and improve efficiency. In a statement the Big Four firm said that health care around the world is being disrupted by unsustainable cost inflation and the rapid rise of digital health technologies. As such the new practice aims at helping clients leverage technology to deliver digital health solutions and use big data and analytics to improve health services management and health outcomes.The new practice will be headed by global health sector leader Jacques Mulder who previously served as EY global industry and market strategy leader.

MALAYSIA

BDO Malaysia has appointed Dato Feizal Mustapha as chairman. Previously Mustapha served for 19 years up to 2012 at the Securities Commission Malaysia, holding various senior positions including senior general manager for corporate finance and senior general manager for market development.

SINGAPORE

Less than six months after announcing it was leaving Grant Thornton's network, Singaporean firm Foo Kon Tan has joined HLB International.

As reported by International Accounting Bulletin in March of this year, Foo Kon Tan left Grant Thornton's network and suggested it would remain independent. But the firm has now joined HLB International to become the third HLB member in Singapore.

Founded in 1968, Foo Kon Tan is the seventh largest firm in Singapore with revenues of SGD 32.4m ($23m), according to HLB International.

With this new addition HLB International could become the sixth largest network in the country with total revenues of around SGD 40.6m.

Grant Thornton who was left without representation in Singapore after parting ways with Foo Kon Tan has set up from scratch a new member firm in the country.

With plans to focus more on advisory and tax, rather than audit, the firm plans to double its 25-strong workforce by the end of this year. It is also targeting the financial services industry as well as the energy sector in the city state and pitching itself as the challenger brand to the Big Four in Singapore.

Singapore adopts enhanced auditor reporting standards

Singapore's accounting regulator has reviewed and approved the enhanced auditor reporting standards issued by the institute of Singapore Chartered Accountants (ISCA) in a pledge to improve transparency and audit insights.

Following the Accounting and Corporate Regulatory Authority (ACRA)'s Public Accountants Oversight Committee (PAOC)'s approval, the enhanced standards will take effect for audits of financial statements for periods ending on or after 15 December 2016.

Two changes are being introduced under the enhanced standards. First auditors will be required to communicate key audit matters in their report on the financial statements of listed entities, marking a move away from the traditional pass/fail audit opinion.

The second important change relates to the aspect of going concern. Previously when a material uncertainty over a business's going concern arose, auditors were required to highlight this matter in their report. Under the enhanced standards auditors will now have to ensure that the business has made adequate disclosures in its financial statements regarding management's judgement and assessment on going concern.

"While not in itself new, such information was previously provided only to the audit committees," KPMG in Singapore head of audit Roger Tay said. "It will also now be available to shareholders and other stakeholders "

JAPAN

The Japanese Institute of Certified Public Accountants (JICPA), a self-regulated professional body, has launched an investigation into EY ShinNihon's past audits of Toshiba Corp, while the firm will audit the company's corrected accounts.

Toshiba Corp is accused of having overstated its profits by $1.2bn since 2008 according to an investigation by an independent commission. Making it Japan greatest accounting scandal since Olympus in 2011.

The report suggests auditors EY ShinNihon, member firm of EY Global, were given false explanations of the company's position and that

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it would have been difficult for them to detect the malpractices.

"It is hard to understand the nature of the difficulties that the auditor would have encountered," CFA Institute director of financial reporting policy Matt Waldron wrote in a post on Market Integrity Insights. "Given the sheer size of the misstatement, it begs the question: Why was the auditor blind to the accounting irregularities?"

The independent commission's revelations provoked a mass resignation of Toshiba top management and the Japanese company has published an action plan to correct past accounting irregularities. However, according to Toshiba's action plan, the corrected amounts will be audited by EY ShinNihon.

"The very auditor under whose watch the irregularities occurred," Waldron wrote. "Having another audit firm review the corrections seems a more reasonable strategy given what Ernst & Young ShinNihon missed, for whatever reason, over the span of six years. "

A spokesperson for JICPA told *International Accounting Bulletin*: "As our all-out investigation will have to take into account the amendment reports due to be published by the end of August, we are currently unable to give you any timelines regarding our investigation. "

He concluded: "Depending on the complexities of the issues, it could take a long time before we reach the final conclusion."

At the time of publication, EY Global and EY ShinNihon were not available for comment.

UK

The UK Financial Reporting Council (FRC) has announced an investigation into the auditors of insurance technology provider Quindell Plc, for financial years 2012, 2013 and first half of 2014.

According to Quindell Plc's annual reports and financial statements, RSM Tenon Audit Limited was its auditor before KPMG took over in October 2013.

The FRC said in a statement it had "launched an investigation under the accountancy scheme into members and two members firms in relation to the preparation, approval and audit of Quindell's financial statements for the period ended 31 December 2011 to the year ended 31 December 2013, and for the preparation and approval of the company's interim results for the half year ended 30 June 2014."

RSM Tenon was acquired by Baker Tilly UK (Baker Tilly) in 2013, a few months before Baker Tilly left the Baker Tilly International network to join RSM International.

Students outside of the Big Four come on top in latest ACA exam

Five out of seven prize winners in the latest Institute of Chartered Accountants of England and Wales's ACA exam came from a firm or business outside of the Big Four.Prize winners are the student who scored the top mark in each of the six papers in the exam session. Apart from two prize winners from PwC UK and Deloitte UK, the remaining five came from firms outside of the Big Four. 4,798 students sat the June 2015 session attempting 9,047 papers in total. 74.2% of the students passed all the papers they took.

USA

BDO USA has reported total revenue of $1.05bn in the year to 30 June 2015, up 26% from the previous year. The firm's assurance business line, which represents 52% of the whole business, grew by 17%. Tax, which represents 32% of the business, grew by 30%. Consulting and advisory representing 16% of the business was the fastest growing service line with 51% growth year on year.

AGN International rebranding

After a little over a year as AGN International CEO and a lot of groundwork covered, Malcolm Ward meets with International Accounting bulletin to announce the association's rebranding as the starting point of a new strategy to take the organisation to new heights.

"Any incoming CEO will probably make the same remark, and that is, there was quite a bit more to do than I thought," Ward says reflecting on the first year of his tenure as CEO of AGN International. "And I think our first six months we had a lot of basics to fix, we moved out from Wimbledon where we had a large and frankly not particularly pleasant office, […] we needed to get all of our systems up into the cloud and all this sort of things."

Malcolm Ward, AGN Int.

Even though it is not particularly exciting it is a lot of work he continues, the association also did a lot of work in ensuring that its members records were updated. "And really in that whole mix, there was rebranding."

While people tend to focus on the logo when talking about branding, Ward says the most important is the organisation's new moto which defines AGN's focus. "'Excellent connected individual.' Is something I devised shortly after joining," he says. "So excellence is at the heart of what we do and there is whole raft of things behind that, not just me saying let's be excellent, so we are going to publish a transparency report later this year as far as I'm aware we're going to be the first association to do that. "

The second aspect of the moto, connected, refers to the usual description of associations as loose organisations. "If you are trying to find what an association is, it's all in the negative, and if you pick the IFAC ethical guide one of the things it actually says is 'loose association'," he says. "And I can't see that, I'm thinking there isn't something loose about our members, these are strong relationships over many years, these people are every bit as connected as my old place and in some way more."

Finally the 'individual' part, he explains is an antidote to the polish corporate image where particularly in big networks things are very much standardised, people have to act in a certain way, wear specific clothes for work, with the wordings always carefully crafted, and you have to follow a set of procedures. "We are quite different to that, we are real three dimensional and professional people you actually want to do business with," he says.

Is the rebranding a way to counter the negative image to which associations are often linked to I ask. "I think one of the big issues is associations are incredibly poor about getting across to the market what we really are," he responds. "All of the accounting industry, and I do mean all, is kind of defined by networks."

However he says AGN is not in the global audit space and have no intention of entering it. Going forward he sees three areas of focus for the organisation. First continue the work to ensure AGN is "a lean organisation focused on high standards and great services". Second is to help drive member's revenues through for example trainings, and creation of sector groups. And finally improve practice performance with a focus on talent attraction and retention.

"Associations need to have scale, so do not rule out that something else might happen during that period, scale, scale is important," he says.

Asked if he is hinting at anything in the pipeline, he replies: "We have strength in the USA, in Europe, we are pretty good in Asia Pacific, I'd like to be bigger in Africa and I'd like to be stronger in central and south America. There are some dots there that maybe could be joined, but we'll see."

V.H

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2015 International Accounting Bulletin awards finalists

This year's finalists for the 2015 International Accounting Bulletin Awards have been announced and winners will be disclosed at the International Accounting Bulletin: Forum & Awards 2015 event held on 1 October.

The finalists and winners have been selected by an independent panel of judges including Jane Howard partner at Wragge Lawrence Graham & Co LLP; Ndungu Gathinji former chairman of the Institute of Certified Public Accountants of Kenya (ICPAK) and former IFAC board member; and Mark Koziel vice president - firm services & global alliances at the American Institute of Certified Public Accountants.

NETWORK OF THE YEAR

BDO
KPMG
PwC.

RISING STAR NETWORK OF THE YEAR

Auren
Santa Fe
ShineWing
SMS Latinoamerica
Reanda

ASSOCIATION OF THE YEAR

DFK International
INPACT
Praxity

RISING STAR ASSOCIATION OF THE YEAR

Abacus
INPACT

AUDIT INNOVATION OF THE YEAR

Caseware
Deloitte

ADVISORY FIRM OF THE YEAR

Global organisations:
Crowe Horwath International
PwC

Single firms:
Crowe Horwath UAE
Clearwater
Nexia Malta

EMPLOYER OF THE YEAR

Grant Thornton
Mazars
Nexia Tanzania
PwC
WithumSmith+Brown (HLB USA)

SUSTAINABLE FIRM OF THE YEAR

Crowe Horwath International
KPMG
ShineWing

SOCIAL MEDIA NETWORKING CHAMPION OF THE YEAR

Global organisations:
KPMG
Mazars

Single firms:
Baker Tilly Malaysia
Nexia SKP
RSM Egypt

IT VENDOR OF THE YEAR

Blackline
Caseware
Energy Consulting (HLB Russia)
FreeAgent
Intuit

YOUNG ACCOUNTANT OF THE YEAR

Amy Askew, partner at Menzies LLP, HLB UK

Benjamin Mullin, chair of the global board of directors at the Institute of Management Accountants

PERSONALITY OF THE YEAR

Fayezul Choudhury, CEO, IFAC

Olivia Kirtley, president of the board, IFAC

Sacha Romanovitch, CEO, Grant Thornton UK

LIFETIME ACHIEVEMENT

Aziz Dieye, founding member, Pan-African Federation of Accountants

Fayezul Choudhury, CEO, IFAC

Geoff Barnes, immediate past CEO and president of Baker Tilly International

Jos van Huut, board member of Royal NIVRA; vice-president Federation of European Accountants; member of managing board and governance council of Paxiti AISBL

Khalid Maniar, founder and group managing partner of Horwath MAK

Olivia Kirtley, president of the board, IFAC

Raul Correa, CEO, BDO Brazil

Zhang Ke, chairman, ShineWing International

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An offer that couldn't be refused?

The two largest mid-tier networks have merged and yet nothing was made public and no details have filtered through. The deal filled with secrecy is worthy of one of movie director Francis Ford Coppola best plots, **Vincent Huck reports.**

Like in most Mediterranean countries, the summer months are slow in Italy. July and August are considered the holiday season and usually little news comes out in that period. However this year, in the heat of the summer a major merger took place between parts of the two largest mid-tier networks in the country.

But no announcement was made and it was kept under the radar by all parties until *International Accounting Bulletin* broke the news in mid-August.

On 23 July, a letter was sent to clients announcing that on the same day BDO S.p.A. and Mazars S.p.A. had "transferred" their activities in audit, accounting and consulting to BDO Italia S.p.A.

The letter did not specify what was meant by "transfer". It was signed by Paolo Scelsi, managing partner of BDO in Italy, and Mazars in Italy managing partner Simone Del Bianco, the latter signing under BDO Italia S.p.A's name.

International Accounting Bulletin understands that this entity was originally incorporated in February 2015, suggesting that the move had been months in the making. It's still unclear when Del Bianco became a shareholder and director at BDO Italia S.p.A.

This magazine also understands that Mazars Group was not informed of the merger until after 23 July.

BDO International answered our inquiries by sending a BDO Italy press release dated 27 July. However the press release can't be found online. The release confirmed the move and BDO International said it had nothing to add.

Mazars on the other hand described the move as "an independent, inappropriate and non-coordinated initiative undertaken by part of the Mazars Italian partnership and part of the BDO Italian partnership".

A spokesperson said that the situation was in total breach of the operating rules of Mazars' integrated partnership and ethics rule and as such it would take "legal action and disciplinary proceedings to dispute the situation, which effectively takes our clients hostage".

Asked against whom the legal action would be taken and to which authority, Mazars declined to answer for the time being. *International Accounting Bulletin* received the same answer when asking which operating rules had been breached.

International Accounting Bulletin understands that the reason Mazars says its clients are hostages is because under Italian law the sale of a business means the clients go with the business.

"In some cases, but rarely, client's contracts specify that in case of a change of control, ownership, sale or just cause of business, prior consent is required," a partner of a mid-tier Italian firm not wishing to be named says. "But I've never seen this for an audit engagement in Italy and maybe it's not possible because auditors are 'appointed' by shareholders , not 'contracted'. So effectively all Mazars clients in Italy have become clients of BDO and most are a three-year appointment."

A Mazars spokesperson described the move as a blow to any rapprochement between the two organisations globally. "BDO International's support of this aggressive and inappropriate manoeuvre also thwarts, were it be confirmed, cooperation between the two organisations," said the spokesperson.

A source close to the case tells *International Accounting Bulletin* that BDO International is coy about the whole situation as if indeed Mazars partners were in breach of any rules it could mean trouble that the largest mid-tier network globally would be eager to avoid and as such are staying cautious.

It's still unclear how much of Mazars operation in Italy has transferred to BDO, but all of the emails listed on Mazars's Italy website are no longer active, and none of our calls have been picked up.

Additionally partners and directors heading the departments of financial advisory services, compliance, accounting and payroll solutions and tax seem reachable through BDO email addresses.

Contacted by *International Accounting Bulletin* BDO's Scelsi did not reply to our numerous inquiries. ■

ITALY

Top 15 firms: fee data (FY14)

Rank		Fee income (€m)
1	PwC	436.0
2	EY	214.8
3	KPMG Advisory S.p.A.	237.8
4	Deloitte	130.8
5	Mazars (1)	41.0
6	Crowe Horwath SASPI Italy	21.6
7	BDO S.p.A.	19.3
8	Rödl & Partner	17.3
9	Baker Tilly Revisa	14.7
10	Haegar & Partners (3)	11.3
11	Blue Line Consulting	7.2
12	Ditrag Srl (4)	6.9
13	Kreston GV Italy Audit	6.8
14	PKF Italia SpA	6.6
15	ECOVIS STLex Studio Legale Tributario	6.1

Notes: (1) Mazars is part of Praxity; (2) Studio Associato Servizi Professionali Integrati is part of Crowe Howarth; (3) Haegar & Partners is part of Nexia; (4) Ditrag Srl is part of BKR International; (5) Ardito Cojutti Corciulo Graffi Brunoro Zilli E Associati is part of PrimeGlobal.
Source: *International Accounting Bulletin*

ITALY

Estimates post merger: fee data

Rank		Fee income (€m)
1	PwC	479.6.0
2	EY	221.2
3	KPMG Advisory S.p.A.	261.8
4	Deloitte	117.2
5	BDO Italia	63.3
6	Crowe Horwath SASPI Italy	23.3
7	Rödl & Partner	18.6
8	Baker Tilly Revisa	15.6

Notes: Fee income was estimated on the same growth basis as previous year.
Source: *International Accounting Bulletin*

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Excellence through empowerment

After a 35 years career in various leading roles at EY, Nancy Altobello was appointed EY Global vice-chair talent in July 2014. She tells **Vincent Huck** about the challenges with regards to talent in an organization spread over 150 countries and with a little more than 200,000 staff.

***International Accounting Bulletin*: How did the interest in talent which led you to your current position came about?**

Nancy Altobello: I've been in and out of talent roles throughout my career. I ended up as a fairly young partner moving into my first talent role in the mid-90s when we were growing what we called our AABS practice: audit and advisory business services; we put those two practices together. And we were looking to really transform our audit practice, as well as building the advisory practice.

We needed a whole different talent model. We built a lot of things that have endured today, such as the idea of hiring experienced people. Up to then we had only ever hired from university. We changed our performance management, our pay systems, and our career path to support that.

Then I moved back into client services, but also into management roles. I spent the next nine years in various managing roles really learning about our business. From that I really got an understanding of what we needed to do from a talent perspective to support the business better.

***International Accounting Bulletin*: So now, your profile on EY's website says you are "responsible for EY's effort to build an exceptional experience for each of our more than 200,000 people". That's quite a challenge; how do you do that?**

Altobello: You do it through empowering everybody in the firm to make that happen. I obviously cannot sit and make sure 200,000 people have exceptional experiences. But I can help our partners and our senior managers do it, and I can help our younger people understand how they can ask for it and how they can get it. It's really about how we make sure that the work they're doing is challenging and they're really learning, while at the same time somebody covers their back.

The other thing is to make sure we're helping our people develop day to day through coaching, feedback, mentoring or sponsorship. But also through real high-quality learning programmes. And then making sure they have good work environment: there isn't an EY model of a person, it's whoever you are, bring it. We want all of that diversity of thought.

We want to have a really flexible working environment so that people can meet the very high demands we have, but also have very happy and balanced personal lives.

And when you do those kinds of things, you have exceptional experiences. Not every day, but frequently.

***International Accounting Bulletin*: EY is present in more than 150 countries; it must be a challenge to deal internally across borders?**

Altobello: Part of the EY culture is to respect local cultures. But there are some elements in our culture that aren't dependent on the local market cultures. Elements of respect, integrity, and trust, and how we work together, how we communicate, how we are very client service focused.

We do need to be very cognisant and respectful of other cultures. We need to understand that, for instance, how you get feedback and how feedback is received will vary by culture.

Actually, our people are looking for us to help them better work globally. We have a global people survey that we undertake annually, like many other organisations. And we ask staff if they agree with the statement: "I appreciate being part of a global organisation". We saw that score just skyrocket; its up to over 80%. So our people are enjoying very much being part of a global organisation and appreciating the excitement and dynamic things that come along with that.

But at the same time a statement where we didn't score well was: "I'm prepared to work across all these different cultures". They're saying help us more there. So that's a major focus area for us now. We're not doing worse than we used to, but the expectation is so much higher.

***International Accounting Bulletin*: What are the changes you've seen over the past few years in recruitment?**

Altobello: We'll hire over 80,000 people this year. About 80% of them will be full-time positions and 20% will be internships. That's are a lot of people. To hire the people that we need, the really top talent, people who are aligned with our values, we've got to have a value proposition.

Nancy Altobello, EY.

We're also looking at different kinds of people, more so than ever before. The days of only going to universities and hiring from the accounting programmes are gone. We are all over the world looking for talent and people with all different kinds of backgrounds.

***International Accounting Bulletin*: So is that the main change, before you used to go to universities and accounting programmes and now it's a broader base?**

Altobello: Yes it's a broader base and plus we're hiring people at all kinds of stages within their careers. The people looking to join us aren't just looking to get a job. They're looking to be in a place they'll be proud of. And we need to make sure they'll be proud to be here. So the messaging is different than it used to be.

***International Accounting Bulletin*: That leads to what has been dubbed as "the war on talent, or the talent gap". More people go to university, plus employers are more will-**

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ing to employ people out of the university framework. It seems the base has broadened, so why is there a war on talent?

Altobello: Students in universities are on programmes that will easily fit into our organisation. But it goes beyond universities; the bigger challenge is those who are more experienced. As we're growing 10% a year, our recruiting is growing more than 20% a year. That's a lot more people that we have to find every year. So the war for talent is just the volumes that are out there, and people's skills.

Some of the skills that are very scarce are around cybersecurity and data analytics. The skills that make companies more efficient and produce effective supply chain management. Also, anything in health care is a very hot skill. These haven't been big markets for very long, so the need is much greater.

***International Accounting Bulletin*: And looking forward, how do you see the recruitment process evolving?**

Altobello: It's going to be a global pool, clearly. Fifty per cent of our revenue will be in emerging markets, so we need to get enough resources to support that, whether the hiring is there, or we hire in other places and move people there. We have not made our hires over the years at a 50% level in those markets, so we've got to catch up greatly and make sure our emerging markets are staffed up. We're preparing a lot for that now by having a lot of our folks in emerging markets do international assignments in developed markets so they can bring that skill back to their markets. These things take years to get ready for. We just can't turn a switch.

We're also looking at how we train and develop people differently. Traditionally in the developed markets we did a lot of classroom training where people would travel to it. That gets very expensive, so we're looking much more into online video and on demand programmes, bringing live sessions to them from top universities around the world, and getting really good leverage by having big populations all around the world participate. That requires a really different investment, and, again, a lot more forward thinking.

***International Accounting Bulletin*: We mentioned the talent gap and the need for diversity, you think the two are linked?**

Altobello: I don't think the talent gap has brought a need for a more inclusive world, I think business problems have. And as companies are dealing with more complex issues, you can't solve those without having a diverse team looking at them. They're having people think about issues from different perspectives – people who can see around corners, people who have context and history, people who are really savvy in technology, introverts, extroverts. You need a group of people to think about problems really differently. That's where we've seen the greatest need for diversity. And then inclusion is important because if you're sitting around a room and only two people are talking, you're not taking any advantage of that diversity.

***International Accounting Bulletin*: How do you ensure diversity and inclusion?**

Altobello: Within countries we've had to do a lot of work to get different groups to understand our profession and understand the opportunities.

For instance in the US for many years there was a low percentage of new certified public accountants who were either Hispanic or black. We've been working for years, being in high schools and trying to drive the number of accounting majors and finance majors up in university, providing scholarships, and working with universities. And we've been able to increase the population.

We're doing that around different pockets of the world where accounting is still not understood to be as great an employer as it is, so we're working to get people to understand it.

To give you a story, three years ago in China we were number 55 ideal employer for business students in the Universum ranking, and this year we're number 5.

***International Accounting Bulletin*: It seems there's this push at the moment for flatter structures within organisations, would you agree? Have you seen this as a change?**

Altobello: It's very much flatter now. I went into the America's talent role in July 2008, so the US had just come off a huge high. July was terrific and the first half of August was pretty good. And then, two months into my term, the whole world fell apart and there were two really dark years when we were trying to understand how deep the recession was going to be.

We managed through that very well as an organisation, but what I found when we came out of it is our partners had really lost contact with our staff. Because during the time when they didn't know what to tell them: about promotions, salary increase and more generally about when recession was going to be over, the partners avoided talking to the staff. So we artificially tried to rebuild connections and we created something called "counselling families".

There are 20 people in a counselling family and it consists of one or two partners, one or two senior managers, and then it cascades down through the whole organisation.

We said just get together and talk: there might be something brand new in regulation, there might be something new that we're doing in the business, or there might be an economic event that you want to talk about, or just talk about whatever you want.

They get together once a month for a couple of hours meeting and then they go do something social: bowling, movies, drinks or whatever.

We've found over time the connections have become incredibly strong. We saw retention improve significantly; we've seen engagement between management and employees go up significantly.

So there's something about connection that I think is different than it used to be. Our younger people want to be connected with the senior people, and the senior people gain a lot from it. So we've really been studying and pushing this.

***International Accounting Bulletin*: Well again there's a cultural aspect to it. Taking the Toshiba scandal as an example with EY being the auditor – in a TV interview a professor was saying one of the reasons it got that bad is because the staff wouldn't question the leadership, because even though they knew it was illegal, Japanese culture prohibited them going against the management.**

Altobello: Yes I think that's right and that's why I said we "artificially rebuilt connections". We found we had to put a structure in place and there were a lot of mandates like "you must meet once per month". Over time it took root. That was a US thing at the time, but it spread all over the world. We just put it in Singapore and the results have been outstanding. We did it in South Korea – outstanding. So we're seeing how it can work in different cultures. I think having these kinds of connections helps break down bureaucracies. The world is too complex to have bureaucracy. ■

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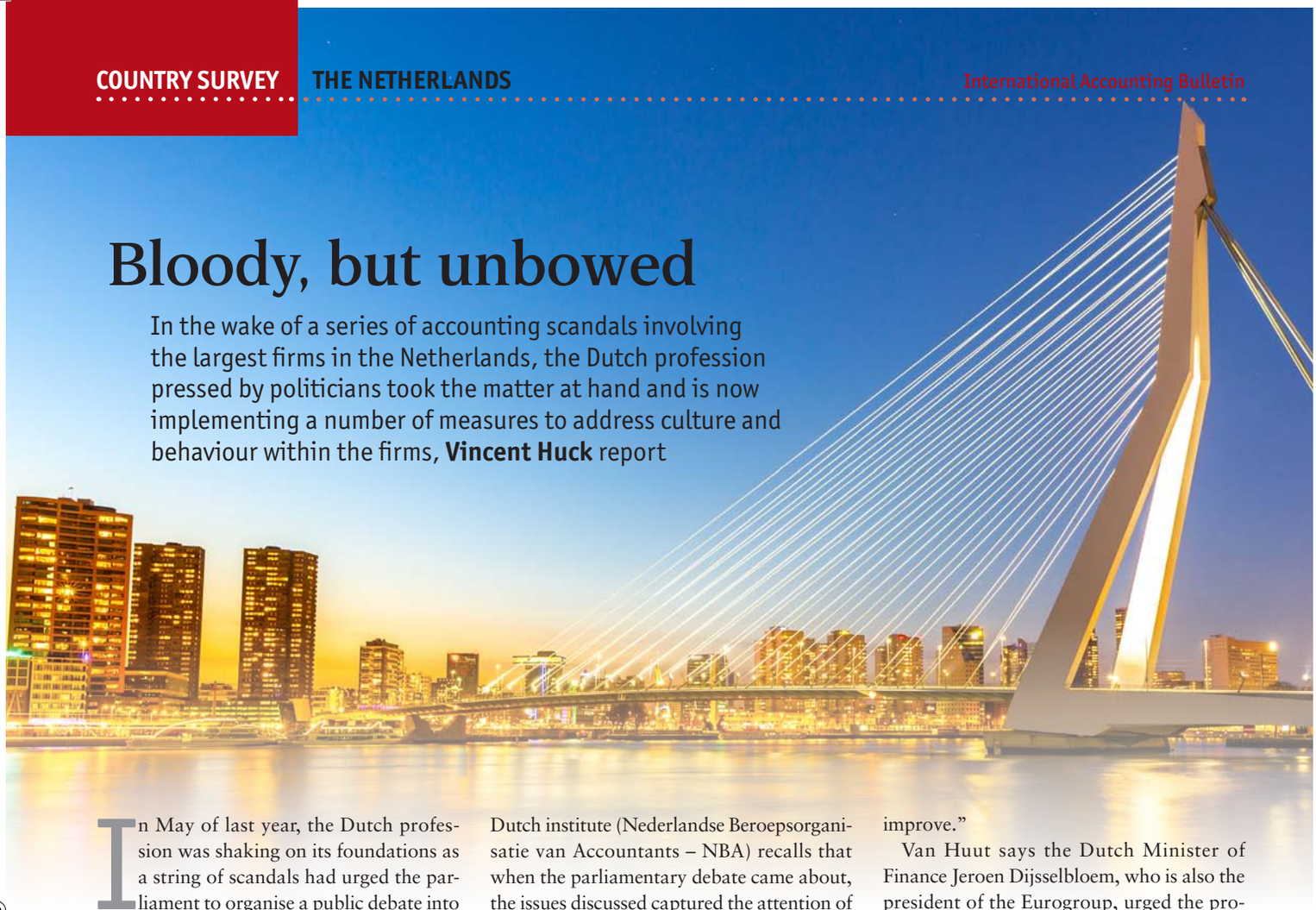

Bloody, but unbowed

In the wake of a series of accounting scandals involving the largest firms in the Netherlands, the Dutch profession pressed by politicians took the matter at hand and is now implementing a number of measures to address culture and behaviour within the firms, **Vincent Huck** report

In May of last year, the Dutch profession was shaking on its foundations as a string of scandals had urged the parliament to organise a public debate into the relevance of the audit profession.

A few days before the parliamentary debate the chairman of KPMG's Dutch operations, Jurgen van Breukelen resigned. And while the Dutch accounting scandals of the previous few months were not limited to KPMG, the Big Four firm certainly epitomised the issues faced by the audit profession in the Netherlands.

In 2013, KPMG was fined €900,000 by the Dutch financial sector regulator, The Netherlands Authority for the Financial Markets (AFM), for failing to have proper internal procedures in place. The firm was also involved in the collapse of housing corporation Vestia, according to *dutchnews.nl*.

In December of 2013 KPMG reached a €7m out of court settlement with the public prosecution department after being accused of disguising bribes paid on behalf of building group Ballast Nedam to win orders. The firm also failed to pay proper attention to ensuring integrity demands were met, according to the public prosecutor as reported by *dutchnews.nl*.

The last blow which prompted Van Breukelen's resignation came in early 2014 and related to suspicions of tax fraud involving the construction of the firm's new headquarters.

As such Berry Wammes, CEO of the Dutch institute (Nederlandse Beroepsorganisatie van Accountants – NBA) recalls that when the parliamentary debate came about, the issues discussed captured the attention of the public at large.

"Audit is something usually covered by journalists with an economic background and it is most of the time limited to the financial papers," he says. "But last year it was extended to the general press, the management of the audit firms were regarded in the same way as the management of the banks so there was a lot of criticism on the way they behave."

Remembering specifically the debates in the parliament which he attended, Wammes says that while usually in these sessions politicians just discuss amongst themselves, on this occasion the members of parliament specifically addressed the profession and its representatives present in the audience.

"They said you as the audit profession, have a last chance to improve. And if you don't we will take severe measures," Wammes says. "And that is two years after the Netherlands ahead of the European Union's reform implemented audit rotation and separation of audit and advisory."

Mazars partner Jos van Huut remembers: "The choice was you either say 'we performed along the standards' which means that you admit that the standards are not fit for purpose, and that you are not relevant. Or you say that you have not performed according to standards and that you will improve."

Van Huut says the Dutch Minister of Finance Jeroen Dijsselbloem, who is also the president of the Eurogroup, urged the profession to come up with a series of proposals for improvement by the 25th of September 2014.

The minister's deadline was no coincidence as at about the same time in September, AFM was expected to release its results of the review of the audit files of the Big Four firms in the Netherlands. And with the previous reviews having found a large number of insufficiencies, there was not a lot of hope for better results in the new AFM report.

"Over the summer the Dutch institute took the initiative to create a group, or task force, of seven young partners coming from the largest firms: the Big Four, BDO, Mazars and one representative of the smaller practices," Van Huut says.

The task force was formally known as the Future Accountancy Profession Working Group, because it was purposely composed of partners with young profiles. "In response to the public criticism the leaders of the firms and the management of the professional body did not say 'we are going to solve it ourselves'," Wammes explains. "But they said 'we are partly the cause of the problem so we will leave it to the young professionals because they still have another 30 or 40 years in the profession'."

This was very courageous from the management of the firms, Wammes points out.

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As such the working group was composed of: Arjan Brouwer from PwC Netherlands, Diana Clement from Borrie (an Alliott Group member firm), Nout van Es from EY, Theo Jongeneel from Deloitte, Marie-Pauline Lauret from Mazars, Pieter-Paul Saasen of BDO and Caspar Segers of KPMG.

Wammes explains that the seven professionals were given a free assignment to come up with everything they could imagine to improve the profession now and fundamentally.

Audit reviews

Simultaneously, and as expected, in September 2014 AFM published the results of the inspection of the quality of statutory audits at the Big Four audit firms. "The quality was a little bit better, but still very insufficient in the eyes of the oversight board of AFM," Van Huut comments. "They inspected 40 files and 18 were inadequate, which is not a nice quota."

AFM Inspected 10 audit files from each of the Big Four firms and found 40% of files inadequate at Deloitte, 30% at EY, 70% at KPMG and 40% at PwC.

The findings, apart for one or two audit files, were recognised by the firms, Wammes says. "If you look at other industries like cars, if you deliver 40 cars and 16 of them have a technical problem, as a manufacturer you have a real problem," he continues. "I think one of the biggest problems of the profession is the continuous denial of the quality issues."

As such one of the good thing that happened in the Netherlands in the last years according to Wammes is the recognition on the part of the firms that the problem was on their side and not on the politicians or others.

However many interviewed firm leaders, whilst not denying the issue temper AFM's findings. "Yes it was a high percentage. […] And I think inadequate is very harsh, if you go to an audit file there is always something you can improve," Crowe Horwath Foederer managing partner Johan Daams says.

Going through the report he says he recognised some of the findings but even so he is confident that it wasn't that bad. "I'm not sure it was such a poor job as it seemed in the report, to me as a managing partner of a mid-tier firm the percentage of audit files judged inadequate seemed on the high side to be honest."

For Frank van Disseldorp a partner at WIJmetAARTS, an independent firm, the results of the review have to do with the way in which the reviews are conducted. "Some years ago if you do a review of an audit file you look at the whole file, all the documents that are there," he says. "Now it is done by risk analysis where you take the very high risk clients, the very high risk figures and you draw conclusions for the whole audit."

HLB Netherlands chairman Erik van der Haar points that AFM not only commanded negative on the reviews of the Big Four firms audit files but also on the audit files of the next six as well as the audit files of the smaller practices. As such Van Der Haar supports the measures for improvements suggested by the task force of young partners formed by the NBA.

53 measures to improve

Indeed on the same day as AFM published its inspections result, NBA was publishing the proposals of the task force in a report entitled *In the Public Interest: Measures to improve the quality and independence of the audit in the Netherlands.*

"It is a set of 53 measures which affects the governance of the audit firms," Wammes says. "I have been in the profession for 18, 19 years but I haven't seen a huge change like this before, so this is a very promising development."

Van Huut explains that the 53 measures can be divided into two sections, one is about the appointment of the auditor, the audit engagement, the reporting, which is aligned with the EU audit reform. "But there is a second section and that is the culture and behaviour of the professionals and of the firms themselves and not the audit work in a technical sense."

Johan Daams, Crowe Horwath Foederer.

It is about how the firms are run, managed, how the oversight within the audit firm is organised, how the partners are remunerated, he continues. "It tackles how the CEOs and the management are organised and you don't see this discussion to the same extent in other European countries and it's actually that part which takes most of the energy and the actions that needs to be taken."

The most important measures proposed are in respect of the governance of accountancy organisations with, for example, the creation of a supervisory board for firms with a Public Interest Entities (PIEs) audit licence.

The supervisory board will be made of external members, from outside of the profession, Wammes explains. Only one member on the board coming from the accountancy profession will be allowed.

The supervisory board will be tasked to oversee the organisation-wide aspects that affect audit quality, independence, integrity and the interests of external stakeholders during the audit. as part of its responsibilities the supervisory board nominates the board of directors of the audit firm.

"There is a small legal issue because there is an EU regulation which says audit firms have to be independently run, which means the board has to be assigned by the partners themselves," Wammes says. "This has been

SUMMARY OF THE AFM'S CONCLUSIONS REGARDING THE STATUTORY AUDITS INSPECTED

Audit firm	Number of Inspected	Number of Inadequate	% of Inadequate
Deloitte	10	4	40
EY	10	3	30
KPMG	10	7	70
PwC	10	4	40
Total	40	18	45

Source: *AFM, Resulsts of the inspection of the quality of statutory audits at the Big 4 audit firms*

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resolved in the Netherlands by saying the supervisory board will make bidding nominations, which have to be followed."

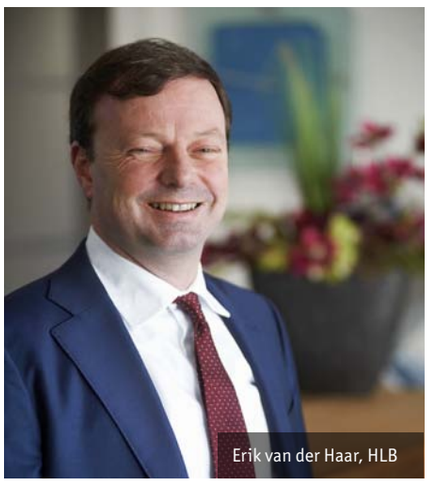
The second measure which has received a lot of attention relates to the remuneration system at firms, and this measure applies to all firms not only the PIE-licensed ones. "They [the working group] also looked at the remuneration system which means that for instance the board has fix salaries and they are independent from revenue but dependent on the quality that is delivered," Wammes explains.

For Van Huut the remuneration part of the measures is the hardest to implement in practice. "Remuneration needs to be based on quality, it needs to be proven that the commercial contribution by partners in bringing clients and new work is not the most important part of their remuneration, rather that the independence, quality of their work and firm is far more important in setting their compensation," he says.

And a controversial aspect of these proposals, he continues, is the introduction of a claw-back scheme for audit partners. Meaning that part of the remuneration of the partner is put in a fund within the firm and that it is only paid out to the partners after six years.

"And if something happens if there is an issue or the quality of the files is not sufficient these funds will be used to improve the quality of the audit work within the firm and it will not be paid to the partners," Van Huut says. "It is a nice idea but not easy to implement and especially within multidisciplinary firms."

Asked whether firms who already have to deal with the implementation of the EU audit reform where reluctant to see more rules to comply with coming into the picture, Van Huut says that in the weeks following the publication of the report the NBA asked the PIE-licensed firms to have a statement by their CEOs in support of the report and the measures.


Erik van der Haar, HLB

These statements were published on the websites of the firms, he continues, and it was very good starting point.

"Of course the report itself is not very detailed, some of the measures mentioned need to be further detailed and analysed to establish how you actually put those into an action plan," Van Huut says. "This is where we are: the firms support the proposals but to implement them in practice it can prove to be difficult, on the other hand the partners realise and especially in the PIE-licensed firms that it needs to be done."

Wammes agrees that the firms are supportive of the changes and most have already started to implement the measures. In the spirit of a transparent implementation, his institute, NBA, publishes a live online update of the implementation process progress based on the firms' self-assessment.

This is one of the three steps which have been taken to ensure transparency in the implementation process, Van Huut explains. Another step is undertaken by AFM. "Dijsselbloem asked AFM to monitor the implementation closely and they doing it starting with an inventory, a survey, of more than 300 questions to the firms," Van Huut says.

AFM followed this up with interviews at the individual firms, he continues, and is expected to report back next month.

The third step is an independent monitoring board created by NBA, it is made of six people with good reputation form the financial world in the Netherlands. The board will be created for four years and they will work on overseeing the implementation of the measures as well as additional requirements to restore the trust in the profession.

For Van Der Haar at HLB Netherlands these developments had an unexpected impact in the market for accountancy firms. "Clients appreciate more the work we do," he says. "And that is caused by the public discussion, and they understand that price only is not the way it works, you don't get quality by dropping the fees."

Fee pressure has been a tough challenge for firms around the world, but in recent years

Jos van Huut, Mazars

the Dutch market had been particularly affected by this issue. For Daams at Crowe Horwath Foederer this was driven by economic issues as well as the tough competition.

"If you are a small firm and you only have five to 10 audit clients and you want to maintain those you can do it cheaper," he says. "Also for the larger firms you used to offer the full service audit, accounting and tax, but now you can only offer audit, so clients realise they can decrease the fee by 10/20%."

However, Van Der Haar says that now when meeting new potential clients, the tone differs from two to three years ago.

"Not all clients of course, but people are more interested in what we do and what they get for the money they have to spend, there was a time they were only discussing the price," he says.

As such Van Der Haar sees 2015, if not as the year for growth at least the year of improvement where there is no loss on the turnover, he estimates growth at around 1%. "So not really a big thing but after a couple of years off decrease it is now going better."

Daams on the other hand expect 4%-5% growth. "But it will be in HR services, in corporate finance and in accounting services."

EU audit reform

On top of the challenges of dealing with a slow market and an increased oversight, Dutch firms like in the rest of the EU are affected by the new regulation passed by Brussels in 2014 and referred to as the EU audit reform.

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The reform introduces audit firm rotation and prohibition of non-audit services to audit clients. However for Dutch firms this is not new as ahead of the EU the Dutch government had adopted such measures back in 2012. Making the implementation less tedious than in other EU member states, as it is just a matter of reconciling what was adopted by the Dutch government and the EU parliament.

Van Huut says the proposals to reconcile the two have been out for consultation for a few weeks, but appart for minor details the Dutch government should align its rules with the EU rules.

The Netherlands will keep a white list, a very short one, of non-audit services that can be offered to audit clients as opposed to the black list suggested by the EU.

Rotation which was originally set at eight years in the Netherlands will be extended to 10 years as per the EU rules.

However the Dutch proposals did not pick up on the options offered by the EU reform to extend the audit engagement by 10 or 14 years in the case of a public tender or a joint audit.

"Following the change of the law in January 2013 we went through the first round of rotation, and many of the larger companies have rotated already but it hasn't changed much," Van Huut says. "This is between the

Berry Wammes, NBA

Big Four they have not really gained or lost any works in the PIEs and they still control around 95% of the market, it is a sort of game of musical chair with four chairs and four players."

All other interviewed firm leaders paint a similar picture. Daams laments that even though one of the purpose of the regulation was to offer a chance to the mid-tier firms to offer audit services to PIEs, it hasn't worked. Nevertheless he is not opposed to the changes. "I don't think it is a threat, I see it as an opportunity to distinguish ourselves, not only for the Big Four but for the smaller firms as well," he says.

Asked if the rotation rules offer an opportunity for the smaller to compete with the Big Four on the PIE market, Van Der Haar replies: "Not in the Netherlands, if that is the purpose it is the wrong set of regulations […] we have tried but you see that the person taking the decision always says 'let's go for the Big Four it is safe for us'."

Looking forwards he says HLB International Dutch firms will focus on family owned internationally oriented businesses. Like in Germany where the Mittelstand's internationalisation have been an important engine of growth, Van Der Haar sees the Dutch family owned businesses more and more looking international.

"In the end we want successful clients and we want to help them be successful," he says. "If they focus within border they are not ambitious enough."

After an extraordinary few years were the profession's reputation and relevancy was shaken, and were the profession as a whole had to do some soul searching, accounting firms look at the months ahead like the light at the end of a tunnel, out of which they will come out maybe bloody, but unbowed. ■

SUMMARY OF THE MOST IMPORTANT MEASURES PROPOSED BY FUTURE ACCOUNTANCY PROFESSION WORKING GROUP

Areas	Measures
Robust governance	A supervisory board with external members at the level of the Dutch top holding of the group to which the accountancy organisation belongs. This supervisory board nominates and assesses the board of directors and in addition to its general tasks undertakes specific supervision of the protection of public interests, in which audit quality is used as a guiding principle
	A board of directors which primarily focuses on management within the boundaries set by the Supervisory board, including in respect of their time spent.
Remuneration and earnings model of accountancy organisations	A profit-independent remuneration of directors, with a variable component up to a maximum of 20% and which is dependent on the achievement of long term objectives which are appropriate to the social function of the organisation
	A leverage model which safeguards quality, in which there is scope for good coaching and supervision, and upon which public accountability is imposed
	A quality-based remuneration and a claw-back scheme for audit partners, on which basis an element of the payment of profit entitlements is delayed for a period of six years and which expires in the event of culpable shortcomings resulting in social harm
	A promotion policy which assumes proven professional qualities.
Culture and learning capacity of the sector	The foundation of an independent research institute which has amongst its tasks the undertaking of analyses into the cause of faults and incidents
	Annual reporting by accountancy organisations on a prescribed set of quality indicators, on which basis accountancy organisations can be better compared and differentiation in quality can be made visible
	The introduction of a professional oath and compulsory periodic assessment of professional and ethical attitudes.
Improvement of the relevance of the audit	A compulsory extensive audit opinion and compulsory active intervention at the general meeting of shareholders (AGM)
	Expansion of the management report and the splitting of the audit opinion into an opinion in respect of the annual accounts and an opinion in respect of the management report
	More extensive reporting on the risks of fraud and continuity.

Source: *NBA, In the public interest*

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Slow improvement in a sluggish environment

South Korea's accounting market continues to experience fierce audit fee competition as mid-tier firms increase efforts to expand their market share, putting Big Four practices' audit service pricing under intense pressure, **David Hayes** reports

South Korea has experienced slow economic growth since 2012. The Bank of Korea recently adjusted its projected growth rate for 2015 downward from 3.1% to 2.8% due to the recent adverse economic effects of the widely reported outbreak of Middle East Respiratory Syndrome (MERS) in May, though the threat of a MERS epidemic now thankfully appears to have been contained.

Exports to major overseas markets including the US and the EU continue to slow. However, domestic demand such as private consumption is expected to show some improvement due to an increase in real purchasing power.

Looking for improvement

South Korean business leaders are looking for some improvement this year due partly to cost cutting activities, while most accounting firms are hoping for stable revenue or for a low single-digit increase due to growing advisory service engagements and the South Korean government's strengthening of external audit regulations.

"Clients are focussing on improving productivity related to their workforce or expenses rather than in new investments or business expansion," Hyun-Cheul Yoon, senior partner and assurance lines of services leader at Samil PwC Korea, comments.

KPMG Korea senior director of marketing and communications Yun-Seob Lee says that equally accounting firms are evolving in a difficult environment: "Due to intensive competition and lowering profit in the accounting market, accounting firms are struggling to find ways for further growth by diversification in non-audit services as well as audit services."

According to firms surveyed by *International Accounting Bulletin*, three Big Four practices – KPMG, Deloitte and EY, reported revenue growth in the financial year ending March 31, 2015 (fiscal year 2014).

Samil PwC saw a decrease in total revenue. However, the decrease was due to the separation of Samil PwC's consulting practice from 1 December 2014, as part of a worldwide strategic business move by PwC Consulting to merge individual country consulting units into a single global firm.

For mid-tier firms, fiscal year 2014 was a year of mixed fortunes with some practices reporting an increase in revenue, while at least five medium firms saw revenue figures drop by single-digit percentages.

BDO Korea (BDO Daejoo), the largest mid-tier firm, reported a 3.6% increase in revenue firmly positioning the practice in fifth place in South Korea's accounting market.

Sixth-ranked Nexia International reported a strong 16% rise in revenue, while Crowe Horwath International (Hanul Choongjung) climbed into seventh position, almost level with Nexia in reported revenue, following the recent merger of Crowe Horwath Korea (Horwath Choongjung) and Hanul Accounting Corporation.

Sharp division

South Korea's accounting market is sharply divided between large companies and conglomerates requiring Big Four services and smaller companies that use mid-tier firms. However, the two sections of the market are not completely separate.

Medium-tier accounting firms are looking to increase their market share including serving the steadily growing number of private companies seeking stock market listings. This could lead to a number of mid-tier firms

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merging in future as smaller practices look to expand and attract larger clients.

A clear example of this trend is the recent merger in March of Crowe Horwath Korea and Hanul Accounting Corporation to create Hanul Choongjung which has created a practice with total revenues of $36.5m in fiscal year 2014 compared with Crowe Horwath Korea's $3.8m revenue in fiscal year 2013.

The newly merged practice employs 416 staff including 153 registered CPAs along with 17 junior and foreign CPAs. Tax work and outsourced services account for 39% of revenue, while audit represents 33% of the merged firm's revenue and advisory services 28%.

"Growth in the number of our people and revenue will most likely continue in fiscal year 2015," says Heung-Ju Hwang, managing partner of Crowe Horwath Korea.

"With our manpower and the rise in our accounting industry ranking in South Korea after the merger, Crowe Horwath Korea is expecting a rise in audit engagements of listed companies in 2015 and onward."

The newly-merged practice is looking to South Korea's growing accounting market for more opportunities as the government continues to develop new initiatives to improve corporate governance.

The South Korean government is pushing for more organisations, such as non-profit organisations and apartment complexes, to be audited by an external auditor, Hwang explains.

Mid-tier firms

South Korea's Financial Supervisory Service (FSS) could play a role in increasing the number of listed companies using mid-tier firms for audit and other services. FSS plays a role in assigning audit firms to companies seeking listing and companies in financial difficulty where an independent audit of accounts is needed.

BDO Korea international liaison partner Michael Oak says: "FSS has tried to serve a role as an equitable assigner of audits to companies with big problems or looking for IPOs. They assign second-tier firms to provide a transparent audit service – that's a trend in this market."

As a consequence companies, having had a taste of mid-tier firms through an FSS assignment, may continue to use mid-tier firms in the future, Oak continues.

Despite rising opportunities in the audit market, the continued audit fee pressure has prompted Big Four firms to look for other service line opportunities, in particular advisory services.

"Samil PwC is expecting risk assurance services to be the next business driver in the South Korean market," Yoon explains. "There's little growth expected in the assurance line of service as a result of increased competition in the market and no future growth engines.

While the tax service line has enjoyed strong growth in the past five years, Yoon says that with the current weak economy growth rates in tax are declining.

KPMG Korea, meanwhile, is targeting business growth opportunities serving blue-chip clients with international operations and growing mid-size companies.

The firm provides growth support for mid-sized clients through its 'Growth Strategy Centre for mid-sized corporations' which was set up in 2012.

"By providing advisory services to such companies, KPMG Korea enables clients to develop sustainable growth strategy and seek overseas expansion," KPMG Korea's Lee says.

Support

Outbound South Korean clients are supported through the firm's 'Global Korea Practice'. This has involved setting up 'Korea desks' staffed by some 32 seconded KPMG Korea staff in KPMG offices in 22 countries worldwide to support South Korean clients as they expand their global business activities.

"By providing various advisory services such as IT and strategic consulting, risk management consulting, actuaries and more, KPMG has a strong market share particularly in international trade and customs, and the M&A advisory market," Lee says.

Samil PwC also supports a growing number of South Korean clients that are expanding their international operations.

"Outbound referrals are mainly foreign subsidiaries of large Korean conglomerates with significant operations overseas such as Samsung Electronics, LG Electronics, Hyundai Motors, Mando and CJ Group," Yoon notes.

"Inbound referrals are Korean subsidiaries of foreign multinational corporations with business in South Korea or who are serving large domestic conglomerates."

BDO Korea, South Korea's largest mid-tier practice is also looking for growth this year from advisory and other service lines.

"Advisory covers a lot of categories especially M&A including financial due diligence, evaluation and feasibility studies," BDO Korea's Oak remarks. "We need to develop advisory. In one recent M&A service development BDO Korea was selected by a Korean construction conglomerate with a Hanoi branch, so we expect to develop services with them."

Audit and accounting work contributed 49% of revenue in fiscal year 2014 and drove business growth while tax work accounted for 26% and advisory services for 24% of revenue.

"For fiscal year 2015 we expect at least 3% to 4% organic growth," Oak says. "This year we're planning an aggressive strategy to

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At a glance

POPULATION	
	50.5m
UNEMPLOYEMENT RATE	
	3.3%
GDP	
	US$ 1.4tr
GDP GROWTH	
	3.9%
GDP PER CAPITA (PPP)	
	$35,417
INFLATION	
	2.9%
FDI (NET INFLOWS)	
	0.7% of GDP
CURRENT ACCOUNT BALANCE	
	2.4% of GDP
CORRUPTION PERCEPTIONS INDEX	
	Ranked 43rd out of 175
HUMAN DEVELOPMENT INDEX	
	Ranked 15th out of 187

Source: IMF, Transparency International, UNDP, World Bank

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increase revenue by structuring our firm for an industrial focus, especially inbound referral clients, including financial services and chemical company clients from Europe and China.

"The petrochemicals industry is inbound investment but related to outbound chemicals transhipment to China. Some BDO International clients have established China businesses, while for the finance industry we are seeing inbound referrals."

Crowe Horwath also expects inbound and outbound referrals to grow following the recent merger.

"For inbound, mostly clients in engineering, machine tools and automotive component industries are investing in South Korea," Hwang says at Crowe Horwath Korea.

"For outbound, before the merger our clients mostly were foreign non-Korean clients who entered South Korea and contemplated on expanding to other Asia-Pacific areas.

"The merged firm, Hanul Choongjung, has a number of listed clients in South Korea and we expect we will be able to bring more outbound referrals not only to the Asia-Pacific region but also to other regions."

Submit reports

Meanwhile, in a move to strengthen corporate governance and companies' internal audit capability, the government recently introduced requirements for all listed companies and large non-listed companies to submit their draft financial reports to their external auditors and the Securities and Futures Commission in advance of the general shareholders meeting to decrease companies' reliance on external auditors for their financial statements preparation process.

"The amendment to the Act on External Audit of Stock Companies was made to prohibit external auditors' involvement in preparing companies' financial statements starting from 1 July 2014," said KPMG's Lee.

"Companies shall submit drafted financial statements to the Securities and Futures Commission at the same time with the submission of drafted financial statements to the external auditors, which shall be six weeks before the shareholders meeting."

To assist corporate directors in effectively discharging their growing responsibilities KPMG Korea opened its Audit Committee Institute (ACI) in April.

"KPMG Korea ACI is comprised of professionals such as CPAs, lawyers, analysts and industry experts," Lee says. "ACI supports independent directors including audit committee members to fulfil their increasing responsibilities.

"Also, our KPMG Korea tax and deal advisory functions have been strengthened to cope with the needs of clients and the market."

Meanwhile, regulatory authority efforts to improve the quality of audit work have resulted in increased inspections of audit firms.

The frequency of joint inspections by FSS and South Korea's Public Company Accounting Oversight Board has been shortened to two-yearly intervals recently.

Efforts by South Korea's mid-tier accounting firms to expand their client base by targeting companies and organisations that traditionally have used big four services has prompted the FSS to seek legislative changes to improve management and quality control standards among medium and small accounting practices.

No central control

Currently many medium and small accounting practices with branch offices do not operate central management control.

Although local branch offices use the firm's name, each office is left to manage its own affairs resulting in a varying standard of quality control and accounting work across the practice.

"Many second and third-tier firms are not centrally organised, so the FSS wants medium and small firms to be centrally organised to provide good quality control and risk management," BDO Korea's Oak explains.

Proposed legislative changes requested by FSS are under consideration by South Korea's National Assembly which is expected to approve the proposed reforms in one or two years, after further debate and scrutiny.

Reforming the management of mid-tier and smaller practices will mark an important stage in the development of South Korea's accounting market which has developed as a two-tier market divided between the Big Four and other firms.

Introducing centralised management control will ensure greater professionalism and an improved quality of work among second and third-tier firms enabling them to offer a better level of service to clients and to compete more effectively to expand their business.

"This will be a big change for mid-tier and smaller accounting firms," Oak says. "It will not affect Big Four firms as they are organised globally and through their regional offices already.

"However, many medium-tier are network firms and not controlled centrally on a global scale like the Big Four."

The challenge of recruitment

"It is getting harder for non-Big Four firms to hire or retain young and talented new staff as Big Four firms hire most of the new junior CPAs every year," Crowe Horwath's Hwang comments.

"Even in the case where we were successful in hiring young CPAs [before the recent merger], they usually left the firm within a short period of time of one to three years to join Big Four firms or industrial companies."

Big Four firms also face competition from local companies in retaining their talented young staff and recognise the importance of offering a structured career with ongoing training and progression in retaining young talent.

"Staff are evaluated annually and recognised and rewarded for performing as competent accountants and auditors, consistent with the firm's focus on quality," Samil PwC's Yoon says.

"Managers are formally evaluated at least annually by partners for whom they have performed substantial work during the year.

The annual assessment process captures information about how well each of the staff has performed relative to the firm's values, he continues.

Meanwhile, looking ahead at future prospects for South Korea's accounting market, Big Four and mid-tier firms see little prospect of a let up in fee-based competition for audit market share.

However, audit engagements are expected to increase and prospects for growth in tax-related work appear bright once the economy picks up again.

"In the short term, continued fee-based competition among the Big Four firms is expected as there's little perceived differentiation of services provided," Yoon says.

"In the medium to long-term, an IT-based data audit trend for audits is expected to increase and in response we're planning to expand our risk assurance business and capabilities." ■

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NETWORKS – FEE DATA

Rank	Name	Fee income (KRWm)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	PwC* (1)	460,000.0	-4%	-	-	-	-	-	-	-	Mar-15
2	Deloitte* (1)	292,100.0	4%	-	-	-	-	-	-	-	Sep-14
3	KPMG* (1)	276,000.0	3%	-	-	-	-	-	-	-	Mar-15
4	EY* (1)	166,750.0	12%	-	-	-	-	-	-	-	May-14
5	BDO*	63,816.0	4%	62	14	24	-	-	-	-	Mar-14
6	Nexia International*	40,254.0	16%	54	17	14	-	-	-	15	Jun-14
7	Crowe Horwath International*	40,133.2	859%	34	39	22	3	-	-	3	Mar-15
8	RSM International*	33,888.0	16%	-	-	-	-	-	-	26	Dec-14
9	Moore Stephens International*	18,500.0	29%	38	16	12	8	10	7	9	Mar-15
10	Kreston International*	18,229.9	-2%	16	22	59	1	1	-	1	Oct-14
11	Baker Tilly International*	13,493.6	-9%	57	18	1	9	6	-	9	Mar-15
12	PKF International (2)	10,692.0	-11%	32	22	22	-	-	-	24	Jun-14
13	Reanda International*	7,408.1	-1%	77	-	-	-	-	-	23	Dec-14
14	ECOVIS International*	7,331.2	15%	58	26	16	-	-	-	-	Mar-15
15	Grant Thornton International*	6,592.0	-3%	40	15	26	-	-	-	19	Sep-14
16	HLB International*	5,384.2	-7%	70	10	15	-	-	-	5	Mar-15
17	Mazars*	3,659.8	-7%	57	43	-	-	-	-	-	Aug-14
Total revenue/growth		**1,464,232.0**	**5%**								

Notes: (1) 2015 data from financial reports filed with the KICPA. (2) PKF International figures are from correspondand and non exclusive member firms . *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/ association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*, KICPA

SOUTH KOREA

NETWORKS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	PwC*	3,700	3,700	0%	-	-	-	-	-	-	3	-
2	KPMG*	2,437	2,350	4%	151	138	-	-	-	-	-	-
3	Deloitte* (e)	2,387	2,300	4%	-	-	-	-	-	-	-	-
4	EY* (e)	1,027	940	9%	-	-	-	-	-	-	-	-
5	BDO*	551	538	2%	70	66	275	257	206	215	6	6
6	Nexia International*	431	372	16%	35	42	254	209	142	121	3	6
7	Crowe Horwath International*	416	56	643%	82	7	324	42	10	7	6	1
8	RSM International*	337	316	7%	42	32	245	136	50	148	8	8
9	Moore Stephens International*	197	195	1%	10	9	67	66	120	120	3	1
10	Kreston International	151	161	-6%	16	16	118	127	17	18	7	6
11	Baker Tilly International*	137	130	5%	15	12	110	106	12	12	4	3
12	PKF International	107	107	0%	18	15	35	89	54	3	1	1
13	Reanda International*	94	72	31%	14	14	71	52	9	6	9	6
14	ECOVIS International*	76	68	12%	26	22	48	44	2	2	3	3
15	Grant Thornton*	69	53	30%	8	7	52	49	9	9	2	2
16	Mazars*	55	58	-5%	3	3	48	50	4	5	1	1
17	HLB International*	44	51	-14%	9	9	25	32	10	10	1	1
Totals		**12,216**	**11,467**	**7%**	**499**	**392**	**1,672**	**1,259**	**645**	**676**	**57**	**45**

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

Source: *International Accounting Bulletin*

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SOUTH KOREA

ASSOCIATIONS – FEE DATA

Rank		Fee income (KRWm)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	Morison International*	27,332.9	8%	51	19	28	1	1	-	-	Mar-14
2	DFK *	23,201.4	20%	44	27	27	-	-	-	2	Mar-14
3	KS International*	16,342.0	-31%	62	13	25	-	-	-	-	Mar-14
4	Praxity*	16,037.8	4%	81	19	-	-	-	-	-	N/A
5	MGI*	12,252.3	15%	-	-	-	-	-	-	-	Jun-14
6	PrimeGlobal*	10,612.2	-73%	63	21	5	-	-	-	11	May-15
7	Integra International*	8,500.0	0%	60	25	15	-	-	-	-	Dec-14
8	AGN International*	7,463.3	6%	35	16	16	33	-	-	-	Mar-14
9	INPACT*	1,600.0	19%	55	35	10	-	-	-	-	Dec-14
Total revenue/growth		123,341.9	-18%								

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

Source: *International Accounting Bulletin*

SOUTH KOREA

ASSOCIATIONS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	Morison International*	275	228	21%	28	20	62	56	185	152	7	7
2	DFK International*	201	191	5%	10	10	177	92	14	89	2	2
3	Praxity*	183	184	-1%	24	27	101	97	58	60	3	5
4	KS International*	162	273	-41%	32	35	123	229	7	9	3	5
5	MGI*	153	129	19%	16	12	37	15	100	102	3	1
6	PrimeGlobal*	114	452	-75%	17	62	37	325	60	65	2	8
7	AGN International*	97	94	3%	13	13	84	26	N/A	55	3	3
8	Integra International*	81	80	1%	3	3	76	75	2	2	4	4
9	INPACT*	11	11	0%	3	3	7	7	1	1	1	1
Totals		**1,277**	**1,642**	**-22%**	**146**	**185**	**704**	**922**	**427**	**535**	**28**	**36**

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

Source: *International Accounting Bulletin*

SOUTH KOREA

FIRM MOVEMENTS

NETWORK/ASSOCIATION	FIRM ADDITIONS, MERGERS & ACQUISITIONS
Baker Tilly International	**Merger:** Deloitte, (Changwon City, Gyeongsangnam-do)
Crowe Horwath International	**Merger:** Horwath Choongjung LLC merged with Hanul Accounting Corporation (Seoul, Korea) as of 30 March, 2015 and renamed as Hanul Choongjung LLC
Reanda International	**Added:** Gangbuk office (Seoul, Gangbuk), Songpa Office (Seoul, Songpa),
PrimeGlobal	**Lost:** Hanul Accounting Corporation

Source: *International Accounting Bulletin*

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THE NETHERLANDS

Top 30 firms: fee data

Rank		Fee income (€m)	Growth rate
1	PwC	672.0	1%
2	EY	635.3	0%
3	Deloitte	637.5	1%
4	KPMG	448.6	-5%
5	BDO	229.1	0%
6	Flynth (1)	140.0	-5%
7	Baker Tilly Berk	81.4	-2%
8	Mazars (2)	71.6	-1%
9	de Jong & Laan (3)	59.8	-1%
10	Grant Thornton Netherlands	48.7	N/A
11	Moore Stephens Rotterdam	39.5	-2%
12	CROP Registeredacountants en CROP Belastingadviseurs (4)	38.9	91%
13	RSM Netherlands	38.5	-4%
14	Accountantskantoor Foederer (5)	37.7	31%
15	Moore Stephens MTH B.V.	37.5	-3%
16	Visser & Visser Accountants-Belastingadviseurs (4)	36.0	-7%
17	ConQuaestor (6)	29.2	N/A
18	HLB Van Daal & Partners	28.9	-1%
19	Krose Wevers (7)	26.1	2%
20	Koenen en Co (7)	24.1	-5%
21	PKF Wallast	19.7	1%
22	DHW International (8)	11.7	1%
23	Horlings (7)	10.4	N/A
24	Kreston BonsenReuling	8.9	-1%
25	FSV Accountants + Adviseurs B.V. (7)	8.3	-7%
26	Vanhier (9)	7.9	0%
27	Crowe Horwath Peak	7.8	-2%
28	Kreston Lentink	7.6	2%
29	AUREN (10)	5.6	-21%
30	ECOVIS Lodder&Co OOST	5.6	0%

Notes: (1) BKR member firm; (2) Praxity member firm; (3) CPA Associates International member firm; (4) PrimeGlobal member firm; (5) Crowe Horwath International member firm; (6) Grant Thornton member firm, the network did not provide information from previous year; (7) Nexia member firm; (8) Morison International member firm; (9) MSI Global Alliance member firm; (10) ANTEA member firm.

Source: *International Accounting Bulletin*

THE NETHERLANDS

FIRM MOVEMENTS

NETWORK/ASSOCIATION	FIRM ADDITIONS, MERGERS & ACQUISITIONS
AGN International	**Added:** DK Accountants & Adviseurs (Veenendaal and 4 other branches)
ECOVIS International	**Lost:** Avant Accountants, Oudewater
HLB International	**Added:** HLB Blömer, Accountants & Adviseurs, Nieuwegein, Netherlands (data not included in this survey)
IAPA	**Added:** HoogeveenLuigjes Accountants en Belastingadviseurs, Leusden
MSI Global Alliance	Ruitenburg adviseurs & accountants **merged** with deWaardKramer advisors & accountants. Ruitenburg adviseurs & accountants retained the membership. (Rotterdam)

Source: *International Accounting Bulletin*

MEXICO

Top 40 firms: fee data

Rank		Fee income (MXNm)	Growth rate
1	Deloitte	5,048.7	15%
2	PwC (e)	4,693.2	8%
3	KPMG (e)	2,997.4	10%
4	EY (e)	2,916.2	11%
5	Salles, Sainz Grant Thornton	416.5	-3%
6	Gossler(1)	347.5	6%
7	RSM Bogarin	327.6	-5%
8	BDO Castillo Miranda y Compañía	310.0	15%
9	BHR Enterprise Worldwide Mexico	296.1	2%
10	Baker Tilly Mexico	241.1	11%
11	Russell Bedford México	235.2	6%
12	PKF Mexico	146.0	4%
13	Grupo KMC Contadores Públicos (2)	116.0	6%
14	Cajal Sen Azcune y Cia (3)	110.0	69%
15	Mazars (4)	109.2	7%
16	Moore Stephens Marcelo de los Santos y Cia	108.3	3%
17	Rivero & Olivares (5)	86.4	25%
18	Ksi Mexico	84.3	15%
19	Kreston CSM	83.4	13%
20	Traust Accounting and Legal Firm (5)	81.4	9%
21	De la Paz Costemalle (6)	77.9	1%
22	Mexico Global Alliance (7)	77.3	-6%
23	Kreston BSG	68.9	13%
24	Soliao Nexia	68.6	0%
25	Moore Stephens Orozco Medina	65.5	8%
26	Vázquez Pola Consultores (6)	64.3	0%
27	AUREN (8)	63.2	5%
28	Despacho Zesati y Cía. (9)	53.1	19%
29	Nyssen Consultores Asociados (9)	42.0	19%
30	UCCS DEL GOLFO	40.0	60%
31	UC&CS ADVISORS		-100%
32	Lores Budiño y Cia (10)	35.1	46%
33	CPC Rangel (11)	33.0	6%
34	Alvarez Carmona y Asociados (10)	25.2	74%
35	VegaPrieto (12)	20.7	8%
36	ECOVIS QUIBRERA SALDAÑA	16.4	15%
37	QGA Contadores Publicos (11)	15.0	15%
38	Gonzalez Espinosa	14.7	5%
39	Nunez Rosas y Asociados	9.3	11%
40	SPC COntadores Y Abogados (13)	7.6	-14%

Notes: (1) Crowe Horwath International member firm; (2) Morison International member firm; (3) UC&CS Global member firm; (4) Praxity member firm; (5) PrimeGlobal member firm; (6) DFK international member firm; (7) Plante Moran Alliance independent member firm; (8) Antea member firm; (9) CPAAI member firms; (10) MSI International member firms; (11) BKR International member firms; (12) Nexia member firm; (13) EuraAudit member firm.

Source: *International Accounting Bulletin*

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THE NETHERLANDS

NETWORKS – FEE DATA

Rank	Name	Fee income (€m)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	PwC*	672.0	1%	-	-	-	-	-	-	-	Jun-14
2	EY*	635.3	0%	82	6	-	-	-	-	12	Sep-14
3	Deloitte*	637.5	1%	43	25	25	-	-	-	7	May-14
4	KPMG*	448.6	-5%	-	-	-	-	-	-	-	Sep-14
5	BDO*	229.1	0%	67	27	2	1	-	-	3	Dec-14
6	Moore Stephens International*	105.4	-1%	65	23	-	2	1	-	9	Dec-14
7	Baker Tilly International*	81.4	-2%	63	27	5	3	-	-	2	Dec-14
8	Grant Thornton* (1)	77.9	53%	27	17	42	-	-	-	14	Sep-14
9	Nexia International*	73.4	-2%	63	22	6	1	-	2	6	Jun-14
10	Mazars*	71.6	-1%	77	23	-	-	-	-	-	Aug-14
11	Crowe Horwath International	45.9	24%	47	14	13	1	-	-	25	Dec-14
12	RSM Netherlands*	38.5	-4%	56	39	-	-	-	-	5	Dec-14
13	HLB International*	37.2	5%	62	12	20	-	-	-	5	Dec-14
14	Kreston International*	34.1	3%	55	22	7	3	2	-	11	Oct-14
15	PKF International*	19.7	1%	52	42	-	-	-	-	6	Dec-14
16	ECOVIS International*	19.2	-4%	72	15	6	3	-	4	-	Dec-14
17	AUREN*	5.6	-21%	69	10	8	2	3		8	Dec-14
Total revenue/growth		**3,232.4**	**1%**								

Notes: (1) Grant Thornton FY13 fee data do not include ConQuaestor revenue. *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/ association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

THE NETHERLANDS

ASSOCIATIONS – FEE DATA

Rank		Fee income (€m)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	BKR International* (1)	140.0	-5%	65	28	1	2	1	2	1	Dec-14
2	CPA Associates International*	111.5	-3%	55	25	5	2	-	-	13	Dec-14
3	PrimeGlobal*	100.6	77%	56	22	5	1	-	-	15	May-15
4	Praxity*	71.6	-1%	77	23	-	-	-	-	-	N/A
5	MGI	27.9	14%	-	-	-	-	-	-	-	Jun-14
6	IAPA* (2)	20.4	N/A	59	28	5	6	1	-	1	Dec-14
7	Morison International*	20.3	2%	66	12	4	2	-	6	10	Dec-14
8	MSI Global Alliance	13.1	7%	67	20	13	-	-	-	1	Dec-14
9	Alliott Group*	12.6	21%	55	30	11	2	-	-	2	Dec-13
10	AGN International*	9.0	13%	65	15	19	-	1	-	-	Mar-14
11	Antea*	7.2	-17%	71	12	6	2	3	-	6	Dec-14
12	Integra International*	5.7	0%	55	35	10	-	-	-		Dec-14
13	INPACT International*	3.5	-4%	63	22	14	-	-	-	-	Dec-14
14	GMN International*	2.7	7%	67	13	15	-	-	5	-	Sep-14
15	Abacus Worldwide*	2.4	13%	30	33	5	-	14	-	18	Dec-14
16	EuraAudit International*	2.2	27%	50	20	-	-	-	-	31	Dec-14
17	KS International*	1.8	0%	45	30	15	10	-	-	-	Dec-13
Total revenue/growth		**552.4**	**12%**								

Notes:. (1) BKR International has restated it's FY13 figures. last year it reported €158.6m for FY13, however this was FY12 figures. (2) IAPA was unable to provide FY13 figures. *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

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THE NETHERLANDS

NETWORKS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	Deloitte*	4,320	4,341	0%	239	242	3,288	3,230	793	869	-	21
2	PwC*	4,153	4,292	-3%	-	261	-	3,180	-	851	11	12
4	KPMG*	2,925	3,131	-7%	149	167	2,195	2,339	581	625	11	10
3	EY*	2,063	3,625	-43%	138	226	-	2,654	-	745	15	15
5	BDO*	2,062	2,093	-1%	81	82	1,555	1,583	426	428	28	29
6	Moore Stephens International*	997	1,025	-3%	68	70	800	824	129	131	30	30
7	Nexia International*	691	765	-10%	53	59	505	573	133	133	18	20
8	Grant Thornton International*	670	470	43%	64	48	490	320	116	102	10	9
9	Baker Tilly International*	618	642	-4%	44	45	467	486	107	111	18	18
10	Mazars*	544	679	-20%	40	49	388	473	116	157	12	10
11	Crowe Horwath International*	405	377	7%	40	34	319	320	46	23	14	13
12	HLB International*	358	374	-4%	32	33	295	305	31	36	17	17
13	RSM Netherlands*	320	336	-5%	29	30	229	243	62	63	10	10
14	Kreston International*	300	304	-1%	26	27	223	225	51	52	10	10
15	ECOVIS International*	177	209	-15%	16	17	130	158	31	34	9	12
16	PKF International*	148	157	-6%	20	20	116	125	12	12	4	4
17	AUREN*	69	76	-9%	4	4	60	66	5	6	2	2
Totals		**20,820**	**22,896**	**-9%**	**1,043**	**1,414**	**11,060**	**17,104**	**2,639**	**4,378**	**219**	**242**

Notes: *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included.

Source: *International Accounting Bulletin*

THE NETHERLANDS

ASSOCIATIONS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	BKR International*	1,336	1,598	-16%	73	2	1,218	1,596	45	107	55	44
2	CPA Associates International*	1,155	1,270	-9%	57	64	1004	1,099	94	3	43	2
3	Praxity*	544	679	-20%	40	49	388	473	116	79	12	17
4	PrimeGlobal*	539	625	-14%	42	47	394	499	103		18	
5	IAPA* (1)	252	N/A	N/A	23	N/A	185	N/A	44	N/A	11	N/A
6	Morison International*	210	205	2%	23	28	164	163	23	14	6	6
7	MSI Global Alliance*	126	124	2%	18	16	94	94	14	157	2	10
8	MGI*	119	182	-35%	19	16	100	79		23	11	6
9	AGN International* (2)	104	N/A	N/A	18	N/A	86	N/A	n/a	13	10	4
10	Alliott Group*	91	78	17%	9	9	69	56	13	7	2	3
11	Antea*	83	90	-8%	6	6	72	77	5	-	3	71
12	Integra International*	47	47	0%	8	8	33	33	6	1	1	2
13	INPACT International*	38	44	-14%	5	5	27	33	6	6	2	1
14	Abacus Worldwide*	31	23	35%	2	2	26	18	3	3	1	1
15	GMN International*	29	29	0%	3	3	20	20	6	6	1	1
16	KS International*	19	20	-5%	2	4	16	15	1	87	2	11
17	EuraAudit International*	17	22	-23%	5	3	7	16	5	6	4	1
Totals		**4,740**	**5,036**	**-6%**	**353**	**262**	**3,903**	**4,271**	**484**	**512**	**184**	**180**

Notes: (1) IAPA was unable to provide FY13 figures. (2) AGN International has changed its year-end and basis for measuring member's revenue and headcount. Accordingly, 2013 headcount is not available
*Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

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MEXICO

NETWORKS – FEE DATA

Rank	Name	Fee income (MXNm)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	Deloitte*	5,048.7	15%	49	25	20	6	-	-	-	May-14
2	PwC*(e)	4,693.2	8%	-	-	-	-	-	-	-	May-14
3	KPMG* (e) (1)	2,997.4	10%	-	-	-	-	-	-	-	Sep-14
4	EY* (e)	2,916.2	11%	43	40	14	3	-	-	-	Jun-14
5	Grant Thornton International*	416.5	-3%	59	19	6	-	-	-	16	Sep-14
6	Moore Stephens International*	400.0	6%	77	11	6	1	-	-	5	Dec-14
7	Crowe Horwath International*	347.5	6%	54	38	2	4	-	3	-	Dec-14
8	RSM International*	327.6	-5%	79	15	2	-	-	-	4	Dec-14
9	BDO*	310.0	15%	77	16	4	1	-	-	2	Dec-14
10	Enterprise Worldwide International*	296.1	2%	35	9	2	3	-	15	36	Dec-14
11	Baker Tilly International*	241.1	11%	49	21	-	-	-	-	30	Dec-14
12	Russell Bedford International*	235.2	6%	46	29	7	-	-	2	16	Dec-14
13	Kreston International*	232.2	-3%	44	30	9	1	-	-	16	Oct-14
14	PKF International*	146.0	4%	59	28	4	3	-	3	3	Dec-14
15	SANTA FE ASSOCIATES	139.6	18%	70	46	24		-	-	-	Dec-14
16	HLB International*	125.0	6%	80	12	8	-	-	-	-	Dec-14
17	Nexia International*	113.3	3%	51	34	2	-	-	4	9	Jun-14
18	Mazars*	109.2	7%	90	3	7	-	-	-	-	Aug-14
19	MXGA - México Global Alliance	77.3	-5%	71	26	2	-	-	1	-	Dec-14
20	AUREN*	63.2	5%	60	5	23	-	-	12	-	Dec-14
21	SMS Latinoamérica*	40.2	3%	77	17	6	-	-	-	-	Dec-14
22	ECOVIS International	16.4	15%	33	67	-	-	-	-	-	Dec-14
Total revenue/growth		**19,291.9**	**10%**								

ASSOCIATIONS – FEE DATA

Rank		Fee income (MXNm)	Growth rate	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
1	UC&CS Global*	598.0	67%	76	15	1	-	-	8	-	Dec-14
2	DFK International*	320.8	27%	49	15	3	4	-	3	26	Dec-13
3	CPA Associates International	276.6	-3%	54	26	13	-	-	-	7	Dec-14
4	PrimeGlobal*	223.0	28%	52	25	10	1	1	3	8	May-15
5	Praxity*	109.2	7%	90	3	7	-	-	-	-	Aug-14
6	Morison International*	116.0	6%	60	30	5	-	-	1	4	Dec-14
7	KS International	84.3	15%	60	10	5	10	5		10	Dec-13
8	MGI*	82.2	10%	-	-	-	-	-	-	-	Jun-14
9	MSI Global Alliance*	77.8	37%	70	23	-	-	-	-	7	Dec-14
10	ANTEA*	63.2	-9%	60	5	23	-	-	12	-	Dec-14
11	AGN International*	62.5	6%	55	22	-	-	-	-	24	Dec-14
12	GMN International*	52.7	4%	49	40	4	1	2	3	1	Sep-14
13	Integra International*	48.6	12%	60	30	10	-	-	-	-	Dec-14
14	BKR International*	46.0	17%	76	20	-	-	-	-	4	Jun-15
15	EuraAudit International*	7.6	-8%	34	32	34	-	-	-	-	Dec-14
Total revenue/growth		2,168.5	23%								

Notes: (e) *IAB* estimates. (1) KPMG confirmed that in FY14 they registered 10% growth in fee income, this has been applied to *IAB* estimates of FY13. *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

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MEXICO

NETWORKS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	Deloitte*	4,274	5,304	-19%	274	261	4,902	4,128	902	915	21	21
2	PwC* (e)	4,325	4,003	8%	-	-	-	-	-	-	21	-
3	EY* (e)	3,173	2,851	11%	-	146	-	2,077	-	628	-	22
4	KPMG*	3,012	2,690	12%	183	152	2,317	2,101	512	437	18	17
5	Moore Stephens International*	1,320	1,288	2%	53	54	1,129	1,077	138	157	21	21
6	Crowe Horwath International*	920	840	10%	57	57	750	692	113	91	25	25
7	RSM International*	884	892	-1%	58	49	689	702	137	141	28	28
8	Grant Thornton*	806	811	-1%	49	42	668	667	89	102	13	11
9	Kreston International*	735	796	-8%	43	52	600	641	92	103	26	29
10	Baker Tilly International*	679	641	6%	33	84	532	446	114	111	17	22
11	Russell Bedford International*	506	532	-5%	49	51	397	410	60	73	17	17
12	BDO*	497	499	0%	30	31	410	407	57	61	6	6
13	Enterprise Worldwide International*	463	406	14%	37	37	383	317	43	52	13	13
14	HLB International*	420	398	6%	50	42	320	309	50	47	21	20
15	PKF International*	391	455	-14%	30	35	300	341	61	79	12	9
16	SANTA FE ASSOCIATES*	355	296	20%	65	53	180	154	110	89	30	30
17	Nexia International*	291	307	-5%	20	20	225	247	46	40	5	9
18	Mazars*	249	215	16%	9	9	197	165	43	41	9	8
19	AUREN*	211	201	5%	19	18	178	170	14	13	11	10
20	MXGA - Mexico Global Alliance*	206	227	-9%	17	16	154	178	35	33	12	11
21	SMS Latinoamérica*	74	72	3%	8	8	52	51	14	13	3	3
22	ECOVIS International*	34	40	-15%	2	2	21	31	11	7	2	2
Totals		**23,825**	**23,764**	**0%**	**1,086**	**1,219**	**14,404**	**15,311**	**2,641**	**3,233**	**331**	**334**

ASSOCIATIONS – STAFF DATA

Rank	Name	Total staff		Growth rate	Partners		Professional staff		Administrative staff		Offices	
		2014	2013		2014	2013	2014	2013	2014	2013	2014	2013
1	UC&CS Global*	1,439	1,661	-13%	139	142	1,105	1,227	195	292	85	106
2	CPA Associates International	581	611	-5%	56	67	418	435	107	109	18	16
3	DFK Internanional*	490	533	-8%	36	37	385	427	69	69	25	28
4	PrimeGlobal*	410	353	16%	26	21	339	293	45	39	16	12
5	GMN International*	326	291	12%	17	12	274	257	35	22	10	9
6	Morison International*	319	253	26%	16	12	249	199	54	42	8	8
7	Praxity*	249	215	16%	9	9	197	165	43	41	9	8
8	MGI*	244	297	-18%	26	20	218	201		76	16	14
9	ANTEA*	211	228	-7%	19	21	178	191	14	16	11	12
10	AGN International*	163	164	-1%	8	9	130	130	25	25	2	2
11	MSI Global Alliance*	162	165	-2%	11	14	128	106	23	45	5	3
12	Integra International*	153	152	1%	10	10	130	130	13	8	8	8
13	KS International	81	73	11%	4	8	65	55	12	10	10	10
14	BKR International*	63	61	3%	6	6	57	55	-	-	3	3
15	EuraAudit International*	12	18	-33%	4	4	5	9	3	5	1	1
Totals		**4,903**	**5,075**	**-4%**	**387**	**392**	**3,878**	**3,880**	**638**	**799**	**227**	**240**

Notes: (e) International Accounting Bullletin estimates. *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included. *Disclaimer = Only data from the named member firm or the exclusive member firms within a network/association is included. Data relating to correspondent and non-exclusive member firms is not included.

Source: *International Accounting Bulletin*

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