

Excluding networks with less than \$1bn in fee income during 2012, only Grant Thornton International, BDO International and Crowe Horwath International experienced growth in their non-audit, non-tax income at all. For Grant Thornton International, non-audit, non-tax fee income grew at a rate of 26%, while at BDO International it grew by 11% and at Crowe Horwath International by 6%.

Advisory services were markedly more of a priority for international associations. For eight out of 15 associations where figures were comparable, non-audit, non-tax income increased as a proportion of total income, while three experienced no change

and just four saw a decrease.

As well as the perennial recessionary staples of restructuring work and assistance in outsourcing, compliance was reported by firm leaders as a growing area of opportunity. It seems the global increase in enthusiasm for regulation that has caused problems for accounting firms may also, when applied to clients (especially those in the financial services sector), be driving business for networks and associations.

Nusbaum comments: “We conduct an annual survey of business leaders and what they cited as the biggest impediment to international growth was red tape and regulatory problems. Certainly compli-

ance has been a big area for us.”

While the global transaction and IPO markets have been reportedly quiet, save for sporadic activity in East Asia, market consolidation in many industries has driven demand for advisory work surrounding the M&A process, in areas such as valuation, due diligence, “corporate hygiene” work in preparing companies for sale, and corporate finance for acquisitions.

IT has been a strong area, with the ability to steer companies through a plethora of technological options driving advisory growth among the Big Four especially. In particular, says Andrew of KPMG, “big data” and information security are two

## ■ WORLD SURVEY

### ASSOCIATIONS: FEE DATA

Rank 2012	Name	Revenue (\$m)	Growth rate(%)	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
ASSOCIATIONS											
1	Praxity	3,720.7	1%	49	22	9	1	1	1	18	n/a
2	LEA Global/Leading Edge Alliance	2,723.5	5%	40	35	20	2	1	1	1	Dec-12
3	PrimeGlobal(1)	2,029.5	-14%	53	23	9	5	2	1	7	May-12
4	Geneva Group International	1,924.0	6%	30	29	22	5	6	3	5	Dec-12
5	AGN International(2)	1,603.2	8%	54	24	-	-	-	-	22	Oct-12
6	BKR International	1,330.0	-2%	58	30	1	-	-	-	11	Jun-12
7	DFK International(3)	1,082.5	-2%	48	29	7	2	3	3	8	Sep-12
8	IAPA	1,056.8	5%	-	-	-	-	-	-	-	n/a
9	Morison International	723.2	2%	56	16	8	5	3	4	8	Dec-12
10	CPA Associates International	643.0	0%	47	32	12	-	-	-	9	Oct-12
11	MSI Global Alliance	558.1	3%	51	20	9	4	9	7	-	Dec-12
12	MGI	483.4	-3%	-	-	-	-	-	-	-	Jun-12
13	JHI	345.1	-	43	28	8	2	2	8	9	Dec-11
14	Alliot Group	327.2	-24%	31	27	13	24	-	5	-	n/a
15	KS INTERNATIONAL	323.5	2%	48	18	8	8	3	2	20	n/a
16	INPACT	305.7	-1%	55	28	11	1	1	1	3	Dec-11
17	Integra International	299.1	11%	45	30	15	-	5	5	-	Dec-12
18	EuraAudit International	268.1	-8%	60	23	7	-	-	1	9	Dec-12
19	GMN International	217.9	5%	69	14	8	2	1	1	5	Dec-12
20	UC&CS Global	169.5	22%	50	37	13	-	-	-	-	Dec-12
21	Parker Randall International	133.7	2%	55	25	15	5	-	-	-	Dec-12
22	ACEE	23.6	5%	43	10	-	-	-	11	3	Dec-12
23	Abacus Worldwide	11.7	-	-	-	-	-	-	-	-	Dec-12
Total revenue/growth		20,303.0	0%								

Notes: In contrast to the Networks fee ranking table, income contributions from correspondent and non-exclusive member firms may be included in total fee income for associations. (1) IGAF Polaris rebranded to PrimeGlobal in 2012; (2) Other includes advisory services; (3) DFK International revenues include revenues from correspondent and non-exclusive members. Full member fee income for 2012 is \$1061.3m.

Source: International Accounting Bulletin

firms and their wealth management arms) are now seen as tax avoidance or evasion. In addition to the new package of anti-avoidance measures announced by the UK government in December, the draft 2013 Finance Bill provides for the introduction of a 'General Anti-Abuse Rule' (GAAR) aimed at deterring and countering tax avoidance.

More broadly, the Starbucks episode in the UK is a good example of the difference between what is lawful and what is deemed acceptable in the current climate, says Howard. "Starbucks (and other well known brands) had lawfully offshored their profits to other lower-tax jurisdictions" she explains. "Once HMRC shone the spotlight on the practice, Starbucks

recognised the reputational implications for their business of being seen not to pay their fair share of UK tax by the man in the street and adjusted their approach accordingly. It is a good illustration of how reputational pressure can also change behaviour," she explains.

"Understandably, and in part for reputational reasons, several of the bigger players in the accountancy world don't want to be associated with the adverse publicity that comes out of litigation or press coverage that focuses on tax advice that appears perfectly lawful, but comes close to (or may cross) the line between legitimate mitigation and tax evasion," she continues. "I think the longer-term climate for this kind of litigation will probably dimin-

ish, but that might not be for some time. Smaller firms may want to take a market share from those withdrawing from this area and will continue to sell some of the structures that no longer pass scrutiny by those charged with practice protection at the larger firms."

While North America and Europe continue to bring in most of the revenues, it has long been established that for international networks and associations it's not just about being where the bulk of the fee income is, but also about having that all-important global coverage. On average IAB surveyed networks and associations have offices in 70 countries across the world, with 13 networks and associations having coverage in more than 100

## ■ WORLD SURVEY

### ASSOCIATIONS: STAFF DATA

Rank 2012	Name	Total staff			Partners		Professional staff		Administrative staff		Offices	
		2012	2011	Growth (%)	2012	2011	2012	2011	2012	2011	2012	2011
ASSOCIATIONS OF INDEPENDENT FIRMS												
1	Praxity	31,593	30,227	5%	2,768	2,511	23,588	23,834	5,237	5,245	559	553
2	LEA Global / Leading Edge Alliance	25,459	24,550	4%	2,175	1,600	18,854	18,323	4,430	4,627	459	460
3	PrimeGlobal	19,573	19,303	1%	2,189	2,206	13,738	13,491	3,646	3,564	764	812
4	Geneva Group International	12,897	10,360	24%	1,303	1,244	-	-	-	-	592	546
5	BKR International	11,275	11,158	1%	1,403	1,343	8,679	8,737	1,193	1,078	583	593
6	AGN International	10,646	10,513	1%	1,292	1,268	7,494	7,384	1,860	1,861	465	458
7	DFK International	10,571	10,040	5%	1,188	1,179	7,601	6,386	1,782	2,475	386	380
8	Morison International	8,744	8,503	3%	820	779	6,319	6,030	1,603	1,694	251	239
9	CPA Associates International	7,466	6,944	8%	870	810	5,414	5,035	1,182	1,182	314	296
10	IAPA	7,357	9,461	-22%	872	1,104	4,043	6,213	2,442	2,144	300	295
11	MSI	5,746	6,879	-16%	728	711	3,806	5,030	1,212	1,138	152	172
12	MGI	5,700	5,923	-4%	764	767	2,988	2,950	1,948	2,206	294	294
13	INPACT	4,055	4,050	0%	571	549	2,976	2,959	508	542	248	207
14	Alliot Group	3,706	3,495	6%	479	441	2,426	2,090	801	964	171	173
15	KS International	3,670	3,727	-2%	394	405	2,397	2,445	879	877	153	165
16	JHI Association	3,580	-	-	472	-	2526	-	582	-	169	-
17	Integra International	3,298	3,086	7%	411	395	2,330	2,149	557	542	189	177
18	EuraAudit International	2,878	2,988	-4%	384	401	2,131	2,207	363	380	238	239
19	UC&CS Global	2,716	3,271	-17%	377	322	2,183	2,370	518	579	231	133
20	GMN International	2,525	2,473	2%	281	285	1,257	1,193	987	995	113	120
21	Parker Randall International	1,559	1,758	-11%	211	227	1,214	1,373	134	158	102	102
22	ACEE	183	161	14%	36	31	119	92	28	38	27	26
23	Abacus Worldwide	155	-	-	20	-	91	-	25	-	7	-
Totals		185,352	178,870	4%	20,008	18,578	122,174	120,291	31,917	32,289	6,767	6,440

Notes: In contrast to the Networks fee ranking table, income contributions from correspondent and non-exclusive member firms may be included in total fee income for associations.

Source: International Accounting Bulletin

Despite the delay in the IFRS adoption decision, the convergence project between IFRS and US GAAP is still going ahead with big issues such as lease accounting and revenue recognition standard still having to be finalised.

Nusbaum says market value accounting is a big issue and that some would argue that it goes too far, but some would argue that it doesn't go far enough. "I think market value accounting is the right answer when you're looking at investments, and it's better for the economy to get those losses recognised and behind them to move forward. And some of the politicians don't like those answers, but we cannot let poli-

tics control accounting – that would be a disaster," Nusbaum says. "Whether it's in the US or Europe or China or wherever it may be, accounting should be about good accounting standards free of political influence."

BDO's Roedel says he doesn't mind politicians being involved in the discussion "as long as all relevant stakeholders are involved, decisions aren't taken too quickly and all aspects are considered".

"Of course when there is a crisis or something new comes up, there's always a temptation for politicians to react impulsively to show they are dealing with it," he says.

In 2012, advisory services were a grow-

ing priority for the largest networks, with all Big Four networks seeing non-audit, non-tax revenue increase both absolutely and as a proportion of total income. PwC and Deloitte experienced 14% and 15% absolute growth in non-audit, non-tax income respectively, while Ernst & Young and KPMG International saw 11% and 4%.

Outside the Big Four, networks generally saw a decrease in the relative importance of advisory services: of the seventeen networks where figures were comparable between 2011 and 2012, five saw no change in the percentage of total fee income provided by non-audit, non-tax services, while nine saw a decrease.

## ■ WORLD SURVEY

### NETWORKS: FEE DATA

Rank 2012	Name	Revenue (\$m)	Growth rate(%)	Fee split (%)							Year-end
				Audit & Accounting	Tax services	Management consulting	Corporate finance	Corporate recovery/ Insolvency	Litigation support	Other	
NETWORKS											
1	PwC* (1)	31,510.0	8%	47	25	-	-			28	Jun-12
2	Deloitte*(2)	31,300.0	9%	42	19	-	-	-	-	39	May-12
3	Ernst & Young*	24,420.0	7%	46	25	21	-	-	-	8	Jun-12
4	KPMG*(3)	23,030.0	1%	45	21	-	-			34	Sep-12
5	BDO(4)	6,015.8	6%	60	19	-	-	-	-	21	Sep-12
6	Grant Thornton International*(5)	4,181.6	10%	45	22	-	-	-	-	33	Sep-12
7	RSM(6)	3,987.4	1%	48	30	14	-	-	-	8	Dec-12
8	Baker Tilly International*	3,316.8	3%	53	26	7	2	4	1	7	Jun-12
9	Crowe Horwath International(7)	3,077.7	5%	51	24	11	1	-	-	13	Dec-12
10	Nexia International*	2,840.0	22%	57	22	9	1	1	1	9	Jun-12
11	PKF International*	2,682.8	2%	55	27	9	2	1	-	6	Jun-12
12	Moore Stephens International(8)	2,283.2	-1%	54	27	6	2	1	1	9	Dec-12
13	Kreston International*(9)	1,964.8	12%	45	31	9	2	2	-	11	Oct-12
14	HLB International*	1,571.3	-12%	54	24	8	2	1	1	10	Dec-12
15	Mazars*(10)	1,299.4	-3%	50	11	-	-	-	-	39	Aug-12
16	UHY International*	620.3	0%	63	17	7	2	1	2	8	Dec-12
17	Russell Bedford International*	382.0	1%	58	21	10	-	-	-	11	Jun-12
18	ECOVIS International*(11)	282.1	4%	37	28	12	1	2	1	19	Dec-12
19	IECnet*	115.2	7%	57	31	5	1	1	1	4	Jun-12
20	Reanda International*	92.9	6%	59	8	12	-	5	-	16	Dec-12
21	SMS Latinoamérica(12)	64.6	7%	47	28	18	1	3	-	3	Dec-12
22	UC&CS America*	32.1	-6%	62	28	10	-	-	-	-	Dec-12
Total revenue/growth		145,070.0	6%								

Notes: \*Disclaimer – Only data from the exclusive member firms within the network or association is included. Data relating to correspondent and non-exclusive member firms is not included. (1) Other includes advisory services; (2) Other includes consulting and financial advisory services; (3) Other includes advisory services; (4) Other includes advisory services; BDO revenue includes \$1.44bn from two exclusive alliance networks; (5) Other includes advisory services and outsourcing; (6) RSM revenue includes \$1bn from an exclusive alliance network and from exclusive correspondent firms; (7) Crowe Horwath International information includes alliance/non-exclusive/correspondent firm revenues. The fee income from alliance/non-exclusive/correspondent firms was \$46m in 2012; (8) Moore Stephens revenues include \$42.2m from correspondent firms; (9) Kreston International fee income revenues do not include non-exclusive member revenues. Fee income from correspondent and non-exclusive members is \$75.9m; (10) Mazars reports its global revenues in € with 2012 revenues at €1,013.4, up 6%; (11) ECOVIS International does not include fee income of associated US partners. If it were to, the combined revenue of the network would be \$448.5m; (12) SMS Latinoamérica revenues include \$2.4m from correspondent member firms.

Source: International Accounting Bulletin

areas likely to drive future demand. “We’re focusing a lot on data analytics,” he says. “[Companies] want to know how to use big data resources to the advantage of their organisations. Data security is a big area too – there are a lot of global privacy issues, and companies want to ensure that they’re protected against cyber attacks, that they conform to privacy laws, that they have a system that can’t be penetrated by third parties.”

### Tax as a reputational issue

As with advisory services, tax appeared to be more of area of growth as a proportion of overall fee income for associations than for networks, with more than half reporting proportional increases in tax income,

compared to less than a third for networks.

Most global leaders interviewed remarked that the tax advisory environment had been in many ways a repeat of the previous year’s with its focus on transfer pricing and cross-border advice, with one important exception – the surge of public and political scrutiny aimed at international corporate tax arrangements at the end of 2012.

Andrew comments: “It’s not just a question of whether the international legal rules apply, it’s a question of public interest. The frustration for us is that there is an international set of rules that apply here, and it would require substantial change for those to be rewritten. Most of our work is educating people about how to pay their

tax and what tax to pay. That’s not necessarily the public’s perception.”

BDO’s Van Roekel agrees that the issue will grow in 2013, arguing: “Tax is going to become more and more of an issue in the political debate, given the growing need of governments to collect more tax money.”

There has been a general shift in mentality over the past few months where tax avoidance has become bad and poses a big reputational risk for firms. Jane Howard, head of professional liability at UK law firm, Wragge & Co says that more claims are likely to arise from failed tax structures and tax mitigation advisory services in the short to medium term. Certain structures that once escaped scrutiny (and were routinely sold by a wide range of accountancy

## WORLD SURVEY

### NETWORKS: STAFF DATA

Rank 2012	Name	Total staff			Partners		Professional staff		Administrative staff		Offices	
		2012	2011	Growth (%)	2012	2011	2012	2011	2012	2011	2012	2011
NETWORKS												
1	Deloitte*	193,359	181,566	6%	9,948	9,673	34,464	33,103	148,947	138,790	154	n/a
2	PwC*	180,529	168,710	7%	9,359	8,697	139,723	129,720	31,447	30,293	776	771
3	Ernst & Young*	167,225	151,841	10%	9,129	8,671	125,594	112,200	32,502	30,970	726	718
4	KPMG*	152,390	144,677	5%	8,624	8,150	117,190	110,730	26,576	25,797	700	700
5	BDO	54,933	48,890	12%	4,778	4,467	41,979	36,278	8,176	8,145	1,204	1,118
6	Grant Thornton International*	35,809	31,581	13%	2,839	2,619	26,987	23,620	5,983	5,342	638	527
7	RSM	32,757	32,674	0%	3,126	3,132	23,947	23,522	5,684	6,020	702	698
8	Crowe Horwath International	29,239	28,276	3%	3,335	3,379	21,335	20,186	4,569	4,711	671	650
9	Baker Tilly International*	25,667	24,481	5%	2,650	2,577	18,986	17,965	4,031	3,939	672	642
10	Nexia International*	22,319	20,043	11%	2,600	2,211	15,261	13,507	4,300	4,325	581	507
11	PKF International*	21,978	21,432	3%	2,276	2,234	16,681	16,351	3,021	2,847	440	440
12	Moore Stephens International	21,224	21,197	0%	2,312	2,328	15,273	15,153	3,639	3,716	624	636
13	Kreston International*	21,009	19,032	10%	1,448	1,336	16,303	15,225	3,258	2,471	640	594
14	HLB International*	15,811	16,455	-4%	1,754	1,860	10,878	11,726	3,179	2,869	479	477
15	Mazars*	13,161	12,508	5%	727	705	10,413	9,844	2,021	1,959	236	183
16	UHY International*	7,134	6,801	1%	768	732	5,210	4,785	1,156	1,284	268	246
17	Russell Bedford International*	4,967	4,406	13%	549	520	3,751	3,294	667	592	240	222
18	ECOVIS International*	4,360	3,874	13%	597	581	3,295	2,860	434	433	263	225
19	Reanda International*	2,195	2,063	6%	109	96	1,829	1,741	257	229	42	40
20	SMS Latinoamérica	1,873	1,767	6%	162	158	1,571	1,478	140	131	74	71
21	UC&CS AMERICA*	1,834	2,557	-28%	170	167	1,635	1,934	391	456	146	95
22	IECnet*	1,418	1,171	21%	219	198	977	775	222	198	118	109
Totals		1,011,191	946,002	7%	67,479	64,491	653,282	605,997	290,600	275,517	10,394	9,669

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Source: International Accounting Bulletin