

CULTIVATING GROWTH



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Demand for services is strong, despite the challenges of technology, Brexit and retention. Amy Austin investigates

Change is inevitably coming to the accounting sector and those firms that fail to prepare early or adapt are at risk of being left behind. Warnings over advanced technologies, skill shortages and greater complexity in business can be heard across the global sphere, with particular focus on what has been described as the ‘fourth industrial revolution’ as technology continues to develop at an alarming rate.

‘The impact of artificial intelligence (AI) on the profession will be immense. Programs will be able to handle accounting files, check contracts and come up with solutions for clients within seconds. Those firms ignoring AI or those banking only on AI will potentially struggle,’ explains Michael Reiss von Filski, global CEO at Geneva Group International.

Another disruption comes in the form of Brexit and what will become of audit and accounting standards after the UK leaves the EU. There are also moves within individual firms as more turn their attention towards offering legal services.

The addition of these services and various mergers across the year has resulted in combined global revenue for the Top 25 networks and associations in the financial year

2017 reaching \$200.12bn (£150.80bn) (2016: \$188.53bn), representing an aggregated 6% rise in fee income on the previous year. The year-on-year growth indicates that demand for services remains strong, backed up by almost universal increases in fee income across the Top 25 networks and associations.

Just two across the Top 25, DFK International (ranked 22nd) and AGN International (23rd), reported revenues down on the previous year, compared with three networks and associations last year. There have also been changes at the bottom of the table as MSI Global Alliance takes the 25th spot away from IAPA.

DELOITTE ON TOP

Although there is a heightened level of change and uncertainty throughout the global profession, the Big Four frontrunners remain the same in this year’s Networks and Associations Survey, with Deloitte Touche Tohmatsu maintaining its lead over PwC, after it leaptfrogged the firm in last year’s survey.

As the world’s largest network, Deloitte had an overall growth of 5.4%, driving its fee income



There is a corresponding risk associated with lack of independence and conflict of interest concerns when one begins to merge too many disciplines

Richard Attisha, president and CEO, TAG Alliances

Increasing disruption, complexity and the exponential speed of change happening globally are creating unprecedented challenges

David Cruickshank, global chair, Deloitte



As we have grown, extra challenges have been placed upon our staff and we need to bring in more people, particularly with technology expertise

Paul Korolkiewicz, board member, KPMG UK

to a record \$38.8bn (2016: \$36.8bn). The gap between Deloitte and PwC, whose fee income has hit \$37.6bn (2016: \$35.89bn), now stands at \$1.12bn (2016: \$910m).

EY maintains its lead over KPMG with revenue hitting \$31.4bn (2016: \$29.6bn), a growth of 6%, compared to KPMG whose fee income increased 3.9% to hit \$26.4bn (2016: \$25.4bn).

David Cruickshank, Deloitte global chair, says that the success of its multidisciplinary business model has helped drive this year's financial results. 'Increasing disruption, complexity and the exponential speed of change happening globally are creating unprecedented challenges for clients,' Cruickshank says. 'Deloitte's global strategy was developed with this era of constant change in mind. It is designed to ensure that we are not only positioned to survive in this emerging business landscape, but to thrive in it.'

In July 2018 Deloitte restructured its Asia-Pacific business into a single operation similar to the set-up in North West Europe. 'Our focus on local markets has always been a strength,' explains Cruickshank.

Big Four dominance is as prevalent as ever with combined fee income hitting \$134.2bn, a 5% increase on \$127.7bn in 2016, accounting for 67% of total Top 25 income.

There has been greater movement among the mid-tier groups with Praxity jumping two places

to seventh with fee income of \$5.2bn, up 9.5% from last year's figure of \$4.7bn. As a result, RSM International has dropped one place to eighth place with \$5.1bn, although this figure is still up 4.7% on last year's \$4.9bn. Grant Thornton International has also dropped one place to ninth with \$5.0bn.

BDO LLP and Geneva Group International (GGI) have held on to fifth and sixth spot, respectively, with a 6.5% increase in revenue to \$8.10bn for BDO, while GGI shows a modest 2.4% rise to \$5.4bn in fee income in 2017.

LEGAL SERVICES

The groups have been broadening their multidisciplinary skills as a way of bringing in additional revenue via mergers and acquisitions, or through growing existing practices internally. One area that has become increasingly popular is legal services, with more firms rushing to offer clients this bespoke service.

'Looking ahead, we feel more firms, especially in Europe, Asia-Pacific and Latin America, will continue to move into the legal and consulting space. We have seen this shift taking place among the Big Four and other large international firms,' explains

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TOP 10 INTERNATIONAL NETWORKS AND ASSOCIATIONS 2018

FINANCIALS

INTERNATIONAL TOP TEN: FEE INCOME (\$BN) 2017 (2016)

Rank 2017	Rank 2016	Firm	2017 \$bn	Variance \$bn	Y-o-Y var %	2016 \$bn	2015 \$bn	2014 \$bn	2013 \$bn	2012 \$bn
1	(1)	Deloitte	38.80	2.00	5.43	36.80	35.20	34.20	32.40	31.3
2	(2)	PwC Intl	37.68	1.79	4.99	35.89	35.36	33.95	32.09	31.51
3	(3)	EY Global	31.40	1.78	6.01	29.62	28.66	27.37	25.83	24.42
4	(4)	KPMG Intl	26.40	0.99	3.90	25.41	24.44	24.82	23.42	23.03
5	(5)	BDO Global	8.10	0.50	6.58	7.60	7.30	7.02	6.45	6.02
6	(6)	Geneva Group Intl	5.37	0.13	2.48	5.24	5.06	4.83	4.59	4.39
7	(9)	Praxity	5.19	0.45	9.49	4.74	4.51	4.36	4.08	3.72
8	(7)	RSM Intl	5.09	0.23	4.73	4.86	4.59	4.39	3.71	3.99
9	(8)	Grant Thornton Intl	5.00	0.21	4.38	4.79	4.63	4.73	4.52	4.18
10	(10)	TAG Alliances	4.50	0.50	12.50	4.00	3.80	3.36	3.20	3.02
Total fee income			167.53	8.58	6.05	158.95	153.55	149.03	140.29	135.58

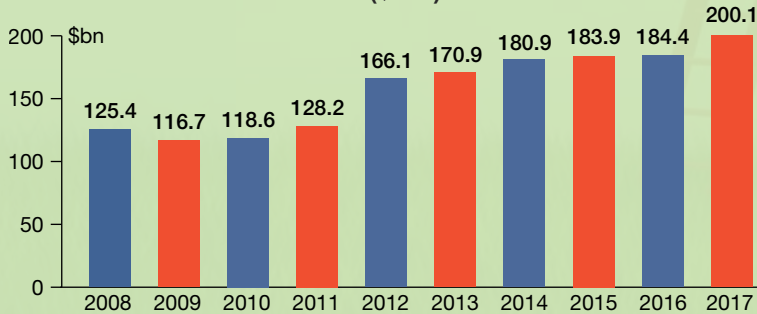
1 Deloitte

\$38.80 (\$36.80bn)
▲5.4%

Deloitte holds off the advances of arch rival PwC to remain the world's largest accountancy network, with growth of 5.4% driving its fee income for the year to a record \$38.8bn, up from \$36.8bn in 2016. Its consultancy service brings in the biggest share of revenue at \$14.3bn, followed by audit at \$9.4bn and tax and legal at \$7.3bn. Asia-Pacific revenue grew fastest among the regions at 9%, followed by Europe, Middle East and Africa at 8.6%, and the Americas at 5.6%. Global headcount has grown 8%, with 69,900 new hires bringing its total global headcount to 263,900.

FINANCIALS

TOP 25: TOTAL REVENUE (\$BN)



6 GGI Global Alliance

\$5.37bn (\$5.24bn)
▲2.5%

Geneva Group International, which has 584 member firms and 817 offices worldwide, has grown revenue to \$5.37bn, up 2.48% year-on-year from \$5.24bn in 2016. Global revenue is split between accounting and legal services at 61% and 39%, respectively. The association of international audit, accounting, law and consulting firms employs 28,007 professional staff and 3,905 partners across 124 countries. In the UK, GGI has six accounting and four law firm members.

\$200.1bn

Total fee income globally for the Top 25 is \$200.1bn, up 6% year-on-year, with the Big Four networks accounting for \$134.2bn in revenue

Richard Attisha, president and CEO of TAG Alliances. 'Clearly, there is value in having a single point of contact for various professional services; however, there is a corresponding risk associated with lack of independence and conflict of interest concerns when one begins to merge too many disciplines.'

In June 2018, Deloitte became the last of the Big Four networks to be awarded an alternative business structure (ABS) licence in the UK as part of the firm's plans to break into the legal services market. PwC, EY and KPMG were all awarded licences in 2014.

ABS licences allow companies to run their own legalarms, while also permitting law firms to accept external investment and to be owned by non-lawyers.

According to research from ALM Intelligence, PwC has the largest legal offering with 2,500 lawyers in 85 countries, with KPMG following closely with 2,200 lawyers in 53 countries. EY has 2,100 lawyers across 80 countries and Deloitte has 1,800 lawyers in 69 nations. PwC

would rank as the sixth largest legal service provider in the world in terms of total number of lawyers, if counted as a standalone entity.

DIGITAL ERA

Changes to technology are expected to hit the accounting industry the hardest with the profession currently grappling to understand and develop technologies such as automation, artificial intelligence, blockchain and, more recently, cryptocurrencies such as Bitcoin. While some accountants and advisers welcome the new digital era and the changes that come with it, others are more sceptical and wary of

2 PwC International

\$37.68bn (\$35.89bn)
▲5.0%

Taking the runner-up spot, PwC International's revenues hit \$37.68bn, an increase of 5.0% on FY16 with its audit services contributing \$15.9bn towards this total. In 2017 revenues grew across all lines of business, driven by investment in innovation, technology and new services. In the Americas, revenues rose by 7%. Across Europe, growth was up 9% and revenue growth from Australasia and the Pacific doubled over last year, rising by 10%, with Asia also seeing the same level of progress. Global staff numbers grew 6% to reach 236,235 in total.

3 Ernst & Young Global

\$31.40bn (\$29.62bn)
▲6.0%

All of EY's service lines delivered strong growth in FY17: assurance grew 4%, advisory 10.4%, tax 7.9% and transaction advisory services (TAS) 15.5%, which all contributed to the 6% revenue growth to \$31.4bn, marking the network's seventh consecutive year of growth. EY made 13 acquisitions last year in the areas of robotic process automation (RPA), digital, cyber, analytics, supply chain and strategy. Staff numbers hit 247,570, a growth of 7.3% on 230,800 in 2016. The service line with the most staff is assurance at 86,562.

4 KPMG International

\$26.40bn (\$25.41bn)
▲3.9%

A 6% increase in advisory revenues to \$10.8bn helped buoy global fee income by 3.9% to \$26.4bn. Americas revenues grew by 4.4%, with tax achieving a 6.7% boost. Asia-Pacific delivered strong results, with revenues increasing by 8.1%, driven by double-digit growth in advisory. Global workforce numbers grew to a record 197,263 partners and staff, including more than 37,000 graduates and entry-level professionals. KPMG International also saw an increase to 28% women in partner promotions across its 10 largest countries.

5 BDO Global

\$8.10bn (\$7.60bn)
▲6.6%

The completion of more than 40 mergers and establishment of new firms over FY17 increased the network's geographic reach from 158 to 162 countries and territories, and helped boost global fee income to \$8.10bn, up 6.58% year-on-year. Growth was spearheaded by member firms in the US, which accounted for 53% of last year's revenue. Global headcount increased 9%, with 73,854 individuals working from 1,500 offices. In November 2017, Keith Farlinger took over the role of global CEO when Martin van Roekel stepped down after six years at the helm.

7 Praxity

\$5.19bn (\$4.74bn)
▲9.5%

Combined global revenues of Praxity firms hit a record \$5.19bn in FY17, representing a year-on-year increase of 9.49%, 8.7% at constant exchange rates, and marking 11 consecutive years of growth. Audit and assurance remains the alliance's largest revenue stream at \$2bn, which grew 12.2% last year, followed by tax services which took \$1.27bn, a growth of 4.9%. Staff levels were up 14% to hit 47,609 staff, including 37,030 professional staff and 3,682 partners, across over 100 countries and 68 member firms.

8 RSM International

\$5.09bn (\$4.86bn)
▲4.7%

Revenues at member firms grew 4.73% bringing global fee income to \$5.09bn, although RSM has dropped by one ranking this year. Each of RSM's service lines grew in 2017, with tax advisory delivering strong growth at 5.7%, fuelled by clients looking to navigate complex tax rules. Audit and accounting continues to be the largest service line with revenue of \$2.5bn. Last year the network expanded into eight countries: Bulgaria, Cambodia, Canada, Costa Rica, Guinea, Malawi, Mozambique and Senegal.

9 Grant Thornton International

\$5.00bn (\$4.79bn)
▲4.2%

Revenues at Grant Thornton member firms grew 7.8% measured on a local currencies basis, bringing global fee income to a record \$5.00bn. Assurance services accounted for 42% (\$2.03bn), with advisory up 6% to 35% (\$1.65bn) and tax services static at 21% of fee income. The Americas remain the biggest market in terms of revenue (47%), followed by Europe at 34% or \$1.67bn. It has 3,235 partners, up 5% on 2016 and 36,730 professional staff, up substantially year-on-year.

10 TAG Alliances

\$4.50bn (\$4.00bn)
▲12.5%

TAG Alliances holds on to tenth position after appearing in the top 10 global networks and associations for the first time last year, replacing Baker Tilly. TAG Alliances has seen the biggest growth at 12.50% to hit \$4.50bn in global revenue, up from \$4.00bn in 2016, split approximately 63%/37% between law and accounting. The multidisciplinary alliance includes 291 member firms across 759 offices spanning 108 countries, between them employing 19,310 professional staff.

the effect the technologies will have on their careers in the future.

Attisha is aware of this widespread fear. 'For years the Big Four and international firms have invested hundreds of millions of dollars for research and development in automation and artificial intelligence. Some in the mid-market space tremble with fear and think it will mean an end to the accounting profession,' he notes. 'The consensus among our accounting members and industry experts is that artificial intelligence, automation and blockchain will certainly commoditise or eliminate certain accounting services. However, this changing

landscape will place a premium on experienced experts who are well skilled in other in-demand areas that cannot be replaced by an algorithm. New opportunities have always emerged following disruption in the accounting industry.'

The area that will feel the most dramatic effects of technology is audit. The likes of automation and artificial intelligence, along with data analytics, will no doubt change how companies are audited in the future. Repetitive, mundane tasks will be completed by a computer, allowing auditors to focus their expertise on more in-demand areas that cannot be done by an algorithm.

TOP 25

INTERNATIONAL NETWORKS AND ASSOCIATIONS 2017 (2016)

Rank	Network or association	Fee income (US\$m)	Member firms		Offices		Countries		Partners		Professional staff		Year end	Status
			2017	2016										
1 (1)	Deloitte Touche Tohmatsu	38,800.00	36,800.00	33	869	150	12,164	2,277	225,397	31/05/17	N			
2 (2)	PwC International	37,680.00	35,896.00	n/a	736	158	11,181	2,109	225,054	30/06/17	N			
3 (3)	EY Global	31,404.00	29,626.00	n/a	700+	150+	11,510	n/a	203,127	30/06/17	N			
4 (4)	KPMG International	26,403.88	25,416.47	n/a	937	154	10,147	n/a	162,803	30/09/17	N			
5 (5)	BDO Global	8,100.00	7,600.00	114	1,500	162	6,110	n/a	57,360	30/09/17	N			
6 (6)	Geneva Group International ¹	5,374.00	5,245.00	584	817	124	3,905	n/a	28,007	31/12/17	A			
7 (9)	Praxity ²	5,199.81	4,748.34	68	695	110	3,682	569	37,030	Various	AIF,M			
8 (7)	RSM International ³	5,095.48	4,865.73	94	813	115	3,746	474	32,608	31/12/17	N			
9 (8)	Grant Thornton International	5,005.00	4,790.00	137	704	131	3,377	655	38,271	30/09/17	N			
10 (10)	TAG Alliances ⁴	4,503.00	4,000.00	291	759	108	n/a	n/a	19,310	31/12/17	AIF,M			
11 (11)	Crowe ⁵	3,813.50	3,708.30	225	805	130	3,904	640	27,543	31/12/17	N			
12 (13)	Nexia International	3,620.25	3,207.47	248	667	116	2,837	623	22,241	30/06/17	N			
13 (12)	Baker Tilly International	3,411.64	3,225.59	126	796	148	2,979	602	26,088	31/12/17	N			
14 (14)	The Leading Alliance / LEA Global	3,233.64	3,076.63	220	620	110	2,321	288	17,116	31/12/17	A			
15 (15)	Moore Stephens International	2,908.60	2,742.60	271	614	112	2,801	580	23,308	31/12/17	N			
16 (22)	PrimeGlobal	2,506.13	2,128.12	300	50	80	2,524	n/a	16,306	31/05/17	A			
17 (17)	HLB International ⁶	2,369.24	2,077.47	294	691	150	2,195	432	18,600	31/12/17	N			
18 (16)	Kreston International	2,259.64	2,102.71	218	761	117	1,994	n/a	20,007	31/10/17	N			
19 (18)	Fiducial International	1,644.00	1,606.00	277	1,110	78	207	65	16,615	30/09/17	MDA			
20 (19)	BKR International	1,400.00	1,360.00	164	543	80	1,195	n/a	10,695	30/06/17	A			
21 (23)	PKF International	1,298.40	1,042.00	221	400	121	1,711	n/a	13,899	31/05/17	N			
22 (21)	DFK International	1,182.00	1,224.00	220	435	93	1,272	178	8,812	30/04/17	A			
23 (20)	AGN International	1,145.10	1,246.10	182	699	89	1,928	n/a	11,457	31/12/17	A			
24 (24)	Morison KSi ⁷	1,088.96	1,002.23	171	340	85	1,146	246	9,172	31/12/16	A			
25 (-)	MSI Global Alliance ⁸	678.63	612.97	148	174	86	881	n/a	4,876	31/12/17	MDA			
		200,124.90	189,349.73	4,606	16,535		95,717	9,738	1,275,702					

Footnotes

1 61% accounting/39% legal

2 Number of female partners does not include Mazars who choose not to disclose this information. Praxity does not have any 'legal practice' included in the numbers submitted. Any lawyers included are fully engaged in tax and fiscal activity only

3 94 full members, 21 correspondents

4 Estimated revenue split: 63/37% between law and accounting

5 225 members, 26 business alliances

6 UK firm Evolution Business and Tax Advisors LLP left HLB network (data from this firm excluded)

7 Morison KSi only has accountancy member firms

8 Figures provided are accounting members only and exclude legal member firm fee data

Note: Dollar conversion as per year ends for UK

Key: A: Association N: Network AIF: Alliance of independent firms M: Multidisciplinary MDA: Multidisciplinary associations, inc legal firms

Removing human judgment from audit altogether could reduce the risk of errors. Algorithms are unable to pass judgments and, therefore, could rely purely on the data and numbers that are provided to spot anomalies. Data analytics gives an analysis of complete populations of data by downloading and manipulating an extensive amount of data and then drawing conclusions and spotting any variances in data. However, data analytics can be very costly, and firms can have difficulty hiring experienced individuals with the relevant skills to use data analytics.

To counter the argument that jobs will be made redundant, there will still be a demand

for services that cannot be replaced by 'robots' – for example, corporate governance, cyber security and internal controls. 'Companies will still require audits, of course, but the users of the audit data are becoming more sophisticated and demanding,' says Jean Stephens, CEO of RSM International. 'For example, collecting and auditing data on carbon footprints, which allows the potential to reduce their impact on the environment. This holistic approach is likely to attract innovative investors looking to diversify.'

STAFF RETENTION

Skills shortage resonates throughout the profession as firms struggle to keep hold of



HOW WE COMPILE THE TOP 25 TABLE
 Figures are collected from annual reviews and reports, network websites and directly from firms. As in previous years, a number of multidisciplinary practices with member firms that exclusively practise law, have been included.

staff in the long run, although partner and professional staff numbers have risen.

Paul Korolkiewicz, partner and board member at KPMG UK, says: 'We have no shortage of people wanting to join our organisation; however, we continue to face challenges as to what the workforce of the future will look like as we invest in technology, how many graduates are needed and where people should be based. We must move away from the traditional model of people being based in a central office in London and consider whether there is more work for remote and offshore workers.'

Professional staff numbers have risen 12.7% to 1.3 million (2016: 1.1 million) across the Top 25 groups, and partner numbers have grown 2.4% to reach 95,717 (2016: 93,505). 'As we have grown successful, extra challenges have been placed upon staff and we recognise that we need to bring more people in, but other firms are feeling the same way, so there is a strong market for talented people, particularly with technology expertise. We must invest in our people so that they want to have a long-term career with us,' stresses Korolkiewicz.

DIVERSITY

INCREASED DISCLOSURE IMPROVES SHARE OF WOMEN PARTNER NUMBERS

This year the fight for gender diversity and equality in UK companies was stepped up a notch with the introduction of mandatory gender pay gap reporting. This increased level of disclosure has resonated in firms globally and is evident in responses to this year's survey, as 14 (56%) out of the 25 firms voluntarily provided a gender breakdown of their partner numbers. This compares to eight firms (32%) in 2017.

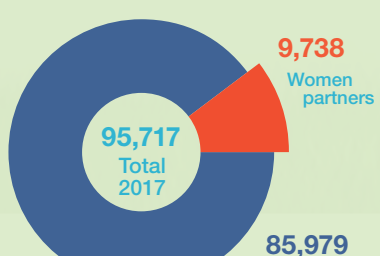
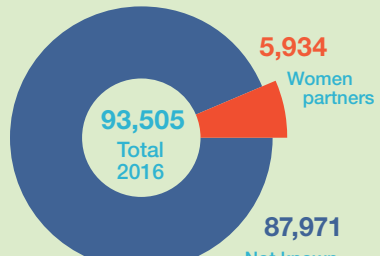
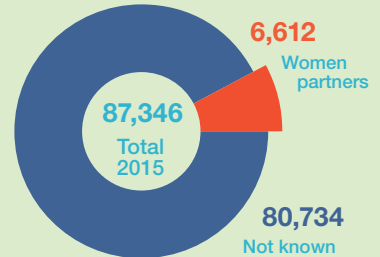
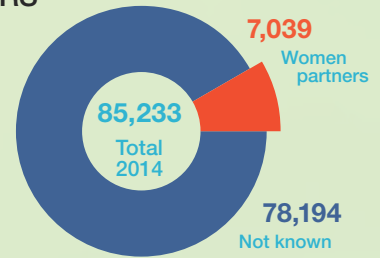
Only two of the Big Four, Deloitte and PwC, actually report female partner numbers

Another positive is that the number of female partners globally has reached an all time high at 9,738, an increase of 36% on last year's figure of 5,934. Of course, this could be down to the level of disclosure pushing the numbers up, rather than an actual increase in the number of female partners.

While it is commendable that more firms are willing to reveal female partner numbers, it is disappointing that big players such as EY, KPMG, BDO and Geneva Group International still do not. Deloitte, the top of this year's table based on fee income, has 2,277 female partners, which equates to 18.7% of all partners, with PwC doing ever so slightly better at 18.8%, although both firms still have a long way to go to reach total equality.

Even though Praxity provides a gender diversity breakdown, the 569 female partners figure, out of a total of 3,682 partners, does not include female partner numbers from Mazars, one of the group's member firms, as it chooses not to disclose. However, numbers provided for Accountancy's Top 75 firms survey reveals that Mazars has 21 femal partners out of a total of 134 in 2017 in the UK.

Only one Top 25 network, Fiducial International, hit the 30% mark, which is widely recognised as the figure needed to begin to make a difference, with 31.4% of



female partners. Nexia International followed with 21.9% and Morison KSi with 21.4%. The worst-performing network was LEA Global with only 12.4% of female partners, compared with RSM International at 12.6% and DFK International with 13.9%.

So although gender diversity does appear to be improving, the firms still have a long way to go until they reach a 50:50 level.

Both PwC and KPMG have actively come forward and said that they will no longer accept all-male candidate shortlists for jobs in the UK to attempt to increase the number of women in senior roles. While this is a step in the right direction, more needs to be done to encourage and make women want to apply for senior roles across all firms.

TESTING TIMES

14

Despite Brexit and increasing scrutiny of the audit sector, the UK market defies the odds and continues to grow, says Amy Austin

Total UK revenue for the Top 25 networks and associations hit \$19.4bn (£25.5bn) in 2017, a 5.3% increase year-on-year from \$18.8bn, suggesting that a weak pound and Brexit uncertainties have failed to have a negative effect on revenue. UK business forms an integral part of global revenue, accounting for 10% of the Top 25's global fee income.

The Big Four continue to dominate the UK market in much the same as they do the global market; however, despite combined revenue growing to \$15.4bn (2016: \$14.3bn), their overall share has fallen by 4% to 76%. Although Deloitte's revenue has grown 11% to hit \$4.5bn (2016: \$4bn), the firm was still unable to leapfrog PwC, which holds on to the top spot with revenues of \$4.8bn (2016: \$4.5bn), a growth of 4.6%. EY takes the number three spot with a 9.2% growth rate to reach revenues of \$3.1bn (2016: \$2.8bn), while KPMG remains fourth with fee income hitting \$2.9bn (2016: \$2.7bn), growing 5%.

Outside of the Big Four there has been a greater pace of change, with eight out of the remaining 21 networks and associations (38%) experiencing a drop in fee income in 2017. Grant Thornton International continues to hold onto the fifth spot, but has seen the biggest drop in income out of the Top 10 networks at 20% to \$634m (2016: \$793m), with RSM International's fee income falling 1.8% to \$420m (2016: \$428m). BDO (ranked sixth) has seen a 4% rise in revenue to \$592m (2016: \$566m).

In terms of the UK market, PKF International and Baker Tilly International have experienced the greatest upheavals over the past three years after losing key UK firms to other networks. From 2014-15 PKF International's revenues only grew by 0.6% to reach \$130m, but since then the network has experienced double-digit percentage growth. It grew an impressive 26.8% to \$164.9m in 2016 and 22.5% to reach revenues of \$202.16 in 2017. Baker Tilly International's revenues have gone the opposite way, seeing impressive growth in 2014, but now experiencing a drop in fee income. From 2014-15, UK revenue grew 28% to reach \$208.6m, but only increased by 0.4% from 2015-16, and in this year's survey the network has seen a 8.5% decrease in revenue to \$191.7m.

FUTURE OF AUDIT

The future of audit is a major concern for the profession with several multimillion pound fines being handed to UK firms following audit failures. For example, in June, PwC was issued with a record £6.5m fine for the conduct of its audit of BHS and KPMG was fined £3.2m for its audit of Quindell.

'The one thing that is starting to overtake all the other challenges currently faced by the industry is public perception. There has been a significant increase in scrutiny, which is a huge challenge for professional bodies,' explains Paul Eagland, managing partner at BDO. 'Looking at some of the big corporate failures over the last 18 months, it appears that there is not the right level of alignment between shareholders, pension funds, regulators and the role of an auditor.'

MPs in select committee hearings have

FINANCIALS

UK TOP TEN: FEE INCOME (US\$M) 2017 (2016)

UK rank 2017	UK rank 2016	Global rank 2017	Network or association	2017 (\$m)	Variance	Y-o-Y var %	2016 (\$m)	UK firms	UK partners
1	(1)	2	PwC	4,804.98	215.01	4.68	4,589.97	1	889
2	(2)	1	Deloitte	4,513.85	454.05	11.18	4,059.80	1	696
3	(3)	3	EY	3,146.32	265.32	9.21	2,881.00	1	685
4	(4)	4	KPMG	2,900.62	138.89	5.03	2,761.73	1	623
5	(5)	8	Grant Thornton	634.00	-159.00	-20.05	793.00	1	185
6	(6)	5	BDO	592.50	26.10	4.61	566.40	1	202
7	(7)	12	Nexia International	484.81	56.63	13.23	428.18	6	343
8	(8)	9	RSM International	420.00	-8.00	-1.87	428.00	1	338
9	(9)	-	IAPA	348.00	25.30	7.84	322.70	51	419
10	(10)	7	Praxity	283.49	11.98	4.41	271.51	9	168
			Total	18,128.57	1,026.28	6.00	17,102.29		4,548



The UK adopts many international agreements – for example, its support for International Financial Reporting Standards is unlikely to be dropped

Jean Stephens, CEO, RSM International



Audit committee chairs need to make sure that there are sophisticated filters in place so that all firms stand a fair chance

Paul Eagland, managing partner, BDO

suggested that one way to combat these huge failures is to disband the Big Four or indeed increase competition among the largest audit firms, with the Financial Reporting Council (FRC) pushing the UK Competition and Markets Authority (CMA) to carry out a review of the Big Four.

In March, mid-tier firm Grant Thornton announced that it would not be bidding for FTSE 350 audits in the future, citing the difficulty of taking on the Big Four's dominance in this area. Tendering is also not financially viable as it costs somewhere in the region of £300,000 to complete a FTSE 350 tender.

BDO has stated that it will continue to bid for these big audits, with the firm recently winning the tender of outsourcer Mitie; however, this company is no longer in the FTSE 250. 'We know that we can definitely operate and compete in the UK FTSE market, but we also need audit committee chairs to make sure that there are sophisticated filters in place so that all firms stand a fair chance of being appointed,' says Eagland.

As well as maintaining audit quality and standards, the government is keen to retain the FRC as the UK's competent authority for audit post-Brexit, although it has commissioned the independent Kingman review of the regulator to ensure that it is fit for the future.

BREXIT

It remains unclear whether Brexit will have any effect on fee income or if indeed it will in March 2019 when the UK leaves the EU. 'The need for a clear direction of travel from the Brexit negotiations is now becoming much more critical

to enable business and organisations to have clarity and certainty for the medium to long-term planning of key strategic, investment and operational decisions they need to make,' says Nigel Bostock, chief executive of Crowe UK, which has jumped to 12th position in this year's survey. 'As our profession evolves, more firms will look to expand their service offering to become wider multidisciplinary businesses to meet the changing needs and demands of clients.'

The consensus across networks is that Brexit will not have a major impact as the UK remains a large part of the global market. It is also not expected to have a huge effect on audit and accounting standards, as in June this year the government revealed plans to transpose EU-adopted International Financial Reporting Standards (IFRS) into UK law and introduce a UK corporate reporting and audit framework.

'The UK adopts many international agreements; for example, its support for IFRS is unlikely to be dropped,' explains Jean Stephens, CEO of RSM International. 'Furthermore, the UK's tax measures to clamp down on overseas tax arrangements are more aligned with BEPS [OECD's Base Erosion and Profit Shifting] than the EU's tax legislation. In some ways, the unilateral nature of the EU's tax agenda is worrying given the progress achieved on international tax reform. It would be premature to state what the impact will be on client services. Anything that restructures the flow of goods, capital and services will have a serious impact on business and particularly the mid-market.' »16

\$15.4bn

The combined UK revenue of the Big Four hit \$15.4bn in 2017, although overall share fell by 4%

TOP 25

INTERNATIONAL NETWORKS AND ASSOCIATIONS IN THE UK 2017 (2016)

Rank UK 2017 (2016)	Global 2017	Network or association/UK affiliates	UK fee income (US\$m)		Global fee income 2017 (US\$m)	Firms UK	Partners UK	Professional staff UK	Status
			2017	2016					
1 (1)	2	PwC ⁹	4,804.98	4,589.97	37,680.00	1	889	15,142	N
2 (2)	1	Deloitte Touche Tohmatsu ⁹	4,513.85	4,059.80	38,800.00	1	696	11,700	N
3 (3)	3	EY ⁹	3,146.32	2,881.00	31,404.00	1	685	11,434	N
4 (4)	4	KPMG ⁹	2,900.62	2,761.73	26,403.88	1	623	14,592	N
5 (5)	8	Grant Thornton	634.00	793.00	5,005.00	1	185	3,300	N
6 (6)	5	BDO ¹⁰	592.50	566.40	8,100.00	1	202	2,912	N
7 (7)	12	Nexia International Abacus Trust Company Ltd, Jones Peters, Meston Reid & Co, Saffery Champness, Scrutton Bland LLP, Smith and Williamson	484.81	428.18	3,620.25	6	343	1,316	N
8 (8)	9	RSM International ³ RSM UK	420.00	428.00	5,095.48	1	338	2,592	N
9 (9)	-	IAPA Cowgill Holloway, UK200 Group	348.00	322.70	599.00	51	419	2,835	A
10 (10)	7	Praxity ² Albert Goodman, Brand Finance LLP, Forrester Boyd, Garbutt & Elliott LLP, Jackson Andrews, PM&M Solutions for Business, Rouse Partners LLP, Springfords LLP, Mazars UK	283.49	271.51	5,199.81	9	168	2,118	AIF
11 (11)	6	Geneva Group International ¹ UK accounting member firms: Citroen Wells; CVR Global; Haines Watts; Lawrence Grant; Mander Duffill, US Tax & Financial Services Group UK law firms: Memery Crystal; Ward Hadaway, Wright Johnston & Mackenzie	269.00	260.00	5,374.00	9	295	2,014	A
12 (14)	11	Crowe ⁵ Crowe Clark Whitehill LLP, HCWA, Horwath HTL Limited, Crowe Horwath Global Risk Consulting	219.00	209.50	3,813.50	4	219	1,469	N
13 (12)	15	Moore Stephens	215.60	213.90	2,908.60	11	169	1,515	N
14 (16)	21	PKF International PKF Johnston Carmichael, PKF Cooper Parry, PKF-FPM, PKF Francis Clark, PKF Littlejohn, KESA	202.16	169.68	1,298.40	6	200	1,440	N
15 (15)	18	Kreston International BHP Chartered Accountants, Bishop Fleming, Clive Owen LLP, Consilium Chartered Accountants, Duncan & Toplis, EQ Accountants LLP, Horsfield & Smith, James Cowper Kreston, Kreston IOM Limited, Kreston Reeves LLP, Mitchell Charlesworth, PEM	195.41	186.31	2,259.64	12	225	1,750	N
16 (13)	13	Baker Tilly International MHA MacIntyre Hudson, Broomfield & Alexander, MHA Carpenter Box, Henderson Loggie, Larking Gowen, Monahans, Moore & Smalley, Tait Walker, Baker Tilly Isle of Man, Baker Tilly Mooney Moore, Baker Tilly Channel Islands	191.70	209.62	3,411.64	12	197	1,747	N
17 (18)	16	PrimeGlobal AD+ (Atkinson Donnelly), Bracken Rothwell Limited; Buzzacott LLP, CK Chartered Accountants, Creaseys; Dixcart International, Fairway Group, FRP Advisory LLP, Hall Morrice LLP, HURST, Noone Casey, Simmons Gainsford LLP, Thomas Westcott, Walsh O'Brien Harnett	148.86	158.29	2,506.13	14	172	1,061	A
18 (17)	17	HLB International ⁶ Beever and Struthers; French Duncan; Hawsons; Hazlewoods LLP; Lovewell Blake LLP; Menzies LLP	142.14	153.05	2,369.24	6	142	1,026	N
19 (19)	14	The Leading Alliance / LEA Global CLB Coopers Chartered Accountants, HW Fisher & Company	105.02	144.56	3,233.64	2	42	336	A
20 (21)	22	DFK International DFK UK & Ireland	84.04	61.96	1,182.00	16	744	4,807	A
21 (22)	25	MSI Global Alliance ⁸ Armstrong Watson, haysmacintyre, haysmacintyre Corporate Finance	60.27	60.25	678.63	3	60	472	MDA
22 (24)	23	AGN International Hazlems Fenton, Dafferns, Crowe Morgan, Shipleys, Dixon Wilson, Chiene & Tait	58.60	57.13	1,145.10	6	67	360	A
23 (20)	-	UHY International UHY Hacker Young, UHY Calvert Smith, UHY Hacker Young Fitch, UHY Hacker Young Manchester LLP, UHY Kent LLP, UHY Torgersens	58.00	78.00	540.00	12	89	462	N
24 (23)	24	Morison KSi ⁷ Kingston Smith LLP	56.01	59.60	1,088.96	1	59	369	A
25 (25)	20	BKR International Blick Rothenberg, Cassons business advisers LLP, Harbinson Mulholland, UNW LLP	56.00	56.00	1,400.00	4	60	339	A
		Total	20,190.38	19,180.14	195,116.90		7,288	87,108	

Footnotes

1-8 see p12.

⁹ UK fee income conversion based on exchange rate (\$1.34) as at 12/06/18¹⁰ UK fee income conversion based on exchange rate (\$1.299) as at 30/06/17 (excluding BDO Northern Ireland)