insight
HLB International Journal
Autumn 2013

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HLB

Networks: Value to Members and Occasional Hazards

Joining a network is a decision that a firm makes when there is a positive return to be had. What is that positive return of joining an international accounting network? I would like to share with you my thoughts on the value of membership and also point out a few of the challenges that various networks face over the years.

Joining a network may allow you to retain a client who is expanding cross border as you may run the risk of losing them if unable to provide a quality firm right away. Very quickly, this can turn from a defensive to a very offensive tool to win new business, with international recognition making you an excellent alternative to some perhaps better known international accounting brands.

Other values of the network are the quality of cross border assignments, pre-screened by a quality firm inside your network before being handed to you. Your network provides credibility with many networks being members of the Forum of Firms, a pre-requisite in some parts of the world. Sharing best practices among members with regular international conferences can also be very valuable.

Among the challenges, mergers of firms occur constantly and occasionally accelerate, with the merger market for accounting firms an ever present possibility. Your network may have a member acquired by another firm or following a merger selecting the other firm's network for reasons including: greater participation of that firm in their international network resulting in strong relationships and leadership positions; greater volume of outbound referrals; potentially strong inbound referred work; greater committee and out-reach programs, stronger geographic coverage.

In addition to firm mergers, there are discussions among networks to merge their networks. Such potential network mergers present a full set of challenges and risks which have resulted in relatively few network mergers in recent times.

The HLB Approach combines geographic coverage where member firm clients do business, balanced governance from around the world, lean executive office focused on delivering services member firms expect and strong country federations for better geographic coverage and breadth of services.

Rob

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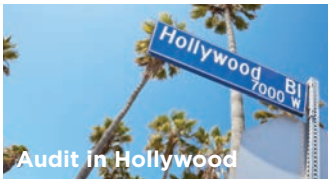

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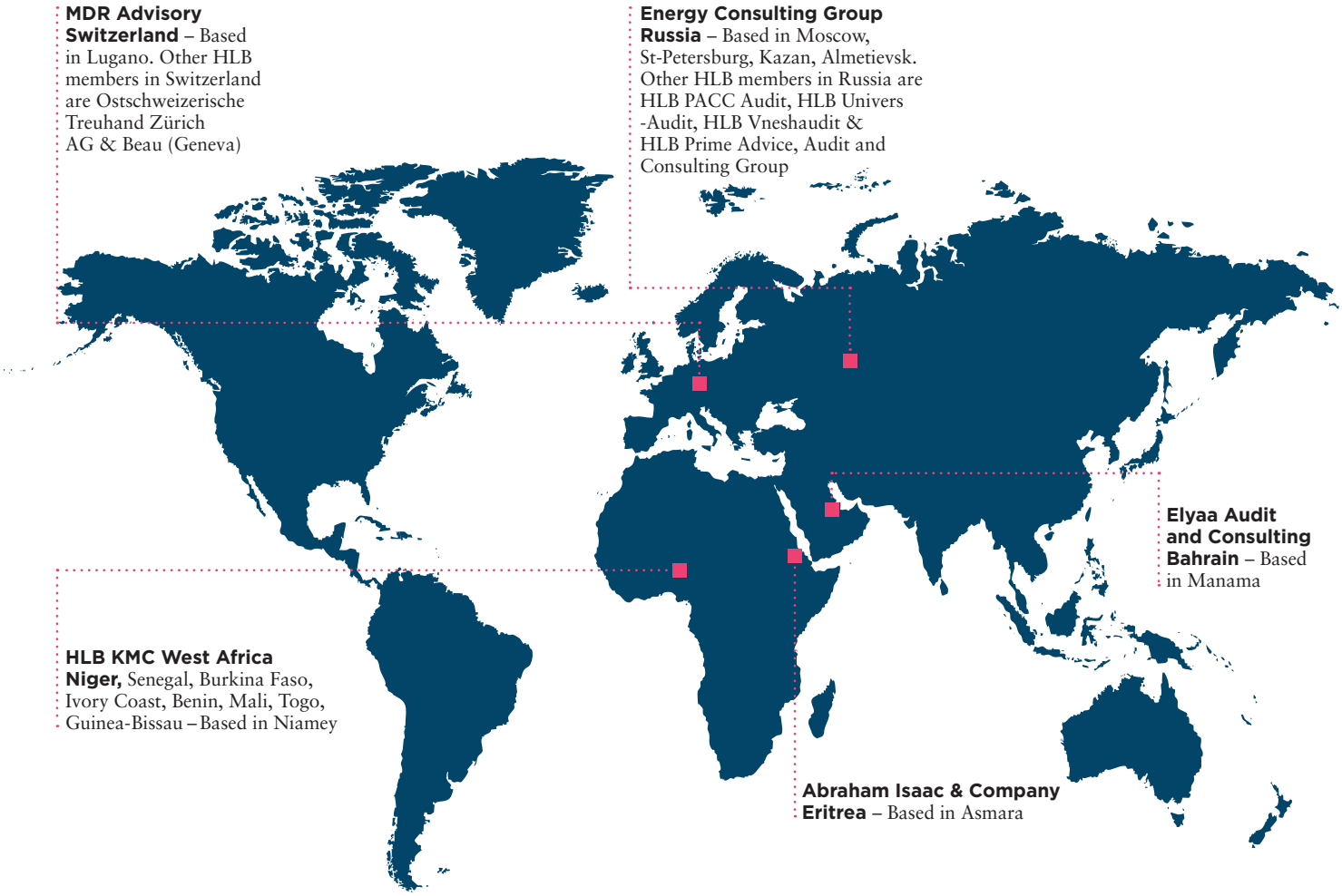
What's happening

New members



Appointments

José Mª Bové, Founding partner and President of HLB Bové Montero y Asociados (Spain), has been elected first Vice-President of the Spanish Institute of Auditors (ICJCE), winning 60% of the total votes in a very competitive election.

José Mª Bové, who has held several elected positions in the Spanish Institute, also served ten years as Vice-President of the European Federation of Accountants (FEE). He is Honorary General Consul of Austria for Catalonia & Aragón and Co-founder of the Arc Méditerranéen des Auditeurs (Mediterranean Auditors Association).

José Mª Bové's election and involvement in the profession enhance the visibility and influence of HLB International in the Spanish, Mediterranean and European audit markets.

José Bové's election and involvement in the profession enhance the visibility and influence of HLB International

Happy birthday to

HLB Groupe Cofimé

France 50 years

Green Hasson Janks

United States 60 years

HLB Antwerp Fiducia

Belgium 90 years

Latest News

South East Asia more than ever in Japanese companies' spotlight

Many Japanese companies are currently rethinking their strategy in the Asian market and focusing more than ever on South-East Asian countries, in what promises to be a long term trend in the region.

HLB Meisei Audit Corporation, a member of HLB in Japan, is supporting them with international consulting services in South East Asia with a particular target on Indonesia, Philippines, Vietnam, Malaysia, Singapore, Cambodia, Thailand, Laos and Myanmar.

HLB Meisei can rely on HLB's strong presence in Asia where the network comprises Top 10 firms in several key countries including Australia, China, Hong Kong, Taiwan, Malaysia, Indonesia, Philippines and Vietnam. HLB Meisei has also teamed up with Hopewill group, based in Hong Kong, who provides consulting services to Japanese companies aiming at long-term expansion into the Asian market.

As part of this drive into South East Asian markets, HLB Meisei, in collaboration with Hopewill, organised a very successful seminar hosted by Mitsui Life Insurance, one of the largest insurance companies in Japan and part of Mitsui Group, on the following topic: "How to enter the South East Asian market: Magic formula". Some of the key topics addressed included the use of Hong Kong and Singapore as hubs for regional development, as well as significant international taxation points to be addressed before starting cross-border business.

HLB Meisei's plans for the near future include the publication of a guidebook on South East Asian countries as well as Islamic countries where the firm has also identified potential for growth. Target Islamic countries will be the United Arab Emirates, Saudi Arabia, Bahrain, Turkey and Kazakhstan.

France - HLB Groupe Cofimé celebrates half a century in business

HLB Groupe Cofimé's 170 staff celebrated together the firm's 50th birthday last summer. HLB Groupe Cofimé, based in Alsace in the East of France, is the region's first accounting, audit and consulting firm, providing a full range of high-quality services to local and international clients.

United States - New acquisition for Eide Bailly

Eide Bailly has added a new firm, Hansen, Barnett & Maxwell (HBM), continuing the company's growth in Utah and strengthening its position as the only regional accounting firm in the state. This addition brings Eide Bailly's total staff to 1,300, including 194 partners. Eide Bailly is one of the largest CPA firms in the US with total revenues of $171M.

US & Philippines - HLB International's US and Philippines members will exchange staff

HLB members Green Hasson Janks, one of Los Angeles' largest accounting firms, and Diaz Murillo Dalupan and Company, a Top Ten accounting firm in the Philippines, are planning to launch an exchange programme for associates between the US and the Philippines.

Green Hasson Janks' Managing Partner Leon Janks and Diaz Murillo Dalupan and Company's Chairman & Managing partner Reynaldo Altre recently met in Los Angeles to discuss the specifics of the exchange programme which should see senior associates from each firm working overseas for three to six months in order to gain valuable international experience.

Staff exchange between countries are a common practice within HLB and a very rewarding experience, both for the professionals and the firms concerned as their international business skills and ability to make full use of HLB's worldwide network are dramatically increased.

Russia
HLB adds $118 million – Top 6 firm

"We are delighted to become one of HLB International's network representatives in the Russian Federation and are determined to contribute to the network's strength in Russia"

Chairman of Energy Consulting Group's Board of Directors Mikhail Ponomarev

Energy Consulting Group, HLB International's new member in the Russian Federation, ranks 6th nationally with a fee income of $118 million. Established in 2001, the firm comprises close to 800 staff based in Moscow, St-Petersburg, Kazan and Almetievsk.

Energy Consulting Group provides a wide range of professional services in the field of audit, financial, legal, tax and business consulting, human resources management and assessment as well as information technologies. The firm, who works for listed as well as unlisted clients, has wide experience accompanying clients in their international operations.

Energy Consulting Group has particular expertise in implementing complex projects for companies in the following industries: oil & gas, metallurgic and chemical industries, power industry, financial sector, food manufacturing, telecommunication, services and trade sectors.

Energy Consulting Group counts large multinational as well as domestic companies among its clients, including Siemens, E-on, Gazprom, Tatneft, Honda Motor and Raiffeisen Bank.

Energy Consulting Group's membership will strengthen HLB International's existing presence in the Russian Federation where the network is already established with HLB PACC Audit, HLB Univers-Audit, HLB Vneshaudit and HLB Prime Advice, Audit and Consulting Group.

France, Germany & Switzerland trilateral meeting: another successful initiative between HLB neighbouring countries

HLB member firms from France, Germany and Switzerland met in September in Annecy, French Alps, for a one-day meeting. In addition to addressing the latest developments of the network, the meeting provided a comparison of tax rules and evolutions between the three countries –as well as a great opportunity for French, German and Swiss members to develop their already strong transnational relations. Another similar meeting between neighbouring countries is planned in November between HLB members in Denmark, Sweden, Norway and Finland.

Part of our network's success is due to the close collaboration and mutual knowledge between neighbouring countries. Of course wider regional collaboration is active and institutionalised within HLB –with regular regional conferences for North America, Latin America, Europe, MENA and Asia Pacific. But "sub-regional" collaboration, i.e. collaboration between smaller groups of immediately neighbouring countries, also is. Those neighbouring countries very often have a lot of interests and business – and quite often language as well - in common, and HLB makes sure to encourage sub-regional level collaboration, a key for success considering that a large part of international business takes place between immediate neighbours.

While regular such meetings take place in Central Europe (Austria, Czech Republic, Hungary, Slovakia), the Baltic countries, the Indian Subcontinent and the Balkans among other, some HLB firms have also invested in their foreign-language speaking staff, aware that specific "Country Desks" - HLB Germany's Dutch Desk for example - are a key factor of success especially in times of economic crisis and less dynamic domestic markets.

> HLB makes sure to encourage sub-regional level collaboration, a key for success considering that a large part of international business takes place between immediate neighbours.

Vietnam – AASC successfully launches its consulting branch

AASC, HLB's member in Vietnam and a Top Five firm in the country, successfully launched last summer its consulting branch AASC Consulting and Associates Company Limited (ACG), and rebranded into AASC Auditing Firm. Attendees at the official launching ceremony included Vietnam's Deputy Minister of Finance Tran Xuan Ha, the leaders of professional associations such as Vietnam Association of Certified Public Accountants, Vietnam Tax Consultants Association and Vietnam Valuation Association, and HLB International's CEO Rob Tautges. Many of the firms' clients, who have recognised and trusted AASC for the past 22 years, also came to attend from all over the country. The ceremony was preceded by a meeting between HLB's CEO Rob Tautges, AASC's Chairman Ngo Duc Doan, the Ministry of Finance's Director of Accounting & Auditing Policy Department Dang Thai Hung, and Chairman of Vietnam Association of Certified Public Accountants (VACPA) Assoc. Prof. Dr. Tran Van Ta to discuss and share experience on the development of the audit and accounting profession in Vietnam and other countries.

Established in 1991 by the Ministry of Finance as one of the first two local accounting firms in Vietnam, AASC ranks five in the country immediately after the Big Four international auditing companies. AASC is based in Hanoi, Ho Chi Minh City and Quang Ninh. A renowned name in Vietnam, AASC offers auditing, accounting, asset evaluation and equitisation, consultancy, tax and training services to clients from all sectors including listed companies, state-owned enterprises, foreign-invested companies and international organisations.

AASC has gained strong recognition on the domestic and international markets over the years. In particular, AASC is one of the first Vietnamese auditing companies to be selected by the World Bank, the Asian Development Bank and other international credit organisations to audit projects funded by those organisations. AASC is also among the few auditing companies in Vietnam authorised by the State Securities Commission to provide audit services to listed companies and securities companies.

> A renowned name in Vietnam for the past 22 years, HLB's member firm AASC ranks five in the country immediately after the Big Four international auditing companies.

China UK business HLB well positioned on a dynamic market

HLB International, one of the first international accounting networks to have entered the Greater China market in the mid-80s, now ranks Top 10 in Greater China with eight member firms in Mainland China, Hong Kong and Taiwan. The network is also very-well established in the United Kingdom with HLB UK comprising six firms including two China Desks dedicated to driving business between the UK and China. Read more in this focus on different aspects of China-UK business and HLB member firms' part in this active market.

Interview

Taking the best of two worlds with bi-national China-UK experience

They are bright, young Chinese graduates on the cusp of their professional life, who have studied international finance, economics, business and strategy both in China and in the UK. Liulu Chen worked with HLB's member firm in London, Menzies LLP, a very internationally active firm including a successful China desk; Shaobin Chen and Vivian Chen with HLB International's Executive Office in London for a few months' experience. *HLB Insight* asked them about their bi-national China-UK experience.

What made you choose the UK to study and work?

Liulu Chen: "We wanted to add an international perspective to our studies and professional experience. London, in particular, is the financial centre for Europe and a truly international and dynamic city, which made it a great learning experience."

What did you work on while in Menzies – HLB's Executive Office?

Liulu Chen: "I've worked in several departments: first the audit department, then tax, outsourcing, and finally wealth management. I feel I learnt a lot with Menzies including on clients relations."

Vivian Chen: "My main mission was to help promote HLB's Global China Service, which with eight members in Greater China and numerous China desks worldwide is one of the network's strong points."

Shaobin Chen: "I worked on a macroeconomic report dedicated to China's Outbound Direct Investment (ODI), researching the main regional and industry trends HLB members can build their international development on."

What differences did you observe between the professional world in China and in the UK?

Shaobin Chen: "I noticed that while UK firms pay a lot of attention to international markets, this is not the case for Chinese firms who for the time being enjoy a huge domestic market and don't experience the need to go abroad, with the associated risks, to the extent their UK counterparts do. However I think they should prepare for the future and explore new markets –for which HLB International is a great organisation."

Liulu Chen: "I observed that Chinese companies pay less attention to marketing and branding –also because they are not allowed to promote themselves other than through articles, lectures... as direct advertisement is restricted. As a result they focus more on networking which is the only client recruitment channel. UK companies focus more on branding as they realise it is a way to make the difference with competition. Chinese members of HLB International, however, can promote themselves as a member of HLB International as there are less advertisement restrictions for international networks."

What will you bring back to China from your UK experience?

Liulu Chen: "Understanding doing business in the UK and the English culture will be a great asset when I'm back in China. You need to understand the local rules and culture in order to do business successfully -and to have local connections, people you can actually call when a business opportunity arises."

How about your plans for the future: will you stay in the UK?

Liulu Chen: "Ideally, yes. If not I will choose an international city such as Hong Kong, Shanghai or Singapore… and why not go to the US for MBA studies."

Vivian Chen: "I would definitely like to stay in the UK: I've studied and started working here so I would like to capitalise on this and make the most of my UK experience."

Shaobin Chen: "I will go back to Hong Kong, preferably in a large organisation, where I plan to start my own business in five to ten years' time."

One question to Ralph Mitchison, Partner at Menzies:

HLB Insight: "Liulu Chen, whom Menzies welcomed as part of their team for a few months, has also been an apprentice with HLB Chinese member Zhejiang Dewei CPAs: can you tell us more about this kind of staff exchanges between HLB member firms?"

Ralph Mitchison: "Through HLB International we have excellent opportunities to meet other firms and build strong working relationships. However, the best opportunity for building relationships is when someone actually lives and works in another country. That way they gain exposure and learn the practical aspects of how business is done in that country.

Liulu's work with us will create stronger links between Menzies and Zhejiang Dewei. Both firms recognise the strategic importance of developing international connections and are keen to take advantage of the opportunities presented through HLB International by building personal relationships with other member firms.

This experience is I believe not only very valuable for the individual in his or her career, it also builds trust between member firms. We have participated in many exchange programmes and it is an area in which HLB, being a network, excels."

"Both Menzies and Zhejiang Dewei recognise the strategic importance of developing international connections and are keen to take advantage of the opportunities presented through HLB by building personal relationships with other members"

Interview

Robin Porter, a UK specialist on China sustainability issues

Robin Porter is a China specialist and academic, currently Senior China advisor to UK-based sustainability consultancy EMG. Robin Porter worked as the Counsellor for Science and Innovation for the British Embassy in Beijing from 2002 to 2005 and as full-time adviser to the British automotive industry in China in the eighties. A Visiting Professor at the Centre for East Asian Studies, University of Bristol, Robin Porter currently works on various China-related projects including for the European Commission and the BBC. His latest book is entitled 'From Mao to Market: China Reconfigured'.

Where does China currently stand in terms of environmental sustainability?

"When the Chinese economy opened up in 1979, the only existing industrial equipment dated back to the fifties and industrial modernisation had to take place at a tremendous pace, favouring rapid and at-all-cost growth with clearly negative consequences on the environment. This situation radically changed a decade ago when several alarming reports by Chinese scientists on climate change and its possible consequences on food supplies raised the population and government's awareness."

Can you tell us more about this turning point in China's attitude to sustainability?

"There was a sea change in the Chinese government's vision following the publication of these reports, with the following five-year plan embracing sustainability and in 2008 the creation of a ministry for environmental protection. The latest five-year plan (2011-2015) actually gives a prominent place to sustainability and sustainability-related economic activities. It is very clear now that the government expects all economic initiatives to take environmental issues into account –and there is also to my sense a trend towards more effective implementation and inspection."

So environmental sustainability is no longer perceived as irreconcilable with economic growth?

"Absolutely. The realisation of the importance of sustainability issues coincided with a change of emphasis in China's economy: ten years ago the Chinese economy was already moving up the value chain and focusing on more technologically sophisticated –and less polluting- production, high-tech and innovation."

What can the corporate world expect from the development of sustainability on the economic scene?

"This move offers a whole range of new commercial possibilities, from production to services and advisory on new sustainability-related technologies and regulations. The current five-year plan not only encourages the development of the renewable energies sector- it also makes energy savings and pollution emissions reduction a priority, with a consequent focus on strengthening related laws and regulations, pricing and market mechanisms –including new tax incentives."

What strategy should organisations adopt in order to make the most of this trend?

"My advice would be to fully embrace the environmental dimension of Chinese policy. Companies should become familiar with it and promote the services they can offer in this line of activity which is, quite importantly, initiated and strongly supported by the government."

To download Robin Porter's complimentary executive summary of all sustainability aspects in China's current Five Year Plan, please visit www.emg-csr.com.

"My advice is to fully embrace the environmental dimension of Chinese policy. The move to sustainability offers a whole range of new commercial possibilities, from production to services and advisory on new sustainability -related technologies and regulations"

Interview

Valuation expert Professor Jiang Wei

An expert in valuation with academic and professional expertise both in China and the UK, Prof. Jiang Wei is a member of the Professional Board of the International Valuation Standards Council (IVSC), based in London, and the head of the Department of Finance in the College of Economics at Shenyang University in China. Prof. Jiang was also a visiting research scholar at Oxford and Cambridge Universities and holds a PhD in Economics from Liaoning University.

Could you describe your role as a member of the Professional Board of IVSC?

"The IVSC, as the global organisation for the valuation profession, works to protect the public interest by encouraging high quality valuation practices, developing common professional standards, promoting strong ethical values and supporting the development of all sectors of the profession around the world.

As a member of the Professional Board I have been actively involved in projects such as establishing and developing a valuation professional body, as well as building a "Proposal to develop international professional standards for professional valuers" (on which comments are currently being invited on the IVSC website). While appointments to the Professional Board naturally favour the best candidates, consideration is also given to geographic representation. As the only member from China I often share my experience of China's valuation profession with other members, and act as an ambassador for IVSC in explaining and promoting the organisation's work in China –a really rewarding experience."

What are current "hot topics" in valuation?

"The global financial crisis of 2008 led to a much greater understanding of the importance of valuation as valuation issues were viewed as part of the problem. One of the issues that came to the fore was the need for the IVSC to address the development of the global valuation profession. One of the challenges met is the fragmentation of valuation globally and the difficulty to engage regulators to speak with one voice. This is in contrast with accountancy where the International Federation of Accountants (IFAC) has taken the lead in promoting a cohesive worldwide profession over the past 30 years. Having a single set of qualifications has been suggested as a solution, and the IVSC is now consulting on the above mentioned "Proposal to develop international professional standards for professional valuers" on its website. The convergence of International Valuation Standards is another hot topic and preliminary discussions have already taken place even though no timetable has been set up so far. The international convergence of accounting standards is probably one of the most important driving forces for the global convergence of valuation standards, as unified financial reporting requires a unified set of valuation standards."

Are there any specific problematics related to valuation in China?

"China is still undergoing a transition from a planned to a market economy in which market forces set prices rather than a central planning organisation. With vigorous development of over 20 years, the appraisal profession in China has been playing a very important role in supporting State-owned Enterprises (SOEs) reforms, helping promote the capital market development.

According to Xinhua News Agency, China now has almost 10,000 appraisal institutions, with over 100,000 registered appraisers and 300,000 people employed. There are six credentials designations or qualifications for asset appraisal professionals which are recognised by four relevant national regulators.

Chinese lawmakers have realised that such fragmentation of qualifications and regulatory bodies could be detrimental to the overall development of the appraisal profession and a draft law on asset appraisal is already being reviewed. This law is expected to raise the threshold for registered appraisers and call for coordinated efforts in different government departments. In so doing China might be one of the first countries to have a specific law on asset appraisal at the top of the national legislature, an important step towards speaking with one voice in the valuation profession."

"With vigorous development of over 20 years, the appraisal profession in China has been playing a very important role in supporting State-owned Enterprises reforms, helping promote the capital market development"

What differences do you perceive in the UK and Chinese approaches to your field of expertise and to business in general?

"Professional property valuation in the UK can be traced back to 1868 with the creation of the Institution of Surveyors –now the Royal Institution of Chartered Surveyors (RICS)- one of the most renowned independent professional body regulating property professionals and surveyors. Such a long history has made the UK a leading country in terms of educational and professional standards. China's history of professional valuation dates back to 1988 only, when the equity of Dalian Iron Mill was evaluated for joint-venture purposes, marking the prelude of the appraisal profession in the country. By the mid-90s several asset appraisal institutions, empowered by the Chinese government, had been established.

Historical differences have resulted in different approaches toward valuation –with valuation in China initially tending to make the safeguard of national or state interests a priority. However things are changing and improving: in 2007 China promulgated the Property Law which treats the property rights of each owner as equal. The Chinese Appraisal Society's Independence Standards went into effect in July 2013, clearly stipulating that a valuer must be independent in the performance of professional valuation services so that legitimate rights and interests of all parties concerned can be protected. Furthermore, the draft law on asset appraisal also reiterates that independence should be maintained as a basic principle for valuers in China. As China speeds up its process of reform and opening up, more obstacles will be removed including red tape and the planned-economy mindset."

"The global financial crisis led to a much greater understanding of the importance of valuation and the need for IVSC to address the development of the global valuation profession"

What are your views on UK-China business?

"Trade between China and the UK has witnessed tremendous growth with bilateral trade reaching a record high of over $60 billion in 2012 despite the difficulties brought about by the Euro Debt crisis and the slowdown of the world economy. This is a positive outcome of the efforts made by the two countries. The economies of China and the UK are quite complementary: most of the products exported to the UK from China are labour-intensive while China mainly buys capital-intensive or products at the high-end from the UK. As long as such complementary factors exist the trend will be a steadily growing one.

While other countries are busy attracting inward foreign investment, China attaches great significance to outward foreign investment as well and has established a "Go Out" strategy encouraging enterprises to invest overseas. Another area of Sino-UK cooperation will therefore be FDI, with more capital flowing out of China to be invested in the UK. With Chinese people sensitive to words such as "debt" and "crisis", the Euro Debt Crisis offers the UK an opportunity to gain superiority over other EU countries.

Another area of potential cooperation is service industry in general and the valuation and accounting industry in particular. The UK is famous for its service industry, while the Chinese "Go Out" plan also includes a "service industry" section, with the result that accounting, valuation and law firms will go overseas together with their clients, to make investment or to look for consultation service providers."

"With Chinese people sensitive to words such as "debt" and "crisis", the Euro Debt Crisis offers the UK an opportunity to gain superiority over other EU countries"

F> Feature

HLB Hodgson Impey Cheng presents "Hong Kong, a gateway to China" to UK companies

The UK Trade & Investment Commissioner of the British Consulate-General in Hong Kong invited Raymond Cheng, Managing Director of HLB International's member in Hong Kong Hodgson Impey Cheng, to speak to the Coventry & Warwickshire Trade Mission -an event attended by numerous executives of UK companies interested in developing their business in Hong Kong and China.

During this presentation focused on Hong Kong's role as a gateway to China, Raymond Cheng covered various topics including Hong Kong company set up and audit requirements, Hong Kong tax system and offshore claim, double tax arrangement between Hong Kong and China as well as the specific advantages offered by Hong Kong to companies.

Case study
Eckersley O'Callaghan, designing Apple Stores around the world

Eckersley O'Callaghan (EOC) is an award winning engineering design practice with expertise in structural and civil engineering, façade engineering and structural glass design. The firm has developed an international reputation for its structural glass designs as well as work with steel, concrete and timber across diverse sectors including commercial, residential, infrastructures such as bridges or simply arts projects. EOC is based in London, New York and Paris and works for such well-known companies or entities as Harrods, Bulgari, Virgin Atlantic, Habitat, Canary Wharf Group, Alexander McQueen, London School of Economics or Pixar.

EOC also designed the famous glass structures of many Apple stores worldwide including in the UK, the US, China, France, Australia, Germany, Japan and the Netherlands, receiving in China the support of ThinkBridge, HLB's member firm in Shanghai. ThinkBridge helped EOC create an entity in the country as Apple China was meeting difficulties in foreign currency payments to EOC UK. Since 2011 ThinkBridge has helped EOC set up the company in Shanghai, including the location study, office rent, company setup. ThinkBridge has also helped EOC Shanghai in the accounting, tax filing and audit areas in order to meet the Chinese regulations' requirements, to EOC's satisfaction.

The Apple case: pushing for tax reforms

Corporations should not be blamed for optimising tax, says HLB USA member WithumSmith+Brown

Earlier this year, Apple's CEO Tim Cook was invited by US Congress to discuss offshore profit shifting and tax avoidance, particularly in reference to the accusation that Apple was guilty of these actions. This investigation also looked into companies like Microsoft, Cisco and Hewlett-Packard, who have been accused of doing the same.

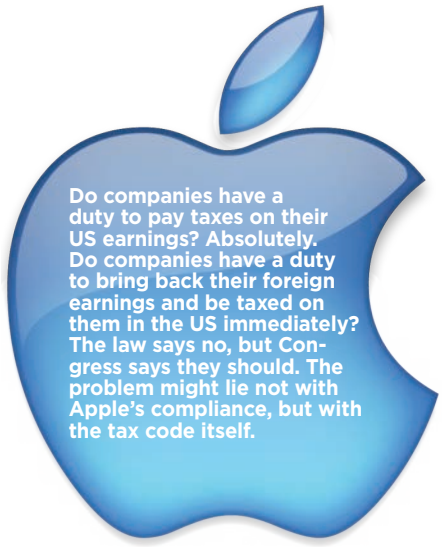
Congress accused Apple of avoiding taxes on nearly $44 billion by sheltering it overseas and exploiting tax loopholes. Apple, who paid over six billion in taxes in 2012, responded its system was structured in a way that maximises operations while strictly remaining within the law, and denied having funneled its US domestic profits overseas.

This suggests that the problem might lie not with Apple's compliance, but with the tax code itself, leading Tim Cook to express a number of recommendations for tax reform among which the implementation of a reasonable, single digit tax on repatriated earnings instead of the current statutory tax rate of 35%.

While Cook's suggestions echo the attitude of many US multinationals, do companies like Apple have a duty to pay taxes on their US earnings? Absolutely. Do companies have a duty to bring back their foreign earnings and be taxed on them in the US immediately? The law says no, but Congress says they should. There is, however, a different side to this debate that taxes do not take into consideration: the shareholders.

Similar to an elected official owing a duty to his/her constituents, companies owe a duty to their shareholders. If these companies are able to hold to this duty, all while complying with tax compliance laws, then they are simply managing competing objectives well. If Congress and their constituents are unhappy with the legal actions of taxpayers, it is ultimately Congress' responsibility to make a change.

Tim Cook expressed the attitude that corporations, too, are on board with tax reform, so the ball is in the court of Congress to change the system, and corporations should not be blamed for taking advantage of legal methods to reduce their tax liability.



Auditing Hollywood

Steven Sills is a partner at HLB member firm Green Hasson Janks, based in Los Angeles, and co-author of *Movie Money: Understanding Hollywood's (Creative) Accounting Practices.* He tells us more about his 30-year expertise in auditing the entertainment industry –an increasingly international field in which Green Hasson Janks is a recognised leader.

What does "auditing Hollywood" consist in?
"Our job is to represent talent (actors, writers, directors, and recently an increasing number of financial investors) against the movie studios. We perform contract audits of movie and television producers and distributors to make sure talent receive their fair share of profit according to the contracts they have signed."

Any Hollywood stars in your clientele?
"For confidentiality reasons we do not disclose our clients' names... but we have worked on 80 of the Top 100 films based on box office performance."

How international is the entertainment industry?
"This is an increasingly international industry. While 20 years ago, 70% of film revenues originated from the US and Canada, today, as much as 65% of a blockbuster's revenues can be generated abroad. There is also international investment in this sector with foreign tax shelters funding US production and the purchase of AMC theatres by a Chinese conglomerate."

Do you work together with HLB member firms abroad for these international assignments?
"We spend considerable time auditing international distribution of films in foreign countries and work a lot with our HLB counterparts abroad. In the last year alone we have collaborated with HLB firms in Amsterdam, Tokyo, Munich and Madrid. We have also been called as expert witnesses by Her Majesty's Revenue and Customs in the UK."

Interview

The accounting profession in Italy: evolutions and perspectives

CEO of HLB Consultants Italia Andrea De Vecchi gives his insight on the effects of the crisis on the audit & accounting profession, growth opportunities and refocus on the Mediterranean as Italy's traditional area of exchange.

How is the profession doing in Italy?
"Accountants are needed along all the processes that shape business life: birth, expansion, reduction, merge, demerge, sale, purchase and even death or recovery. So naturally the accounting profession suffers from the economic environment, however not with the same intensity as other businesses since "extraordinary" operations such as M&A, reorganisation, corporate restructuring and insolvency are more active when economies are changing and businesses have to adapt.

Corporate recovery bounced up in recent months for instance. Competition is present however not excessive as a consequence of the small average dimensions of Italian firms, few of whom can offer a wide range of professional services. However flexibility and adaptability have become essential nowadays and my expectations are that willing or not firms will concentrate and reduce in number, however slowly. One man and micro firms are unlikely to survive. Also and as the rest of our economic system the Profession is affected by cash restriction, or credit crunch. Clients press on fees and delay payments."

What services are in high demand apart from those extraordinary operations?
"In our recent experience bookkeeping is still growing together with tax and legal compliances as companies increasingly outsource those activities. Audit is decreasing. Companies are pressing for reduction in terms of statutory auditors (a recent law allows reduction given determined circumstances) and in terms of fees. Whatever is not strictly necessary for doing business is cut down to minimum."

What about international business?
"Cross border business is doing quite well with exporting companies being in average the most performing ones. Companies with the proper mind-set and business culture are doing their best to increase export, usually quite successfully. However the general attitude towards the European Union, evermore felt simply as a further bureaucratic level and an obstacle rather than an opportunity to recovery, is slowly but steadily changing. A number of businessmen, in our experience, are more and more looking to where our traditional exchanges are: the Mediterranean. We are returning to our roots with Italy being a bridge connecting the different sides of the Mediterranean together."

What are your growth perspectives?
"Our firm has grown by 20% in the last 12 months with a large part of growth due to extraordinary activity. Our budget shows another 15-17% growth for the next 12 months. After that it is really hard to make predictions at this stage."

"A number of businesses are more and more looking to where our traditional exchanges are: the Mediterranean"

Mid-tier Muscle

As HLB International's CEO Rob Tautges recently expressed in an interview to leading publication *Accountant Middle East*, mid-sized entities feel confident about their business prospects even though the audit market is dominated by the Big Four.

"Although many banks and other institutions require that their major clients use only a Big Four auditor, mid-sized networks are perfectly able to service other listed companies. They have demonstrated that they are big enough to conduct effective audits on large organisations, while the Big Four's stranglehold on the largest clients makes them pass up many opportunities and definitely leaves room for new, mid-sized players.

Mid-sized networks view the oligopoly of these large audit companies as non-threatening and intense competition in recent years has actually worked in their favour, fuelling the natural process of consolidation and organic growth. The economic downturn is certainly troublesome for HLB members around the world as it is for all professionals, but also creates opportunities. The value of a chartered accountant in an economic downturn goes up, with their clients' ability to survive and thrive relying on sound and solid advice.

Businesses and organisations of all sizes recognise the importance of financial experts in times of prosperity as of hardship, with the consequence that there are always opportunities for accountants. HLB International has greatly capitalised on this fact and the worldwide expansion of the network has largely appeared to be recession proof, as it continues to hire on all continents to operate effectively in a globalised business world and increase its presence, particularly in emerging markets."

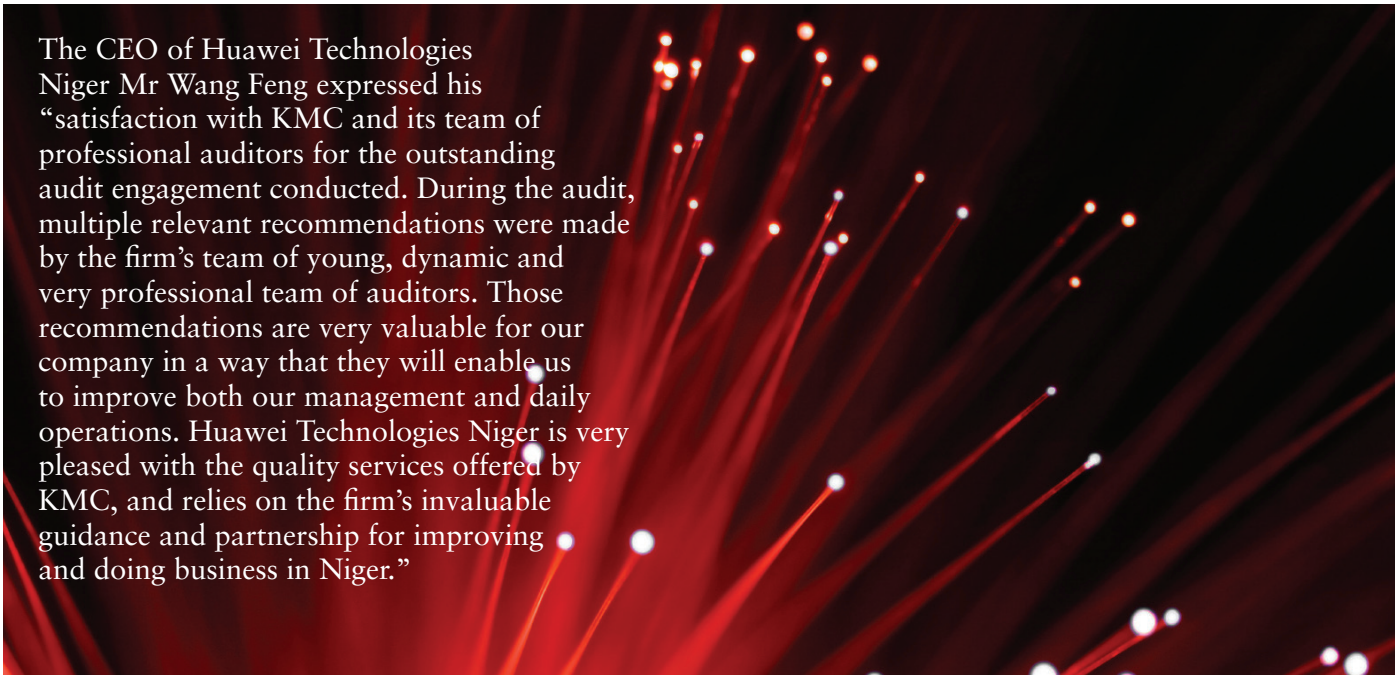
Case study
Servicing Huawei, the world's largest telecommunications equipment company

HLB KMC West Africa recently provided audit services to Huawei Technologies Niger, a subsidiary of Huawei Technologies, a leading global information and communications technology (ICT) solutions provider and the largest telecommunications equipment maker in the world. A Chinese multinational organisation, Huawei Technologies comprises 150,000 employees in 140 countries worldwide and recorded revenues of CNY 220.2 billion (appr. $36 billion) in 2012.

Facts
In accordance with legal requirements set by the SYSCOA (West African Accounting System) in terms of turnover and number of employees, Huawei Niger had to appoint a Statutory Auditor for the certification of its financial statements. It is in this context that HLB KMC West Africa was chosen on quality basis following a bid. The particularity of the client lay in the way its financial statements are established: Huawei Niger uses an integrated management system set up by the Group, with IFRS accounting standards.

Issues
In such a situation, it was necessary to conduct an IT audit as well as a financial one in order to check the coherence in the recording and accounting procedures as well as to control data in the system, interviewing key officials, reading and getting familiar with the system guidelines and procedures to better understand operations and performing adequate tests to verify information accuracy. Another obstacle was the financial reporting framework used by the Client (IFRS). At this stage, the strategy used by HLB KMC West Africa consisted in establishing a mapping to check the similarity and differences between IFRS accounts and local accounts (OHADA).

Results
The audit engagement was successfully conducted. Even though Niger is a French-speaking country, the assignment and reports were carried out in English at the request of the client. Huawei Technologies Niger was very satisfied with the engagement in general and agreed to follow and implement recommendations resulting from the audit.



The CEO of Huawei Technologies Niger Mr Wang Feng expressed his "satisfaction with KMC and its team of professional auditors for the outstanding audit engagement conducted. During the audit, multiple relevant recommendations were made by the firm's team of young, dynamic and very professional team of auditors. Those recommendations are very valuable for our company in a way that they will enable us to improve both our management and daily operations. Huawei Technologies Niger is very pleased with the quality services offered by KMC, and relies on the firm's invaluable guidance and partnership for improving and doing business in Niger."

Interview

Kader Kaneye, HLB KMC West Africa

HLB KMC West Africa, based in Niamey, Niger, recently joined HLB International to be the network's member in French-speaking West Africa including Niger, Senegal, Burkina Faso, Ivory Coast, Benin, Mali, Togo and Guinea-Bissau. Established in 1991, the firm ranks Top 2 in Niger and provides audit, accounting, tax, law and consulting services to such well-known clients as Huawei International, General Electrics, Chronopost International, Mer Telecom, Africable, Mahindra and Veolia. *HLB Insight* interviewed its Managing Partner, Kader Kaneye.

Can you tell us more about HLB KMC West Africa? Who are your main clients?

"The private sector, i.e. international subsidiaries of multinational companies and the private national sector, represent approximately 40% of our fee income. We also work with a number of international organisations including the World Bank and the European Union, with specific countries as part of bilateral cooperation (Switzerland, Denmark, France, Germany) and with NGOs such as World Vision, Care International, Red Crescent and Islamic Relief. Finally, we work with the national public sector both at a central and local level."

What industries does HLB KMC West Africa work for? Any special expertise?

"While our core expertise lies in audit and consulting to international development actors, we work for a variety of industries including natural resources (agriculture, mining, energy), the industrial sector, services -mainly telecoms and financial services (bank & insurance)- including a special expertise on microfinance for which HLB KMC West Africa is a recognised leader."

What are according to you the main economic and business trends in West Africa currently?

"West Africa has experienced good growth and resilience despite the international economic slowdown, and perspectives are positive for this year as well. West Africa is the quickest growing part of sub-Saharan Africa, with Nigeria a driving force. The fastest-growing sectors right now are natural resources, including mining and oil, energy, telecom, financial services, construction and infrastructures. Innovation is also an important growth factor. The business environment has now been clarified in most West African countries, and Africa's part in global FDI keeps growing despite the crisis. We also observe a marked growth of Islamic finance for which Niger is trying to become the main platform – with delegations from Indonesia and Malaysia recently visiting us for instance."

Any particular risk in West Africa?

"Political stability can be an issue with sudden regime change always a possibility. There are also regional risks such as the recent war in Mali and regional terrorism, but to a lesser extent. Finally and most importantly, ethical risk should be considered when dealing with some economic actors in order to avoid getting morally compromised."

Do you observe a trend in the development of intra-African business?

"Yes and surprisingly so. This has been a new tendency for the past five years or so. FDI between African countries is growing, originating mostly from Nigeria, Kenya, South Africa and from North African countries (Morocco, Egypt, and Algeria in the energy sector) – and is made easier by increasingly widespread freedom of movement for persons and goods. This tendency confirms Africa is actively taking part in its own development."

What would be your advice to a company investing in West Africa?

"I would recommend they take the cultural context into account –which concretely means use local competences for joint engagements. This is also an ethical requirement: associate local stakeholders and see beyond pure financial investment to contribute to economic and sustainable development is essential."

"West Africa has experienced good growth and resilience despite the international economic slowdown and FDI between African countries is growing, confirming Africa is actively taking part in its own development"

Three technology trends businesses should know about

By Jim Bourke, WithumSmith+Brown (HLB USA)

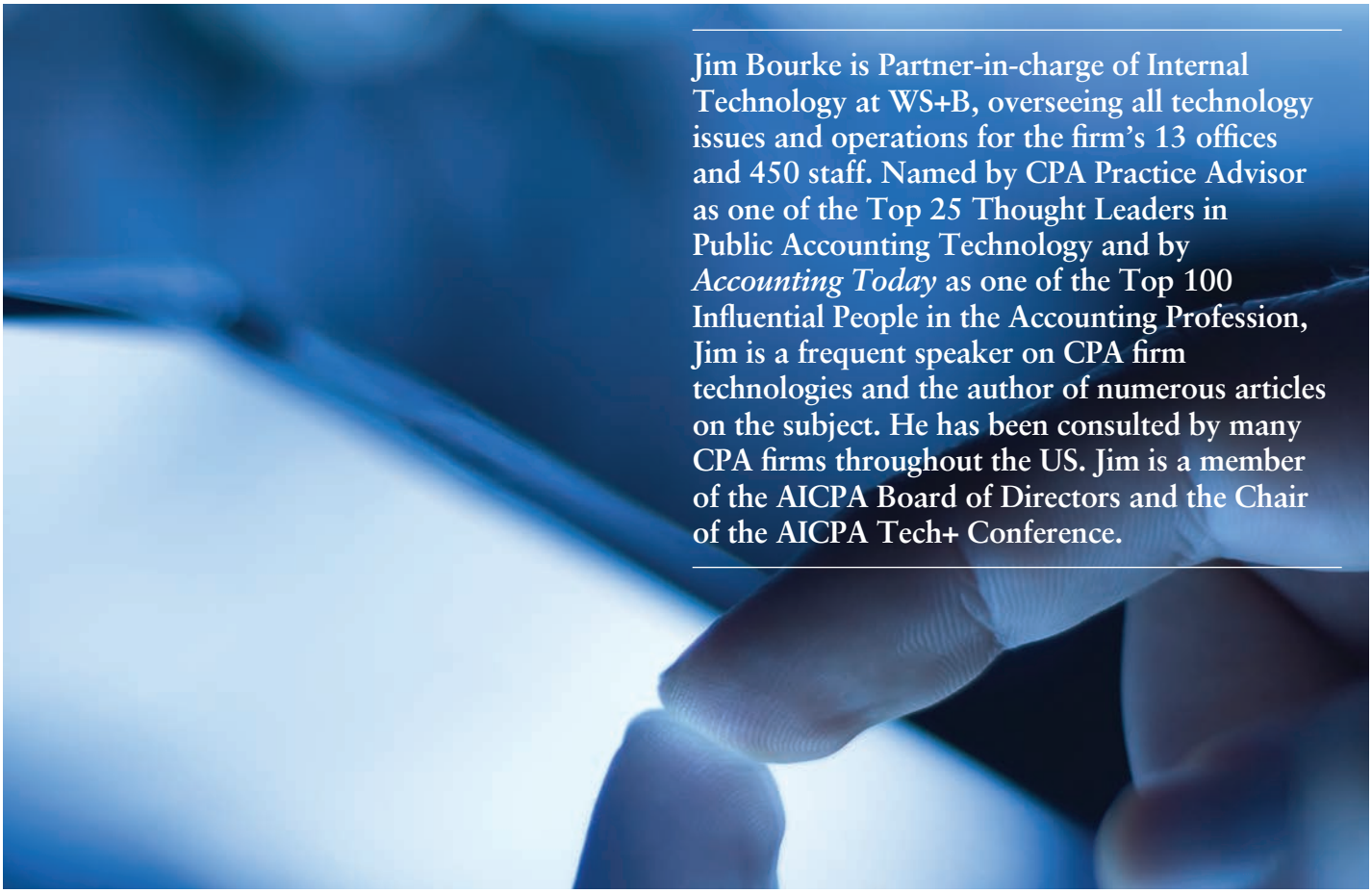
Technology is constantly changing the way we do business. Enhancing communications, increasing productivity, decreasing costs — its benefits are numerous and will continue to have a major impact on companies in the future. Here are the three areas that most deserve companies' attention in the near term:

BYOD: Bring your own device, a policy of allowing employees to use their own mobile technology in the workplace, has gained popularity among larger companies and is finally getting long-overdue attention from mid-sized and small companies.

Employers are facing an increased demand from their management and staff to connect non-company-owned devices into corporate resources. A concept once forbidden by most companies, this has now become an accepted way to do business. A good BYOD is always accompanied by the implementation of a mobile device management (MDM) tool. MDM tools facilitate the management of the BYOD policy and help to insure client data is always kept private and confidential.

Big Data: This is all about managing and analysing the tremendous amount of financial and operational data available. The significant volume of digital data that exists today is creating opportunities for businesses, with new revenue streams and ways to fill gaps during traditionally slower revenue months. Accountants are perfectly positioned to dive into this area. Historically, accountants focused on financial data and metrics that may have been contained and embedded in the accounting systems deployed by the company. Companies are starting to realise that the wealth of digital data that they have been accumulating may hold the key to enhancing profitability and increasing cash flows. Who better than the company's accountant, to assist with this data mining initiative?

Cyber threats and storage demands are both a consequence of big data. The explosion of storage of big data by third parties is creating new revenue opportunities for firms offering services in the service organisation control (SOC) arena. Our profession is not alone in the migration of data and applications to the cloud. Throughout the world, both the consumer and business communities are also going this route. This migration to the cloud brings operational efficiencies by allowing access to data and applications 24/7, but it also brings with it the increased potential for breach. Accountants are perfectly positioned to assist their clients in addressing the risks of this model.



Jim Bourke is Partner-in-charge of Internal Technology at WS+B, overseeing all technology issues and operations for the firm's 13 offices and 450 staff. Named by CPA Practice Advisor as one of the Top 25 Thought Leaders in Public Accounting Technology and by *Accounting Today* as one of the Top 100 Influential People in the Accounting Profession, Jim is a frequent speaker on CPA firm technologies and the author of numerous articles on the subject. He has been consulted by many CPA firms throughout the US. Jim is a member of the AICPA Board of Directors and the Chair of the AICPA Tech+ Conference.

I> Initiatives

HLB "Team Germany" – proudly wearing HLB's colours

HLB Germany's latest Council Meeting, held in Wuppertal (North Rhine-Westphalia), brought together some enthusiastic runners under HLB's colours.

HLB KMC West Africa highlights female staff

HLB KMC West Africa recently highlighted female staff and their contribution to the company by dedicating Niger's National Women's Day to them. A party was organised in their honour and each female staff member was offered a personalised local art object as a symbol of their vital importance to the firm's success.

HLB Women in Accounting Survey now Online

HLB firms have a broad spectrum of approaches and success in retaining and promoting women –and are encouraged to do so by HLB's Women in Accounting programme, which encourages member firms to attract and most importantly retain women staff throughout their careers. This recently-launched online survey helps HLB know more about actions undertaken, monitor their evolution and share best practices. You will find it on HLB's intranet homepage.

HLB in Malaysia: teaching children to save for their future

HLB Ler Lum (Malaysia) recently sponsored the opening of savings accounts for 106 children aged seven and over, with the objective to teach them how to save for their future. The accounts were opened at a local bank with an amount of RM50 each (eq. $15).

HLB International's CEO attended the event while HLB Ler Lum also sponsored Ti-Ratana Welfare Society's Orphanage Centre, who caters for children who have lost their parents and those with single parents in need of aid.

Ven. Datuk K.Sri. Dhammaratana, Malaysia's Chief High Priest, welcomed HLB Ler Lum's sponsorship and invited the firm to visit Ti-Ratana Welfare Society next year to continue the sponsorship... and check on the savings accounts!

A> Awards

Germany – HLB Schumacher rewarded for its quality of service

HLB Schumacher (HLB Germany) was distinguished with the Servicekrone Deutschland® for its quality of service and client satisfaction. The firm was rated by its clients through an anonymous survey conducted by an external consulting organisation, and was delighted to see that 96% of them replied positively to the statement "I'm glad to work with HLB Schumacher". This result is both an honour for the firm and an incentive to continue to answer its clients' needs with the highest standards.

UK – Evolution LLP rewarded for the second year in a row

Evolution LLP (HLB UK) has won the North East Accountancy Awards Independent Firm of the Year accolade, one of the most prestigious awards in the region's professional services sector, for the second year in a row. As well as being the only firm to win that title two consecutive times, Evolution was also shortlisted for the Accounting and Finance Employer of the Year award.

Evolution, who recently gained Investors In People (IIP) accreditation for exceptional staff and client management, acts for a wide range of clients from sole traders to multinationals and offers a broad spectrum of services including personal tax returns and tax planning for high net-worth individuals.

HLB's latest Asia Pacific conference a success

HLB's Asia Pacific conference, held end of June in Bali, Indonesia, brought together over 60 attendees from HLB's network in Asia Pacific and the rest of the world -namely the US, UK, Denmark, France, Italy and the Netherlands. The conference was organised by HLB Indonesian member HLB Hadori Sugiarto Adi & Rekan.

The conference was a great opportunity for HLB members to discuss current issues in the profession and listen to such interesting speakers as Indarto Pamungkas, Senior Economist at Bank Mandiri and Aris Utama, from PT Bumi Menara Internusa (BMI)'s Board of Directors, on macroeconomic trends and international business development. Bank Mandiri is Indonesia's largest bank while BMI, who has received numerous awards for its operational excellence and leadership, is one of the best in class seafood processor and exporter in Indonesia as well as one of HLB's clients.

Record attendance for Audit & Tax Conference

170 delegates from all over the world took part in HLB's annual Audit & Tax Conference, held this year in Copenhagen and hosted by HLB International's member firm in Denmark, Beierholm. Beierholm is one of Denmark's leading audit & accounting, tax and advisory company, ranking 6th nationally with a total of 600 staff.

The conference, an excellent opportunity for delegates to hear about the latest changes in accounting, audit and tax, raised the interest of national media with *Boersen*, Denmark's leading business daily, publishing an article on current tax evolutions as analysed by HLB's Chairman Mogens Andersen, CEO Rob Tautges and International Tax expert Kimberlee Phelan (HLB USA).

Forthcoming Events and Conferences

Winning International Business course
Verbania-Pallanza (Milan)
20-22 September 2013

Football Tournament
Copenhagen
28-29 September 2013

International Conference & Latin America Regional Conference
San Francisco
23-26 October 2013

MEA Regional Conference
Dubai
9-11 November 2013

Nordic Countries Regional Meeting
Copenhagen
17-18 November 2013

Eurasia Regional Meeting
Tbilisi (Georgia)
1-2 December 2013

European Regional Conference
Vienna
16-17 January 2014

North American Regional Conference
St. Thomas,
US Virgin Islands,
14-17 May 2014

Audit & Tax Conference
Washington DC
9-12 July 2014

International Conference
Barcelona
22-26 October 2014

HLB France–HLB Groupe Cofimé's 170 staff celebrate half a century in business

Inspired to work together

HLB International