

# HLB GLOBAL TRANSPARENCY REPORT 2020

FOSTERING QUALITY IN  
UNPRECEDENTED TIMES



THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK

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# FOREWORD

## Welcome to HLB's Global Transparency Report 2020

The impact of COVID-19 on societies and economies across the globe has been unprecedented. It has deeply affected our clients, our people and the communities we work in. It has also been a catalyst for change. While many shaping forces such as technology innovation, political and regulatory disruption, and climate issues have been driving transformation across all sectors including professional services for years, the implications of the pandemic have accelerated business model reinventions even further.

For the future of HLB, it is essential that we adapt to change and grow our agility to maintain a sustainable business model. We work hard to ensure we harness disruption and evolve to be fit for the future, while maintaining quality at the heart of our audit, tax and advisory services for the benefit of our clients.

We welcome the IAASB's new International Standards on Quality Management and the far-reaching implications they may have in our profession. In times of accelerated change and profound uncertainties, we must keep focus on quality and building trust among our people,

our clients, and the communities we operate in. It is the starting point for exploring new opportunities and growth for the HLB network, and ensures we stay true to our core values.

HLB's Global Transparency Report 2020 highlights the progress we have made in reinforcing solid processes for high quality standards, to anticipate public interest as well as the changing market conditions we operate in. We welcome the opportunity to discuss any of the matters raised in our report and address any questions you may have.



MARCO DONZELLI  
CEO, HLB International Ltd

# COMMON ABBREVIATIONS USED IN THIS REPORT

<b>AGM</b>	Annual General Meeting
<b>AML</b>	Anti Money-Laundering
<b>CISF</b>	Cyber & Information Security Framwork
<b>EC</b>	Executive Committee
<b>EGIAN</b>	European Group of International Accounting Networks and Associations
<b>ENIS</b>	European Network Information Security Agency
<b>EO</b>	Executive Office
<b>FC</b>	Finance Committee
<b>FOF</b>	Forum of Firms
<b>GASC</b>	Global Advisory Services Committee
<b>HLBI</b>	HLB International
<b>IAC</b>	International Assurance Committee
<b>IAS</b>	International Standards on Auditing
<b>IASB</b>	International Accounting Standards Board
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>INED</b>	Independent Non-Executive Director(s)
<b>ISAEs</b>	International Standards on Assurance Engagements
<b>ISQC</b>	International Standards on Quality Control
<b>ISRSS</b>	International Standards on Related Services
<b>ITC</b>	International Tax Committee
<b>NC</b>	Nomination Committee
<b>QA</b>	Quality Assurance
<b>TAC</b>	Transnational Auditors Committee

# GOVERNANCE AND MANAGEMENT

HLB International Ltd is a private company limited by guarantee, incorporated in England and Wales, which does not provide services to clients.

HLBI is a global network of independent advisory and accounting firms, each of which is a separate and independent legal entity and as such has no liability for the acts and omissions of any other member. HLB International Limited is a private company limited by guarantee and registered in England and Wales, which co-ordinates the international activities of the network of member firms but does not provide, supervise, or manage professional services to clients. Accordingly, HLB International Limited has no liability for the acts and omissions of any member of the HLBI network, and vice versa.

HLBI has a history of innovation, collaboration, and dedication to helping clients grow across borders, through the power of 32,839 professionals across 159 countries. HLBI member firms are locally established with deep roots in their local communities yet are closely connected with the other HLB professionals from across the world, supporting clients as they grow nationally, regionally, and globally, and ensuring a consistent high-quality experience with a personalised service.

## GOVERNANCE

### Council

The HLBI Council is the governing body of HLBI and comprises of the Chairman, the CEO as well as of one Council member and one Alternate for each of the 20 HLB Principal Firms. A Principal firm is a firm, or federation of firms, which takes an active part in the management of the organisation. Each Principal Firm nominates one of its partners to be a HLB Council Member (a director of HLBI under UK Company law) and another partner as the “Alternate” although both can attend Council Meetings. Each Principal firm – which can represent a Country or a group of Countries - has one vote.

The Council normally meets twice a year and, based on the recommendations of its subcommittees - the EC, the FC, and the NC - decides, approves, and oversees the implementation of strategies and policies of HLBI. The Council also approves the audited financial statements, and any other AGM matter.

In addition to the Chairman, the Council members and alternates as of 31 December 2020 are:

Country	Council Member	Alternate
Australia	Neil Wickenden	Tony Fittler
Austria	Markus Grün	Andreas Urban
Belgium	Patrick Van Impe	Wladimir Van-derbauwede
Brazil	Douglas Vitoriano Locatelli	Paulo Crepaldi
Canada	Brett Starkman	Cameron Johnson
Channel Islands (Jersey and Guernsey)	Stuart McInnes	Richard Garrod
China (Mainland)	Yu Li	Ben He (Guoquan)
Cyprus	Costas Afxentiou	Polyvios Polyviou
Denmark	Hakon Rønn Jensen	Henrik Welinder
France	Bettina Cassegrain	Jérôme Bernard
Germany	Detlef Ortseifen	Kersten Duwe
Hong Kong	Raymond Cheng	Jonathan T.S. Lai
Italy	Marco Gagnoli	Marco Marcellan
Mexico	Alfonso Lebrija	Jeronimo Lebrija
Netherlands	Rob Meijer	Erik Van der Haar
Russia	Mikhail Ponomarev	Oleg Gladkhik
Singapore	Robin Chin	Andrew Tan
Spain	José Maria Bové	Secundino Urcera
United Kingdom	Jon Cartwright	Julie Adams
United States of America	Leon Janks	Bill Hagaman

### Chair of the Board

The Chairman, who is a Council member, is elected by the Council for an initial three-year period, with an option to stand for a further term of two years. HLB's current Chairman is Corney Verstedden - from the Netherlands - who has recently been re-appointed for a second term, effectively starting on 1st January 2021.

The Chairman's role is primarily to chair meetings of Council and of the EC, to work with the CEO to progress the strategic agenda of the network, to annually assess the CEO's performance, and to promote the effective governance of the organisation. The Chairman is also a member of the NC.

### Independent Council members

Currently HLB do not have external independent Council Members. However, the Council may decide to appoint such INED to further increase the Council level of expertise in specific subjects as well as independence in the Council's decision-making processes.

## GOVERNANCE COMMITTEES

The HLB Council delegates certain matters to three Governance committees. Such committees are made exclusively by a combination of Council members and alternates as follows:

### Executive Committee (EC)

The EC comprises the Chairman; the CEO; 8 to 10 between Directors and Alternate Directors as approved by the Council on the recommendation of the

NC. EC Members are appointed for an initial term of three years and can be re-appointed for up to a further three terms of three years each, provided that the NC has recommended them for re-appointment.

The role of the EC is to be an advisory committee to the Council. The EC meets at least five times per year, recommends decisions and actions to the Council on any matters it deems relevant to the business and monitors the overall quality of the network. The Council may also ask the EC to consider specific matters and to recommend decisions accordingly. Nevertheless, the Council is the ultimate decision-making body. The EC includes a Strategy Sub-Committee to ensure Strategy alignment and execution.

The Chairman reports to the Council on the proceedings of the EC after each EC meeting on all matters within its duties and responsibilities.

### Finance Committee (FC)

The FC comprises three between Directors and Alternate Directors as approved by the Council on the recommendation of the NC. Appointments to the FC are made by the Council, prior recommendation by the NC, for a term of three years, which may be renewed for a further

three-year term. The FC is responsible for recommending financial policies, goals and budgets which support the mission, values, and strategic goals of the HLBI network. The FC reviews the Network's financial performance against its goals, recommends policies and processes related to the Network's systems of internal controls and financial reporting, and reports to the Council and EC.

The FC reviews and comments on the year-end audited financial statements and relevant financial analyses (produced by the CEO), prior to the Council's approval vote; reviews and comment upon annual budgets and relevant analyses produced by the CEO prior to the Council's vote; reviews and comments upon interim financial statements and relevant analyses produced by the CEO; reviews the selection of, and arrangements with, the external auditor on an annual basis and makes recommendations to the Council in relation to the annual appointment of external auditors as appropriate prior to the Council's vote; liaise with the Company's external auditors regarding the results of the annual audit including internal control matters and any other issues and matters relating to the financial audit; takes a lead role in discussions concerning financial matters and reporting at Council meetings.

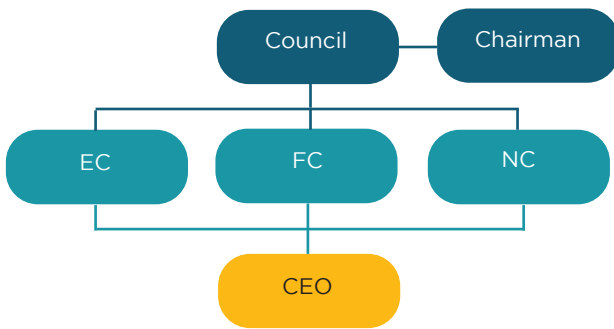


The number of people in the network grew by 12% in 2020.

**32,839**  
people

**159**  
countries

FIGURE 1. GLOBAL GOVERNANCE STRUCTURE



### Nomination Committee (NC)

The NC comprises the Chairman; two EC Members; two directors or alternate directors who are not also EC Members; the INED (if any) and subject to appointment by the members of the Committee by way of a simple majority vote. Currently no INED are members of the NC. One of the two EC members is the Chair of the NC. Appointments to the Committee are made by the Council and will be for a term of three years, which may be renewed for indefinite terms provided the member still meets the criteria for membership of the Committee. When making appointments to the NC, the Council will take into consideration criteria such as: proven leadership; previous experience of sitting on committees and, specifically, nomination committees; knowledge, skills, and experience; diversity, including age, gender, ethnicity, and geography; senior or managing partner experience; independence; involvement in cross-border work; and the composition of the existing Committee members.

The role of the NC is to ensure that there is a formal, rigorous, and transparent procedure for the appointment of members of the EC; members of the FC; any external directors; the Chairman of the Company and the CEO of the Company. It exists to lead the process for such appointments and to make relevant recommendations to the Council, which is the ultimate decision-making body. The NC assists the Council in ensuring that the composition of the EC and FC is regularly reviewed and refreshed so that it is effective and able to operate in the best interests of members; and in doing so, the NC shall work and liaise with other Council committees, as appropriate.

The NC carries out the following duties for HLBI: gives full consideration to succession planning for the Company, taking into account the relevant challenges and opportunities, and the skills, experience, independence, knowledge and diversity needed in the future; satisfies itself that plans are in place for orderly succession for appointments to the EC, the FC, any External Directors, the Chairman, any Vice-Chairman and the CEO; provides regular reports to the EC and the Council at their meetings.



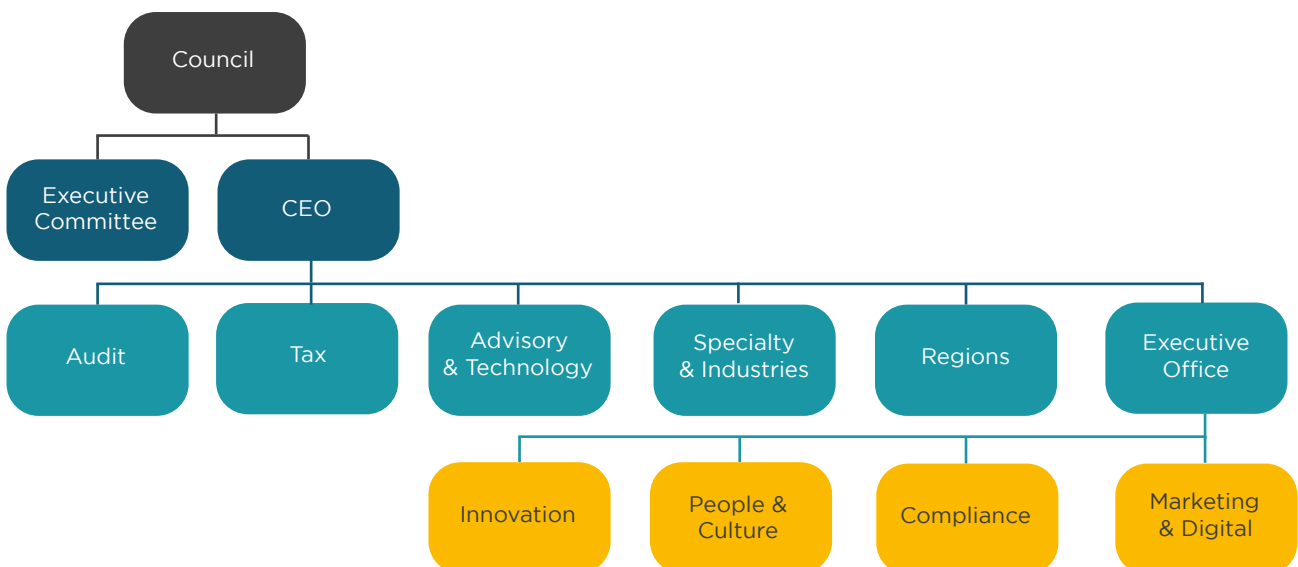
**Chief Executive Officer**

The CEO is appointed by the Council, upon recommendation from the Nomination Committee. In 2017, the Council appointed Marco Donzelli, formerly COO, to be the HLBI CEO. The CEO is a Director of HLB International Ltd under UK law, is a member of the EC, is responsible for the leadership of HLBI and of the EO.

as well the global leaders in regard of all service and industry lines, and the global Chairs of best practice groups (i.e. Technology, Marketing, Human Resources). More widely, the diagram below depicts the overall global leadership structure of HLBI as of 1st January 2021.

The role of the CEO includes the continuous development and implementation of the network strategy. The CEO has responsibility for appointing the global functional leaders who assist the CEO in the execution of *Shaping our Shared Future*<sup>1</sup>, the network’s global strategy, with regards to the audit, tax and technology & advisory service lines,

FIGURE 2. GLOBAL LEADERSHIP STRUCTURE



<sup>1</sup>For more information on our strategy, *Shaping our Shared Future*, visit our website at [www.hlb.global/shared-future](http://www.hlb.global/shared-future)

# RISK MANAGEMENT AND INDEPENDENCE

The EC monitors professional risks and the adequacy of the various programmes developed and implemented by the Technical Director & Global Assurance Leader, supported by the IAC.

Global risk management includes:

- managing the HLB risk register including the assessment and prioritisation of key risks and on relevant actions for the organisation.
- developing, communicating, and maintaining global policies and procedures designed to maintain independence and objectivity of member firms and professionals.
- establish standards for client acceptance and client continuance activities of member firms.
- developing training programmes covering the above.
- developing and maintaining technology solutions to facilitate the effective and efficient execution of the procedures referenced above.
- monitoring the effectiveness of the design and operation of member firms' systems of quality control over providing high-quality services
- reporting on member firm progress in executing action plans developed in response to quality inspection programme findings.

## CYBERSECURITY

HLB launched its CISF in 2017 to enable HLB firms to meet regulatory obligations.

The framework provides a comprehensive but simple methodology to identify information assets, connected risks and most appropriate control measures, which can be then deployed across the business. The controls and associated policies within the CISF draw on generally accepted principles and best practice and ensure compliance with current legislation. More specifically, the HLB CISF is based on the foundation of OCTAVE21 principles, attributes, and outputs.

HLB will continue development of the CISF to include external threat intelligence and incident response requirements and business continuation.

Starting from 2021, all HLB firms are required to comply with the HLB CISF

framework. HLB firms (and, similarly, prospective firms) must regularly provide evidence of implementation of the framework. Additional oversight is then conducted by the HLB global technology group, led by the Chief Innovation Officer and the Global Technology & Advisory Leader, on selected HLB firms every year to determine if they meet the requirements and to define relevant support measures where necessary.

## HLB FIRM ADMISSIONS AND OTHER BUSINESS COMBINATIONS

Prospective HLB firms must meet certain criteria for membership or, in certain limited cases, commit to implementing specific procedures upon joining the network within a short timeline. The criteria for membership include:

- alignment with the network's quality, strategy, and cybersecurity standards
- completion of a thorough quality review process
- commitment to adopting HLB's policies, procedures, and methodologies across all service lines.
- maintenance of a system of quality control that meets or exceeds the IAASB, ISQC1, and the network's standards in relation to cybersecurity, AML, quality of tax practice and quality of advisory practice.
- agreement to the periodic evaluation of their system of quality control.

The admission of a firm to the network is dependent on the outcome of a due

diligence process, which is performed to determine whether the prospective firm meets the criteria for membership. All HLB firms are subject to obligations set out in the HLB firm agreements and global policies.

In addition to prospective firms, other business combinations, such as HLB firms pursuing transactions such as mergers, acquisitions, joint ventures, or similar arrangements are subject to the above criteria.

## INDEPENDENCE POLICIES, GUIDANCE AND TRAINING

HLB firms adopt HLB's global policies and procedures which are designed to safeguard independence and identify circumstances that could cause a potential independence impairment or a conflict of interest.

Our global independence guidelines are based on the independence standards of the IFAC which are promulgated in the IESBA Code of Ethics for Professional Accountants, with supplements to govern compliance with our own global independence policies and processes. If local regulatory requirements are more restrictive, member firms are required to adhere to these.

HLB monitors compliance with these policies. HLB firms are required to identify a partner with responsibility for overseeing independence matters, including providing training and obtaining annual confirmations of compliance with independence policies.

### Our independence Register and relevant guidelines provide:

- HLB firms with policy and guidance relating to independence matters.
- guidance to HLB firms on interpreting, applying, and complying with global policies.
- An automated system to monitor compliance with financial interest and independence restrictions, including an international relationship checking process which is designed to provide reasonable assurance that services are not provided to a HLB firm client or its related entities in breach of independence rules.

## ASSURANCE QUALITY

Quality is at the heart of our assurance service line. Continuously improving our quality is crucial to building trust. HLB firms are dedicated to delivering excellent client services in a fast-paced, ever changing environment.

The global network has established policies and procedures, controls, and risk management systems to provide the necessary framework to meet professional standards. Member firms are provided with support and resources to help maintain quality, including:

- affinity access to the CaseWare audit methodology and software, compliant with the International Standards on Auditing (ISA) and the HLB Audit Manual (through an HLB Template), which provides policies and procedures which are benchmarked against international auditing, quality control, independence, and ethics standards. The HLB Audit Manual is provided in multiple languages.
- protocols that enable HLB firms to consult with the Technical Director, the IAC and, if necessary, with audit specialists in other member firms
- a comprehensive intranet service that includes up-to-date information for HLB firms on auditing, financial reporting, ethics and independence

standards, and guidance on applying them effectively.

### FoF

HLB is a member of the FoF. The FoF and the IFAC are affiliated organisations with mutual recognition within one another's Constitution. The TAC is the executive arm of the Forum and a committee of IFAC and, therefore, provides the official linkage between the FoF and IFAC.

### EGIAN

HLB is a member of EGIAN. EGIAN is a membership organisation for global accountancy networks and associations. EGIAN members work together to share insights, understanding and a collective aim to shape policy in Europe.

## GLOBAL AUDIT METHODOLOGY AND TECHNOLOGY

HLB firms enjoy preferential access to a CaseWare-based audit methodology, in alignment with ISAs and with the HLB Audit Manual. This solution includes:

- specific guidance to assist auditors with the application of the audit methodology.
- offers flexibility and scalability to perform audits of all types and sizes.
- allows for rapid responses to regulatory changes.
- enables auditors to perform high-quality audits more efficiently.
- gives auditors the ability to provide clients with better insights into their business and operations.

While in several cases HLB firms can adopt software solutions other than CaseWare, such options must always be aligned with the ISAs and the relevant updates which are issued from time to time. Appropriateness of such audit software solutions is in all cases assessed during the HLB QA reviews. On the other hand, when the context does not allow for the practical implementation of an audit software – for instance, because of extremely limited number and importance of audit engagement in a specific

developing country – relevant HLB firms must in any case fully comply with the HLB Audit Manual.

## INTERNATIONAL ASSURANCE COMMITTEE

The IAC has a minimum of 4 Members, and a maximum of 8 Members. Such members are all experienced and highly competent audit & assurance partners of member firms. This composition includes the Technical Director & Global Assurance Leader who is also the Chair of the IAC. Members of the IAC are formally appointed and removed by the CEO. The Technical Director & Global Assurance Leader, on behalf of the IAC, is responsible for making recommendations to the CEO on the appointment and/or removal of members.

The IAC sets and progresses HLB's global assurance strategy, working closely with the other committees and groups, and particularly the ITC and the Global Technology Group. Current membership includes heads of audit from Australia, Canada, Germany, France, and the US. We also have a wider team of audit partners and managers, and heads of audit to increase involvement of member firms in decision making, resourcing and in the delivery of global assurance

initiatives.

The IAC reports to the CEO and to the EC, with its primary purpose being to support HLBI in its role of assisting HLB firms to improve the efficiency and quality of their assurance work performed, including through the following activities:

1. Preparation of training material.
2. Development of thought leadership for both internal and external purposes
3. Advice and guidance on quality control.
4. Support the Technical Director & Global Assurance Leader in the management of the HLB QA Programme, where relevant
5. Organisation of HLB Audit Conferences.

## QUALITY MONITORING

HLB firms are required to abide by a system of quality control that encompasses, at a minimum, the following standards:

- The IFAC Code of Ethics, including independence requirements.
- IESBA Code of Ethics for Professional Accountants.
- Standards published by the IAASB or by IFAC, including:
  - ISAs
  - ISAEs

- ISRSs
- ISQCs
- The HLB Quality Control Procedures
- Policies and methodologies when conducting transnational or internationally referred assignments, which meet or exceed the above standards (for example by using the HLB Audit manual)
- Relevant national standards and practices
- Training programs to keep partners and staff up to date with national and international developments in auditing and financial reporting.

These requirements follow the international quality assurance guidelines produced by the FoF, which HLB is a member of.

All HLB firms are also required to submit a completed standard Annual Quality Assurance Declaration to HLBI, and to provide additional information when requested. The Annual Quality Assurance Declaration provides information about the nature of the practice and is used to determine the appropriate review procedures for that firm.

Each firm's system of quality control is designed to provide global and national management with reasonable assurance that audit engagements are conducted in accordance with

applicable professional standards and global policies and procedures. HLB firms must have an effective internal inspection programme in place that meets the requirements of ISQC1.

The HLB QA review policy has been the primary mechanism for reviewing member firm quality for many years and has been effective in identifying deficiencies in member firm processes and supporting HLB firms to improve standards of quality and risk management. In principle, each HLB firm providing audit services must undergo an HLB QA review once every three years. Nevertheless, the HLB QA review system takes into consideration the overall context in which the firm operates, the size of the audit practice, the complexity of audits conducted (e.g. listed, public interest and high risk entities, and/or international clients), the results from previous HLB QA reviews, the regularity and quality of QA reviews, i.e. by national professional associations or statutory bodies and of reviews within a firm or federation of firms (internal inspections). For this reason, the HLB QA review system is risk-adjusted. As a result, in a limited number of cases and countries, some HLB firms may undergo their HLB QA reviews at

intervals longer than the typical three years.

HLB QA reviews are coordinated by the HLB Technical Director & Global Assurance Leader with the support of the IAC, a selected number of HLB audit partners and directors globally who operate as peer reviewers and with the project management support of HLB's EO. HLB QA reviews are applied to both member firms and prospective firms before joining the HLB network.

When an HLB QA review is completed, HLB issues a report based on the review findings. A member firm's quality control system is evaluated following a system with grades from 1 to 5, with 5 being the lowest grade. Grade 1, 2 and 3 are considered satisfactory. Before a grade is assigned, a second independent reviewer assesses the appropriateness of the grade originally proposed. Firms which have a satisfactory report may still require improvements in their quality control system and these reports may include matters to address within a specific timeframe.

When the HLB QA review identifies a deficiency, the HLB firm must address



Grading level	Explanation
1	The review raised no adverse issues, other than very minor issues, membership continued without conditions
2	The review raised issues which are of a level of significance such that the Reviewer considers that HLBI should obtain from the firm within 6 months: (a) confirmation that the issues have been addressed, and (b) an explanation of how this has been achieved
3	The review raised issues which are of a level of significance such that the Reviewer considers that HLBI should obtain from the firm within 12 months: (a) confirmation that the issues have been addressed, and (b) an explanation of how this has been achieved
4	The review raised issues which are sufficiently significant that a Level 3 grading is not appropriate. As a consequence, the Reviewer considers that the reviewed firm should undergo a further HLBI audit quality assurance review, normally within 12 months of the initial review, to determine what progress has been made in rectifying the issues raised. In allocating a Level 4 grading, the Reviewer considers that the firm can either rectify all the issues raised within 12 months, or will make significant progress within 12 months towards rectifying all the issues raised
5	The review raised significant issues, which the Reviewer considers will not or cannot be adequately addressed within 12 months, such that continuation of the firm's membership of HLBI needs to be considered

the deficiency within a reasonable period by developing an action plan to address the findings and submitting appropriate documentation. In some instances, further visits to the firm or remote assessments take place to follow up on the firm's progress toward implementing the required actions. The Technical Director & Global Assurance Leader closely monitor the progress of the HLB firms in addressing the

deficiencies noted during the review and report to the EC on any grade 4 and 5 firms.

Where the global quality monitoring identifies matters, HLB firms are given the opportunity to improve quality and are provided with support from the network. However, if HLB firms do not improve quality or if the findings are considered too important, HLB will

take remedial action where necessary which includes termination of membership. This is typically the case for firms which are given grade 5 or receive a second consecutive grade 4 in the follow up HLB QA review, which takes place approximately after 1 year the first grade 4 has been given. The HLB QA programme aims to protect the brand and reputation of the HLB network and the HLB firms, to maintain high standards in the network and provides safeguards for referral work through the promotion of common high standards, as well as to protect investor interests.

## AUDIT TRAINING PROGRAMMES

HLB firms have access to a large panel of training and professional development measures. Some of these measures such as our international audit conference and our regional audit training events deal with overarching developments in the profession such as regulatory changes and the increasing importance of technology in the audit profession. Other measures are based on the results of root cause analysis and aim to offer tailor made and actionable

improvement plans. Such measures include dedicated plans for individual member firms, action plans tailored for emerging markets and regional audit training sessions on an annual basis. Training sessions are delivered in English, French, Spanish, Arabic and Russian, depending on the audience. Our E-learning modules complete the learning and development suite of the network.

To address the challenges of remote auditing linked to the COVID-19 pandemic, HLB ran dedicated virtual sessions starting in March and throughout the rest of 2020. Such outreach sessions highlighted technical or logistical challenges and offered an array of possible solutions, based on the practical experience of our professionals from all over the world.

Our first “virtual” international audit conference was devised with the same intention: responding to current challenges, learning by exchanging best practice and moving into the future with a more streamlined and client focused audit approach.

## SUMMARY OF GLOBAL QUALITY MONITORING RESULTS:

**29** HLB Quality Assurance (QA) reviews during 2020

**11** peer reviewers participated (senior managers and partners)

## ENGAGEMENT WITH REGULATORS AND INSTITUTIONS

HLB maintains an open and constructive relationship with regulators and institutions. We contribute regularly to the public debate on major industry issues and participate in changes affecting our business. HLB's Technical Director and Global Assurance Leader represents the network at the FoF and has been a member of TAC since 2014. She is also a member of the Agenda Committee at the FoFs. HLB's audit specialists regularly participate in expert panels organised by the FoF and IFAC to represent the mid-tier view. At European level, our Technical Director and Global Assurance Leader represents HLB at EGIAN. As with the case of previous years, HLB continues to be active as part of thought leadership initiatives organised by IFAC. In July, Jennifer Chowhan from HLB Canada represented the mid-tier networks' perspective in a webinar on audit execution during COVID-19 times and Caroline Monk from HLB UK contributed to a discussion on auditor's reporting during the

pandemic. Furthermore, in October 2020, Jennifer Chowhan participated to a FoF panel discussing the auditor's role in preventing and detecting fraud, especially in the light of the current COVID-19 pandemic. In addition to this, HLB continues to ensure the voice of our members are heard by responding to surveys and requests for comment issued by the IAASB and other organisations.

# TAX QUALITY

Our tax line of service makes up an important part of the HLB network. Offering a wide range of tax expertise and services, HLB firms help clients of all sorts to develop local and international tax strategies, understand and manage their tax liabilities in an ethical and transparent way.

HLB's global team of tax professionals provide our clients with the necessary proactive advice and support, at both domestic and cross-border level. Our tax thought leadership is delivered for both regional and global audiences across our main tax service lines: corporate tax; private client services; expatriate tax services; transfer pricing; and indirect tax.

## INTERNATIONAL TAX COMMITTEE (ITC)

The primary purpose of the ITC – whose leadership team members are appointed by the HLBI CEO – is to support HLB in its role of assisting HLB firms to improve the efficiency and quality of tax work, increase cross-border opportunities and geographic/service coverage; facilitate international tax secondments and education; promote the exchange and the development of tax best practices; and monitor the tax quality of member firms on a regular basis. For the delivery of such objectives, the

ITC works alongside the HLB specialty, industry, and regional groups as well as the IAC and the GASC. Furthermore, the ITC drives the identification and deployment of tax technology solutions, in collaboration with our CIO; Global Technology & Advisory Leader; and Global Technology group.

## TAX QUALITY POLICIES

One of the primary goals of providing tax services is to establish and comply with best practices by operating with due professional care. Tax practices come in all shapes and sizes where best practices may be interpreted and implemented differently.

HLB firms must adhere to established quality control and professional standards, including for tax services. For this reason, HLB has implemented policies and procedures in a quality control system that helps communicate individual firms' adherence to best practices. There are six elements that are essential to the HLB's tax quality

control system:

1. Leadership responsibilities within the firm
2. Relevant ethical requirements
3. Acceptance and continuance of client relationships and specific engagements
4. Human resources
5. Engagement performance and training
6. Monitoring

All new HLB firm applications are asked to complete the Quality of Practice Questionnaire, which are reviewed by the Chair of the ITC, as part of the overall HLB due diligence process. Current HLB firms must complete the Tax Practice Standards questionnaire at each cycle and provide necessary evidence of implementation of related policies. Additional oversight is then conducted by the ITC on selected HLB firms every year, to determine if such firms meet the six pillars of quality of tax practice.

One tax partner is identified within each individual HLB firm and is accountable for assuring that quality standards are met, in line with the HLB’s tax quality control system.



# ADVISORY QUALITY

HLB business consultants across the globe help organisations grow locally, regionally, and internationally through innovative thinking and a collaborative approach. Through a broad range of advisory services, we help clients achieve their goals.

## GLOBAL ADVISORY SERVICES COMMITTEE

The committee is composed by a leadership team made by senior partners from HLB firms with strong experience in specific lines of business within the advisory space, extensive experience with international clientele and a commercial mindset (rather than a technical one).

These lines of business currently are:

- Management Consulting
- Technology Advisory
- IPOs
- Transaction Advisory Services
- Wealth Management
- Litigation

The committee fulfils its mission by working with the EO to devise and implement relevant actions across the network operational model (network conferences; network groups; network resources) on the top of additional cross-border commercial and thought leadership actions, and actions aimed at identifying and utilising HLB's centres of excellence and advisory-focused technologies.

The GASC has been set up with

the main purpose of helping the organisation and its member firms grow advisory services, in alignment with the 2023-2025 network strategy, Shaping our Shared Future.

## ADVISORY QUALITY POLICIES

For HLB firms, quality plays an important role not only in audit and tax but also within advisory services. For this reason, every member firm providing advisory services (as well as prospective member firms joining the network) is requested to complete a questionnaire and an advisory maturity assessment and to provide evidence of implementation of HLB's standards on ethics, client acceptance and maintenance and of alignment with the network's strategic direction in relation to advisory services. Additional oversight is then conducted by the GASC on selected HLB firms every year to determine if such member firms meet the requirements and what network support might be needed to implement relevant improvements within a reasonable timeframe.

# GLOBAL FINANCIAL PERFORMANCE

In FY20, HLB firms had a combined global revenue of US\$ 3.28bn. This represents an 12% growth compared to FY19, in line with our strategic growth objectives.

## GROWTH ACROSS SERVICES LINES:

### AUDIT & ASSURANCE



**31%**

US\$ 1.015bn  
UP 5% FROM  
FY19

### TAX



**25%**

US\$ 819.3m  
UP 7% FROM  
FY19

### ADVISORY



**36%**

US\$ 852.1m  
UP 38% FROM  
FY19

### ACCOUNTING



**15%**

US\$ 491.6m  
UP 10% FROM  
FY19

## REGIONAL GROWTH



## MERGERS AND ACQUISITIONS

Total number and volume of deals where HLB supported clients



**2,409**

number of deals 2020  
(-16% from 2019)



**\$13.9bn**

volume of deals 2020  
(+23% from 2019)

Deal stats include data from 96 member firms out of the 326 member firms of the HLB network in 2020.



# REVENUE 2019 VS 2020

## REGION

	2020 Total revenue (USDm)	% of 2020 revenues	2019 Total revenue (USDm)	% growth in USD
Europe	1,393	43%	1,160	20%
North America	1,235	37%	1,112	11%
Asia Pacific	511	1.5%	522	-2%
Latin America	78	2.4%	80	-2%
Middle East & Africa	62	1.9%	55	19%

## SERVICE LINE

	2020 Total revenue (USDm)	% of 2020 revenues	2019 Total revenue (USDm)	% growth in USD
Audit & Assurance	1,038	31%	967	7%
Advisory	840	26%	616	36%
Tax	812	25%	762	7%
Accounting	482	15%	440	10%
Other	104	3%	146	-29%



## THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

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