

## **Interview with the CEO of Russell Bedford International Mr. Stephen Hamlet**

We welcome Russell Bedford International in Russia! In August, the network, that already competes on a global scale, united with IAS to raise its profile in the Russian market of audit and accounting.

Mr. Stephen Hamlet the CEO of Russell Bedford International shares his own view on this recent recruitment. In this interview he talks about positive and negative trends of today's global audit and financial consulting, makes an evaluation of the Russian market and financial services, explains why the recent crisis has such an impact on prices, and comments on new technology for the financial sector of business.

### **1. What are the most important trends in today's global audit and consulting?**

There are clearly positive trends and negative trends. Every business adviser must look to defend themselves against the negative trends and capitalise on the positive ones. The challenges continue to be the scarcity of good talent and being able to retain talented people once they are found, as well as economic uncertainty - one only has to look at recent political events that have contributed to that (the US elections and Brexit to name a couple), resulting in volatile exchange rates, which makes pricing extremely difficult on a global scale, as well as ongoing troubled governments and various forms of corruption in parts of the world, plus terrorism.

On the positive side, innovative technology is making processes easier to manage and enabling attention to be focused at a higher level of adding value and taking a more holistic approach when looking at a business and its operations. Process automation also of course helps reduce costs and to support opportunities for global growth, such as in emerging markets.

Labour shortages can be combatted by reviewing possible outsourcing strategies, and reviewing succession planning, as well as other recruitment and staff retention policies. Tax positioning is also important and businesses require proficient tax advisers to review possible off-shoring in respect of government incentives and policies.

Due to such uncertainties, businesses need to evaluate protectionism strategies in respect of currency market volatility, economic partnerships and trade agreements.

This makes it ever so more important to have trusted advisers who have local knowledge as well as global connectivity and experience all over the globe, such as our members at Russell Bedford International.

Audit thresholds also have an impact. It was announced recently that Malaysia, for example, (where auditing was always mandatory regardless of size) will now impose audit exemptions. The increase in thresholds and exemptions clearly threatens the audit profession; yet the consultancy practices need to then promote the value of optional reviews and how they can add greater value to a client's business.

The other important trend is specialisation. No longer is it desirable, or indeed possible, to find a "one solution suits all" in any given location; you need specialist advisers in certain fields of practice or industry sector, and this is how consultancy practices are now differentiating themselves.

### **2. How the latest technological trends, such as artificial intelligence, big data, machine learning, influence audit and consulting?**

There has been much talk recently on AI and its threat to "humanity" and taking jobs away from people. I absolutely disagree with this. Modern technology must be embraced and used to one's advantage. There will always be people needed to run machines, monitor their output and results to conclude what those results mean, and where the company should then progress.

Being in the "network and association industry" for many years now, I can stress how vital people are, with face to face meetings and human relationships. Providing a simplistic example, I make an effort each year to go and meet my members around the world. I could learn a large amount about them by staying in my office in London and remotely reviewing their processes and results, never leaving my

desk, using modern technology; but the important aspects of a practice and its business are discovered by physically meeting and discussing with the people of the organisation at their premises, where they work and operate.

All of these modern techniques are fantastic, they add great value to auditing and consulting, they help reduce costs but at the same time allow more effort to be put towards the "people skills" in order to understand the real ethos and culture of the business by human contact.

This however affects the sort of people a practice will need and will now be looking for. Consulting and auditing firms seek a different type of employee to those they sought, say, 5-10 years ago. As processes become automated, there is clearly less need for "processing people" and much more need for "consulting people" with the "people skills" such as selling, promoting and building relations, that lead to offering those added-value services.

**3. From your point of view, what markets for audit and consulting are the most promising these days?**

It is still important to monitor the emerging markets, which include India, parts of Africa and even South America, which has struggled in recent years for a number of reasons, plus certain parts of Eastern Europe. China of course remains a very important market. It shall indeed be interesting to see how Brexit affects the UK and businesses will need a lot of advice throughout Europe as matters unfold.

At Russell Bedford, we continue to ensure we have quality resources in all parts of the world as operations could expand and need advice in virtually any jurisdiction. It was important for us to find a resource in Moscow, having not had one for a period of time and for me, as the new CEO, this was unacceptable for a global network. Russia is very important and hence we are delighted to welcome IAS into our group.

**4. Russell Bedford International is going to advance on the Russian market. What is the significance of the Russian market for your organisation?**

As highlighted above, Russia and areas of Central and Eastern Europe continue to advance and we shall undoubtedly have clients of our member firms all around the world who will need assistance as their operations look to invest into Russia. Vice versa, as clients of IAS look to expand internationally, Russell Bedford offices will be able to assist. The significance of having a sizeable member in Russia, such as IAS, can only result in the generation of more business opportunities for our group. It is a snowball affect from all directions.

As an economy, Russia is expected to return to growth this year, after a couple of years of falling activity, thanks to recovering private consumption and fixed investment. It is understood that increased oil prices should also help government revenues and support exports.

**5. Russell Bedford International calls itself a network. What are the benefits of being a network? And if this concept is better than being a global corporation? Are there any obligations that a member of the network has?**

Russell Bedford is a network of independently owned and managed firms and companies. This could be argued to offer the best of both worlds. We provide resources all around the world, such as a global corporation, with rigid policies on audit quality control and the quality of all services that our members provide, plus we have a strict policy on responsiveness to ensure clients of all our members receive prompt servicing from whatever jurisdiction. Therefore, a member like IAS is able to offer its clients resources all around the world, so as that client looks to expand, IAS can stay on that journey of international growth with their client; rather than that client having to look for another provider with multiple international offices, and IAS potentially losing that client. This also allows IAS to target internationally focused clients who will need resources in other parts of the world. In turn, when clients of Russell Bedford firms look to invest into Russia, they will go to our local firm, such as IAS, for assistance.

Unlike a global corporation, we allow our member firms their own autonomy to grow and develop their practices with their own management and maintain their independent entrepreneurship. We find our network of local firms offers a much more direct partner-led service than some of the bigger global corporations. Our firms will always grant direct access to the partners and/or directors of their practice and clients appreciate that personal focus and service.

Members are obliged to adhere to Russell Bedford's strict By-Laws, which address quality, branding, servicing of clients of members and many other items. The main one being quality, that is assured on an annual basis with a very rigid quality control process, in addition to strict entrance requirements for any potential new member. We also expect our members to be represented at our annual meetings which is where relationships are built and best practices are shared.

**6. Whether the confidence in auditors has been restored after the global financial crisis and various high-profile scandals (Enron and etc.)?**

Many lessons were learnt from Enron etc, and policies have now been changed and tightened because of it (audit retendering and rotation, plus independence of certain services to the same client, for instance). I believe confidence is much better now but there is still perhaps some way to go before it is fully restored, if it ever will be completely restored. The audit tender processes have been tightened, such that timing of a tender is now important (considering factors such as board changes), the consideration and identification of more specific needs such as industry and geographic knowledge (referring back to my earlier points on specialisation and expertise), balancing other professional services, ensuring the timing of the engagement and announcement is appropriately communicated with investors, making sure the right skilled people are on the audit, and being open, honest, and transparent on a timely basis with the client on all matters.

Enhanced technology and automation, one would hope, will also help reduce the risk of error and lead to more confidence; streamlining processes should lead to more efficiency and more time for that "human touch/judgement" to identify problems more readily and more obviously.

**7. Can you say, from an auditor's view, that the financial world becomes more transparent today?**

There is certainly a lot more ability to be transparent, because of the advancements in technology, but this still very much relies on how items are reported and disclosed. The information may now be easier and quicker to obtain, plus more of it obtainable; yet the question will always be "who controls that information" and "how it is then used".

Clearly, recent and upcoming changes in regulation and disclosure reporting requirements can assist, and I would conclude by saying the world certainly has become more transparent but, as with everything, there is still more that can be done, and forever there will be questions asking whether it is "transparent enough"... and will it ever be "transparent enough".