

HLB GLOBAL TRANSPARENCY REPORT 2022



THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

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COMMON ABBREVIATIONS USED IN THIS REPORT

AGM	ANNUAL GENERAL MEETING
AML	ANTI MONEY-LAUNDERING
CISF	CYBER & INFORMATION SECURITY FRAMEWORK
EC	EXECUTIVE COMMITTEE
EGIAN	EUROPEAN GROUP OF INTERNATIONAL ACCOUNTING NETWORKS AND ASSOCIATIONS
ENIS	EUROPEAN NETWORK INFORMATION SECURITY AGENCY
EO	EXECUTIVE OFFICE
FC	FINANCE COMMITTEE
FOF	FORUM OF FIRMS
GASC	GLOBAL ADVISORY SERVICES COMMITTEE
HLBI	HLB INTERNATIONAL
IAC	INTERNATIONAL ASSURANCE COMMITTEE
ISA	INTERNATIONAL STANDARDS ON AUDITING
IAASB	THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD
IESBA	INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS
IFAC	INTERNATIONAL FEDERATION OF ACCOUNTANTS
IFRS	INTERNATIONAL FINANCIAL REPORTING STANDARDS
INED	INDEPENDENT NON-EXECUTIVE DIRECTOR(S)H
ISAEs	INTERNATIONAL STANDARDS ON ASSURANCE ENGAGEMENTS
ISQC	INTERNATIONAL STANDARDS ON QUALITY CONTROL
ISRSs	INTERNATIONAL STANDARDS ON RELATED SERVICES
ITC	INTERNATIONAL TAX COMMITTEE
NC	NOMINATION COMMITTEE
NIST	NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
QA	QUALITY ASSURANCE
TAC	TRANSNATIONAL AUDITORS COMMITTEE

A MESSAGE FROM THE CEO

HLB's Global Transparency Report 2022 details the efforts we have made to establish high quality standards, anticipate public interest as well as interpret changing market conditions. Despite the many unprecedented events of 2022, HLB remained resilient, and we focused on our strategic priorities. We drew on the skills and capabilities of our diverse global community to weather the storm and emerged stronger than ever. In fact, I am thrilled that our growth has landed us the 10th position in global ranking among accounting networks. We achieved a substantial 9% growth in FY22, with a combined annual revenue of US\$4.44 BN, exceeding all the targets set out in our business strategy, 'Shaping our Shared Future'.

Our continued commitment to upholding excellent standards across all services lines is aimed at fostering trust and confidence with clients worldwide. The last quarter of 2022 saw the implementation deadline of the new International Standards on Quality Management (ISQM) and our network is now fully compliant with the new standards.

Furthermore, we recognise the significance of social issues that affect our people, stakeholders globally, and the communities we serve. Through our shared values and everyday interactions, as well as various Corporate Social Responsibility initiatives through the year, we strive to deliver on our purpose to make a positive and sustainable impact for all our stakeholders in the HLB ecosystem. As such, we were honoured to win the prestigious IAB Network of the Year award for 2022.

Through 2022, we have enhanced our service offerings to help protect our network from the high-risk factors facing businesses today, including making strategic investments in cybersecurity, cloud, emerging technologies, and even the metaverse. We have also worked hard to maintain remote-working capabilities enabled by digital technology and hybrid-working infrastructures, which are now standard for many HLB firms.

I look to the future with optimism. While no one knows what is waiting around the corner, we know that we have the strength, agility, and expertise to quickly respond to market challenges and to drive us forward into the new era of HLB. The future looks bright for HLB and our global community.

We welcome the opportunity to discuss any of the matters raised in our report and address any questions you may have.



A handwritten signature in black ink, reading 'Marco Donzelli'.

MARCO DONZELLI
CEO, HLB International Ltd

NETWORK PERFORMANCE AT A GLANCE



US\$4.44 BN

GLOBAL COMBINED
REVENUE



40,831

PEOPLE



9%

NETWORK
GROWTH



1,128

OFFICES



10th

GLOBAL
RANKING



156

COUNTRIES



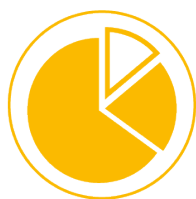
**Down 9%
from 2021**

CARBON
FOOTPRINT



**Up 14%
from 2021**

STAFF FROM
UNDERREPRESENTED
GROUPS



2.19 hours

VOLUNTEERED PER
EMPLOYEE

Network of the Year



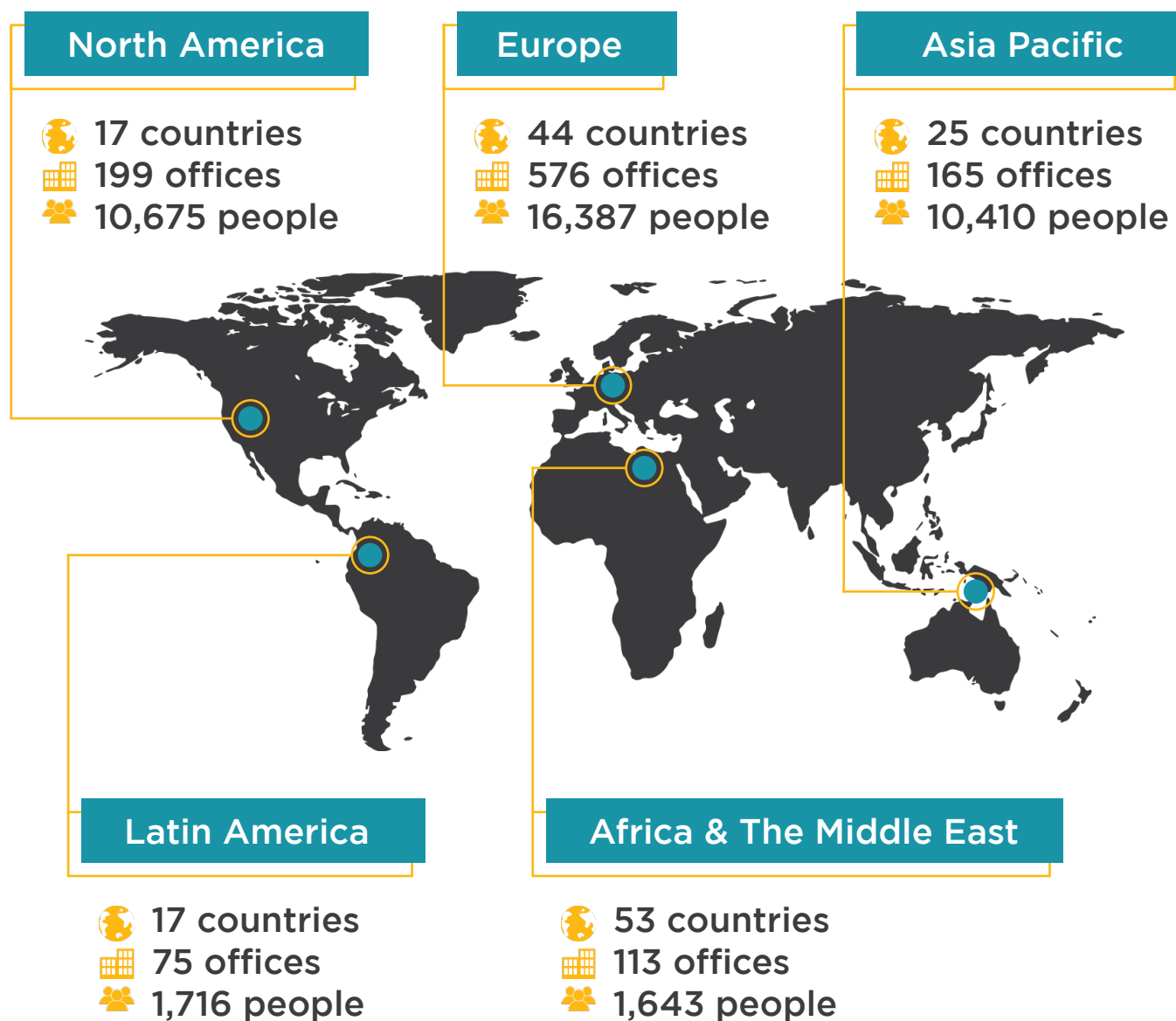
**2022
Winner**

NETWORK OF THE YEAR

* Revenue and other global figures are aggregates of results of individual HLB member firms.

GLOBAL REACH

Through 40,831 professionals across 156 countries, we are dedicated to helping organisations grow across borders. HLB member firms are locally established with deep roots in their local communities yet are closely connected with 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.



OUR STRUCTURE

The HLB International network

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. HLBI 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.

The members of HLBI comprise of Principal Firms and Representative Firms, each referring to their affiliation with HLB as being: “a member of HLB International”. The distinction between Principal Firms and Representative Firms is as follows.

A Principal Firm is a firm, or federation of firms, which wishes to take an active part in the management of the organisation. Each Principal Firm nominates one of its partners to be the HLB Council Member (and also a director under UK law) and another as his “Alternate” although both can attend Council Meetings. Only one principal firm is appointed per country, and each has one vote. A Representative Firm signs an agreement to represent HLB International in a defined territory but is not a member of the Council.

From time-to-time, HLBI has correspondent relationships in some countries where it does not have a member firm or where it needs to perform certain services on behalf of member firm clients. Correspondent Firms are not members of HLBI, are not subject to HLB’s global quality assurance reviews, are not permitted to use the HLB name and do not appear in the international directory.

However, the Executive Office is able to provide the contact details of such firms, should client needs arise.

The Executive Office (EO)

Situated in London and led by the CEO, the Executive Office supports the day-to-day leadership and management of HLBI. It recommends the policies and regulations to govern and manage the network and ensures alignment in the execution of its global strategy.

HLB Advex Alliance

The HLB Advex Alliance comprises of independently owned professional services firms with similar objectives and providing similar client services, more specifically alternative advisory and CPA services.

By accessing the resources of HLBI, the purpose of the HLB Advex Alliance is for these firms to collaborate in the exchange of best practices, as well as knowledge sharing of capabilities and competences, across the territories in which they operate whilst continuing to maintain their own independent ownership and governance. Through the HLB Advex Alliance, the HLBI network is also able to complement the capabilities of HLB member firms and better serve international clients.

HLB Advex Alliance is a brand name owned by HLBI.

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 19 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 decides on any other AGM matter.

In addition to the Chairman and CEO, the Council members and alternates as of 31 December 2022 are shown on the next page.

Independent Council members

Currently HLBI 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.

Chairman

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 Bill Hagaman from the USA. In October 2025, an election will take place to either extend his term for another two years, or to appoint a new Chairman whose term would then start on 1 January 2026.

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.

Chief Executive Officer (CEO)

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 company law, is a member of the EC, is responsible for the leadership of HLBI and of the EO.

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, the network’s global strategy, with regards to the audit, tax and advisory service lines, as well the global leaders in regard of all service and industry lines, and the global Chairs of best practice groups.

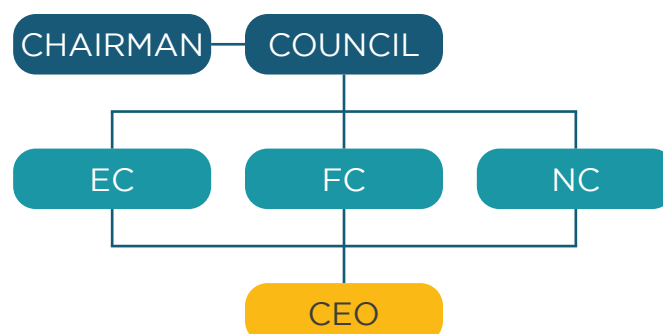
TABLE 1.
HLBI Council

COUNTRY	COUNCIL MEMBER	ALTERNATE MEMBER
AUSTRALIA/ FIJI/ NEW ZEALAND	Neil Wickenden	Tony Fittler
AUSTRIA	Markus Grün	Andreas Urban
BELGIUM	Patrick van Impe	Wladimir Vanderbauwede
BRAZIL	Douglas Vitoriano Locatelli	Paulo Crepaldi
CANADA	Brett Starkman	Cameron Johnston
CHINA	Yu Li*	Ben He (Guoquan)
CYPRUS	Polyvios Polyviou	Stelios Prodromitis
DENMARK	Thomas Thomsen	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	Erik van der Haar	Frank Verleg
RUSSIA	Mikhail Ponomarev**	Oleg Gladkikh**
SINGAPORE	Robin Chin	Andrew Tan
SPAIN	José Maria Bové	François Blin
UK	Jon Cartwright	Julie Adams
USA	Leon Janks	Bill Hagaman

*After year end Yu Li was replaced by Fiona Shen as Director on 21 March 2022

** Following the resignation of the Russian Federation from the Network, Mikhail Ponomarev's Directorship was terminated as was Oleg Gladkikh's alternate position, effective 24 March 2022

*** Detlef Ortseifen's Directorship will terminate during May 2022 when he will be replaced by Julia Schneider

FIGURE 1.
Global
governance
structure

Committees

The HLBI 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 and 8 to 10 Directors or Alternate Directors as approved by the Council on the recommendation of the NC. EC Members, who are not also the Chairman or the CEO, 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 as well as formulation steps for the next company strategy. 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 terms of three years provided the Committee member continues to meet criteria for membership of the Committee. The FC is responsible for recommending financial policies, goals and budgets which support the mission, values, and strategic goals of the HLBI network.

TABLE 2.
HLBI Executive Committee

COUNTRY	EXECUTIVE COMMITTEE MEMBER	ELECTION DATE	TERM EXPIRY DATE
AUSTRALIA/ FIJI/ NEW ZEALAND	Neil Wickenden	07.07.2021	06.07.2024
BELGIUM	Patrick van Impe	08.07.2020	07.07.2023
CANADA	Brett Starkman	01.01.2020	31.12.2022
GERMANY	Kersten Duwe	01.01.2019	TBC
SINGAPORE	Robin Chin	01.01.2020	31.12.2022
UK	Julie Adams	07.07.2021	06.07.2024
USA	Leon Janks/ Bill Hagaman	07.07.2021	06.07.2024
HLBI CHAIRMAN	Corney Versteden - Chair	N/A	N/A
CEO	Marco Donzelli	N/A	N/A

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.

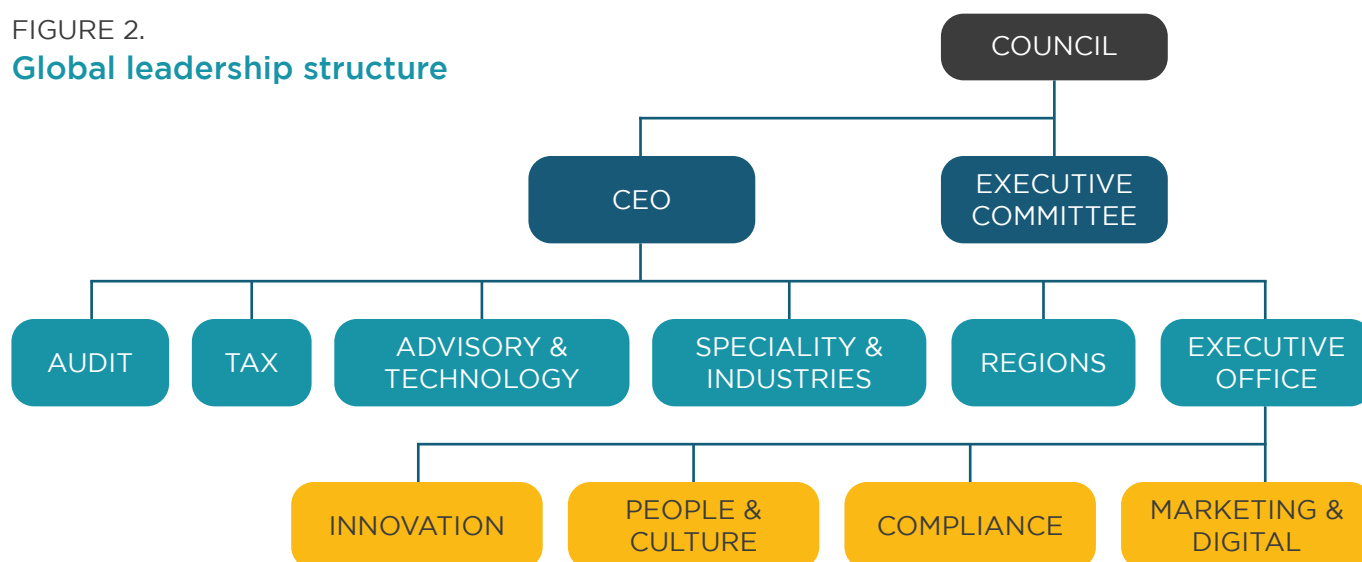
Nomination Committee (NC)

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 HLB: 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.

FIGURE 2.
Global leadership structure



RISK MANAGEMENT AND INDEPENDENCE

Global risk management includes:

Recent years have shown a multitude of unprecedented risk to business in the global business landscape. HLB aims to monitor what is happening in the world and in the profession, and find appropriate responses to protect the network.

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 International Assurance Council. In this regard, 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.
- Establishing 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 firms' progress in executing action plans in response to quality inspection programme findings.

Independence policies, guidance and training

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

HLBI monitors compliance with these policies. HLB member 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.

The HLB independence register and relevant guidelines provide HLB member firms with:

- Policy and guidance relating to independence matters.
- Guidance 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.

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 prospective firm to the network is dependent on the outcome of a due diligence process, which is performed to determine whether it 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 like mergers, acquisitions, joint ventures, or similar arrangements are subject to the above criteria.

Cybersecurity

HLB launched its Cyber Information Security Framework (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.

HLB has extended this framework to incorporate the NIST (National Institute of Standards and Technology) framework, which is quickly becoming a globally accepted standard for program management.

HLB will continue to develop the CISF to meet any new legislations and develop a network wide guidance on building a robust business continuation plan. Since 2021, all HLB firms are required to comply with the HLB CISF framework. HLB firms must regularly provide evidence of implementation of the framework. Additional oversight is conducted annually by the HLB global technology group, led by the Chief Innovation Officer and the Global Technology & Advisory Leader, on selected HLB firms to determine if they meet the requirements and to define relevant support measures where necessary.

ASSURANCE QUALITY

About the assurance function

Our assurance service line places great importance on quality. We understand that continuously improving our quality is essential to earn and maintain trust. HLB firms are committed to providing outstanding client services, even in a rapidly changing environment.

HLB has a positive and transparent relationship with regulators and institutions. We actively participate in public discussions on major industry issues and stay informed about any changes affecting the industry.

We have established policies and procedures, controls, and risk management systems to provide the necessary framework to meet professional standards. HLB firms are provided with support and resources to help maintain quality, including:

- Access to the CaseWare audit methodology and software (fees apply), compliant with the International Standards on Auditing (ISA).
- Access to Plenitude Financial Crime Risk and Compliance tools and resources.
- The HLB Audit Manual 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 and a new, updated version was published in 2022.
- Protocols that enable HLB firms to consult with the Technical Director, the IAC and, if necessary, other 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.

International Assurance Committee (IAC)

The IAC sets and progresses HLB's global assurance strategy. It works together closely with the other committees and groups, particularly the International Tax Committee, Global Advisory Services Committee, the Global Technology Group and Audit Technology Group.

The IAC has a minimum of four members, and a maximum of eight members. The members are all experienced and highly competent audit and 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. Current membership includes heads of audit from Australia, Canada, Germany, France, the United Kingdom and the United States.

The IAC relies on a wider team of audit professionals from across HLB to increase the involvement of member firms in strategic audit initiatives and address issues around resourcing.

The IAC reports to the CEO and to the Executive Committee. 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. Its primary purpose is to support HLB in its role of assisting HLB member firms to improve the efficiency and quality of their assurance work. They do this through the following activities:

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

The Forum of Firms

HLB is an active member of the Forum of Firms, an association of international networks of accounting firms that perform transnational audits. We fully support the forum's objective to promote consistent and high-quality standards of financial reporting and auditing practices internationally, and to support convergence of national audit and standards with the International Standards on Auditing.

The Forum of Firms and IFAC (International Federation of Accountants) are affiliated organisations with mutual recognition within one another's Constitution. The Transnational Auditors Committee is the executive arm of the Forum of Firms and a committee of IFAC

and, therefore, provides the official linkage between the Forum of Firms and IFAC. HLB Technical Director, Bettina Cassegrain, represents HLB on the Transnational Auditors Committee where she has a voting seat, and on the Agenda Committee of the Forum of Firms. HLB's audit specialists regularly participate in expert panels organised by the Forum of Firms and IFAC to represent the mid-tier view

European Group of International Accountancy Networks and Associations (EGIAN)

HLB is a member of the European Group of International Accountancy Networks and Associations (EGIAN), based in Brussels. EGIAN focuses on the mid-tier market and its members work together to share insights with the collective aim of shaping policy in Europe.

Global audit methodology and technology

HLB firms enjoy preferential access to a CaseWare-based audit methodology. This solution includes:

- Specific guidance to assist auditors with the application of the audit methodology.
- Flexibility and scalability to perform audits of all types and sizes.
- Rapid responses to regulatory changes.

- A tool which enables auditors to perform high-quality audits more efficiently.

Under specific circumstances, HLB firms might adopt a different software solution. Nevertheless, such solutions must always be fully compliant with ISA requirements. In these cases, HLB makes suggestions regarding possible alternatives to CaseWare, and the appropriateness of alternative audit software solutions is assessed as part of the network's Quality Assurance review programme. When – in rare instances – the context does not allow for the practical implementation of an audit software – for instance, because of an extremely limited number of audit engagements or restrictions in internet access which impact the usage of a software solution, HLB member firms are required to fully comply with the HLB Audit Manual.

Quality monitoring

Quality is at the heart of the HLB services offering. It is fundamental to our business and operations. It is also a prerequisite for our continued membership of the Forum of Firms. As such, HLB firms must adhere to a quality control system that includes, 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, ISQC
- The HLB Quality Assurance (QA) reviews 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 Forum of Firms.

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 each individual 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 ISQM1.

HLB Quality Assurance review system

The HLB QA review policy is the primary mechanism for reviewing member firm quality. It is effective in identifying deficiencies in member firm processes and supporting HLB firms in improving standards of audit quality and risk management. In principle, each HLB firm providing audit services must undergo an HLB QA review once every three years. However, the HLB QA review system is risk-adjusted. 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), 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). As a result, in a limited number of cases and countries, some HLB firms may undergo their HLB QA reviews at intervals shorter or longer than the typical three years.

HLB QA reviews are coordinated by the HLB Technical Director & Global Assurance Leader with the support of a selected number of HLB audit partners and directors globally, who operate as peer reviewers and with the project management support of the EO. HLB QA reviews apply 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. Grades 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 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 monitors the progress made by member firms in addressing the deficiencies noted during the review and reports to the CEO on any grade 4 and 5 firms.

When HLB firms do not improve in quality or if the findings are considered too important, HLB reserves the right to take remedial action where necessary, including termination of membership were deemed appropriate. This is typically the case for firms which are given a grade 5 or receive a second consecutive grade 4 in the follow-up review, which takes place approximately 1 year after the first grade 4 has been given. The HLB QA programme aims to protect the HLB brand and the reputation of the network. Maintaining high standards in the network and providing safeguards for referral work through the promotion of these standards, as well as the protection of investor interests.

TABLE 3.
QA review grading table

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 will not or cannot be adequately addressed within 12 months, such that the continuation of the firm's membership of HLBI needs to be considered

International Standards on Quality Management (ISQM)

The last quarter of 2022 saw the implementation deadline of the new international quality management standards on 15th December. Many HLB firms have embraced HLB's proprietary ISQM tool (created with the help of a third-party consultant who had worked with our Technical Director during a six-months project in 2021) to update their internal guidelines. HLB member firms understand that the implementation of a new system of quality management is more than an obligation. Many firms organised their own, sometimes regional, working groups and carried out gap analyses during the implementation process to genuinely understand their own firms' operations. They took ownership of the implementation process and therefore of the audit quality of their firm. They ran internal training measures to ensure all levels of staff are fully invested in the process. A survey conducted to assess compliance for Forum of Firms reporting purposes indicates that the network as a whole is compliant.

Audit training programmes

To support HLB firms in keeping their audit staff up to date with developments in the profession, HLB provides a large suite of training and professional development opportunities. The international audit conference and regional audit training events cover a wide range of technical developments in the profession such as regulatory changes, as well as matters such as the increasing importance of technology in audit.

Other learning and development measures are based on the results of root cause analysis and aim to offer tailor made and actionable improvement plans. This can include dedicated plans for individual member firms, action plans for emerging markets and annual regional audit training sessions. Training sessions are delivered in various languages to accommodate the various regional audiences across the network. HLB E-learning modules complete the learning and development suite.

TAX QUALITY

About the tax function

The tax service line is a significant component of the HLB network. HLB firms provide a comprehensive range of tax services and expertise that help clients to create both local and international tax strategies. Our aim is to assist clients in managing their tax obligations ethically and transparently.

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

International Tax Committee (ITC)

The ITC sets and progresses our tax strategy. Committee leaders are appointed by the CEO and are responsible for:

- Supporting HLB firms to improve the efficiency and quality of tax work.
- Increasing cross-border opportunities and geographic/service coverage.
- Facilitating international tax secondments and education.
- Promoting the exchange and development of tax best practices.
- Regularly monitoring the tax quality of member firms.

To deliver on its objectives, the ITC works alongside the HLB specialty, industry, and regional groups as well as the IAC and the GASC. Additionally, 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:

- Leadership responsibilities within the firm
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance and training
- Monitoring

All 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. 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

About the Advisory function

The Advisory line of service accounts for 27% of HLB's combined annual revenue. It is the fastest growing service line within the network and a key driver in HLB's strategy to future-proof and diversify the network. HLB business consultants offer a broad range of advisory services to help clients achieve their goals. They work together across the HLB network and help organisations grow locally, regionally, and internationally through innovative thinking and a collaborative approach.

Global Advisory Services Committee (GACS)

The GACS is composed of 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 commercially strategic mindset.

These lines of business currently are:

- Management consulting
- Technology advisory
- IPO services
- Transaction advisory services
- Wealth management
- Litigation

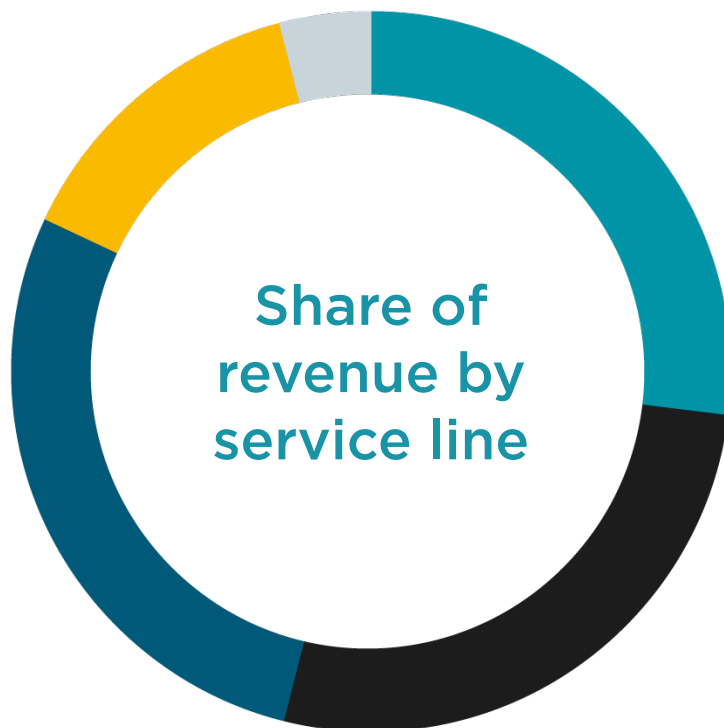
The committee fulfils its mission by working with the EO to devise and implement relevant actions across the network operational model (network conferences; network groups; network resources) on the top of additional cross-border commercial and thought leadership actions, and actions aimed at identifying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

The GASC's main purpose is to help the organisation and its member firms grow advisory services, in alignment with the 2023-2025 network strategy, *Shaping our Shared Future*.

Advisory quality policies

Every HLB 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. They also need 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 member firms meet the requirements and what network support might be needed to implement relevant improvements within a reasonable timeframe.

NETWORK FINANCIAL PERFORMANCE



27% | **Advisory**
US \$1.20BN

14% | **Accounting**
US \$621MN

27% | **Tax**
US \$1.20BN

4% | **Other Services**
US \$178MN

28% | **Audit & Assurance**
US \$1.24BN

REVENUE

2022 VS 2023

REGION	2022 TOTAL REVENUE (USDM)	% OF 2022 REVENUES	2021 TOTAL REVENUE (USDM)	% GROWTH IN USD
EUROPE	1,435.9	32%	1,459.0	-2%
NORTH AMERICA	2,025.6	46%	1,769.6	14%
ASIA PACIFIC	822.3	19%	707.1	16%
LATIN AMERICA	88.1	2%	82.3	7%
AFRICA & THE MIDDLE EAST	64.9	2%	63.4	3%

SERVICE LINE	2022 TOTAL REVENUE (USDM)	% OF 2022 REVENUES	2021 TOTAL REVENUE (USDM)	% GROWTH IN USD
AUDIT & ASSURANCE	1,242.3	28%	1,102.0	13%
ADVISORY	1,198.0	27%	1,142.8	5%
TAX	1,198.0	27%	1,102.0	9%
ACCOUNTING	621.2	14%	571.4	9%

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TOGETHER WE MAKE IT HAPPEN



**THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK**

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