



**BDO ANNUAL STATEMENT
2012**

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▶ LETTER FROM THE CHAIR OF THE GLOBAL BOARD

I think it is fair to say that 2012 was an eventful and challenging year across the world. Economic conditions have continued to worsen in many territories – in particular in the Eurozone – and these circumstances have been compounded by natural disasters. Images from Hurricane Sandy, that hit the East Coast of the US in late October, stay engraved in our minds, while the detrimental effects of the massive power outage in India during July and of the Japan earthquake in December can only be imagined.

As an international organisation, it is inevitable that many of our firms are affected by such adverse occurrences so once again it is with some admiration that I report another year of exceptional performances across the BDO network. The total combined fee income for the year ended 30 September 2012 for all BDO Member Firms has now crossed the 6 billion US dollar mark, amounting to US\$ 6.015 billion / €4.630 billion. The percentage increase in US dollars compared to the previous year is a creditable 6.11% and an impressive +13.98% when measured in euro.

This growth is seen across all of BDO's regions, which have without exception risen to the economic challenges faced this year by all financial services professions. The fastest growing of our regions was Asia Pacific, with the increase driven by our firms in both China and Japan to reach +48.5%. The Middle East also posted significant growth once again, increasing revenues by 31.8%, despite continuing political upheavals. We also saw a double digit increase in North America & the Caribbean, influenced by positive US growth, as well as new firms in Puerto Rico and Barbados. And, despite continuing difficulties in the Eurozone, BDO in Europe showed improved growth compared to 2011: France and Norway were the front runners, through a combination of organic growth and merger activity.

Strategic mergers across the network – from Australia, through the Dominican Republic and Scandinavia to China – were an active factor in boosting growth and there is no doubt that this activity will continue. Continuing to develop our network is a defining element of our strategy as we must ensure that BDO is a truly global network that can meet the demands of our clients not only in the key economies but wherever our clients see economic opportunity. The accountancy world is changing. Our clients have high expectations and are focused on cost, value – and service: a consistently high-quality service delivery that meets their needs. As an integrated organisation, BDO is ready to meet these challenges and must be ready to grasp opportunity.

I would like to take this opportunity to thank Martin van Roekel, who was appointed CEO of BDO International Limited on 1 October 2011 and has therefore effectively completed his first year in the role. What I have outlined above demonstrates that as a network we have all achieved a great deal in the last year, and this is in no small way down to Martin's great commitment and leadership. I recognise also that what has been accomplished in the last year was only possible because the whole network stood together: many members of BDO contributed to our success.

In 2013 we will be celebrating the 50th anniversary of the founding of the international BDO network and in particular our core values of continuity, independence, reliability and passion. Hans-Heinrich Otte, one of our founders and now the Honorary Chairman of BDO once said: "We succeed through our people", and I could not agree more.

In this, our 50th year, I am confident that BDO will continue to overcome the economic and other difficulties we shall surely face in 2013 and emerge both stronger and more successful.



Holger Otte
Chair of the Global Board
BDO International Limited
February 2013

► REPORT FROM THE CEO

As the Chairman of the Global Board states overleaf, it is very encouraging to see the strong performance by BDO worldwide in 2012, despite prevailing economic challenges. In my role as CEO, I am committed to maintaining these levels of performance and I continue to be focused on the further development of our network by investing in the territories, services and sectors that deliver the greatest long term economic opportunity, through both strategic mergers and organic growth.

In my view, the consistent development of BDO in all regions is largely down to the ability of our firms to adapt to changing circumstances. Across the world a large number of smaller networks are struggling to keep their strategies up to date in an environment where the influence of regulators and oversight bodies is increasing and regulation is frequently changing. The resulting strain on networks resulting from this proliferation of regulation will inevitably drive consolidation in the marketplace: BDO firms have already been active in that regard and are encouraged to continue to explore such opportunities, where it makes business sense.

In 2013 we intend to realise substantial growth and we will continue to look actively for mergers to strengthen our network and our position as the leading mid-tier network. It is no accident that, in all such mergers, the joining firm takes on the BDO name: the BDO brand stands for exceptional client service, delivered by talented people, and other firms are very pleased to be part of it. This clearly demonstrates a continuing interest in the BDO brand, which is gaining in strength accordingly and gives us great potential to expand our worldwide network and provide clients with greater choice.

As we have always made clear, at BDO we support the ambitious review of the structural aspects of the audit profession and market and we are looking forward to the finalising of the wide-ranging audit reform proposals in the European Union during this year. Not only should these build trust and confidence in financial reporting across the EU and globally, they will improve our profession's reputation for integrity. We are particularly interested in the element of the reforms that focuses on concentration in the audit market and the structure of that market for large listed companies. We have long argued that the concentration found at the 'top end' of the audit market is unhealthy, and is a matter of financial stability; it is clear that the market has not been able to rectify this imbalance, nor other anti-competitive practices in the market, and some form of intervention may be necessary to effect change.



Whether the audit reform proposals initiated in the European Union lead to near-term transformation, or not, of the audit market, the process itself has served to fuel the debate about the scope, value and relevance of auditing. It has also shone a light on business and financial reporting, particularly accounting, auditing and corporate governance standards. These debates are also happening in the other major jurisdictions of the world, including North America, Asia Pacific and the BRICS countries. Compliance with technical and legislative requirements is no longer enough - or what the public interest needs. Society generally and financial stability in particular demand a new reporting and audit model that will require sensible deliberation by a wide range of stakeholders, as well as innovation on the part of the audit profession itself. It is self-evident that a competitive



is an international debate about the length and complexity of financial statements prepared in accordance with IFRS, as well as some other accounting standards. In particular, the volume of disclosures that entities include in their financial statements has made it difficult for some users fully to understand the financial performance of an entity, the underlying reasons for that performance and the key risks that are faced. A number of surveys and discussion papers have been issued suggesting how this 'disclosure overload' might be addressed, and it is welcome that the IASB held a disclosure forum in early 2013. In the longer term, there are wider questions about the future of financial reporting as a whole, including the concept of integrated reporting and the increasing use of electronic, rather than paper-based, documents: at BDO, we look forward to providing constructive input to the debate. Overall, we continue to believe that a single global set of accounting standards would bring benefits to both preparers and users of financial statements.

All in all, we have had a remarkable year. For 2013, we will remain strongly committed to the development of BDO as a truly international business, in which all our firms provide exceptional client service throughout the global network.



Martin van Roekel
CEO, BDO International Limited
February 2013

audit market will contribute in a more active way to such a debate than one which is concentrated and wedded to a twentieth century approach. It is very regrettable that it took a financial and economic crisis to trigger such a debate, but let it be a useful 'benefit' to draw from the crisis. At BDO we certainly want that debate to happen and to be part of it in Europe and elsewhere.

The crisis has also had its effect on accounting standards, and our global IFRS group remains at the forefront of the technical and often complex issues that arise. We hope that the European Commission will move forward quickly in its endorsement of the financial instruments standard, IFRS 9, once the IASB has finalised the most recently developed sections, so that European companies - as well as those elsewhere - can take advantage of the improvements. Looking more widely, there

► GLOBAL PERFORMANCE

Core statistics for the BDO network

Our revenues

Year to 30 September	2012	2011	2010	2009	2008
Combined fee income	€4,630 million \$6,015 million	€4,068 million \$5,677 million	€3,893 million \$5,284 million	€3,710 million \$5,026 million	€3,649 million \$5,145 million
Number of countries	138	135	119	110	110
Number of offices	1,204	1,118	1,082	1,138	1,095

Our people

At 30 September	2012	2011	2010	2009	2008
Partners	4,778	4,723	4,111	4,098	3,424
Professional staff	41,979	36,022	34,811	34,156	33,436
Administrative staff	8,176	8,109	8,008	7,781	7,142
Total staff	54,933	48,890	46,930	46,035	44,002

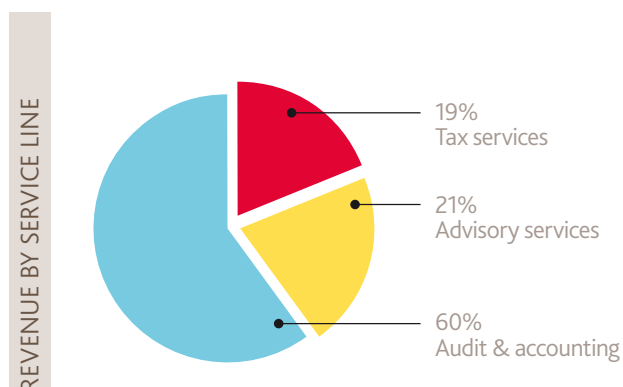
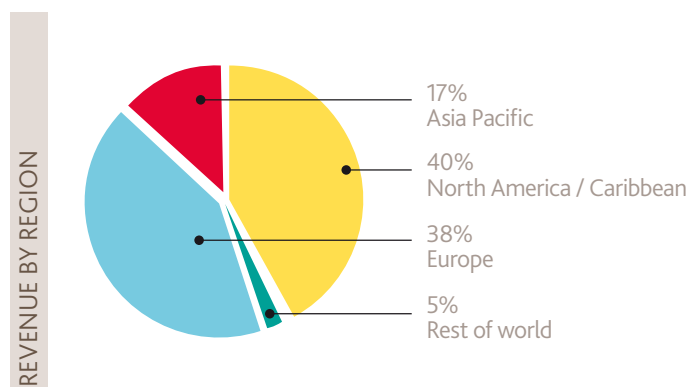
Our geography

Year to 30 Sept Region	2012		2011		2010		2009		2008	
	Revenue %	Countries	Revenue %	Countries	Revenue %	Countries	Revenue %	Countries	Revenue %	Countries
Europe	38	60	41	61	43	49	45	45	47	45
North America / Caribbean	40	14	41	14	42	11	42	10	42	10
Asia Pacific	17	20	13	18	11	16	9	18	8	18
Rest of world	5	44	5	42	4	43	4	37	3	37
Total		138		135		119		110		110



Our services

Service line	2012 %	2011 %	2010 %	2009 %	2008 %
Audit & accounting	60	61	61	60	57
Tax services	19	19	19	19	20
Advisory services	21	20	20	21	23
Total	100	100	100	100	100



► SERVICE LINES

Audit & accounting

Last year saw continuing enhancements to the Audit Process Tool (APT) with the release of three improved versions of the tool. Global usage of the tool has increased, with more than 81,000 audits having been completed on APT since its initial launch in 2010. Over 100 member firms have joined the APT Shared Facility (ASF) that was established to host the tool centrally, and these firms are receiving cost-effective support around the clock.

This has been the largest project of its kind within BDO and the cooperation among colleagues from numerous firms, particularly those that contributed significant time, expertise and personnel resources, is an extraordinary example of the strength of the BDO network, supporting our global vision of high quality and integration. The BDO Audit Approach and APT bring significant benefits to our audit practices throughout the network: timely and more efficient multi-location and cross border audits, a more intuitive audit methodology compliant with the clarified International Standards on Auditing (ISAs), teamwork on a real-time basis, consistent worldwide audit performance and scalability. An update to the BDO Audit Manual was also released.

At this stage of maturity of the APT, we have evolved into a more permanent governance structure that includes full-time personnel and the new position of APT Director. We are also looking into a new architecture to replace the IT components of the APT in well-controlled phases, reflecting the latest technology that will ensure the structural integrity of the tool into the future.

The role of the auditor and the auditor's report came into sharp focus in 2012, with proposals being considered by international and national standards setters and audit regulators. BDO was heavily involved in the many public meetings and professional groups debating these issues and in providing formal comments.

The IFRS Global Advisory team has continued to increase IFRS knowledge and resources across the network through advanced level training courses and enhanced practical guidance posted on the global intranet. During 2012, the range of publications was expanded significantly to include 'IFRS at a Glance', 'IFRS in Practice', and 'Need to Know'. The global team includes secondees, whose expertise is then utilised in their member firms upon their return. In addition, the team has participated in a wide range of high level professional meetings with other networks and regulators, including a number that focused on sovereign debt issues, and has submitted responses to a variety of accounting standards proposed by the International Accounting Standards Board.



One of the other key benefits of membership in the network is the global delivery of technical training. In addition to the IFRS training noted above, the significant demand for technical audit training throughout the network has led to the development of a series of e-learning courses, some of which have already been made available on the global intranet. A robust course development and review process has been set up and a large number of additional courses are planned to be released in 2013. In addition, the global audit training group is developing a curriculum that links training topics to the competencies required of audit professionals at all stages of their careers.

Quality remains at the heart of the Accounting & Auditing agenda and is the key focus of the International Audit Steering Committee and its subgroups, as well as our Regional Audit Advisers, who have been active in visiting member firms and assisting in various technical matters. In that regard, an Audit Quality Framework was preliminarily introduced at various conferences in 2012 and formally launched at the beginning of 2013 to provide a mechanism for member firms to develop action steps that drive audit quality. Not only is audit quality a core element of exceptional client service, but it also is a shared goal of audit regulators around the world.

Tax services

BDO's tax service line continues to work hard on developing tax services around the globe that are important to growing international businesses and ensuring that we deliver on our vision of delivering exceptional client service.



Globally, we have established communities in the tax service line, called Centres of Excellence, which allow our tax professionals to collaborate, share knowledge and work on client projects together. We pride ourselves on the fact that our tax professionals through these communities work seamlessly as teams, which benefits our clients no matter where in the world they do business.

Corporate international tax planning, transfer pricing and expatriate tax services continue to be key focuses. Our corporate international tax centre of excellence has developed a Tax Effective Value Chain Management service offering, which helps our international clients who are setting up operations in other jurisdictions or who are restructuring their value chains, to manage their tax costs and tax risks during this process. Our service offering respects the commercial realities of our client's business, which is critical for a client's tax planning to withstand the scrutiny of the tax authorities. We are also developing a tax risk management service offering, which helps clients develop the processes and procedures necessary to manage the tax risk in their business. Our transfer pricing and expatriate centres of excellence continue to develop the processes and procedures we need to deliver these services efficiently and effectively across the globe, and are working and collaborating together as true global teams.

We continue to work with member firms across the globe to increase the strength and size of their tax practices and the development of their specialised tax services. We recognize that tax represents an excellent opportunity for the network for future growth and tax is expected to grow as an increasing percentage of the network's revenue.

The quality of our tax practices continues to be a top priority for the network. Our accreditation criteria for tax and our international quality assurance reviews play a key role in expanding our tax capabilities and ensuring that the quality of our tax practices are constantly improving. We continue to expand the tax training that is available to the tax professionals at BDO member firms, ensuring they are up to date on the latest developments and planning ideas that are important to international business.

Advisory services

Advisory became increasingly important for many BDO Member Firms in 2012, and advisory achieved globally over 11% growth¹.

Global focus is on 4 advisory service lines

- Outsourcing
- Corporate Finance, Transactions and Restructuring
- Forensics and Risk Management Advisory
- Technology Advisory

This is supplemented by regional and local advisory offerings within areas like management consulting, process advisory and the like.

On a global scale our Outsourcing and Forensics and Risk Management Advisory in particular showed substantial growth, whereas the levels of activity in Corporate Finance, Transactions and Restructuring and Technology Advisory remained broadly unchanged.

Advisory services are seen as an important growth avenue by all firms in BDO. Both in European markets, that are troubled by the overall economic development and emerging markets throughout the world. Advisory growth in 2012 was in particular achieved in Asia Pacific and North America, where our Chinese, Japanese and US member firms achieved substantial growth rates.

As the global leader within the mid-market, BDO is driving each of these global advisory service lines to deliver advisory offerings to our clients around the world paired with our vision of exceptional client service. We support joint developments across markets to better support both our domestic and international clients and to provide globally seamless solutions across all our regions.

We share best practices between firms through regional and global conferences and jointly serve our international clients through our regional centres of excellence. Our global reach is a true core capability of BDO and across advisory disciplines we strive to serve our clients wherever they are with deep capabilities across markets.

¹ Measured in USD

► CLIENTS & MARKETS

At BDO, we are aware that the accountancy world has changed. In tough times, customers and clients of all descriptions are focused more than ever on cost, value - and above all, service. We understand that, in a highly competitive market such as ours, clients have high expectations – and we know for a fact that 40% of buyers in our target market are currently dissatisfied with the level of service that they get.

That is why in 2012 we launched our vision: TO BE THE LEADER FOR EXCEPTIONAL CLIENT SERVICE. BDO is already known for building strong relationships with our clients and for the fact that we invest time in getting to know what really matters to them. Our vision enables us to focus on delivering a consistently high quality client experience across our 139 countries, 1,204 offices and 54,933 partners and staff. Throughout 2013, every BDO Member Firm will be implementing a well-documented vision programme throughout their firms, first identifying and then actioning the business elements to focus on in order to ensure the delivery of exceptional service to every client, every day, in every country in which we have a presence.

The passion that exists across our entire network for delivering exceptional client service was clearly evidenced at our 2012 Biennial Conference, when we challenged our BDO delegates to write the ultimate BDO guide to exceptional client service. Several hours of intense and engaging group sessions generated an incredible volume of practical advice, fantastic insights and motivating case studies: the ***BDO Art & Science of Exceptional Client Service***. This hugely informative guidebook demonstrates BDO's ability and enthusiasm in respect of exceptional client service and will play a key role in ensuring its consistent delivery right across the BDO world, for the benefit of our clients.

Our global accreditation procedure also assists this process: BDO has demanding client service expectations that all firms must meet and the regular assessment of their quality assurance enables us to continuously improve our common methodologies, tools and processes. Likewise, our now-established global industry sector programme means that BDO experts, backed by regional and global expertise, are accessible locally to any business looking for specific industry experience - across all service lines. We have focused on 3 industry sectors initially: Natural resources, TMT (Technology, media & telecoms) and Financial services, and they are engaged in a range of activities, including client surveys that showcase our global thought leadership, as well as related events.

BDO's reputation as an integrated global network whose outstanding service delivery is consistently better than that of our competitors continues to grow and in March 2012 we were very pleased that the inaugural ***International Accounting Bulletin*** (IAB) recognised our exceptional client service when BDO was named ***International Tax Adviser of the Year***. The managing partner of BDO Norway, Trond-Morten Lindberg, was also honoured with the ***Young Accountant of the Year*** award, in particular for his efforts in transitioning a federation of firms



into a single national firm, an initiative that demonstrates the freedom and flexibility that our firms have to get client service right for their own clients. Further awards achieved by our firms at national level are too numerous to list, but worthy of mention are the accolades received by our Global Outsourcing division, which include the Managing Partners Forum's *Best Collaboration Across International Frontiers* and *Outsourcing Service Provider of the Year* from the European Outsourcing Association.

In addition to continuing to enhance our service proposition for the benefit of our clients, we recognise the importance of identifying service trends and our global thought leadership programme continues. The 2012 *BDO Ambition Survey*, which assesses where established international businesses see the greatest opportunities for further expansion, surveyed more CFOs in more countries than ever before, asking them about their opportunities and challenges for investment, as well as which countries they consider to be the riskiest investments. The results revealed a markedly more cautious approach this year, with many perceiving that they face greater risk for the same reward. Not surprisingly, China remains the number one investment destination, topping the BDO Global Opportunity Index for the third year running.

BDO is accordingly well positioned as the adviser to mid-sized companies that have ambitions to grow across borders and our clients regularly approach us for advice regarding their plans to develop their businesses overseas. We continue to develop tools to assist clients in this activity and a new *International Business Compass* will go live online shortly, which is a collection of economic statistics by country and region ordered into categories covering political and economic stability and social factors.

2013 marks the fiftieth anniversary of the founding of the international BDO network and, alongside the implementation of the BDO Vision, presents us with an opportunity to focus on engaging our people and to build network pride with our 'BDO 50' initiatives.



► PEOPLE

BDO's vision is to be the leader for exceptional client service. Our people are empowered with the skills, experience and desire to take on responsibility, and this is the differentiator that will allow us to achieve our vision. Providing the right environment for our people and the right people for our clients is the focus of our people strategy.

A unique place to work

Although we have always known that BDO is a great place to work, in 2012 we took time out to identify exactly what marks us out as unique from our competitors in the 'war for talent'.

Relationships are core to what makes BDO different. Being part of our network means creating and maintaining strong relationships with our domestic and multinational clients, our colleagues and our communities. Personality matters: we employ real people with the ability to appreciate the human factor in relationships and in their work with clients.

BDO lives a culture of empowerment that allows staff to interact with our clients, and we deliberately invest time in getting to know our clients and building close relationships with them. We empower our people, providing them with the best in training, opportunity and reward and we believe that empowerment represents a key contributor to the engagement which our people transfer into delivering exceptional client service. Our client relationships are underpinned by the reliability and integrity of our people, who live by the highest business ethics.

International strategic secondments programme

Now in its third year, our international strategic secondments programme is based on the premise that international career opportunities allow our people to enhance their knowledge, strengthen their professional ties, pick up new skills and enrich their social and cultural experiences.

In 2012, over 100 BDO employees in 16 countries had the opportunity to take part in international secondments. These included both short- and long-term assignments in such roles as Senior, Manager, Director and Principal in the audit, tax and advisory service lines. In taking part in these assignments, these individuals furthered own personal experiences, built relationships and strengthened BDO's ability to offer exceptional client service.

Training and development

In the BDO network, we believe that continuous learning and development is fundamental to our ability to provide exceptional client service. To this end, 2012 saw just under 1,700 BDO professionals take part in 28 live learning sessions and conferences across the globe. On a virtual level, over 5,000 additional individuals made use of our online courses.

Over and above what the network provides centrally, each member firm runs its own technical and non-technical training courses. These are based on the needs of the firms concerned and all are focused on enhancing our ability to provide exceptional client service.

Human Resources and Development conferences

Last year 70 Human Resources (HR) professionals representing over 50 countries met in Hamburg for the International HR Conference. In Jakarta, 25 HR professionals representing 11 countries attended the Asia Pac HR Conference. In coming together, these individuals were able to learn and discuss ways forward and best practices for managing our people's needs. The conferences were focused on the BDO Vision and on translating our vision to HR-relevant imperatives, working to understand exceptional client service and how to use it within the HR discipline as part of learning and development on a global scale.



► TRANSPARENCY REPORT

The regulatory environment

Since the international financial and economic crisis began in 2008, regulators and policy makers all over the world have called for the increased scrutiny of audit firms and audit networks, amongst the many proposals they have made affecting the audit profession and auditing generally.

A growing number of regulatory bodies are seeking greater public 'transparency' about the ownership structure, professional education programmes, internal control and audit quality initiatives of audit firms. Additionally many require information on the professional independence procedures and financial information of the audit firm to be made public, including details of fee income relating to particular types of client.

The European Union has led the field in this regard since 2006 and the process of finalising the latest wide-ranging audit reform proposals in the EU will probably come to a conclusion in 2013. These are certain to significantly enhance the transparency and disclosure requirements for audit firms who audit public interest entities and will probably increase the number of audit firms affected by such requirements. The EU proposals are also certain to expose auditors to additional surveillance from existing and newly formed regulatory bodies, some of them supranational in nature. As the European Union has led reforms in this area and heavily influenced 'transparency' affecting audit firms and networks elsewhere in the world, one can safely expect the revised EU requirements to continue to set and raise the standard internationally in this regard.

BDO has always believed that greater transparency by individual audit firms and by the networks of which they are members serves to build confidence in the audit profession and to enable firms to improve their credibility and reputation for integrity. It is in the public interest and that of the audit profession that audit firms and audit networks be as open and transparent as the companies we audit, and more so if necessary.

The European requirements in the area of 'transparency' have again inspired the production of this TRANSPARENCY REPORT by the BDO network. We remain committed to providing as much useful information about the network as is feasible, given that it is made up of independent member firms in 138 countries, adopting different legal forms and using varying national accounting requirements.

Governance

BDO is an international network of public accounting firms, the BDO Member Firms, which perform professional services under the name of BDO.

BDO is the brand name for the BDO network and all BDO Member Firms. BDO is a registered trademark of Stichting BDO.

Legal and structural arrangements in the network

Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee, either as a voting member (one per country) or non-voting member.

The BDO network is governed by the Council, the Global Board and the Executive (or Global Leadership Team) of BDO International Limited.

The Council comprises one representative from each voting member and represents the members of BDO International Limited in general meeting. The Council approves budgets, appoints the Global Board and approves any changes in the Articles and Regulations of BDO International Limited.

The Global Board, which is the Board of Directors of BDO International Limited, currently comprises a representative of the network's six largest member firms, whose appointment, each for a three year term, is approved by the Council. The Global Board sets policies and priorities for the network and oversees the work of the Global Leadership Team. The Global Board meets at least four times a year and more if required. The Global Leadership Team is tasked with coordinating the activities of the network on a day-to-day basis. It is headed by the CEO and comprises the Global Heads of Audit & Accounting, Tax, Advisory, People, Clients and Markets, Network Development, the CEO Europe, the CEO Asia-Pacific and the Head of the Brussels Worldwide Services BVBA Legal Department.

Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium with its statutory seat in Brussels. BDO International Limited and Brussels Worldwide Services BVBA do not provide any professional services to clients. This is the sole preserve of the BDO Member Firms.

Each of BDO International Limited, Brussels Worldwide Services BVBA and the member firms of the BDO network is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of BDO shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA and/or the member firms of the BDO network.

Quality

Through their membership of the network, BDO Member Firms are enabled to deliver services at the highest level. The International Executive Office of Brussels Worldwide Services BVBA provides guidance on the design and implementation of quality control systems to support compliance with both local and international standards. In 2011 we published the *BDO International Risk Management Manual* and all member firms have their own systems of quality control, in accordance with the requirements of the International Standard on Quality Control (ISQC-1).

The quality of local and referred professional work carried out by our firms is evaluated through BDO's Quality Assurance Review process. These reviews aim to provide assurance that our firms are adhering to and comply with applicable professional standards, as well as BDO's international standards. They are carried out by a team of dedicated reviewers and cover the major services supplied by the member firm, as well as their overall quality and risk management framework. There is an ongoing training process in place for these dedicated reviewers. Many of our member firms are also subject to external inspections by local professional institutes and local regulators, or undergo a peer review.

As part of the acceptance process for new member firms, prospective firms are subject to an extensive risk management and quality due diligence review before their admission is accepted. In 2012 we also revised and strengthened the process and criteria of member firm accreditation. The overall objective of the accreditation process is to enhance BDO's focus on quality within firms, in line with the key strategic aims of the network. As a result of this accreditation process, improvement plans have been, or are being implemented by a number of firms.





Independence

BDO Member Firms' independence and objectivity from assurance clients is achieved through policies and procedures designed to ensure compliance with the independence standards of the International Federation of Accountants (IFAC) Code of Ethics and the respective national regulatory organisations. The relevant ethics and independence rules for each member firm are posted on BDO's global intranet, which is accessible by all BDO partners and professionals.

The large majority of our firms has a designated Independence Champion, usually an experienced partner, who monitors compliance with the applicable independence policies and procedures, and oversees independence training and maintenance of a restricted entity database.

BDO also maintains a worldwide database of all our major member firms' restricted entities, including listed companies and public interest entities. This is situated on the global intranet and its objective is to prevent the performance of prohibited non-assurance services or prohibited investments. The worldwide database is updated monthly and each Independence Champion must positively affirm that their member firm's listing of restricted entities is accurate and complete. They also annually confirm that their domestic independence rules are current on the global intranet.

Prior to accepting any new client or assurance engagement, member firms perform specific safeguards to identify potential conflicts of interest and threats to auditor independence. Conflicts of interest and independence checks are performed by e-mail inquiries throughout the BDO network and this process is shortly to be replaced by a web-based tool, currently in development, which will facilitate international independence inquiries among our firms.



The BDO network provides services in the following countries*

*this list is current as of 1 January 2013

ALBANIA - ALGERIA - ANGOLA - ARGENTINA - ARMENIA - AUSTRALIA - AUSTRIA - AZERBAIJAN
BAHAMAS - BAHRAIN - BARBADOS - BELARUS - BELGIUM - BOLIVIA - BOTSWANA - BRAZIL - BRITISH
VIRGIN ISLANDS - BRUNEI DARUSSALAM - BULGARIA - CAMBODIA - CANADA - CAPE VERDE
CAYMAN ISLANDS - CHILE - CHINA (PRC) - COLOMBIA - COMOROS - COSTA RICA - CROATIA - CYPRUS
CZECH REPUBLIC - DENMARK & FAROE ISLANDS - DOMINICAN REPUBLIC - DUTCH CARIBBEAN
(ARUBA - CURACAO - ST MAARTEN) - EAST AFRICA (BURUNDI - KENYA - RWANDA - TANZANIA
UGANDA) - EASTERN CARIBBEAN (ST LUCIA - ST VINCENT & THE GRENADINES) - ECUADOR -
EGYPT EL SALVADOR - ESTONIA - FINLAND - FRANCE - GEORGIA - GERMANY - GIBRALTAR - GREECE
GREENLAND - GUATEMALA - GUERNSEY - HONG KONG - HUNGARY - ICELAND - INDIA - INDONESIA
IRELAND - ISLE OF MAN - ISRAEL - ITALY - JAMAICA - JAPAN - JERSEY - JORDAN - KAZAKHSTAN
KOREA - KOSOVO - KUWAIT - KYRGYZSTAN - LATVIA - LEBANON- LIECHTENSTEIN - LITHUANIA
LUXEMBOURG - MACAO - MACEDONIA - MADAGASCAR - MALAWI - MALAYSIA - MALTA - MAURITIUS
MEXICO - MOLDOVA - MONGOLIA - MONTENEGRO - MOROCCO - MOZAMBIQUE - MYANMAR
NAMIBIA - NETHERLANDS - NEW ZEALAND - NIGERIA - NORWAY - OMAN - PAKISTAN - PANAMA
PARAGUAY - PERU - PHILIPPINES - POLAND - PORTUGAL - PUERTO RICO - QATAR - ROMANIA - RUSSIA
SAN MARINO - SAUDI ARABIA - SERBIA - SEYCHELLES - SINGAPORE - SLOVAK REPUBLIC - SLOVENIA
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