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A report for GUE/NGL

July 2017

THE BIG FOUR

a study of opacity

European United Left • Nordic Green Left

EUROPEAN PARLIAMENTARY GROUP

GUE/NGL

www.guengl.eu

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COFFERS EU Horizon 2020 Project

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1. KEY FINDINGS

THE research noted in this report, which is the first ever study of the issues it addresses, suggests that:

■ The Big Four firms of accountants do not accurately report all the jurisdictions in which they work, although PwC come close to doing so. We found that they operate in 186 jurisdictions in all with an average of 3.41 offices per jurisdiction;

■ The Big Four have offices in 43 of the 53 secrecy jurisdictions identified in this report;

■ It is difficult to establish precisely how many offices each of the Big Four firms have but what is clear is that the size of their operations in a jurisdiction is not always proportional to its population or GDP. The Big Four have more staff in Luxembourg in proportion to the size of the local population than in any other country; the Cayman Islands come second in this ranking and Bermuda third;

■ We have not been able to accurately locate all the staff employed by the Big Four. In the case of EY we were only able to identify where 83 per cent of their staff work;

■ A case study on the legal structure of KPMG could not identify the legal ownership of its offices in 55 jurisdictions;

■ Despite the Big Four having central management organisations, the firms all claim to be networks of independent entities that are said to be legally unrelated to each other.

We suggest that the structure adopted by the Big Four firms of accountants, which at one level suggests the existence of a globally integrated firm and at another suggests that they are actually made up of numerous separate legal entities that are not under common ownership but which are only bound by contractual arrangements to operate common standards under a common name, has been adopted because it:

■ reduces their regulatory cost and risk;

■ ring-fences their legal risk;

■ protects their clients from regulatory enquiries;

■ delivers opacity on the actual scale of their operations and the rewards flowing from them.

These advantages can be secured by these firms because the regulation of auditing and the supply of taxation services is devolved by the EU to member states even though, as this report shows, the supply of three services is dominated by what appear, for all practical purposes, to be multinational corporations.

We suggest that in an era where transparency is seen as fundamental to accountability it is inappropriate for the world's leading auditors to be almost wholly opaque on their operations and to provide no effective reporting on their own activities when they play a fundamental role in the regulation of global capitalism.

To counter the risk that these structures impose on society we suggest that firms organised in this way:

■ Should be defined as being under common control, and so are single entities for group accounting purposes within the European Union;

■ Should be licenced as single entities for audit and taxation purposes throughout the European Union;

■ Should be required in due course to separate entirely their audit and other professional services but until this is possible should be required to ring-fence the two from each other worldwide as a condition of being licenced to provide such services in the EU;

■ Should, as a condition of those licenses, be required to prepare worldwide group consolidated financial statements which must be published on public record;

■ Should ensure that those consolidated financial statements include full public country-by-country reporting.

2. INTRODUCTION

THERE has been considerable debate about secrecy jurisdictions in recent years, ignited by leaks such as the Panama Papers. These revealed the extent of tax avoidance and illicit financial flows by wealthy individuals, including prominent political figures, and large corporations. In light of this, questions are being raised on how to improve regulation targeting tax avoidance and money-laundering strategies, as well as increasing transparency of the places and actors who enable and promote these strategies.

This report provides evidence of the opacity that surrounds the activities of the world's Big Four firms of accountants, who it shows to be active in secrecy jurisdictions. They are, in order of size, Deloitte, PricewaterhouseCoopers or PwC, EY (until recently Ernst & Young), and KPMG.

As this report notes, these firms dominate the audit market for all the world's major corporations. For example, between them they audit all but two of the FTSE 100 companies registered in the UK, and all but 10 of the FTSE 350 companies[1]. They are also economically significant in their own right: their combined sales revenue exceeded €120bn in 2016. Of this sum €43bn was earned from audit and assurance services, almost €28bn from tax services and €49bn from consulting. Between them they employed 887,695 staff in 2016 whilst appearing to operate, in our estimate, in 186 jurisdictions. It also appears that they make exceptional profits: for example, the average Big Four partner in the UK earned in excess of £500,000 (€625,000) in 2016.

Having noted the above, we have now made reference to much of the available financial data that these firms want the world to know about their global operations. Such is their ability to create opacity that they have been very successful at preventing further information about their operations being made available for anyone to easily appraise.

Our interest in these firms is based on the fact that auditing firms play a significant role in our economy through the trust placed in them to report on the truth and fairness of the financial statements of firms to regulators and investors. The fact that they play an important role in tax havens, or secrecy jurisdictions as we prefer to call them[2], just adds to curiosity about the activities of these firms.

> “Our findings suggest that the Big Four firms are over-represented in secrecy jurisdictions

Since the Global Financial Crisis of 2008 various attempts have been made to improve the transparency of the world's major corporations to assist public understanding of the risks that they create and to improve their accountability for the activities that they undertake. One of these developments has been country-by-country reporting, which demands that each global entity accounts locally for the activity that it undertakes. The research in this report used part of the methodology of country-by-country reporting to seek to determine just where the Big Four accounting firms are, how much use they make of secrecy jurisdictions, what their local operations are called and how many people they employ in each place where they have an office. No attempt was made to establish local financial results – the prospect of success was too limited as the firms do not generally disclose this information.

Substantial effort was required to find the data on offices and personnel. This was not helped by the fact that none of the firms publish absolutely accurate lists of where they are located, although PwC comes close. Deloitte and KPMG both appear to make mistakes on this issue in their own Transparency Reports. In every case there was some under-reporting.

Overall our results suggest that these firms operate 2,916 offices in 186 locations in the world, with an average of 3.4 offices in each jurisdiction where they work. The firms say that they employ a total of 887,695 staff in these locations; we found that the most by far were in the USA.

As a result of our work we were able to locate the jurisdictions where 808,176 (91 per cent) of these people work using a variety of research methods. Our lowest success rate (82.9 per cent) was for EY, which appears to be by far the most secretive of the firms.

Of the 186 locations where the firms are found 43 were secrecy jurisdictions. This total represents 81 per cent of all secrecy jurisdictions identified for research purposes in this report. A total of 9.9 per cent of the staff of the Big Four firms that we could locate work in secrecy jurisdictions. The firm with the largest secrecy jurisdiction representation by number of locations is KPMG, which is present in 40. Our findings suggest that the Big Four firms are over-represented in secrecy jurisdictions when their presence is weighted by either local population or the jurisdiction's GDP. On average, the number of staff employed in an office in a tax haven was almost double that for an office in a non-secrecy jurisdiction small state.

With regard to ownership structures, a case study was undertaken on KPMG. This showed that the ownership of its network members is not always disclosed in the locations in which it is active.

It is our suggestion that the Big Four, and other networks of professional services firms, adopt an opaque ownership structure with the result that they are unaccountable. It seems likely that there are advantages to doing so beyond the benefits that opacity itself provides.

The first of these advantages is to limit their regulatory risk. The structure they use means that their activity in each place only has responsibility to local regulators. This simplifies and limits these firms' liabilities.

Secondly, by splitting themselves into legally unassociated parts, these forms seek to limit their legal risk in the event of failure on the firms' part.

Finally, the splitting up of their operations means that these firms protect their clients from enquiry by authorities from outside the particular jurisdiction from which services are supplied.

In our opinion these firms' limitations of risk, whether for themselves or their clients, imposes costs on society at large. As a result we make four recommendations aimed at improving the transparency and accountability for these firms through regulatory changes.

The first recommendation is that these firms be split so that their audit and other activities (including tax) are separated in the future. Only if this happens can the very obvious conflicts of interest currently inherent within them be addressed. During the transition to this split we recommend that the audit and other activities of these firms be ring-fenced from each other worldwide as a condition of the grant of audit licences to their EU based network members.

Secondly, we suggest a reform aimed at improving transparency because these firms do not publish accounts for their group of networked entities as a whole at present. We suggest that these networked groups of firms must be considered to be single entities under common control for EU regulatory purposes and so be required to file a single set of consolidated financial statements for their global operations. This will require, at most, a minor change in the EU legal definition of a group so that working under a common identity with common, contractually enforceable standards becomes a definition of a group within the financial services sector.

> "These networked groups of firms must be considered to be single entities under common control

Thirdly, we suggest that the same firms be required to apply for a single licence to provide audit and taxation services of any sort throughout the EU, as a condition of which they will be required to comply with the accounting recommendations we suggest.

Fourthly, to support this regulatory process and to hold these networks of professional service firms to account, we recommend that they be required to file full country-by-country reports on public record.

The Big Four are key to the operation of global capitalism but fail that responsibility. The recommendations this report makes would change this so that they account for their actions in every location in which they operate.

3. BACKGROUND: THE BIG 4

In this chapter we provide background information on who the Big Four firms of accountants are and what they do as well as providing information on the scale of their operations and that of their competitors so that the significance of their role in the regulation of global capitalism can be properly understood.

A. THE CONTEXT

THE Big Four are firms that are traditionally thought to be accountants, but the reality is that they make most of their income from a broader range of activities including auditing (or assurance services, as they prefer to call them), advisory services (which covers a wide range of consulting and other services) and tax-related activities. The firms in question are Deloitte[3], PricewaterhouseCoopers (PwC)[4], KPMG[5] and EY[6] (until recently known as Ernst & Young).

The reality is that the Big Four firms are central to the operation of global capitalism. This form of capitalism is dependent upon the logic of shareholder capital being accountably used by management, which is distinct and separate from those who own the enterprise, and whose actions are reviewed by independent auditors. This system could not function without the audit services that the Big Four firms provide. These firms are, then, quasi-regulators at the heart of the global financial system and yet we know remarkably little about them. This presents a clear paradox: the accountability of global capitalism is dependent upon firms that enjoy significant opacity about their own operations.

This may not be significant in itself but for the fact that these firms are widely known to operate in many secrecy jurisdictions. It is estimated that between US$7.6 trillion[7] and $21 trillion[8] of wealth is held in secrecy jurisdictions. If this is only possible because the apparent depositories for this illicit wealth can secure the local tax and audit services of the Big Four firms in the secrecy jurisdictions where these funds are reported to be located, then it follows that the operations of the Big Four firms are at the heart of the tax-haven world. The scale of their operations in these places needs to be known and properly regulated.

B. THE SIZE OF THE FIRMS

A summary of the global income of these four firms, broken down between their three main activities, is as follows (reported in US dollars since that is the currency that they use for reporting purposes[9]):

TABLE 1 – INCOME BY ACTIVITY

Activity	Deloitte	PWC	KPMG	EY
	US$'bn	US$'bn	US$'bn	US$'bn
Assurance / audit	9.4	15.3	10.1	11.3
Advisory / consultancy	20.5	11.5	9.7	10.6
Tax	6.9	9.1	5.6	7.8
Total	36.8	35.9	25.4	29.7

To illustrate the extent to which these four firms dominate the market, the next two largest firms are BDO and Grant Thornton, which had global turnovers of $7.6bn and $4.8bn respectively. The difference in scale between the Big Four and all their competitors is readily apparent.

The global spread of this income as reported by the firms is as follows:

TABLE 2 – GLOBAL SPREAD OF INCOME

	Deloitte	PwC	KPMG	EY
	US$'bn	US$'bn	US$'bn	US$'bn
North America and the Caribbean		*14.9*		
South and Central America		*0.8*		
Americas	19.3	15.7	10.0	13.6
Central and Eastern Europe		*0.7*		
Western Europe		*12.3*		
Middle East and Africa		*1.3*		
Europe/Middle East / Africa	12.3	14.3	11.4	11.8
Asia		*4.4*		
Australasia and Pacific Islands		*1.5*		
Asia	5.2	5.9	4.0	4.3
Total	36.8	35.9	25.4	29.7

Sources: As above. Note: only PwC provides the breakdown noted in italics.

This global spread is also apparent when their staff numbers are considered. The firms report these to be as follows:

TABLE 3 – WORKFORCE BY PROFESSION

	Deloitte	PwC	KPMG	EY
Global headcount	244,445	223,468	188,982	230,800
Partners	11,122	10,830	9,843	Not known
Professionals	193,199	177,182	147,028	189,111
Admin staff	40,124	35,456	32,111	41,689
	244,445	223,468	188,982	230,800

TABLE 4 – WORKFORCE GLOBAL BREAKDOWN

	Deloitte	PwC	KPMG	EY
North America and the Caribbean		*57,773*		
South and Central America		*13,110*		
Americas	107,942	70,883	54,111	69,718
Central and Eastern Europe		*9,273*		
Western Europe		*69,627*		
Middle East and Africa		*13,036*		
Europe/Middle East/ Africa	86,574	91,936	96,404	112,871
Asia		*53,010*		
Australasia and Pacific Islands		*7,639*		
Asia	49,929	60,649	38,467	48,211
	244,445	223,468	188,982	230,800

Sources: as above.

To put this data in context, BDO have a global headcount of 67,731[10] and Grant Thornton employ 42,000 people[11]. The Big Four are substantially bigger than their competitors in terms of staff.

C. THE OPACITY

It is important to note the above data, to a very large degree, provides all the available financial information that these firms wish to supply to us. These firms do not publish accounts for their organisation as a whole because, as is noted later in this report, they claim that no such global organisation exists.

The consequence is that we do not know their global profits, nor do we know information regarding their financial stability. It is also the case that country-by-country reporting, as explained later in this report, does not apply to their activities in its current form. What all of this means is that these firms enjoy levels of opacity denied to many of their multinational corporation clients. The remainder of this report is, then, a study of opacity.

D. THE EXCEPTIONS, AND THE EXCEPTIONAL PROFITS

The exception to this opacity only arises locally where, if required by local law, local representatives of these firms publish their annual financial statements. As an example of this local reporting, the following data is published by the UK Big Four member firms, each of which uses a limited liability partnership structure and as a result is required to put their financial statements on public record:

TABLE 5 – UK FINANCIAL DATA

	Deloitte	PwC	KPMG	EY
	UK£'bn	UK£'bn	UK£'bn	UK£'bn
Revenue	3,140	3,437	2,068	2,150
Disbursements	-	(432)	(298)	(320)
Net sales	3,140	3,005	1,770	1,830
Staff costs	1,344	1,537	959	1,064
Profit for the year	571	829	374	475
Due to partners	544	747	361	439

	Number	Number	Number	Number
Staff	19,124	21,864	13,112	13,756
Partners	726	926	615	690

This data can be interpreted as follows:

TABLE 6 – UK PROFITS PER PARTNER

	UK£	UK£	UK£	UK£
Net sales per partner	4,325,069	3,711,663	3,362,602	3,115,942
Profit available per partner	749,311	806,695	586,992	636,232
Staff cost per employee	70,278	70,298	73,139	77,348
	%	%	%	%
Profit percentage	18.2%	27.6%	21.1%	26.0%
Staff costs as a percentage of net sales	42.8%	51.1%	54.2%	58.1%

Sources: See endnote[12].

The rewards for partners in these firms are exceptional. The average staff cost includes social security and pension costs and as such are likely to be at least 20 per cent greater than actual salary payments. Even so, average salaries in each firm are at least double the UK average of £26,624 per annum[13]. This implies that the advantages these firms have, coupled with their global spread, lets them earn exceptional profits without explaining much about how, where and why this happens.

4. Research Approach

In this chapter we summarise the research approach that we have adopted in this study and the links to country-by-country reporting. The form this research has taken has been inspired by the accounting requirements of country-by-country reporting, which is one of the initiatives promoted to explain the use made of secrecy jurisdictions and other locations.

COUNTRY-BY-COUNTRY reporting was first proposed by civil society[14] in 2003 and was adopted by the OECD in 2015 as part of Action 13 of its Base Erosion and Profit Shifting Action Plan[15]. Country-by-country reporting is also likely to be required by EU regulation in due course, although the precise form of this regulation is as yet unknown[16]. The full detail of what country-by-country reporting demands is not of concern here except to note that it requires a multinational corporation to disclose for every jurisdiction in which it operates:

- That it has a presence in the jurisdiction;
- What the names of its subsidiaries in that place might be;
- What those subsidiaries do in the locations in question;
- How many people it employs in that location;
- Limited financial data including its sales, profits before tax, tax due and paid and net investment.

We were aware, as already noted, that the financial data required for country-by-country reporting purposes would not be available for the vast majority of locations in which the Big Four firms had offices and pragmatically decided not to pursue this line of enquiry as a result.

We also assumed that data on what the Big Four might do in each location in which they operate would be similar, as proved to be true during the countless visits we made during this research to their remarkably consistent national websites wherever they are located around the world. The other three variables, however, appeared worthy of investigation.

Precisely because all of the Big Four firms have been extensively engaged in lobbying and advising on country-by-country reporting[17] we decided that to use the criteria it suggests are appropriate as the best way to appraise the global scale of the Big Four and the disclosure they make on this issue.

Our research then focused on:

- In which jurisdictions the Big Four have offices;
- How many offices they have in each such location;
- How many staff they have in each jurisdiction;
- What information they disclose on the ownership of their local operations.

5. BIG 4 OFFICE LOCATIONS

In this chapter we explain why it is important to know where each of the Big Four operates the methods that we used to determine that and the conclusions that we draw which suggest:

- *The Big Four forms do not reliably report where they operate;*
- *They have a significant presence in secrecy jurisdictions;*
- *This presence in secrecy jurisdictions is hard to justify based on the GDP or population of the secrecy jurisdictions where they have offices;*
- *It is likely as a result that their presence in these locations is very largely related to the offshore financial services sector that is located in these places.*

A. METHODOLOGY

EACH of the Big Four firms provides an office directory on their website[18]. In each case the directory indicates the country in which the firm works and then the individual office locations within that jurisdiction. These directories were the starting point for our work in identifying the places in which the firms work.

For each country for which a firm said it had a location, we then tried to determine the number of offices that it had in the country in question. This was not always straightforward. Firstly, the number appears to be fluid: the data noted in this report is that which we could establish in March 2017. The data was different from that established by an initial survey in September 2016. Secondly, whilst EY simply listed one address per city, Deloitte on occasion listed many. This required some judgment on occasion to decide when there may be duplicate entries per location. Both KPMG and PwC also exhibited that problem in some locations. Lastly, when we found countries in which the firm did not list an office in its global office directory (which was the case for all firms) we undertook web searches to determine how many city locations there may be where there were offices in the jurisdiction in question.

In each case we also checked the claims made in the office directories in a number of alternative ways. One was to check the Transparency Reports that each firm now produces on a global, and sometimes local, basis. Some of these had differing lists of locations in which the firms worked, as noted below.

In addition, as part of our work on the number of staff employed by these firms in each country in which they operate (see section four of this report) we also undertook extensive web-based searches of LinkedIn and other sites that provide information on this issue, looking at information published by the firms themselves and also as reported in other media. Where such searches indicated discrepancies with the office directories that the firms published we sought to investigate the issue until we could be sure as to whether the firm had a real presence in otherwise undisclosed jurisdictions or not.

B. FINDINGS

We found that not one of the Big Four firms published a wholly reliable list of their offices, as this summary of our findings shows:

TABLE 7 – OFFICES PER JURISDICTION

Firm	Number of jurisdictions where the firm usually says they are present	Number of jurisdictions where we have found evidence of the firm being present	Total number of offices based on our research	Number of jurisdictions with a single office based on our research	Average number of offices per jurisdiction based on our research
Deloitte	140	157	731	87	4.66
PwC	157	158	737	91	4.66
EY	155	159	710	95	4.47
KPMG	152	161	738	96	4.58
Total (where appropriate)			2,916		

Give or take (and as we demonstrate, a degree of tolerance is required) the Big Four firms operate in a total of 186 jurisdictions with an average of 3.41 offices in which they are located.

It is important to note that the firms' claims noted above vary on occasion. KPMG fairly consistently claims to have 152 offices[19]. Deloitte says[20] it has 150 but lists just 140 in its global office directory[21] (albeit whilst making it clear that some jurisdictions are combined). EY list 155 locations in its global office directory[22]. PwC says it is in 157 locations[23].

Of these varying claims and the disparities that we note, PwC's is most easily explained and is due to the fact that it treats the Channel Islands as one jurisdiction when they are two (Jersey and Guernsey).

In other firms the discrepancies were greater. For example, in the case of KPMG we found a location (Gabon) where it says it operates but we can find no evidence of it having an office there. We also found locations where KPMG does not suggest it has an operation in its 2016 international annual review but where it is, nonetheless, present based on evidence from the web. In three cases (Afghanistan, Greenland and Cuba) these appeared to be simple omissions from both its international annual review and the KPMG website of international offices.

In contrast, the KPMG Antigua and Barbuda office was mentioned in the 2016 KPMG international annual review but not on the KPMG international locations listing. The office in Syria managed the reverse, being included in the international locations website but not in the 2016 international annual review. In addition a number of locations are not listed in KPMG's 2016 international annual review because of what appears to be confusion as to their status. Hong Kong, Macau, Bonaire, Puerto Rico and some French territories appear to fall into this category although there appears to be no such concern with listing the UK's

Crown Dependencies as independent territories. The overall result is that we think KPMG may operate in 161 locations and not the 152 it usually suggests.

We found similar issues with Deloitte. For example, Tanzania and the Palestinian Ruled Territories (as Deloitte refer to them) are in the website listing of locations where Deloitte says it has offices but are not in the international transparency report published by the firm even though they definitely appear to operate in both locations. In direct contrast, Rwanda, Burundi, Turkmenistan, the Federated States of Micronesia, the Northern Marian Islands, the Marshall Islands and Palau are all listed by Deloitte in its international transparency report but not on the Deloitte website of global office locations. This may be because – with the exception of Rwanda, where there definitely is an office – the location is actually served from another jurisdiction and the presence referred to in the international transparency report may be little more than a PO Box address.

Finally, to complete the identified differences, Deloitte definitely appears to operate in Syria, Afghanistan, Bonaire and the Solomon Islands but these locations do not appear on the firm's website list of locations served or in its international transparency report. The result is that we think they are in 157 locations, which is fewer than the transparency report suggests but more than the website implies.

In the case of EY the issue is slightly more complicated because the firm is, in general, much more secretive than the other three firms. In this case we compared the global office list the firm publishes on its website with our own online research and the disclosure the firm makes to the UK-based Institute of Chartered Accountants in England and Wales, which regulates its auditing activity in that country, of its affiliated firms and where they operate[24]. The comparison revealed one location (Myanmar) which was disclosed for regulatory purposes but not on the EY website.

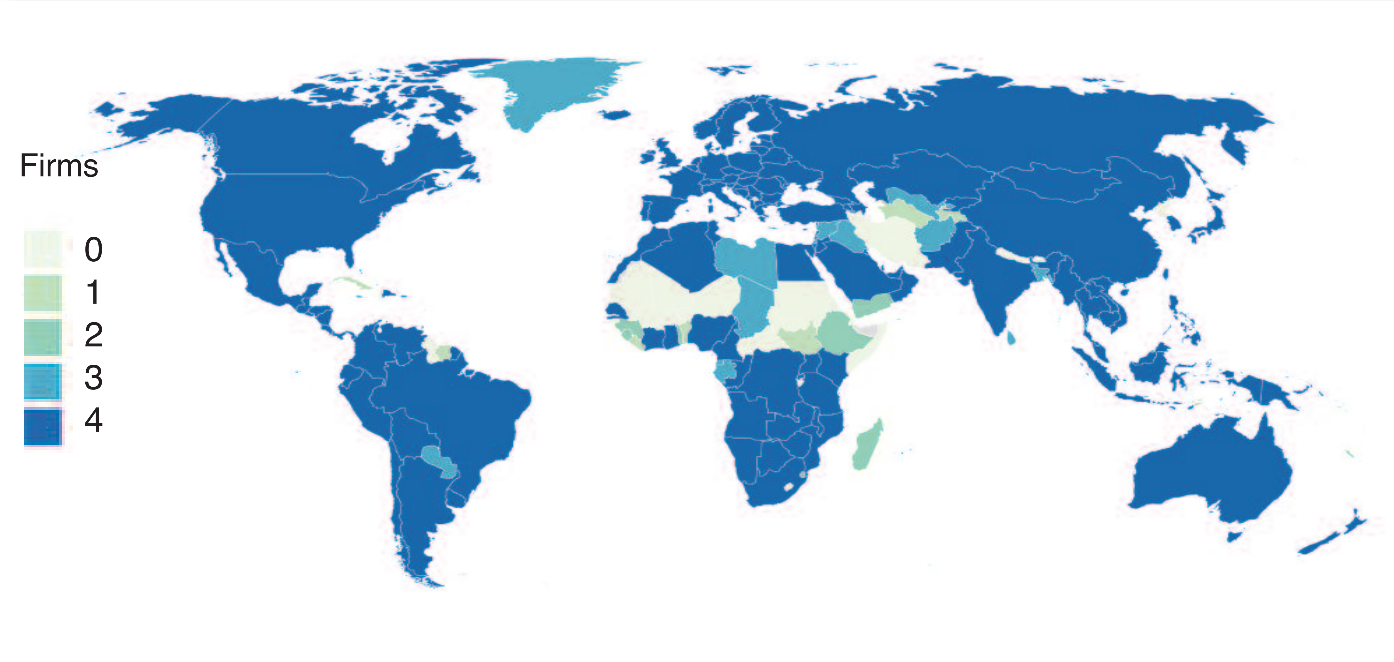
> “Give or take, the Big Four firms operate in a total of 186 jurisdictions with an average of 3.41 offices in which they are located

It also revealed 11 locations where the local firm was run from another location. For example, EY Liechtenstein is recorded as being part of EY Switzerland. There were, however, also offices which were on the EY website list of locations but for which there was no disclosure made to the UK regulator, including offices in Afghanistan, the Dominican Republic, Laos, Qatar, Equatorial Guinea, Jersey, Guernsey, Aruba and Greenland. Some of these may also be branch offices. For example, Jersey and Guernsey may be part of the UK operation of EY, but this is not clear from the disclosures made.

In addition, we were unable to determine whether there was an office in Ethiopia, for which some evidence existed, and Sint Marteen, which may be a branch address for which we also found some evidence. This leaves some ambiguity about the number of locations in which EY may actually operate; the result we report is our best estimate based on the available evidence.

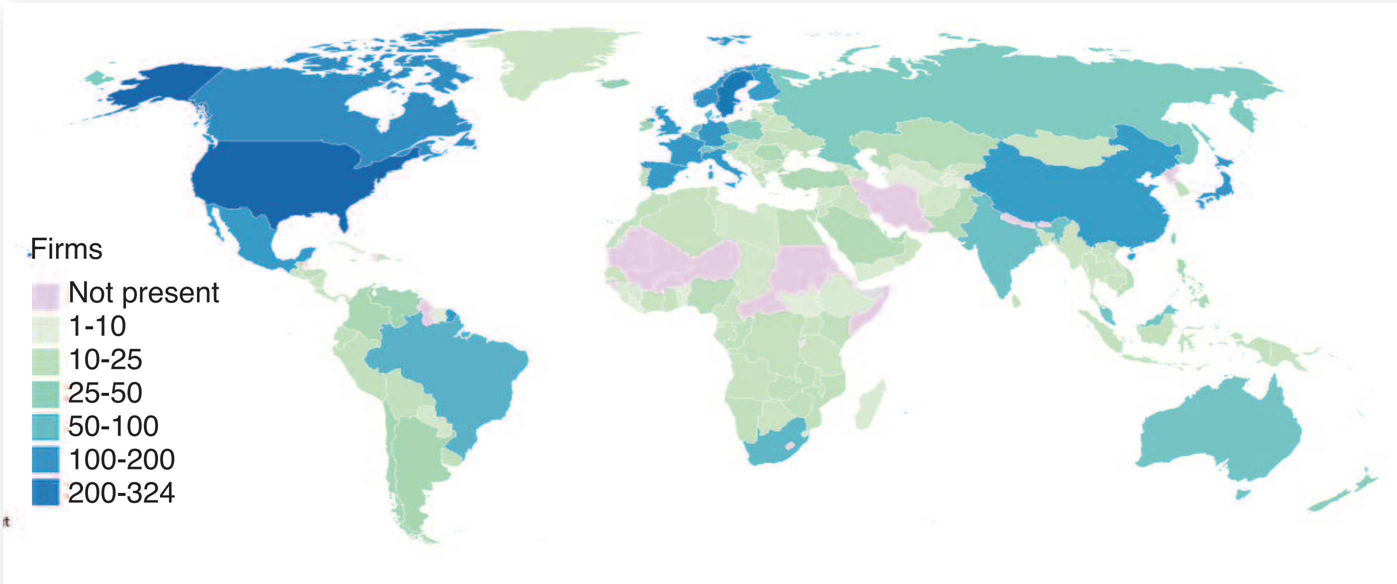
Based on our findings of where we best think these firms have offices the world map in Figure 1 indicates the global presence of the Big Four. As is clear, the overwhelming majority of countries in the world have at least three out of the four firms present, and all four are present in most countries.

FIGURE 1 – BIG FOUR GLOBAL PRESENCE
Colours indicate how many of the Big Four firms are present in each country



Mere presence in a location can, however, be misleading. Figure 2 shows the number of offices by location:

FIGURE 2 – BIG FOUR OFFICES BY LOCATION
Colours indicate the number of offices Big Four firms have per country



The disparity between the two maps makes clear that the Big Four only have a limited presence in many of the lower-income countries in the world.

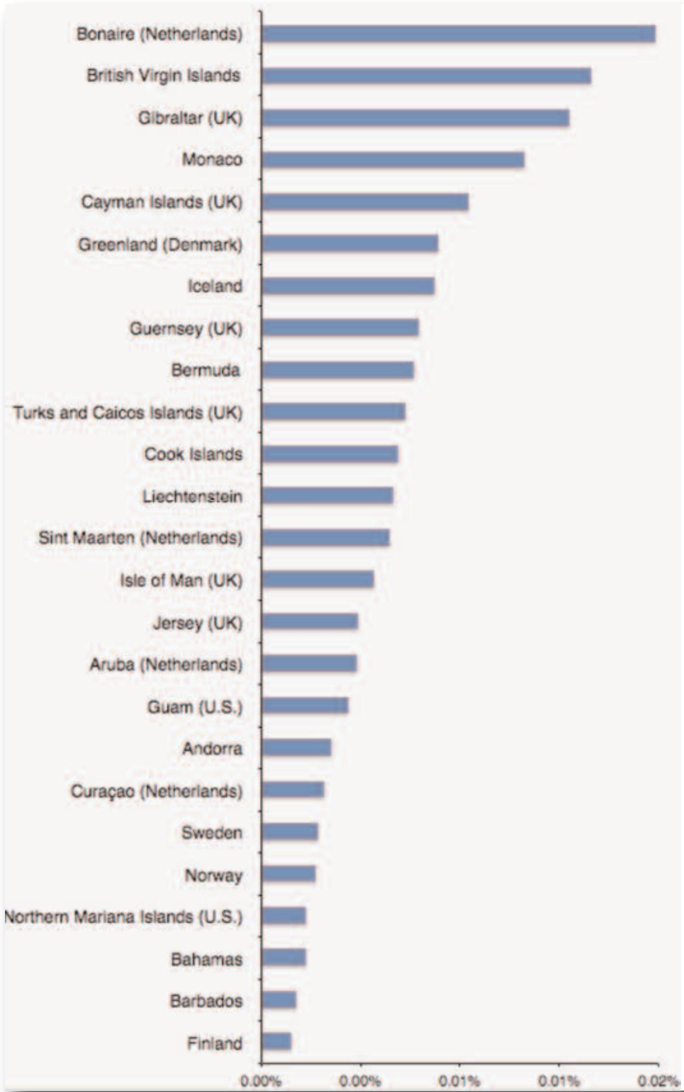
Figure 3 further illustrates this point, showing the top 25 countries in terms of the number of offices operated by the Big Four in aggregate. The USA tops this list and, as is clear, with the exception of Malaysia, the jurisdictions where the Big Four have most offices are in the OECD and BRICS countries.

FIGURE 3 – BIG FOUR TOP JURISDICTIONS
Top 25 jurisdictions by total number of offices

It may be unsurprising that the Big Four are heavily represented in the largest economies and that their presence in many of the world's poorest jurisdictions is limited but their over-representation in Nordic counties requires explanation. In these countries, alone in the world it seems, these firms provide services to the entire business community, whatever its size, and as such are located in many towns as well as major cities. So strong is this trend that the Big Four firms have 23 offices between them in Iceland, a country of just 336,000 people.

Figure 3 suggests on first glance that the presence of the Big Four firms is directly linked to the size of the market in the place in which they operate. To test whether is the case we compared the number of offices to market size measured in terms of population and GDP. The evidence that emerged was clear: the number of offices the Big Four operate in a jurisdiction is not proportional to the size of a country or its economy. Figure 4 shows the number of Big Four offices in a jurisdiction per head of population:

FIGURE 4 – BIG FOUR OFFICES VS POPULATION
Top 25 jurisdictions relative to population size

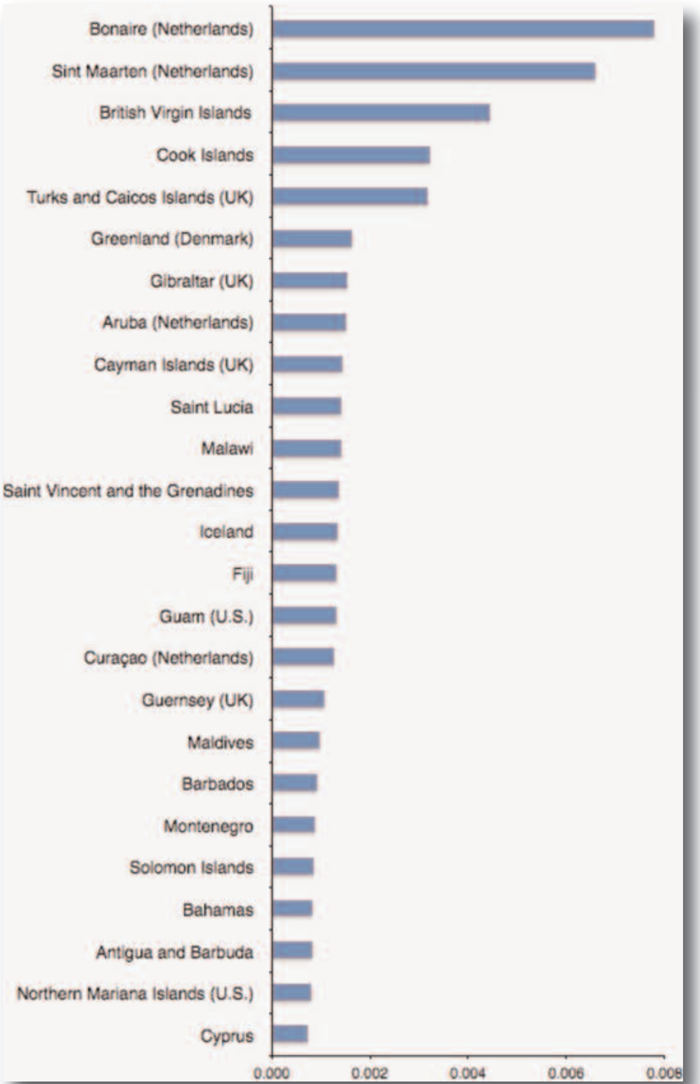


With the exception of the Nordic states, for which explanation has already been offered, the presence of secrecy jurisdictions in this list is its most obvious characteristic. The implication is clear – the Big Four firms are heavily over-represented in these locations in proportion to apparent local market size.

The same trend was apparent when we compared office presence with GDP with the exception that, Iceland apart, the Nordic countries disappeared from the list and secrecy jurisdictions became even more prominent:

FIGURE 5 – BIG FOUR OFFICES VS GDP

Top 25 jurisdictions by relative to GDP size



From these results it is apparent that the Big Four are heavily over-represented in secrecy jurisdictions, as compared to what could be expected from relying on GDP or population figures. This suggests that their presence in these places is related to the secrecy for transactions that these jurisdictions provide.

As a result we subjected these firms' use of secrecy jurisdictions to further review. Using a tax haven listing based on the secrecy component of the Tax Justice Network Financial Secrecy Index (see the appendix to this report for further details) we found the following data:

TABLE 8 – SECRECY JURISDICTION PRESENCE

Firm	Number of secrecy jurisdictions where we have found evidence of the firm being present	Total number of offices in secrecy jurisdictions based on our research	Number of secrecy jurisdictions with a single office based on our research	Average number of offices per secrecy jurisdiction location in which the firm had a presence based on our research
Deloitte	35	75	26	2.14
PwC	34	76	25	2.24
EY	36	81	29	2.25
KPMG	40	80	33	2.00
Total (where appropriate)		312		

Overall the firms are in 43 secrecy jurisdictions between them out of the list of 53 such locations in total that we used for research purposes, as explained in the appendix to this report.

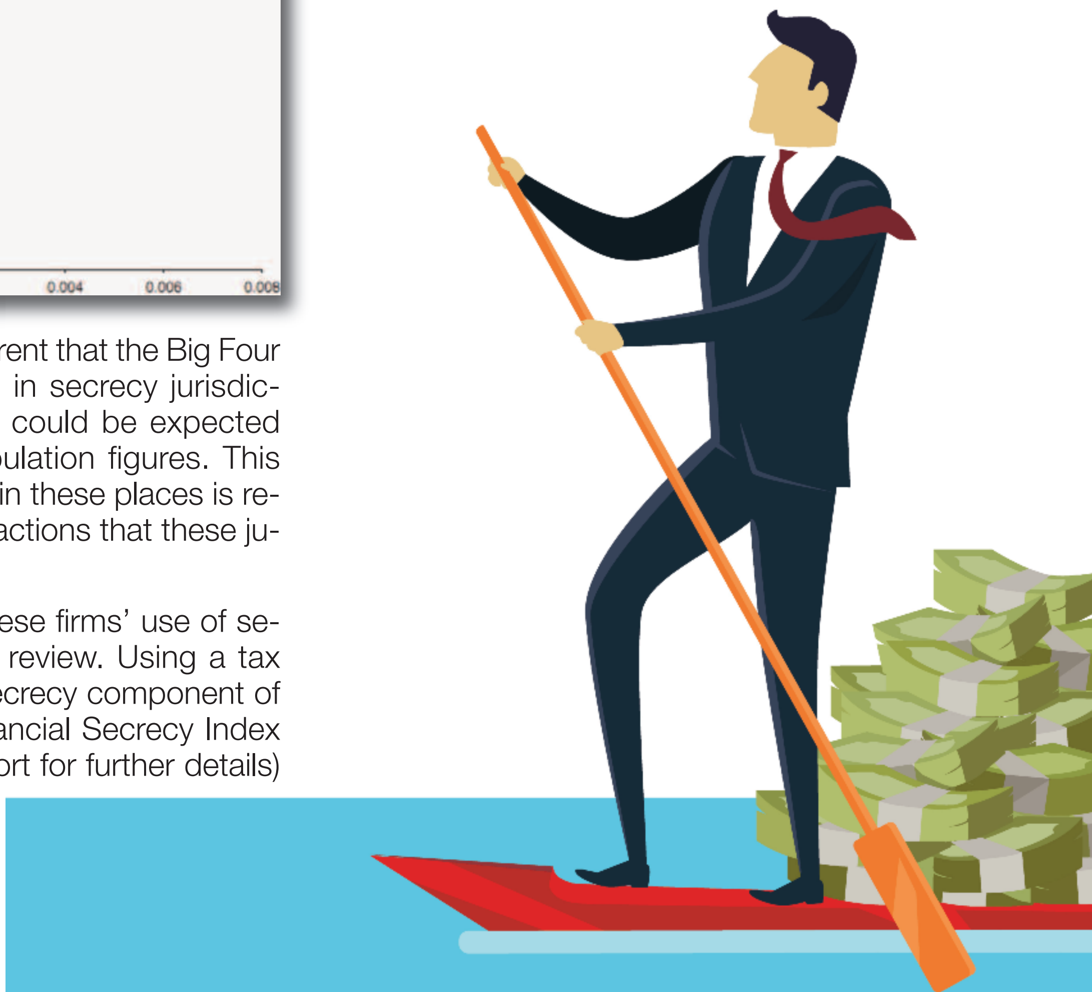


TABLE 9 – BIG FOUR OFFICES IN SECRECY JURISDICTIONS

		Number of offices				
Secrecy jurisdiction	Secrecy score	Deloitte	PwC	EY	KPMG	Total
Andorra	77	1	0	0	1	2
Anguilla (UK)	69	0	0	0	0	0
Antigua and Barbuda	81	0	0	0	1	1
Aruba (Netherlands)	68	1	1	1	1	4
Bahamas	79	2	2	1	2	7
Bahrain	74	1	1	1	1	4
Barbados	78	1	1	1	1	4
Belize	79	0	0	0	0	0
Bermuda	66	1	1	1	1	4
Botswana	71	1	1	1	1	4
British Virgin Islands	60	1	1	1	1	4
Brunei	83	1	0	2	1	4
Cayman Islands (UK)	65	2	1	1	1	5
Cook Islands	76	0	0	0	1	1
Curaçao (Netherlands)	68	1	1	1	1	4
Cyprus	50	3	3	2	6	14
Dominica	76	0	0	0	0	0
Ghana	67	1	2	1	1	5
Gibraltar (UK)	67	1	1	1	1	4
Grenada	76	0	0	0	0	0
Guatemala	76	1	1	1	1	4
Guernsey (UK)	64	1	1	1	1	4
Hong Kong (China)	72	1	1	1	1	4
Ireland	40	5	7	5	3	20
Isle of Man (UK)	64	1	1	1	1	4
Jersey (UK)	65	1	1	1	1	4
Lebanon	79	1	1	1	1	4
Liberia	83	0	1	0	0	1
Liechtenstein	76	0	0	1	1	2
Luxembourg	55	1	1	1	1	4
Macau (China)	70	1	1	1	1	4
Macedonia	66	1	1	1	1	4
Malaysia	75	8	6	16	9	39
Malta	50	1	1	1	1	4
Marshall Islands	79	0	0	0	0	0
Mauritius	72	1	1	1	1	4
Monaco	74	1	1	1	1	4
Montserrat (UK)	67	0	0	0	0	0

TABLE 9 – BIG FOUR OFFICES IN SECRECY JURISDICTIONS (CONTINUED)

Netherlands	48	14	11	15	12	52
Panama	72	1	1	1	1	4
Saint Kitts and Nevis	78	0	0	0	0	0
Saint Lucia	83	0	0	1	1	2
Saint Vincent and the Grenadines	78	0	0	0	1	1
Samoa	86	0	0	0	0	0
San Marino	70	0	0	0	0	0
Seychelles	71	0	0	1	0	1
Singapore	69	1	1	1	1	4
Switzerland	73	7	14	10	10	41
Turks and Caicos Islands (UK)	71	0	1	0	1	2
United Arab Emirates	77	5	3	2	5	15
United States Virgin Islands (U.S.)	69	1	0	0	0	1
Uruguay	71	3	3	1	1	8
Vanuatu	87	0	0	0	0	0
Total		75	76	81	80	312

C. CONCLUSIONS

The Big Four accounting firms are present in 186 countries worldwide.

Most of their activities, however, as evidenced by office and staff presence, seem to be in the world's larger economies.

That said, when controlling for the size of the economy (whether by population or GDP) the Big Four firms are disproportionately active in secrecy jurisdictions.

> "From these results it is apparent that the Big Four are heavily over-represented in secrecy jurisdictions, as compared to what could be expected from relying on GDP or population figures. This suggests that their presence in these places is related to the secrecy for transactions that these jurisdictions provide

6. Big 4 Staff Locations

In this chapter we extend our analysis of the Big Four firms by seeking to determine where their staff are located to provide a better indication of the scale of their activities in each jurisdiction in which they work. As a result we suggest:

- *While we can locate a majority of the staff for each of the Big Four firms we are unable to do so entirely for any firm;*
- *There are a significant number of locations where we are unable to determine the number of staff present for each firm. In most of these cases the numbers involved will be relatively small;*
- *The number of people employed by the Big Four firms in secrecy jurisdictions appears disproportionate to local need;*
- *It appears that staff employed in these locations are largely engaged in meeting the needs of clients not located in those secrecy jurisdictions.*

A. Methodology

THE number of offices that a firm maintains in a location is clearly one indicator of the scale of its operations, but not a wholly adequate one since an office could in principle be just a few people, or a large-scale operation. In fact, we found offices of fewer than 10 people when undertaking our research, and others with thousands. As a result we researched the total number of staff employed by each firm in each jurisdiction in which they worked on the basis that this would be a better indicator of the scale of its activities.

In many cases the local web page of a firm provided the information that we needed on the number of staff (and sometimes partners) engaged in a jurisdiction. When this data was not available we tried to secure the necessary information on employee numbers in the firms' transparency reports, sustainability reports, annual reports or in the recruitment material they publish.

Success here was sporadic: for example, in one case where staff numbers were not listed anywhere else, a recruitment video opened with information on the number of people employed by the firm.

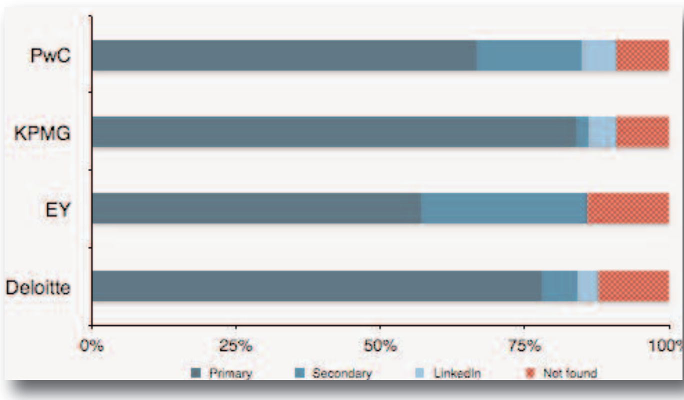
When no data was available on a firm's website we checked its LinkedIn page instead; there were a surprising number of occasions when firms that appeared deeply secretive on their own web pages were remarkably candid with data on LinkedIn. These combined sources we describe as primary data for research purposes.

When neither the web page nor the direct LinkedIn description gave us the staff numbers, we sought alternative sources, noted below as secondary. These included newspaper articles, descriptions from top employer awards, job listings, Facebook pages and the personal resume of an HR official.

Finally, if none of these type of sources could be found, but the company provided data in a range on LinkedIn, we resorted to using the mid-point in the range they suggested appropriate - meaning that if, for example, a LinkedIn listing for the firm suggested it had between 51 and 200 employees, we recorded it as having 125. This, inevitably, means our findings are approximate in some cases.

The proportion of staff we were able to locate for each firm by the different means noted above were as follows:

Figure 6 – Proportion of offices with staff data



As is apparent, we had by far the greatest difficulty in locating EY staff. It seems that they have a more secretive approach to personnel matters compared to the other firms.

B. FINDINGS

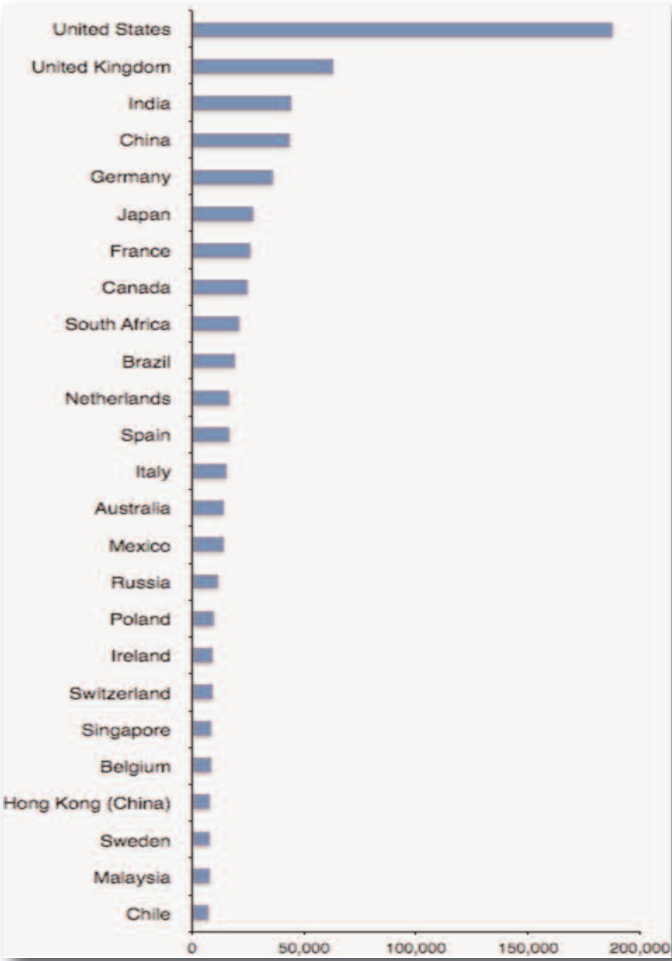
By taking advantage of different sources, we were able to locate a significant proportion of the global staff number for each firm. The number of staff we have been able to allocate to jurisdictions for each firm is as follows:

TABLE 10 – PROPORTION OF OFFICES WITH STAFF DATA

Firm	Total personnel in 2016 according to the firm	Number of partners and staff in total that we could attribute to working in particular jurisdictions	Proportion of the firm's staff we were able to locate (per cent)
Deloitte	244,445	230,162	94.2
PwC	223,468	213,047	95.3
EY	230,800	191,312	82.9
KPMG	188,982	173,655	91.9
Total (where appropriate)	887,695	808,176	91.0

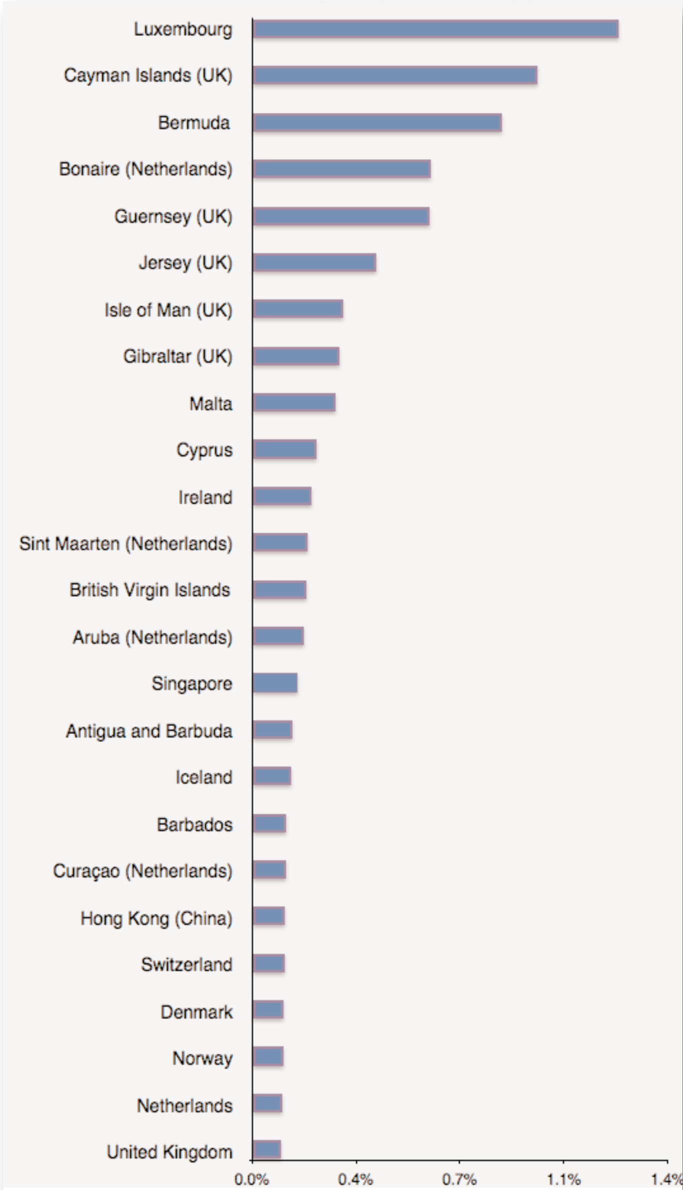
More broadly, our findings showed that 43 per cent of total Big Four staff worldwide are situated in the G7 economies. The top 25 locations for numbers of employees in aggregate are as follows:

FIGURE 7 – TOP 25: TOTAL NUMBER OF EMPLOYEES



The proportion of total Big Four employees relative to population size, however, reveals a very different picture, as was the case with the analysis of office presence. Figure 8 shows the top 25 jurisdictions according to the ratio of employees to population in a jurisdiction. Again, secrecy jurisdictions are prominent on this list.

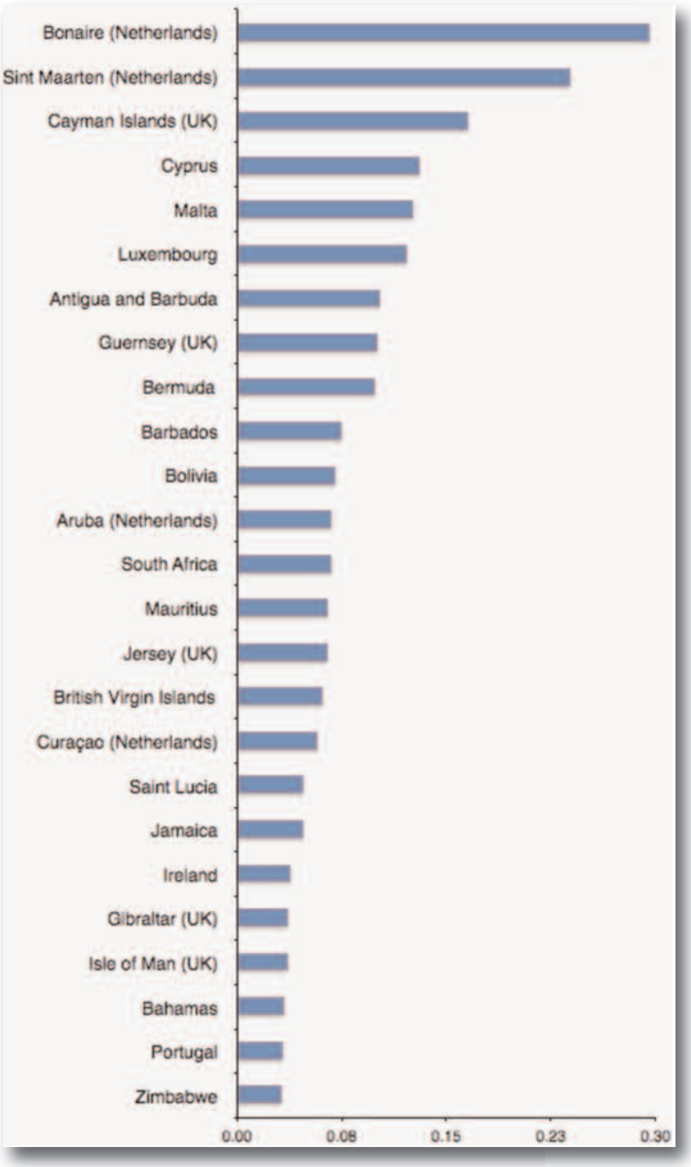
FIGURE 8 – TOP 25: EMPLOYEES TO POPULATION SIZE



> "Secrecy jurisdictions are prominent on this list of the top 25 jurisdictions according to the ratio of employees to population in a jurisdiction

If the number of staff of the Big Four firms in aggregate is compared with GDP in a location the top 25 jurisdictions are as follows:

FIGURE 9 – TOP 25: NUMBER OF STAFF VS GDP



These rankings show very clearly the same pattern that office numbers revealed: while most of the Big Four staff are located in the largest economies, these firms seem to have disproportionately more staff – and therefore presumably disproportionately more activity – in countries that are known to be secrecy jurisdictions. Bolivia is a surprising exception: Deloitte apparently have more than 2,000 staff in the country.

As discussed above, this over-representation is not explained by the size of the market as proxied by population and GDP. As a result we presume that it is the secrecy provided by these places that prompts the Big Four to have such a strong presence within them.

A further analysis of our results is as follows:

TABLE 11 – PROPORTION OF STAFF IN SECRECY JURISDICTIONS

Firm	Number of jurisdictions in which we could identify the number of staff employed	Number of secrecy jurisdictions in which we could identify the number of staff employed	Proportion of non-secrecy jurisdiction locations in which we could identify the number of staff employed	Proportion of secrecy jurisdiction locations in which we could identify the number of staff employed	Number of staff identified as employed in non-secrecy jurisdiction locations	Number of staff identified as employed in secrecy jurisdiction locations	Proportion of identified staff in secrecy jurisdiction locations in which the firm is present
Deloitte	96	25	59.0%	68.6%	211,655	18,507	8.0%
PwC	105	24	65.3%	67.7%	188,076	24,971	11.7%
EY	92	21	58.5%	55.6%	172,650	18,662	9.8%
KPMG	118	27	76.0%	65.0%	155,459	18,196	10.5%
Total (where appropriate)					727,840	80,336	9.9%

Table 11 shows that whilst we were successful in finding most of the staff of the Big Four firms, many jurisdictions did not have this information available anywhere. The implication is that these places are likely to have relatively small offices. From the staff numbers that we have we are able to estimate that around 10 per cent of the Big Four firms' employees are located in secrecy jurisdictions.

Looking at the number of staff per office reveals this pattern in terms of non-secrecy jurisdictions and secrecy jurisdictions:

TABLE 12 – STAFF PER OFFICE IN SECRECY VS NON-SECRECY JURISDICTIONS

Firm	Average number of staff per office	Average number of staff per office in a non-secrecy jurisdiction location	Average number of staff per office in a secrecy jurisdiction location	Average number of offices per non-secrecy jurisdiction location in which the firm has a presence	Average number of offices per secrecy jurisdiction location in which the firm has a presence
Deloitte	276.2	260.5	323.2	5.37	2.14
PwC	375.0	322.0	557.2	5.33	2.24
EY	326.7	292.5	444.7	5.11	2.25
KPMG	284.3	265.6	339.1	5.44	2.00

Table 12 shows that while the average number of offices per secrecy jurisdiction is lower than in non-secrecy jurisdictions, these offices are more heavily staffed, as the average number of staff is much higher across all four firms.

To make sure we were not biasing our findings against smaller countries (which we considered to be those jurisdictions with populations of less than 3 million) we also tested the data for all such places, representing 112 locations in total of which 40 were secrecy jurisdictions.

The following was found:

TABLE 13 – STAFF IN SMALLER COUNTRIES & SECRECY JURISDICTIONS

Firm	Average number of staff per office in smaller countries	Average number of staff per office in a non-secrecy jurisdiction smaller country location	Average number of staff per office in a smaller country secrecy jurisdiction location	Average number of offices per smaller country non-secrecy jurisdiction location where the firm has a presence	Average number of offices per smaller country secrecy jurisdiction location where the firm has a presence
Deloitte	151.2	89.3	199.8	1.89	1.17
PwC	213.4	91.5	312.4	1.41	1.14
EY	191.1	146.7	230.2	1.16	1.08
KPMG	161.4	119.5	214.3	1.35	1.21

As Table 13 shows, the small size of many secrecy jurisdictions does not explain the relative over-representation of the Big Four firms. While the average number of offices is slightly lower in non-secrecy jurisdiction small countries, the number of staff per office is significantly larger in the small countries with high secrecy.

The difference in the pattern of operations is apparent: there are more, but smaller, offices in non-secrecy jurisdiction locations. We suggest that this is because they are likely to service local need rather than an international clientele.

D. CONCLUSIONS

Our research could not, despite the effort expended, locate all the staff of the Big Four firms. We were as a result unable to determine the true scale of their operations in many countries in which they operate.

We were, however, able to conclude that these firms are heavily over-represented in secrecy jurisdictions and the Nordic countries. Around 10 per cent of their staff are located in secrecy jurisdictions.

It is unlikely that local business can justify this scale of activity in secrecy jurisdictions. Indeed, the 579 employees we can identify that Deloitte, PwC and KPMG engage between them in Cayman (no figure was available for EY) may represent at least two per cent of that island's working population. It is very unlikely that local demand could justify such a concentration of accounting expertise.

> “It is unlikely that local business can justify this scale of activity in secrecy jurisdictions. Indeed, the 579 employees we can identify that Deloitte, PwC and KPMG engage between them in Cayman may represent at least two per cent of that island's working population

7. BIG 4 FIRM ORGANISATION A CASE STUDY ON KPMG

In this chapter the organisational structure of KPMG (which was the subject of a case-study) is considered. As a result we suggest:

- *KPMG has an organisational structure that is legally based in Switzerland but operationally located in the Netherlands;*
- *This international organisation is made up of 58 firms; it would appear that the member firms in other countries are sub-licensees of these 58 firms, although further information on this structure is not available;*
- *The identity of the KPMG firm operating in 55 jurisdictions could not be determined. These were mainly in smaller locations. They had 91 offices between them;*
- *The result is that it is not possible to be sure from the readily available information published by KPMG precisely how the firm is structured and what the legal identify of its affiliated entity in which location where it operate might be.*

A. BACKGROUND AND METHODOLOGY

THE structure of the Big Four firms is an issue that has been quite surprisingly under-researched. We too did not, unfortunately, have the time or resources to address this issue in-depth. Instead a review of the structure of KPMG has been undertaken to illustrate the issues that may need to be addressed by a broader study[25]. In the process passing reference is made to the structures of Deloitte, PwC and EY[26].

All the Big Four firms of accountants have broadly similar structures. Each has a central organising body that appears to control its intellectual property, licence members of the network and enforce common standards. Three of the Big Four locate the company responsible for this activity in London.

The companies in question are Deloitte Touche Tohmatsu Limited[27], a UK private company limited by guarantee that regulates the Deloitte network[28]; PricewaterhouseCoopers International Limited[29], which is again a UK private company limited by guarantee, for PwC[30] and yet another such company, Ernst & Young Global Limited[31] for EY[32].

The use of these similar structures is not by chance: UK companies limited by guarantee have a particular appeal for these networks for three reasons. Firstly, such companies are, in effect, mutual entities, and are often used by charities or non-trading clubs and societies for this reason. Because membership does not result in a right to receive income, changes of ownership rarely give rise to capital gains tax charges, meaning that the tax situation when there are membership changes is simple.

Secondly, if a company is organised in this way it is easy to argue that the firm does not trade but just undertakes mutual activities on behalf of the members that should not then be subject to UK tax. These companies appear to take advantage of this opportunity.

Thirdly, as a result, the accounting disclosures required by UK law are minimal: the latest PwC accounts for the noted company only just extend onto a second page. The whole structure is, therefore, very convenient for these firms. A UK base, UK law, and very convenient UK tax arrangements can all be taken advantage of and yet almost nothing need be disclosed as to what these companies really do.

Despite this KPMG does not use such a company. In its case the coordinating entity is a Swiss cooperative[33] called KPMG International Cooperative. Bloomberg[34] suggests that this entity is registered at the KPMG office in Zurich[35]. Other sources suggest that it is registered in the Swiss Canton of Zug[36].

Based on the survey undertaken for this report every single KPMG firm mentions this Swiss entity on its website. The relationship is also described in the Transparency Reports that some of those KPMG firms publish. For example, the KPMG firm in Luxembourg says in its Transparency Report (in a statement remarkably similar to those in many other such reports) that[37]:

> *The independent member firms of the KPMG network (including KPMG Luxembourg, Société coopérative) are affiliated with KPMG International, a Swiss cooperative which is a legal entity formed under Swiss law.*
>
> *KPMG International carries on business activities for the overall benefit of the KPMG network of member firms but does not provide professional services to clients. Professional services to clients are exclusively provided by its member firms.*
>
> *The structure is designed to support consistency of service quality and adherence to agreed values wherever in the world the member firms operate. One of the main purposes of KPMG International is to facilitate the provision by member firms of high quality Audit, Tax and Advisory services to their clients. For example, KPMG International establishes and facilitates the implementation and maintenance of uniform policies and standards of work and conduct by member firms and protects and enhances the use of the KPMG name and brand.*

The implication is clear: there is a unity within this structure and yet at the same time there is a considerable degree of separation within the firm. That this separation may not be as stark as the legal wording implies is suggested by the job titles of those working for the global operation, such as 'Global Head of Audit' and 'Global; Head of Advisory'[38]. These suggest a degree of coordination in such activities that is contrary to the impression of a diversely controlled firm[39]. The substance of the firm may not, in other words, be what the form implies.

There is other evidence of this conflict between the substance and form of the firm. For example, the actual operational structure of KPMG may be a little more complex than the published statements suggest: it appears that the functional control of KPMG internationally actually rests in the Netherlands. This is the international address provided for KPMG International supplied by the UK-based KPMG LLP as part of its regulatory filings[40]. Despite this, remarkably little attention or publicity is given to this operation. The 2016 KPMG global annual review gives no hint, for example, of a contact address for this head office operation, despite which it appears to have considerable power. As the entirely typical Luxembourg Transparency Report[41], already noted, says:

> *KPMG is the registered trademark of KPMG International and is the name by which the member firms are commonly known. The rights of member firms to use the KPMG name and marks are contained within agreements with KPMG International.*
>
> *In these agreements, member firms commit themselves to a common set of KPMG Values. Under agreements with KPMG International, member firms are required to comply with KPMG International's policies and regulations including quality standards governing how they operate and how they provide services to clients. This includes having a structure that ensures continuity and stability and being able to adopt global and regional strategies, share resources, service multinational clients, manage risk, and deploy global methodologies and tools. Each member firm takes responsibility for its management and the quality of its work.*

The report goes on to list the sanctions available for use by KPMG against non-compliant member firms. The resulting paradox is readily apparent: KPMG is structured as if it is made up of individual member firms and yet each of these has to operate to common standards that are rigorously enforced.

There are also common financial interests: KPMG firms, for example, share a common captive professional indemnity insurance operation (whose location has not at present been identified). Despite this, all is also not apparently equal within the KPMG organisation. As the same Luxembourg Transparency Report notes when discussing the KPMG governance structure:

> *The key governance and management bodies of KPMG International are the Global Council, the Global Board, and the Global Management Team.*
>
> *The Global Council focuses on high-level governance tasks and provides a forum for open discussion and communication among member firms. It includes representation from 58 member firms that are 'members' of KPMG International as a matter of Swiss law. Sub-licensees are generally indirectly represented by a member.*

This reference to there being 58 core members is intriguing. It makes clear that there are tiers of membership within the KPMG structure that are not at all apparent to the public. It also suggests that KPMG's operations in more than 100 countries may actually be operated under sub-licence from other jurisdictions, although which operations have which status is not clear.

This two-tier structure may be particularly important when considering KPMG's secrecy jurisdiction operations. These do not appear to play any significant part in KPMG's governance structure. For example, the current global board[42] has what appear to be firm representatives from the USA, UK, Netherlands, Switzerland, Mexico, Republic of Korea, Japan, Italy, Ireland, India, Germany, France, China, Brazil and Australia. Canada represents the Americas board, Singapore the Asia Pacific board and Spain the European and Middle Eastern board. Four other representatives represent the rest of the firm, with members representing Africa, the Middle East and South Asia, Central and Eastern Europe and the Commonwealth of Independent States that were formerly part of the USSR.

Two things are apparent as a consequence. The first is that some firms appear to be more equal than others, as the licencing arrangement referred to above implies. The second is that secrecy jurisdiction locations appear to be largely absent from these governance structures. This may imply that the regulation of these sub-licenced KPMG practices is undertaken from non-secrecy jurisdiction locations. This may be a precedent for the regulation of activity in these locations by other parties.

B. FINDINGS

I. FIRM LOCATIONS

The suggestion that each KPMG operation was independent from those others bearing a similar name was tested during the course of the review of the website of each member firm undertaken as part of this work.

The work undertaken identified a KPMG presence in 161 countries involving at least 738 offices. KPMG usually suggests it has 152 locations[43]. Reconciliation of these claims was not a straightforward exercise.

As noted in Chapter 5, one country (Gabon) identified as having an office by the 2016 KPMG international annual review website does not appear to have a KPMG office[44].

Other countries (Afghanistan[45], Greenland[46], and Cuba[47]) where KPMG appears to definitely have operations are not mentioned in either the 2016 international annual review website or in the KPMG international locations listing[48].

Antigua and Barbuda[49] is mentioned in the 2016 international annual review website but not on the KPMG international locations listing.

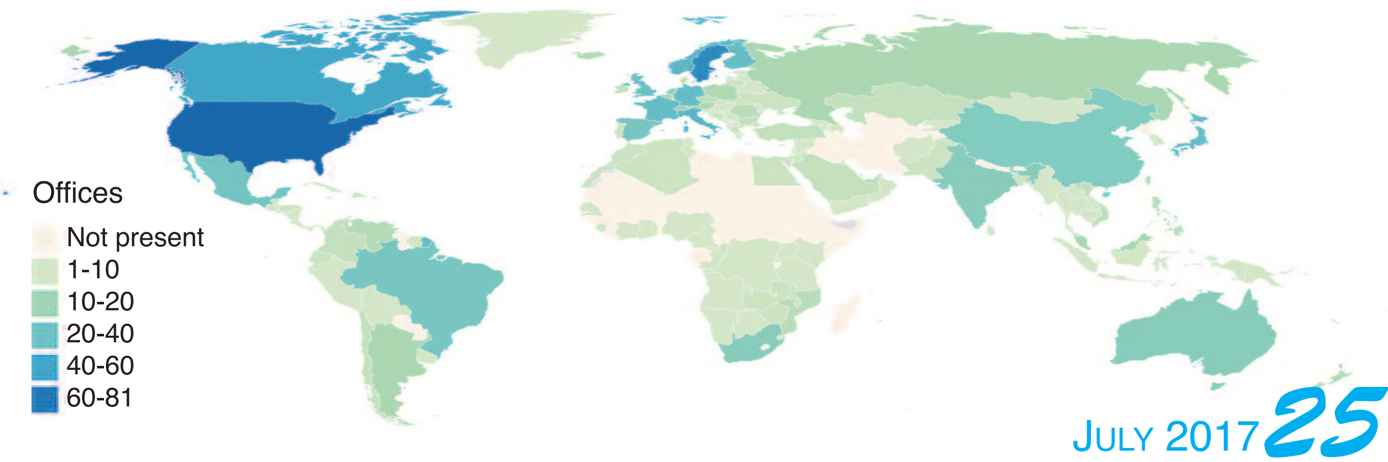
Syria[50] manages the reverse status: being in the international locations website but not in the 2016 international annual review website.

Six locations are not listed in the 2016 international annual review because of what appears to be confusion as to their status. Hong Kong, Macau, Bonaire, Puerto Rico and some French territories appear to fall into this category although there appears to be no such concern with listing the UK's Crown Dependencies independently.

It would be of obvious benefit if KPMG was able to consistently decide and disclose where it operates because this does not happen at present.

Our findings on where KPMG is located are summarised as follows:

FIGURE 10 – KPMG NUMBER OF OFFICES



ii. Firm ownership

In the case of 106 websites, each representing a different national firm, a named local entity was identified as the local KPMG firm, it then being stated that KPMG International, based in Switzerland, was the international organisation of which it was a member. The firms in question represented 648 (87.7 per cent) of KPMG offices and 95.2 per cent of all KPMG staff.

In the case of KPMG Azerbaijan the local operation was managed by a firm located in another jurisdiction. KPMG Azerbaijan Limited is a company incorporated in Guernsey[51].

The structure of some operations where ownership is stated is not always clear. A case in point is KPMG India, where the website[52] makes clear that ownership is by an Indian partnership but where the Transparency Report[53] says:

> "*KPMG is a partnership firm registered under the Indian Partnership Act 1932. The two legal partners in KPMG are two companies incorporated in the Netherlands: KPMG International Investments BV (a wholly owned subsidiary of KPMG International Cooperative) and KPMG Advisory NV (a company which is part of the KPMG Europe LLP group of companies). However, both such companies hold the interests in KPMG ultimately for, and at the direction of, KPMG International Cooperative, a Swiss cooperative which is a legal entity formed under Swiss law ("KPMG International").*
>
> *Notwithstanding the legal ownership structure, KPMG International and/or the legal partners do not manage or exercise control over the management of KPMG or extract profit from KPMG.*

There also appear to be a number of regional firms. KPMG East Africa, which is incorporated in Mauritius, operates a number of KPMG offices. The offices in a group of mainly Dutch Caribbean locations also appear to be under common control. The small KPMG office in the British Virgin Islands appears to control the KPMG office in St Lucia.

Whether the offices of KPMG in the Channel Islands are one or two firms is not clear: one seems to be likely. The operation of some of the KPMG Offices in the Balkans is undertaken by locally located companies but these are then subsidiaries of a company called KPMG CEE Limited, a company incorporated in Cyprus.

More importantly, in 55 locations the website does not say what entity is representing KPMG in the jurisdiction in which an office is located. In these cases the website almost invariably refers to the website being operated by KPMG International but with no local entity being identified.

These locations represent 91 offices (12.3 per cent of the total) but just 4.8 per cent of identified staff, although it should be noted that there is a much higher incidence of being unable to identify staff working in these locations than in those in which ownership can be determined.

The largest of these offices where ownership is unclear is in Brazil; there appears to be a general culture of secrecy that is quite marked in South American affiliates.

The fact that KPMG does not disclose who all of its member firms are means that large parts of the KPMG network appear to be publicly unaccountable, which is unacceptable for an organisation of its global significance.

iii. Use of Partnership Structures

The tradition within the accountancy profession is that firms are organised as professional partnerships. This, however, has been subject to fairly rapid regulatory and cultural change in many jurisdictions since around the turn of the century. This research suggested that a partnership structure is still in use in just 21 KPMG locations representing 62 offices, or just 8.4 per cent of all offices. Unlimited liability for auditors appears to be receding.

iv. Implications

KPMG is a paradox. For marketing and public perception purposes it appears to wish it to be believed that it is a deeply conventional, centrally controlled and remarkably homogenous organisation. However, it then goes on to suggest that its national operations are subject to separate ownership, although the identities of many of these separate entities are not publicly disclosed. The implications of this chosen structure are, however, profound.

As KPMG LLP's UK regulatory filings[54] suggest, the maintenance of a local operation means that regulatory obligations can be geographically curtailed. The firm is only registered to provide services in the UK, Jersey, Guernsey, the Isle of Man, Japan and the USA. This saves on costs.

Legal risk is also ring-fenced by the chosen structure: in principle the failing of one member firm – whether for financial reasons due to operational difficulties or, perhaps more likely, as a result of catastrophic liability arising as a result of a successful professional negligence claim or from a colossal regulatory failing – may not prove to be a risk for the whole organisation because of the structure used. As an example, the $456 million fine imposed on KPMG in the USA in 2005 for criminal tax violations[55] did not appear to have consequences for other member firms in the international organisation. There is, then, some evidence that this structure works for this ring-fencing purpose.

There is another reason why the structure adopted may be of significant value to the whole organisation. The structure adopted allows each member firm to argue that it only has liability to its own clients and to its own regulators. But this also means it can ring-fence disclosure to regulators outside its own jurisdiction, whether for tax or other purposes.

As a result the maintenance of client confidentiality in the face of regulatory investigation is much easier to secure for two reasons. The first is that if there is only an obligation to local regulators; the risk of cross-border investigation of almost any sort is reduced. Secondly, this diversified structure means that a client of one part of KPMG may well not be a client of another part of KPMG. As a result the chance that an enquiry can be safely replied to with the assurance that no broader data is held is greatly increased.

> “Limiting regulatory and legal liability risk whilst also ring-fencing client activity from enquiry provide an explanation for the use of non-standard structures

Given the need for uniformity in standards in the operation of an international firm of auditors, advisers and tax specialists the adoption of a legally diversified structure for a firm must suggest that there are very strong reasons for doing this when there is in almost every other market a near-universal adoption of centralised models of ownership, management and control.

We suggest that the three above-noted reasons – of limiting regulatory and legal liability risk whilst ring-fencing client activity from enquiry – provide an explanation for the use of non-standard structures by the Big Four firms of accountants whilst also suggesting that a change in regulation is needed if greater accountability is to be demanded from these firms.

8. Conclusions: Managing The Big Four

In this chapter we suggest that the Big Four firms operate a structure that at one level suggests the existence of a globally integrated firm whilst actually being made up of numerous separate legal entities that are not under common ownership but which are bound by contractual arrangements to operate common standards under a common name because this structure:

- *reduces their regulatory cost and risk;*
- *ring-fences their legal risk;*
- *protects their clients from regulatory enquiries;*
- *provides opacity on the true scale of their operations and the rewards flowing from them.*

We presume that these benefits outweigh the cost of organising the firms in this way.

To counter the risk that these structures impose on society we suggest that:

- *Firms organised in this way be defined as being under common control, and so are single entities for group accounting purposes within the European Union;*
- *These firms should be licensed as single entities for audit and taxation purposes throughout the European Union;*
- *These firms should be required in due course to separate entirely their audit and other professional services but until this is possible should be required to ring-fence the two from each other worldwide as a condition of being licenced to provide such services in the EU;*
- *As a condition of those licences they should be required to prepare worldwide group consolidated financial statements which must be published on public record;*
- *Those consolidated financial statements should include full public country-by-country reporting.*

A. Discussion

Like all systems global capitalism cannot survive without regulation. The absence of regulation in capitalism does not create 'free markets'. Market failures create opportunities for abuse that denies free access to markets, permits excess profit, misallocates capital, encourages monopolies, permits undetected fraud and denies consumers choice. None of these outcomes are socially or economically beneficial.

> "Auditors play a critical role in global capitalism. They alone decide if the accounts of a company are true and fair

Auditors play a critical role in global capitalism. They alone decide if the accounts (or financial statements) of a company are true and fair. In the process of undertaking this task auditors also have a duty to examine whether or not the books and records of the company are sufficient to support this purpose. Whilst doing so they are not explicitly tasked with looking for fraud, but if a fraud is likely to create risk for the firm as a whole it is expected that they should identify it. The important point for the current purpose is that no-one else, tax authorities included, has this routine access to company data.

The auditor's role is, then, unique. Appointed by the management of the company and paid from its resources, an auditor's duty is to the company's shareholders. In some situations, when solvency is at risk, that duty can go further: the auditor can also have a duty to creditors. That duty quite explicitly extends to tax authorities, who are often major creditors of many companies.

This duty is also implicit in another aspect of the auditor's work. As this report has shown, tax advice constitutes a major part of the income of the largest four audit firms in the world. Some of that income will be earned for providing advice on how to structure transactions for tax purposes, usually with the intention of minimising liabilities. To the extent that liabilities are minimised by reducing the risk that the company inadvertently breaks the law this activity is of real social value and to be encouraged[56].

When, alternatively, that advice deliberately seeks to exploit uncertainties, ambiguities and inconsistencies in the law of a country, or between the law of countries, and in the process seeks to exploit the secrecy that some jurisdictions provide, this activity moves from being socially useful to socially harmful, even if the law is not broken.

That harm comes from the creation of the risk that tax liabilities may not be appropriately stated. This risk, which may well be quite deliberately hidden from view, arises to the company itself, its advisers (in the event that they are sued), the investors in the company who are unacquainted with the risk that they might be assuming, and to society at large as a result of the resulting unpaid tax.

This unpaid tax can result from the interaction of tax and accounting. Audit firms state that their clients' accounts are true and fair. Tax systems rely upon this assurance: there is not a corporation tax system in the world that does not start its assessment of company profits subject to tax without examining the accounting profit of the entities in question[57]. If that assurance is not true and fair then the corporate tax base is at risk. Auditors have an implicit duty to make sure that this is not the case.

This implicit obligation, however, highlights a paradoxical situation. Auditors are in the most extraordinary and unique position of being both regulators and simultaneously providers of commercial advice on the abuse of legal systems in the current system of global capitalism.

As many have pointed out for a considerable period of time[58], this creates conflicts of interest that need to be addressed. The obvious solution is to split audit firms from those providing any other services. If that cannot be achieved in the short term the tax and other activities of these firms have to be firmly ring-fenced from each other worldwide if an audit licence is to be granted to a network member in the EU: anything less leads to conflicts of interest that in any other regulatory environment would be considered wholly unacceptable.

The fact is that auditors are appointed as a result of a legal requirement to a task whose function is prescribed by law and which confers both exceptional legal privilege and the opportunity to earn substantial profit. This function is, however, regulated nationally. This basis for regulation is premised on the legal fiction that each company within a multinational corporation is a separate

legal entity capable of being audited largely within the jurisdiction in which it is incorporated – even though the whole economic nature of the multinational corporation, and the consolidated accounts it produces, reflect the fact that such organisations are in fact single entities that are managed as such, including with regard to risk – and that the subdivisions into separate corporate entities within them is solely for legal and management convenience. The very existence of consolidated accounts, which are in a legal sense works of fiction because there is no actual entity that undertakes the transactions that they record, recognises the conflicts inherent in all aspects of accounting (including that for tax) between legal form and economic substance.

The accounting profession has largely resolved these paradoxical conflicts in favour of economic substance. Consolidated financial statements are evidence of that. So too is the accounting requirement that the legal form of many lease contracts be ignored for accounting purposes.

> “We suggest that if this process of ignoring legal form is appropriate for accounting then it is also appropriate for the process of regulating auditors

We suggest that if this process of ignoring legal form is appropriate for accounting then it is also appropriate for the process of regulating auditors. Ddespite the fact that the legal form of many of the world's largest auditors allows them to claim that they are a network of independent entities without legal commitment to each other, this should be ignored for regulatory purposes and EU law should be changed to give effect to this proposal.

As we show in this report, the reality is that the Big Four firms all have entities that coordinate, regulate and manage the activities of the firms that very obviously work together under a common name for a common purpose to service clients that they very often have in common. As we have also shown with our case study of KPMG, it is not clear that all firms are equal within these networks. Nor is it even apparent who all the firms within those networks are, let alone where they operate.

The consequence is that the world's auditors, who play a critical role on which we all at present depend in managing the risks within global capitalism, enjoy enormous opacity around the work that they do, who actually does it, where they do it, and for what reward.

In our opinion this is an inappropriate situation. The price of being a regulator must be that you be regulated. The price of being a regulator tasked with delivering accountability must be that you be transparent wherever you work. We expect this in the state sector and we should expect the same of those appointed as a result of legal requirement. It follows then that when the truth and fairness of tax and accounting can only be determined by audits, those firms given the opportunity to earn exceptional profits from providing audit services must themselves be subject to the highest degree of scrutiny, including being regulated internationally as the global entities they in fact are.

The world is now realising that the real scale of tax and accounting risk can only be appraised on a country-by-country basis and that this local approach must be reconciled to a global understanding of what entities do as a whole. We share that view. As a consequence we think that it is only on a country-by-country reporting basis that fully reconciles with their global results that the risk that the Big Four firms and their smaller competitors create be properly appraised.

The Big Four are only able to operate in the way that they do because regulation permits it. Two regulations are at fault. One is with regard to audit regulation. The regulation of auditors (and tax practitioners) is devolved within the European Union. As the 2014 Directive on this issue says[59]:

> “*Each Member State shall designate the competent authority to be responsible for approving statutory auditors and audit firms.*

The structure used exploits this to devolve the regulation of the Big Four to many different authorities. This clearly does not work: the claim by the Big Four firms that they are networks of separate entities gets around this regulation and prevents

EU-wide registration of these firms.

The second regulation that is exploited is that on what constitutes a group for accounting purposes, which is also set by the European Union. The 2013 directive on the issue of financial statements requires the production of group accounts by a parent undertaking that controls subsidiary undertakings[60]. Control is the key word in this context. Sub-paragraph 31 of the preamble to the 2013 Directive[61] says that control should be based on holding a majority of voting rights, but that "control may also exist where there are agreements with fellow shareholders or members" and that "in certain circumstances control may be effectively exercised where the parent holds a minority or none of the shares in the subsidiary". It also says that "Member States should be entitled to require that undertakings not subject to control, but which are managed on a unified basis or have a common administrative, managerial or supervisory body, be included in consolidated financial statements".

It should also be noted that there are weaknesses in the EU's proposed new system for beating tax abuse promoted by tax advisers. This proposal[62] will require that advisers report tax schemes that may potentially be abusive. The arrangements in question do not, however, recognise networked firms as single entities or extend the obligations of EU member firms to their network partners outside the EU's territorial limits. Both are essential if the regulation is to be effective.

B. Recommendations

Bearing these regulatory abuses in mind we make four recommendations.

Recommendation 1

First, we recommend that in due course, and making provision for a transitional period during which change can take place, all audit firms be required to be entirely separate from those selling any other service. Only in this way can the conflicts of interest inherent in the current structure of the Big Four firms of accountants and other, smaller but similar networks, be eliminated. During the transition to this outcome the audit and other functions of these firms need to be entirely ring-fenced from each other within the operation of the firms in question. Inspection of the effectiveness of this ring-fencing throughout the network should be a consideration for the grant of an audit licence within the European Union.

Recommendation 2

The second recommendation is aimed directly at improving transparency. We suggest that despite the fact that the legal form of many of the world's largest accountancy practices allows them to claim under existing regulations that they are a network of independent entities without legal commitment to each other that this should be ignored for regulatory purposes.

This could be achieved within the EU's existing definition of the control required to create a group of companies as noted above if it was made clear that a professional services firm that is a member of a network of firms associated by legally enforceable contractual arrangements that provide for the sharing of a name or marketing, professional standards, clients, support services, finance or professional indemnity insurance arrangements is deemed to be a member of group of companies (whatever its own legal form) that operates under common control even if there is no common ownership. This situation has, as noted above, already been anticipated by the 2013 Directive on financial statements.

Note that this recommendation would survive any split in these firms between audit and other services: this recommendation should apply to networks of professional firms of all types. The largest EU-based entity within that network would then be deemed to be the parent entity for these purposes unless another member accepted that obligation. That parent entity would then be required to file consolidated accounts for the worldwide organisation of which it was a member on public record. Failure to do so would result in a denial of licences to provide audit and taxation services throughout the EU.

RECOMMENDATION 3

Thirdly, we suggest that any network of professional services firms impacted by our first recommendation be required to apply for a single licence to provide audit and taxation services of any sort throughout the EU member states. This can be quite easily achieved within existing EU regulatory frameworks by making clear that the firm is the network and not the individual operating entity that happens to supply services in a member state. The implication of this recommendation with regard to tax is that all abusive tax schemes promoted by the firm that impact on the tax revenues of any EU member state should be reported whether sold by a network member within or outside the EU.

When granting that licence the regulator tasked with oversight for this purpose should be allowed to take into consideration, and make enquiries about, the activities of that network wherever they occur in the world. In the process the regulator should be able to place conditions on the grant of licences to curtail activities that are not considered to be undertaken in the public interest, whether they are directly related to audit or taxation or not, but where they might imperil the registered firm's reputation and ability to deliver professional services of a standard that the public should expect. This could, of course, include participation in the promotion of tax havens, the sale of tax advice and other such activities.

RECOMMENDATION 4

Fourthly, to support this regulatory process and to hold these networks of professional service firms to account we recommend that the professional networks subject to these arrangements be required to file full country-by-country reports, adapted to meet the particular needs of this sector, on public record. The required disclosure should be:

A set of global consolidated financial statements for all the entities associated with it by common licence arrangements intended to regulate its use of a common name, network or standards whether or not those entities are for the purposes of current relevant local accounting or legal requirements considered to be under common control;

The names of those entities joining or leaving the common licence arrangement during the course of the year; the reason for their doing so and the name of the jurisdiction in which they had a licence to operate;

The following country-by-country reporting data (which must reconcile with the previously noted global consolidated financial statements) for each jurisdiction, without exception, in which taxable activity reflected in those financial statements arises:

- The name of the jurisdiction;
- The name of the associated entities trading in that location;
- The beneficial ownership of the entities in question;
- The names of the directors, partners or other persons tasked with management of those entities;
- The third party sales of those entities on a consolidated basis by jurisdiction split between audit,

tax and consulting sources;

■ The intra-associated entity sales;

■ The number of full-time-equivalent employees in the jurisdiction;

■ The cost of employment of those full-time-equivalent employees;

■ The number of partners, directors or other persons with management responsibility engaged in the jurisdiction with a note as to their total combined remuneration and whether that cost is included in total salary expense, or not;

■ The profit before tax;

■ Taxes due on profits for the period;

■ Taxes on profits paid in the year;

■ Total capital employed in the jurisdiction at the close of the period;

■ What professional indemnity insurance cover are in place to protect against claims arising;

■ The names of the agencies responsible for regulating the entities operating in the jurisdiction;

■ Details of the licencing arrangements in operation throughout the associated network as a whole including:

■ In which jurisdiction the principle entity that grants the right to membership of the associated network is located;

■ How that principle entity is owned and controlled;

■ Who serves on the board that controls that principle entity and how they are appointed;

■ The terms of the licences issued by the principle entity to the operating entity in each jurisdiction in which the network has an operation including those licence arrangements that cover multiple jurisdictions and those that grant a licence that in turn permits sub-licences to be granted, and how those arrangements are structured in practice;

■ Which organisation(s), if any, regulate the principle entity;

■ The fines, penalties or professional misconduct rulings made against member firms in the associated network, specifying the jurisdiction involved during the course of the year.

“To hold these networks of professional service firms to account we recommend that the professional networks subject to these arrangements be required to file full country-by-country reports, adapted to meet the particular needs of this sector, on public record

Such reporting does not resolve all the issues that arise in regulating the operation of the Big Four accounting firms and their smaller competitors but what it does make clear is:

■ Who these firms are;

■ Where they are;

■ How they are managed;

■ Who they are managed by;

■ Where the balance of economic significance lies within these entities;

■ The scale of their tax-haven activities;

■ What resources these firms have available to manage their own risk.

With this data and the changes that we recommend EU-based regulators will be able to make more informed decisions when granting licences to the Big Four and other international networks of professional services firms to better control the risks that they pose to society as a result of the activities that they undertake.

9. APPENDIX: SECRECY JURISDICTIONS

There is no definitive list of tax havens, or secrecy jurisdictions, on which all authorities agree. In our opinion the best-researched source is the TJN Financial Secrecy Index, most recently published in 2015[63]. The research is based on a rigorous analysis of official data and detailed survey work as well as econometric analyses.

For the purposes of our work all of those locations with secrecy scores of 65 and above in the 2015 Financial Secrecy Index have been treated as secrecy jurisdictions. These are as follows, with the number of Big Four offices in each being shown:

Jurisdiction	Financial secrecy score	Financial secrecy index ranking
Vanuatu	87	47
Samoa	86	51
St Lucia	83	79
Liberia	83	33
Brunei Darussalam	83	80
Antigua & Barbuda	81	65
Marshall Islands	79	14
Bahamas	79	25
Belize	79	60
Lebanon	79	7
Barbados	78	22
St Kitts & Nevis	78	69
St Vincent & the Grenadines	78	64
United Arab Emirates (Dubai)	77	10
Andorra	77	87
Dominica	76	89
Liechtenstein	76	36
Cook Islands	76	91
Grenada	76	82
Guatemala	76	39
Malaysia (Labuan)	75	18
Monaco	74	76
Bahrain	74	9

Jurisdiction	Financial secrecy score	Financial secrecy index ranking
Bahrain	74	9
Switzerland	73	1
Panama	72	13
Mauritius	72	23
Hong Kong	72	2
Botswana	71	62
Turks & Caicos Islands	71	68
Seychelles	71	72
Uruguay	71	28
Macao	70	11
San Marino	70	86
US Virgin Islands	69	50
Anguilla	69	63
Singapore	69	4
Curacao	68	70
Aruba	68	57
Montserrat	67	92
Ghana	67	48
Gibraltar	67	55
Macedonia	66	74
Bermuda	66	34
Cayman Islands	65	5
Jersey	65	16

In addition the following locations are all considered based on widespread evidence to have significant secrecy jurisdiction characteristics and as such are also included in our list for these purposes:

Isle of Man	64	32
Guernsey	64	17
British Virgin Islands	60	21
Luxembourg	55	6
Cyprus	50	35
Malta	50	27
Netherlands	48	41
Ireland	40	37

This makes a total of 53 jurisdictions that have been recognised as secrecy jurisdictions for the purposes of this report.

ENDNOTES

1. https://www.frc.org.uk/Our-Work/Publications/Professional-Oversight/Key-Facts-and-Tr ends-2016.pdf page 50 accessed 17 May 2017

2. See appendix 1 for more information on those places we consider to be secrecy jurisdictions.

3. See https://www2.deloitte.com/uk/en.html accessed 30 April 2017

4. See https://www.PWC.com/ accessed 30 April 2017

5. See https://home.kpmg.com/xx/en/home.html accessed 30 April 2017

6. See http://www.ey.com/ accessed 30 April 2017

7. Gabriel Zucman at page 39 in 'The Hidden Wealth of Nations', 2015, University of Chicago Press

8. James Henry for the Tax Justice Network in 2012 at http://www.taxjustice.net/wp-content/uploads/2014/04/Price_of_Offshore_Revisited_120722.pdf

9. https://www2.deloitte.com/content/campaigns/global/global-report/index.html

Deloitte 2016 Global Impact Report

https://www.PWC.com/gx/en/about/global-annual-review-2016.html

Global Annual Review 2016

https://home.kpmg.com/xx/en/home/campaigns/2016/12/international-annual-review.html#financials_financials-global-revenue

2016 KPMG International Annual Review

http://www.ey.com/gl/en/about-us/our-global-approach/global-review/global-review-2016-facts-and-figures

EY Global Review 2016

All accessed 1 May 2017

10. https://www.bdo.ee/en-gb/news/2016/bdo-global-revenues-rise-to-us$-7-6-billion accessed 24 May 2017

11. https://www.grantthornton.com/about-us/firm-facts.aspx accessed 24 May 2017

12. Deloitte, May 2016 financial statements at https://beta.companieshouse.gov.uk/company/OC303675/filing-history; PWC https://www.PWC.co.uk/annualreport/assets/2016/pdf/annual-report-2016-financial-statements.pdf ; EY, https://www.PWC.co.uk/annualreport/assets/2016/pdf/annual-report-2016-financial-statements.pdf ; KPMG https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2016/12/annual-report-2016.pdf all accessed 24 May 2017

13. Figure correct for March 2017 as per https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/may2017#average-weekly-earnings accessed 24 May 2017

14. http://visar.csustan.edu/aaba/ProposedAccstd.pdf accessed 25 May 2017

15. See https://www.oecd.org/ctp/transfer-pricing/beps-action-13-country-by-country-reporting-implementation-package.pdf accessed 25 May 2017

16. See http://ec.europa.eu/finance/company-reporting/country-by-country-reporting/index_en.htm#cbcr-tax accessed 14 June 2017

17. See for example Deloitte https://www2.deloitte.com/global/en/pages/tax/articles/country-by-country-reporting-faqs.html , PWC http://www.PWC.com/gx/en/services/tax/publications/tax-transparency-and-country-by-country-reporting.html , EY http://www.ey.com/gl/en/services/tax/cross-border-advisory/ey-managing-country-by-country-reporting-requirements and KPMG https://home.kpmg.com/xx/en/home/services/tax/regional-tax-centers/eu-tax-centre/country-by-country-reporting.html all accessed 25 May 2017

18. Deloitte, https://www2.deloitte.com/uk/en/footerlinks/global-office-directory.html, PWC, https://www.PWC.com/gx/en/about/office-locations.html , EY, http://www.ey.com/uk/en/ourlocations , KPMG https://home.kpmg.com/xx/en/home/about/offices.html all accessed 24 May 2017

19. https://home.kpmg.com/xx/en/home/about/overview.html accessed 28 May 2017

20. https://www2.deloitte.com/us/en/pages/about-deloitte/articles/about-deloitte.html accessed 28 May 2017

21. https://www2.deloitte.com/uk/en/footerlinks/global-office-directory.html accessed 28 May 2017

22. http://www.ey.com/uk/en/ourlocations accessed 28 May 2017

23. https://www.PWC.com/gx/en/about/office-locations.html 28 May 2017

24. It is not clear why EY publish this list as it does not appear to be a regulatory requirement, but it has done so for a number of years.

25. KPMG was chosen as it has more secrecy jurisdiction offices than any other firm.

26. This whole issue will now be looked at in more depth over the next two years by academics at City, University of London and Copenhagen Business School as part of the EU Horizon 2020 funded Coffers project.

27. https://beta.companieshouse.gov.uk/company/07271800/filing-history accessed 27 May 2017: the 2017 accounts give no hint of the company's role

28. https://www2.deloitte.com/content/campaigns/global/global-report/index.html accessed 27 May 2017

29. See https://beta.companieshouse.gov.uk/company/03590073/filing-history accessed 27 May 2017. The UK accounting requirements for this company are now so limited that it just files two pages of data as its annual accounts for the year to 30 June 2016. In 2009 it was six.

30. See https://www.PWC.com/gx/en/about/corporate-governance/network-structure.html accessed 27 May 2017

31. https://beta.companieshouse.gov.uk/company/04328808/filing-history accessed 27 May 2017. Perhaps refreshingly only EY chose not to go for the absolute minimum possible level of disclosure in their 2016 annual accounts, although that does not mean much insight is obtained as a result.

32. http://www.ey.com/gl/en/about-us/our-global-approach/global-review accessed 27 May 2017

33. The term is used loosely here: it means a mutual entity run solely for the benefit of its members and is likely to work in very similar way to the UK companies limited by guarantee used by the other Big Four firms.

34. See https://www.bloomberg.com/profiles/companies/1710Z:SW-kpmg-international-cooperative/switzerlnad accessed 2 May 2017

35. See https://home.kpmg.com/xx/en/home/about/offices/zurich-1.html accessed 2 May 2017

36. See https://en.wikipedia.org/wiki/KPMG accessed 2 May 2017

37. See https://assets.kpmg.com/content/dam/kpmg/lu/pdf/lu-en-Transparency-Report-2016.pdf pages 28 – 30 accessed 2 May 2017

38. https://home.kpmg.com/uk/en/home/about/leadership-governance.html accessed 27 May 2017

39. Titles taken from https://home.kpmg.com/content/dam/kpmg/iar/international-annual-review-2016.pdf accessed 2 May 2017

40. See http://www.auditregister.org.uk/Forms/OfficeList.aspx?ID=2548845&DisplayText=Firm%20Detail%20(Offices)&ParentText=All%20Firms accessed 2 May 2017

41. An almost identical statement will be found in the International Transparency Report for 2016, see https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2016/12/international-supplementary-report-2016.pdf accessed 2 May 2017

42. https://home.kpmg.com/xx/en/home/about/overview/leadership.html accessed 27 May 2017

43. For example, https://home.kpmg.com/de/en/home/about/at-a-glance.html accessed 2 May 2017

44. https://home.kpmg.com/xx/en/home/campaigns/2016/12/international-annual-review.html#financials accessed 2 May 2017

45. See https://www.linkedin.com/company-beta/2833736/?pathWildcard=2833736 and https://www.facebook.com/KPMG-Afghanistan-Ltd-444836895624397/ both accessed 2 May 2017

46. https://home.kpmg.com/xx/en/home/about/offices/nuuk-greenland-1.html accessed 2 May 2017

47. https://home.kpmg.com/bq/en/home/misc/office-locations-dutch-caribbean-suriname.html accessed 2 May 2017

48. https://home.kpmg.com/xx/en/home/about/offices.html accessed 2 May 2017

49. See https://www.linkedin.com/company-beta/10108457/?pathWildcard=10108457 accessed 2 May 2017

50. https://home.kpmg.com/xx/en/home/about/offices/damascus-1.html accessed 2 May 2017

51. https://home.kpmg.com/az/en/home/about.html accessed 2 May 2017

52 https://home.kpmg.com/in/en/home/careers.html accessed 2 May 2017

53. https://home.kpmg.com/content/dam/kpmg/pdf/2016/06/India-Transparency-Report-2016.pdf accessed 2 May 2017

54. http://www.auditregister.org.uk/Forms/OfficeList.aspx?ID=2548845&DisplayText=Firm%20Detail%20(Offices)&ParentText=All%20Firms accessed 2 May 2017

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56. See David Quentin's important work on this issue, which underpins the reasoning of this whole section on tax advice and the benefits and harms arising from it, at http://www.davidquentin.co.uk/Risk-Mining_The_Public_Exchequer.pdf

57. See https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2633997

58. See, for example, the work of Prof Prem Sikka on this issue at http://visar.csustan.edu/aaba/PINSTRIPEMAFIA.pdf accessed 14 June 2017

59. See Article 3a at http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0056 accessed 14 June 2017

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