

SECURING THE FUTURE

Of the Accounting Profession in Bermuda



CPA BERMUDA PROPOSAL

VISION

To be the pre-eminent, internationally recognized accounting designation and business credential in Bermuda that best protects and serves the public interest.

BACKGROUND

The Institute of Chartered Accountants of Bermuda (ICAB) has been affiliated with the Canadian Institute of Chartered Accountants (CICA) for almost 40 years and is considered a provincial institute of the CICA. The CICA and CMA Canada have been engaged in discussions with the intention of bringing those two bodies together to unify the Canadian accounting profession. In Quebec, the CA, CMA and CGA governing bodies have already merged in accordance with a provincial government directive to form CPA Quebec. Additionally, certain provincial CGA governing bodies have entered into similar discussions with their provincial CA and/or CMA counterparts. CGA Canada is at present not a party to the unification initiative.

The CICA and CMA Canada have jointly published a National Unification Framework as the basis for unification. Given ICAB's long association and affiliation with CICA we must consider the implications of unification in Canada on the accounting profession in Bermuda.

EXECUTIVE SUMMARY

ICAB's Council believes in the principles of unification and has developed this proposal to provide relevant information and to recommend to members an appropriate way forward for the accounting profession in Bermuda. While the underlying principles are the same as those across Canada the practical application of those principles differs significantly in the Bermuda context.

This proposal contains three fundamental components, discussed more fully in the body of this paper:

1. Incorporate a professional body called the Institute of Chartered Professional Accountants of Bermuda ("CPA Bermuda") to govern the accounting profession in Bermuda, such that present members of other professional accounting bodies could be considered for admission;
2. Enter into an agreement with CPA Canada similar to those in place presently between ICAB and CICA;
3. Develop a licensing regime in Bermuda under the authority of CPA Bermuda to regulate the eligibility of members to provide assurance services.

DISCUSSION

Rationale

As stated, ICAB Council believes the principles of unification are appropriate and sensible for the future of the accounting profession both in Canada and Bermuda. As accounting and auditing standards are becoming increasingly global in nature, so too are the standard setting bodies. It follows logically that in order to have an effective voice in the future, accounting regulatory bodies such as the CICA and ICAB must adopt a global perspective, which means among other things, being more inclusive in terms of membership while maintaining the highest standards of competence, integrity and service.

CICA and in turn ICAB were already in the process of developing more inclusive policies with consideration being given to alternative pathways to membership. The alternatives under consideration included various means of assessing eligibility for the CA pre-certification program for students from different backgrounds and giving credit for prior work experience for parts of the certification process.

ICAB has long had a practice of maintaining mutual recognition agreements (MRAs) with and accepting the qualifications of applicants from

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different internationally recognized accounting bodies worldwide. Consistent with the principles of unification, ICAB can anticipate applications from members of Canadian CPA institutes who did not originally qualify as CAs. This is consistent with how ICAB currently considers applications from non-CA candidates from MRA territories. Based on the premise that in future one common and rigorous pre-certification process will be used for all CPA candidates in Canada and Bermuda, unification is seen as another pathway to membership in a broader, more inclusive professional accounting organization.

Practical Application in Bermuda

There is presently only one incorporated professional accounting body in Bermuda – ICAB – which was incorporated in 1973 under the Institute of Chartered Accountants of Bermuda ACT 1973. CMAs in Bermuda are presently aligned with their respective provincial organizations in Canada. Therefore, no merger of CA and CMA bodies is applicable in Bermuda.

ICAB has been in close communication with CMA Nova Scotia (“CMANS”), to which the majority of the Bermuda based CMAs belong. ICAB and CMANS believe that the CAs and CMAs in Nova Scotia will merge some time this year to create CPA Nova Scotia (“CPANS”). Going forward, subject to ratification of this proposal, CPA Bermuda would need to determine a process for considering applications for membership from CPANS and the other provincial CPA bodies in Canada. The working assumption is that the future process would be similar to the existing ICAB process for considering applications from members of other provincial CA Institutes and would consider the applicant’s qualifications and references utilizing the same degree of due diligence that exists presently within ICAB.

Brand Preservation

One of the fundamental questions that has been asked of all provincial institutes is “how do we

avoid brand dilution”? This question has a number of connotations:

1. Does unification dilute the value of the CA, a designation that CAs have worked hard to achieve and are proud of?
2. Will this mean that former non-CAs will have the same rights to perform audit and other assurance services as former CAs?
3. Will professional standards be diluted as a result of unification?

As most members will understand, the answers to these questions are not simple and have generated much debate – as they should. Having been involved in those debates, ICAB’s responses can be summarized as follows:

1. Unification is intended to provide no direct gain or loss to any party and preserves the right to continue using legacy designations in conjunction with the new CPA designation (referred to as “tagging” – see below). It is the view of both the CICA and ICAB that tagging serves to inform the public of the relevant background of a CPA and thus preserves the value of legacy designations for each group.
2. Introducing new pathways to membership inherently introduces the possibility of accountants coming from differing backgrounds. We recognize the need to ensure that the public interest is served by requiring that those members seeking to perform assurance services possess the prerequisite expertise and experience. To that end we shall introduce a requirement for public accountants offering assurance services to hold a valid license issued by CPA Bermuda.
3. There will be no dilution of Professional standards; any changes required in accordance with the formation of CPA Bermuda will continue to reflect the high standards maintained by ICAB.

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In summary, the practical effects of this proposal for Bermuda's accounting profession are the adoption of the CPA designation and a willingness in future to admit members from other Canadian provincial CPA bodies rather than a merger between ICAB and any other body. It is ICAB's intention to ensure the highest professional standards are maintained with the formation of CPA Bermuda. The following sections of this paper address the value proposition for this proposal and provide additional discussion on procedural and implementation issues.

VALUE PROPOSITION

"What's In It For Me?"

Keep what you have already earned

Members would retain the use of their existing designations of which they are justifiably proud.

Receive a new designation with international recognition

Members would receive the Chartered Professional Accountant (CPA) designation; CPA is the most widely held accounting designation in the world.

Greater access to professional resources

A larger, stronger profession would provide more extensive and targeted services to members such as professional development and training.

Elimination of duplicated efforts of accounting bodies

Combining the CA and CMA accounting bodies into one at the Canadian level would result in more efficient, cost effective administration and regulation of the profession.

"What's In It For The Accounting Profession and the Public?"

Uniformly high and consistent ethical and practice standards.

The public is better protected when all professional accountants and the services they deliver are subject to common standards,

regulations and oversight by one professional body.

Greater influence globally

A larger and more unified Canadian accounting profession (of which Bermuda would remain a part) would have the size and resources to contribute substantially to international accounting organizations and initiatives.

A single point of entry for aspiring professional accountants

Attracting talented students and transitioning those with foreign accounting credentials is simpler with one certification program.

What's in it for Bermuda?

The Bermuda accounting profession would continue to be affiliated with an internationally recognised accounting organisation with access to the Canadian professional accounting education programme. ***The alternatives would be to either go it alone as a Bermuda accounting profession or to align ICAB with another internationally recognized accounting body, e.g. AICPA. ICAB Council believes these alternatives are untenable and not in the best interests of Bermuda or the profession.***

USE OF DESIGNATIONS

Once legislation is in place, all current members in good standing of ICAB would be granted the CPA designation. Assuming in future, members in good standing of other provincial CPA bodies applied to CPA Bermuda for membership, following due diligence, they would also be granted the CPA Bermuda designation. Members must use the CPA designation in conjunction with their existing designation as follows:

First 10 Years:

First and last name, CPA, CA

First and last name, CPA, CMA

First and last name, CPA, CGA

Use of the CPA or legacy designation on its own would not be permitted.

After 10 years:

First and last name, CPA, CA

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First and last name, CPA, CMA

First and last name, CPA, CGA

OR First and last name, CPA

Use of a legacy designation on its own would not be permitted.

Firm Names and Signing of Assurance Reports:

The use of "Chartered Professional Accountants" following a firm name would be preferred; however, including the legacy accounting designation as well would be permitted.

LICENSING

ICAB has never had a licensing regime in place. With all members in the past having gone through the traditional route of obtaining their practical experience in public accounting firms all members were eligible to obtain a practice certificate enabling them to perform audits and other public interest engagements. With the increasing use of approved training offices other than public accounting firms and considering the unification of the profession it is in the public interest to establish an appropriate mechanism to ensure that only those members of the profession with the prerequisite training and experience are legally able to perform such services. Subject to approval of this proposal and legislation being in place, all CPAs desiring to perform public interest services would be required to obtain a license from CPA Bermuda to do so.

GOVERNANCE

Bermuda's new CPA organization would be governed by a volunteer Board. The size, roles, responsibilities, policies and procedures of the Board would be similar in function to the present governance of ICAB.

Transitional Steering Committee

Subsequent to a decision to form CPA Bermuda and prior to the enactment of CPA legislation, ICAB will continue to operate and be governed under its existing structure.

The development and implementation of a plan to form CPA Bermuda would be overseen by a Transitional Steering Committee (TSC) with representation from ICAB, and one or more independent public representatives and prospective members from other accounting bodies which would be part of CPA Canada.

The TSC would be accountable to and will report progress to ICAB. The TSC will operate according to Terms of Reference approved by ICAB which would include such priorities as:

- working with government on legislation and by-laws,
- developing an effective governance structure for CPA Bermuda, and
- determining the education delivery for the new CPA pre-certification program.

CPA Bermuda Governing Body

The first Governing Body would be formed once CPA legislation is enacted. To ensure continuity within the new profession, to the extent possible, new Board members would be appointed from the existing Council of ICAB supplemented with some senior members from other professional accounting bodies as they became eligible for membership of CPA Bermuda.

Over time, initial Board members would be replaced with elected CPA members with appropriate competencies and experience. The first Board election would be held after the second anniversary of the new legislation taking effect.

Once the transitional period is completed, the CPA Board would be comprised of between 10 and 20 CPAs elected by the membership, and a minimum of 1 and a maximum of 2 public representatives.

Terms of Office

Terms of office would be two years, renewable for a maximum of two consecutive terms. Exceptions to this term limit would be based on the governance model adopted by the new CPA board.

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Board Chair

The Chair of the Board would be elected by, and from among the Board members, for a two year term.

Executive Committee

The Executive Committee would consist of Board members appointed annually by the Board.

EDUCATION

PRE-CERTIFICATION

The proposed Canadian national CPA pre-certification program draws on the strengths of each of the legacy CA and CMA programs, and ensures a consistent professional education experience for all aspiring CPAs. Details of the program accompanied the release of the Canadian national unification framework and can be found at www.cpacanada.ca.

Delivery of the certification program is a provincial responsibility throughout Canada, however, efforts would be made to collaborate with other provincial institutes to develop a regional delivery model in which Bermuda would participate.

Transition of students in the existing CA program would be coordinated to ensure that students who have begun the CA program have an opportunity to either finish it or bridge into the new CPA program.

POST-CERTIFICATION

Continuing professional education for members of the CPA body would continue to endeavour to provide the best programs to create learning opportunities that match the diversity of the membership. Cooperation with the national and other provincial bodies would ensure sufficient breadth and leverage economies of scale. Post designation specialty programs, developed nationally, will offer members the opportunity to enhance their expertise and advance their careers.

MEMBER DUES

Member dues would continue to be paid each year to their national and provincial bodies. No significant changes are envisaged to the structure of dues as a result of forming CPA Bermuda.

REGULATORY PROCESSES

The new CPA Bermuda body would adopt self-regulatory processes, using best practices consistent with Canadian bodies as a guide. Such processes would include: rules of conduct; practice inspection; complaints resolution; professional development; and discipline.

Until the Bermuda CPA legislation is passed, members would continue to follow the by-laws, regulations, and rules of ICAB; the current regulatory processes would be maintained.

DECISION MAKING PROCESS

A key task for ICAB is to engage members and other key stakeholders to assess the level of support for the formation of CPA Bermuda. In addition, members will have the opportunity to express their overall view on this proposal through a formal member vote.

This proposal document is issued to members as a basis for discussion and feedback. ICAB Council will assess the stakeholder feedback received via meetings with as many members as possible. As well, the results of unification initiatives in Canada will be reviewed and considered. ICAB Council will then decide whether to approve or modify the elements of this proposal. If a recommendation to proceed is issued by ICAB, a binding member vote will be held at a general meeting of members. Subject to the results of the vote, formal submission would subsequently be drafted and submitted to the Bermuda government. The formal submission would include the results of the consultation process and member vote as well as any other relevant information. The Bermuda government would then be in a position to determine whether it is prepared to proceed with enabling legislation.

The key stakeholders in Bermuda have been identified as:

Members

It will be important to engage members in Bermuda, and their views will be communicated to government. The following process will be undertaken:

- Input from members and students have been and will continue to be gathered through town hall meetings and employer meetings. At each

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meeting, attendees will have the opportunity to ask questions and provide comments. A schedule of meetings will be communicated to members.

- Members will also be encouraged to provide their input via email or phone calls.

Public

- Public representatives are appointed to ICAB Council to represent the interests of the public and ensure effective governance and regulation. Their views on the Bermuda Proposal in the context of public interest will be important.
- Meetings will be held with employers and members of the business community to solicit feedback.

Government

- The Government of Bermuda will be invited to express their view on the Bermuda Proposal in the context of professional regulation.

Consumers/Educators

- Consumers of accounting services and employers of accountants will be asked their views on unification.
- The Bermuda College has a stake in the profession and it will be important to know their views.

Process/Next Steps

- ICAB members have been surveyed to determine their levels of awareness of and interest in the concept of unification. The results of the survey and the town hall meetings to date have indicated a relatively low level of awareness and engagement. It is therefore ICAB Council's intention to continue to provide relevant information to members starting with this proposal document.
- ICAB Council will target specific groups of members, e.g. past presidents, partners and staff of public accounting firms, in addition to continuing to reach out to the general membership in providing opportunities for members to learn more about this proposal.

- It is the intention of ICAB to schedule an in person, vote at a general membership meeting by the end of 2012. The outcome of that vote will determine whether or not ICAB joins with the CICA and the provincial institutes in adopting the CPA designation and aligning with CPA Canada.

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