UNITING THE CANADIAN ACCOUNTING PROFESSION

A POSITION PAPER PREPARED BY:

Chartered Accountants of Canada
Comptables agréés du Canada

Certified Management Accountants

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ABSTRACT

With a view to securing the strongest possible future for the Canadian accounting profession, the leaders of the Chartered Accountants of Canada (CA) and the Certified Management Accountants of Canada (CMA) recently entered into discussions to explore the merits and feasibility of uniting their national and provincial organizations through the creation of a new professional designation.

This position paper was prepared to support an extensive consultation process within the CA and CMA memberships and to promote constructive dialogue across the profession and among stakeholders on the issues facing our profession and the principles we need to agree on to chart the way forward.

GUIDING PRINCIPLES

1. Continued use of existing designations
2. Evolution to a new single core designation
3. Retention but no expansion of member rights solely as result of the merger
4. Development of new high-quality certification program
5. Merged operations and governance at the provincial, territorial and national levels
6. Focus on the CPA brand
7. Creation of new post qualification specialty certifications
8. Agreement on uniform regulatory and licensing framework

INTRODUCTION

Operating within a structure that has remained largely the same for decades, the Canadian accounting profession finds itself in the midst of unprecedented change, driven by a combination of intensifying international and domestic factors.

The demands of today’s global economy are redefining the nature of our profession. Accounting and auditing standards are converging, and are increasingly being set by international bodies rather than national ones. As international trade barriers continue to fall, there is an increased need for inter-jurisdictional mobility among accounting professionals to serve the business requirements of their employers and clients. In response to these developments, global accounting designations and strategic alliances among accounting organizations are now emerging to compete for national and international influence.

Notwithstanding these shifts, the structure of the Canadian accounting profession remains organized as it was to meet the needs of the 20th century. Despite some convergence across a number of practice areas, the accounting profession in Canada continues to be fragmented, with multiple designations operating within a complex and costly system of numerous regulatory frameworks.

Without question, our need to deal with change is inevitable if our profession is to advance the interests of Canadian accountants, reflect the changing nature of our work and continue to support the growth of Canadian enterprise. The ultimate decision before the profession is a simple one: Do we endeavour to operate within the existing structure for as long as possible and wait for reform to be imposed upon us by external forces; or do we anticipate the need to evolve and do so proactively, thoughtfully and in a manner that best protects the integrity of our profession and the public interest?

There is now overwhelming agreement among the leaders of the CA and CMA organizations across Canada, Bermuda and the Caribbean, that there is a pressing need to evolve our profession. Accordingly, the CA and CMA bodies agree that we need to engage all members now in a discussion to shape the future of our profession. The leaders of CMA Ontario and Newfoundland & Labrador prefer a formal Memorandum of Understanding between the two bodies be in place prior to any consultation.
At the national level, one accounting body is not involved with us in this process, namely CGA-Canada. While we also had some initial discussions with CGA-Canada, we were not able to reach agreement on a possible way forward. Nevertheless, for many of the same reasons outlined herein, we believe there is value in engaging CGAs in the evolution of the profession and, as such, we would welcome continued dialogue. We believe the proposals being explored by the CA and CMA organizations could also include CGAs.

The CA and CMA discussions began with an acknowledgement that our two bodies have very similar objectives, and, at the highest level, both strive towards being:

- the best in protecting and acting in the public interest;
- the most desired and respected accounting brand in Canada, admired for its integrity and expertise;
- the most relevant and influential accounting brand, both in Canada and internationally;
- the designation of choice for students, mid-career changers and internationally trained accountants emigrating to Canada; and,
- the best in meeting the market and regulators’ needs.

Recognizing our common goals, we worked to explore the following fundamental questions:

1. In a country that is striving to increase its productivity in the service sector, do overlapping professional bodies and governance structures help or hinder efficiency?

2. As standards, businesses and regulators (as well as other accounting designations) become global, is there a benefit to maintaining three Canadian national accounting designations?

3. If one designation works well for other professions (e.g., medicine, engineering or law) in representing their members and protecting the public interest, could the same be true for professional accountants?

We have concluded from our preliminary discussions that a united Canadian accounting profession would be more efficient and effective than the status quo; be more relevant, both at home and abroad; be better able to enhance the support and services it provides to all members; and, be better able to protect and serve the public interest. For these reasons we are committed to exploring the merits and feasibility of uniting our two national and provincial organizations. To bring our organizations together, we are considering the creation of a new designation – one that is a globally recognized leader in both financial and management accounting and assurance, as well as an internationally recognized business credential.

Although we believe the imperative is clear and the anticipated benefits are significant, the process of uniting our two bodies is less straightforward. Each of the existing organizations and designations has a proud legacy and strengths that must be preserved. Past attempts to combine professional organizations that did not respect such needs were not successful. We are, therefore, at this very early stage of our exploratory discussions, engaging CA and CMA members, candidates and students currently registered with one of the provincial CA or CMA bodies in an extensive consultation process to hear their perspectives and inform the way forward.

This position paper is intended to serve as the launching point for inclusive dialogue across the profession and among stakeholders, including federal and provincial governments, regulators, employers, the business community, academics and students who aspire to a career in business. It identifies some of the expected benefits of bringing our two bodies together and establishing a new Canadian accounting designation. It also presents some initial principles that we agree should guide any discussion of the way we can move forward together.
THE NEED TO EVOLVE

THE STRUCTURE OF THE CANADIAN ACCOUNTING PROFESSION

Canadian accountancy continues to be burdened by its fragmented structure of multiple designations operating within a myriad of complex and costly regulatory frameworks.

Today, the three accounting organizations – Canada’s Chartered Accountants, Certified Management Accountants, and Certified General Accountants – are composed of 40 different accounting entities that are responsible for regulating members, students and firms.

Adding to the complexity of the situation, these entities were created by different pieces of legislation across many jurisdictions. Some provincial legislatures have also established separate, arm’s-length organizations responsible for providing oversight to the regulation of public accounting in their respective jurisdictions. As examples, these include the Public Accountants Council in Ontario, the Public Accountants Licensing Board in Newfoundland and Labrador, and the Public Accountants Board in Nova Scotia. In Quebec, oversight of all professional bodies is the responsibility of the Office des professions, which must approve any changes to the regulations of some 46 professional bodies in that province. The regulatory system is different yet again in Alberta, where the three bodies are subject to common legislation, the Regulated Accounting Profession Act.

This structure of the Canadian accounting profession was founded on historical distinctions among different types of accountants, which are rapidly becoming outdated. The resulting complexity causes confusion in the marketplace and among students interested in pursuing an accounting or business career. And, at a time when accounting standards are increasingly set at the international level, this diffuse structure could weaken our ability to influence and advocate for Canada’s interests.

CONVERGENCE IN A NUMBER OF PRACTICE AREAS

In Canada there has been significant convergence in a number of practice areas in recent years – with CMAs and CGAs expanding into the public accounting field and CAs increasingly working, and now training, outside public practice.

For example, between 2001 and 2010, the proportion of CAs working outside public practice has grown significantly, and now CAs in industry, education and government positions represent over sixty per cent of all practicing CAs. While the vast majority of CMAs continue to hold positions in industry and government, their presence in public practice continues to grow.

These developments are blurring the lines between CAs, CMAs and CGAs in the eyes of employers and clients. Independent research studies commissioned by the accounting bodies indicate that there is growing confusion about the differences among the three accounting designations, despite the organizations having expended significant resources trying to differentiate one accountant from another. With each organization broadcasting often similar and overlapping messages, advertising awareness research has found the campaigns are working more to promote the accounting profession as a whole, rather than distinguishing the unique value of the individual designations.

A STRONG CANADIAN VOICE ON THE WORLD STAGE

Adding to the need for change is the fact that many accounting and assurance standards to which Canadian accountants must adhere are now being established beyond our borders. In January 2011, International Financial Reporting Standards (IFRS) became
mandatory for public companies in Canada. In addition, Canada is one of more than 125 countries using or in the process of adopting or incorporating International Standards on Auditing (ISAs) into their national auditing standards or using them as a basis for preparing national auditing standards.

To ensure that accounting and assurance standards reflect the interests of Canadian businesses and the knowledge and experience of Canadian accounting professionals, Canada needs a more compelling, unified voice at the global standard-setting table.

There is also a need for effective Canadian representation during the development of new international auditing or assurance standards. The ability to have influence on the content of these international standards will be essential to ensure that the standards adopted in Canada will best serve Canadian interests. For example, it will be important that Canada have a voice in the setting of new global standards dealing with review and compilation engagements because of their prevalence in Canada.

EMERGENCE OF GLOBAL ACCOUNTING DESIGNATIONS AND STRATEGIC ALLIANCES

The emergence of global accounting designations and strategic alliances among national accounting bodies is potentially challenging the Canadian accounting profession’s influence at home and abroad. In recent years, leading national member bodies have looked beyond their borders and begun aggressively pursuing international strategies as a means of growing their influence and advancing the professional interests of their members.

The largest accounting organization in the world, the American Institute of Certified Public Accountants (AICPA), has recently taken progressive steps to increase its global footprint. On March 17, 2011, the AICPA announced a joint venture with the Chartered Institute of Management Accountants, to be called the Association of International Certified Professional Accountants and the creation of a new international management accounting designation. Moreover in 2011, the Uniform CPA Examination will be offered outside the 55 U.S. jurisdictions for the first time in its history in Japan, Bahrain, Kuwait, Lebanon and the United Arab Emirates. The U.S. will look at offering its exam in additional countries after 2011.

With members in more than 100 countries, CPA Australia is aggressively recruiting beyond its borders. The CPA Australia membership network is increasingly international with a third of members based outside Australia, and the organization now has offices and representation in 14 countries across three continents. Interestingly the Institute of Chartered Accountants in Australia is also taking steps to expand its reach, having announced in September 2010 that it will enter into an alliance with the New Zealand Institute of Chartered Accountants. The two bodies have also recently entered into a three-way agreement with the U.K.-based Chartered Institute of Public Finance and Accountancy (CIPFA) to support public sector accountants in the Asia-Pacific region.
Yet another accounting body actively working to elevate its international influence, the Institute of Chartered Accountants in England and Wales (ICAEW) stated in its 2009 Annual Review: "... we must be at the forefront of the growth of the international profession if we are to maintain our leadership position in the future." ICAEW's 10-year strategy, set in 2009, is focused on helping it become a body capable of representing and supporting an increasingly global profession.

Finally, the Association of Chartered Certified Accountants (ACCA) has been actively lobbying governments across Canada to gain recognition for its designation. Thus far, the ACCA has not been successful, but its actions are an indication of the potential entry of other accounting designations to Canada.

POTENTIAL FOR GOVERNMENT-IMPOSED REFORM

In Canada and internationally, governments are facing mounting pressures to encourage reform of the accounting profession in order to advance their own policy agendas, honour trade commitments and reduce bureaucratic and regulatory complexity.

Similar to Canada, the accounting profession in the United Kingdom operates within a complex, multi-layered web of organizations. However, a legislative committee in that country has recently taken the step of publicly calling for rationalization and reform of the accounting profession, including the following six professional accounting bodies: the Association of Chartered Certified Accountants (ACCA), the Chartered Institute of Management Accountants (CIMA), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Institute of Chartered Accountants in England and Wales (ICAEW), the Institute of Chartered Accountants in Ireland (ICAI), and the Institute of Chartered Accountants in Scotland (ICAS). On March 31, 2011, a House of Lord’s report called the six organizations “fragmented and unwieldy”, arguing that they have patently overlapping jurisdictions and functions. The committee has called on the industry to restructure itself, and in the absence of rapid progress has recommended that the government stand ready to impose a remedy.

To date in Canada there have not been these types of ultimatums from federal or provincial governments; however, there are some indications that the structure of the Canadian accounting profession will come under increased government scrutiny.

For example, the Canadian federal and provincial governments have recognized that attracting the best international talent is critical to address existing and future labour market challenges and our long-term economic success. To this end, our governments continue to work to facilitate and streamline foreign credential recognition in Canada, and they are pressing for cost-effective and nationally consistent regulation to encourage labour mobility. The fragmented structure of the Canadian accounting profession, however, does not best support the development of a consistent process of integrating internationally trained newcomers into the profession.

As well, in recent years Canadian provincial accounting bodies and provincial governments have levered the Agreement on Internal Trade (AIT) to challenge legislation in other provinces that limits public accounting rights to select accounting designations. Both Ontario and Quebec have, in response to these challenges, made regulatory changes extending these rights to qualified accountants who are not CAs. Currently, the Government of Manitoba has issued a new AIT challenge in Ontario with respect to this matter.

Each of the existing organizations and designations has a proud legacy and strengths that must be preserved.
Recognizing all of the compounding national and international factors that stand to impact the nature of accounting in Canada, we believe that a concerted effort to unify the profession must be seriously explored.

We have learned from prior attempts to merge professional accounting bodies in Canada and beyond, and understand the inherent challenges. In Canada, history shows that such attempts have failed where one body had to either give up or give away its designation. To be successful we must ensure that each existing designation retains its distinct value and respective strengths. For this reason, the concept we are considering does not require that any accounting body issue its designation to members of another body; nor does it require any member to give up his or her hard-earned designation. To be clear, a CA would still be a CA and a CMA would still be a CMA, and all members would be able to continue to use their legacy designations.

That being said, we recognize that over the long term we must eventually move to adopt a single core designation and a new common qualification program, for which we are considering the use of the Chartered Professional Accountant (CPA) designation.

Representing the unique combination of expertise in both financial and management accounting, the Canadian CPA would be a pre-eminent designation for professional accountants working across all sectors of the economy. Moreover, members would benefit as the designation evolves into an internationally recognized business credential in the areas of financial and strategic management, business leadership, and auditing capabilities.

The CPA is already an extremely strong brand, both within North America and around the globe. In fact, it is the most used accounting designation worldwide. Based on the International Federation of Accountants Council’s listing of members and associates, some form of the designation (“Certified Public Accountant” or “Certified Practising Accountant”) exists in 30 countries.

We are considering the use of “Chartered Professional Accountant”, rather than the other CPA monikers used around the world, for a number of reasons. First, we believe the word “Professional” more accurately reflects our diverse memberships than the word “Public”, which implies a sole focus on public practice. Second, our objective going forward is to be aligned with the global designation of choice, should one emerge. Today the CPA and CA are the most recognized designations around the world. Using the word “Chartered” within the CPA would allow the new designation to be aligned with both of these designations. Finally, the use of “Chartered Professional” would serve to distinguish the Canadian CPA from the CPA in the United States.

Should we proceed, a priority of both our organizations would be to create a new qualification program, which would draw upon the strengths of both existing programs for its structure and competencies.

The transition to using the CPA alone would be complex, and an abrupt change would not be in the best interests of members or the public. The CA and CMA designations hold significant meaning across Canada and around the world, and it will take time to promote the CPA brand so that it fully represents the best of both designations.

As such, we are contemplating a transition period of approximately 10 years, during which members would use the new CPA designation in conjunction with their existing CA and CMA designations. To this end, we will need to agree on a consistent protocol for its use. For example, some possibilities for consideration could be: “J. Smith CA, CPA” and “J. Smith CMA, CPA”; or, “J. Smith CPA-CMA” and “J. Smith CPA-CA”. After this transition period, the new CPA designation could be used on its own.
We have only recently begun to assess the merits of uniting the Canadian accounting profession under a common designation, and the complete benefits will be understood through discussion across the profession and among our stakeholders. Yet, even at this initial stage, a number of significant benefits in the interest of Canadian accounting professionals and the public are evident.

In joining the CA and CMA memberships, the new organization would comprise approximately 125,000 Canadian accountants and 20,000 candidates and registered students, and would become one of the largest accounting bodies in the world. With greater numbers and a unique combination of expertise in both financial and management accounting, the new designation would provide a stronger, more influential voice when it comes to setting accounting and auditing standards and determining the rules and regulations that affect how and where members work.

A cohesive accounting profession would provide all segments of our membership with enhanced support to help them better manage their careers, businesses and practices. This includes the eventual development of new education and professional development programs, post-qualification specialties and member networks, all of which would help to grow the career potential of individual members and their profile in the marketplace.

Uniting the organizations would over time deliver efficiencies, economies of scale and cost savings in a number of areas, including advertising, branding, knowledge creation, member programs, products and services. Savings from all of the resultant efficiencies could be redeployed or reinvested in the profession. We also expect that with a larger total membership affinity programs and member privileges could be expanded.

As a pre-eminent designation for accountants across all sectors of the economy, the designation would provide more effective recruitment of the best and brightest to the profession. By offering a clearer route for those who aspire to be a professional accountant than is currently available, the designation could be expected to attract more international students and foreign-trained professionals. Moreover, as the CPA would be developed as an internationally recognized business credential for financial and strategic management, business leadership and auditing capabilities, it would stand among the highest regarded professional business designations, attracting talented individuals from non-traditional education and career paths.

A merged body would also be in a stronger position to assess, influence and seize opportunities to benefit all members and the Canadian public. Specific examples would be our relationship with the U.S. CPA bodies, U.K.-based Chartered Accountants, CIMA and CIPFA, CPA Australia as well as with the Global Accounting Alliance (GAA), the world’s largest accounting alliance representing over 775,000 professional accountants.

We also firmly believe that a more unified profession will best serve the public interest by establishing consistent codes of professional conduct, disciplinary systems and licensing regimes. In addition, a common designation is a step towards eliminating confusion in the marketplace. And, bringing our profession together would support our federal and provincial governments’ economic agendas, by helping to streamline foreign credential recognition and to attract top professionals to Canada.

Finally, the streamlined profession would improve stakeholder relationships with governments, the business community and academic institutions.
CHARTING THE WAY FORWARD

Engaging our members is a critical step in the process required to chart the way toward our future. To guide our ongoing discussions, the CA and CMA bodies have agreed upon the following eight overarching principles for uniting the Canadian accounting profession:

1. **Continued use of existing designations**
   All existing members would retain their designations. Students who graduate from existing programs would obtain an existing designation. Neither existing organization would be required to issue its designation to members of the other organization.

2. **Evolution to a new single designation**
   The combined accounting body would eventually need to evolve towards a new single core designation, for which we are considering Chartered Professional Accountant (CPA). All members in good standing would receive the CPA designation. However, they would be required to reflect their existing designation in combination with the CPA for a significant period of time, likely to be approximately 10 years.

3. **Retention but no expansion of rights**
   No member should automatically acquire or lose rights, such as public accounting licensing rights or rights under any existing Mutual Recognition Agreement, solely as the result of the merger of the two bodies.

4. **Qualification**
   A priority of both organizations would be the development of a new high-quality certification program, drawing upon the strengths of the two existing programs. Development of a new final evaluation would be necessary to enable the new body to develop Mutual Recognition Agreements with other significant foreign accounting bodies in North America and beyond. Once the new program becomes operational, the existing programs would not accept any more entrants. The new body might also include an “associate” status for students who have completed some, but not all, of the new program.

5. **Merged operations and governance**
   The operations of each of the two bodies would be combined at the provincial, territorial and national levels, with the combined operations overseen by new Boards that would include appropriate and agreed upon representation from each of the two existing bodies. Combining the operations and moving to a new CPA designation would require new legislation in many jurisdictions and the two bodies would work collaboratively to obtain any required change.

6. **Focus on the CPA brand**
   At an agreed upon time early in the transition process, there would no longer be any branding of the CA or CMA designations. Rather, the emphasis would be on branding the Canadian CPA designation.

7. **Post qualification specialties**
   A member would have the option of pursuing various post-qualification specialty certifications that would need to be considered and agreed upon.

8. **Regulation and licensing**
   The two parties would need to agree upon a new uniform regulatory framework, including codes of conduct, disciplinary processes and an effective, nationally consistent public accounting licensing regime.
HEARING YOUR VIEWS

This position paper is in no way intended to be a conclusive document. On the contrary, it has been written to elicit insight and perspectives from across the accounting profession and among our stakeholders.

Your views are needed to determine the future direction of our profession.

CA and CMA members, candidates and registered students are invited to participate in an inclusive consultation process, which is expected to continue until September 2011. In particular, we are interested in your views on the critical elements of this potential merger as set out in the position paper and specifically the rationale for change, the nature of the new CPA designation, the benefits of a united organization for Canadian accountants, and the key elements of charting the way forward.

We have developed an interactive member engagement website, www.CPACanada.ca, as the hub for all discussions. On the site, you will find regularly updated information, forums and other feedback mechanisms to ensure your point of view is heard. We have also set up a joint toll-free number, 1-855-747-2654, for members, candidates and registered students who wish to leave a comment via voice mail. If you would like to speak with someone directly, have any questions, or live outside of North America, please contact your provincial or regional office.

We recognize that today, more than ever, it is vital for us to work together to secure a strong future for the accounting profession in Canada. We are committed to working collaboratively, constructively and in good faith to explore all viable alternatives to advance our shared objectives.

Thank you for taking the time to read our preliminary thoughts on bringing our profession together. We look forward to hearing your point of view and working with you to position the Canadian accounting profession for the 21st century.

There will also be opportunities for dialogue at regional and provincial town hall meetings and other events. Information about sessions in your area will be shared with you in the near future and will be posted at www.CPACanada.ca.