

# Building a strong and sustainable accounting profession in Ukraine: A focus on PAOs

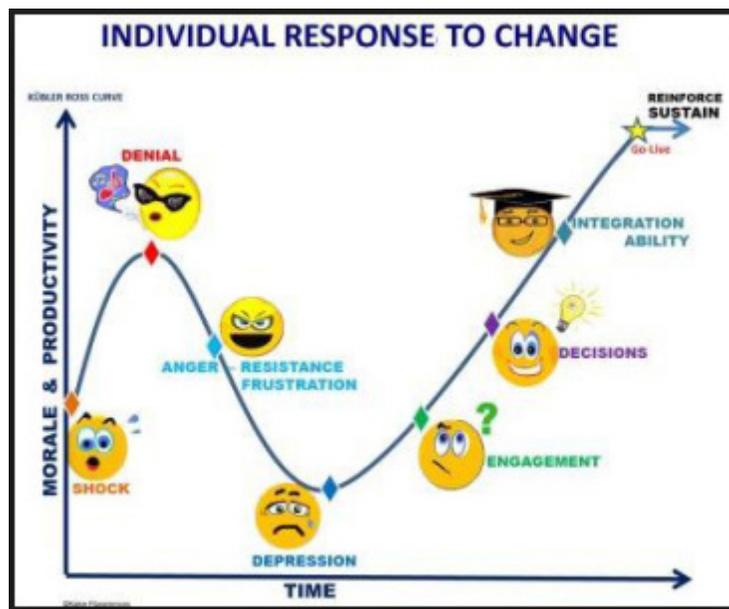


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John Hodge  
Senior Financial Management  
Specialist  
CFRR, The World Bank

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# The only constant is change.....





## Objectives

- » Understand why the accounting profession has an important role in Ukraine
- » Understand the characteristics of a stronger accounting profession
- » Consider opportunities for professional bodies to achieve greater unity
- » Identify and understand key issues in combining professional bodies and their members

**Why is it important for Ukraine  
to have a strong accountancy  
profession?**



# What is a Professional Accountant?

» *An individual who achieves, demonstrates, and further develops professional competence to perform a role in the accounting profession and who is required to comply with a code of ethics as directed by a professional accounting organization or a licensing authority*

» International Accounting Education Standards Board



# What do professional accountants do?

» Working in public practice, education, government service, industry and commerce:

- Preparing, analyzing, and reporting relevant and faithfully represented financial and non-financial information;
- Partnering in decision making, and in formulating and implementing organizational strategies;
- Auditing financial and non-financial information, and providing other assurance and advisory services; and
- Preparing and analyzing relevant tax information.



## What is a PAO?

» *“Professional Accounting Organizations (PAOs) are membership bodies comprised of individual professional accountants, auditors, and/or accounting technicians who perform a variety of roles in the accountancy field and adhere to high-quality standards of practice”*

(September 2014 Professional Accountancy Development Committee Fact Sheet)



## What a strong PAO does well

- » Acts in the public interest
- » Develops and produces competent accounting professionals
- » Promotes and enforces strong professional and ethical standards
- » Acts as a resource to Government and regulators
- » Improves quality of financial management and quality of reported information



# A strong accounting profession improves the business environment

- » A financial reporting and auditing system that inspires confidence in reliable financial information is dependent upon a strong accounting profession
  - » Legal Framework
  - » Implementation
  - » Monitoring and Enforcement
- » The skills necessary to control and improve performance and grow. Providing useful information and insight and ethical input for decision making

**What does a strong national  
accountancy profession look  
like?**



## The role of PAOs in the national legal framework

- » Globally, accounting professions are structured in different ways with roles and responsibilities distributed amongst the professional bodies, Government and other stakeholders in different ways
- » The contribution of PAOs is defined by the ‘space’ within which it can operate which is guided or prescribed by the legal framework
- » PAOs that are members of IFAC have an obligation use *best endeavors* to contribute to key areas even where they have no responsibility



## Does legal recognition of a PAO lead to a stronger profession?

- » Trend in regulation of the accountancy profession- a clear role in audit regulation
- » The relevance of designations awarded by PAOs
- » Some other ways to achieve recognition...

# Legal protection of PAO designations (NZ Example)

## **14 Improper use of terms implying membership of Institute**

- (1) Every person commits an offence who,—
  - (a) not being a member of the Institute, uses in connection with his or her business, employment, or profession any written words, initials, or abbreviations of words intended to cause or which may reasonably cause any other person to believe that the person is a member of the Institute; or
  - (b) not being entitled to do so under the rules, describes himself or herself in writing as a chartered accountant or a chartered accountant in public practice or an associate chartered accountant or an associate chartered accountant in public practice or an accounting technician; or
  - (c) not being a member of the Institute, describes himself or herself in writing as a registered accountant, unless it is proved that the manner and circumstances in which the description was given were such as to raise no reasonable inference that it was referring to membership of the Institute; or
  - (d) not being entitled to do so under the rules, uses in connection with his or her name, or with the name under which he or she carries on business, the initials CA, ACA, FCA, FACA, CA (PP), ACA (PP), or AT or an abbreviation of the words chartered accountant, associate chartered accountant, registered accountant, or accounting technician, or any combination of any such initials or abbreviations, unless it is proved that the manner and circumstances in which the initials or abbreviations were used were such as to raise no reasonable inference that they were referring to membership of the Institute.
- (2) Every person who commits an offence against subsection (1) is liable on conviction to a fine not exceeding \$5,000.

Section 14(2): amended, on 1 July 2013, by [section 413](#) of the Criminal Procedure Act 2011 (2011 No 81).

# A strong and sustainable national accounting profession is well integrated domestically



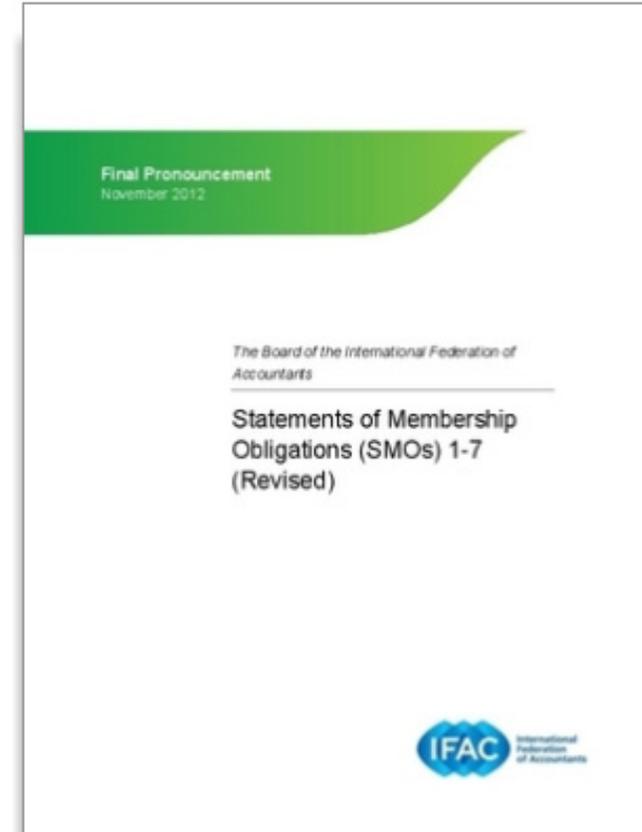


# A strong and sustainable national accounting profession is well integrated internationally

- » Relationships/Memberships of note that may help:
  - » International Federation of Accountants
  - » Regional Accountancy Bodies (i.e. Accountancy Europe, European Federation of Accountants and Auditors for SMEs)
  - » Leading Accounting PAOs (ICAEW, ICAS etc. etc.)
  - » International Standard Setters for Financial Reporting and Audit
  - » Forums for Independent Audit Regulation

# PAOs should meet international best practice obligations set by IFAC

- SMO 1: Quality Assurance
- SMO 2: International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB
- SMO 3: International Standards and Other Pronouncements Issued by the IAASB
- SMO 4: *IESBA Code of Ethics for Professional Accountants*
- SMO 5: International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
- SMO 6: Investigation and Discipline
- SMO 7: International Financial reporting Standards and Other Pronouncements issued by the IASB





## Where are the gaps now and in the future?

- » Number of professional accountants?
- » Quality of professional accounting education?
- » Guidance, tools and CPD to support implementation of international standards?
- » Capacity of professional bodies to promote and improve the profession?
- » Others?

**Stronger together! What are the options?**



## Strategic Alliances

- » Parties looking to take advantage of each others core strengths
- » Not a legal partnership but does have a contractual basis
  
- » Example:
- » CAANZ and ACCA

# CAANZ and ACCA Strategic Alliance

- » An alliance representing 788,000 current and future professional accountants around the world (488,000 are future)
- » Part of meeting the challenges of globalization
- » Support and guidance structure for members working internationally more efficient
- » Reciprocity established with conditions





## Joint Venture

- » Something new is created through a legal partnership
- » Often the new venture is a supplier to the venturers
  
- » Example:
  - » AICPA and CIMA forming Association of International Certified Professional Accountants

## AICPA and CIMA

- » Represents 600,000 current and next-generation professionals
- » New membership but no new designation
- » Builds on 2011 CIMA/AICPA work on a joint Chartered Global Management Accountant program
- » All about influence and positioning for a global market



**Association  
of International  
Certified Professional  
Accountants®**

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## Combinations

» Amalgamation/Merger: Two or more bodies combine to create a new body

» Examples:

» NZICA and ICAA=> **CAANZ**

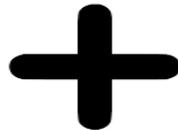
» CGA, CMA and CA=> **CPA Canada**

» NIVRA and NOVAA=> **NBA (Netherlands)**

# Chartered Accountants Australia and New Zealand

Key drivers	Membership and Designations	Other points of interest
Globalization Evolving member needs Competition	No changes to Chartered Accountant  Australia picked up the two New Zealand designations: Associate Chartered Accountant 'ACA' and Accounting Technician 'AT'  New Zealand members have two memberships (CAANZ and NZICA), one was for regulation only.	Take leadership role in a closer economic relations agreement between NZ and Australia  Pre-existing investment in a common education program  New Zealand had undertaken a review of governance structure to be "fit-for-the-future"

# Creating Chartered Accountants Australia and New Zealand



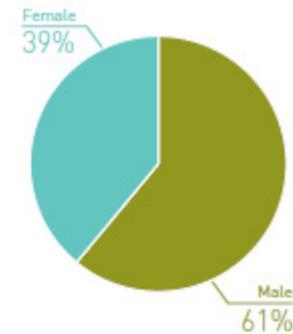
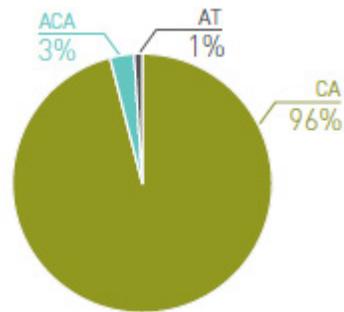
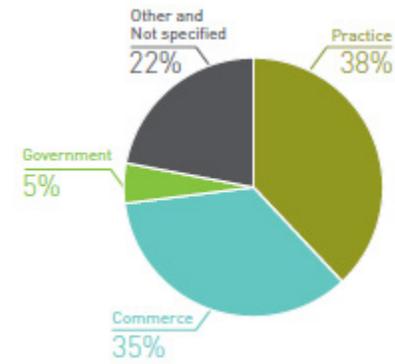
Institute of  
Chartered Accountants  
Australia



**CHARTERED ACCOUNTANTS**  
AUSTRALIA + NEW ZEALAND

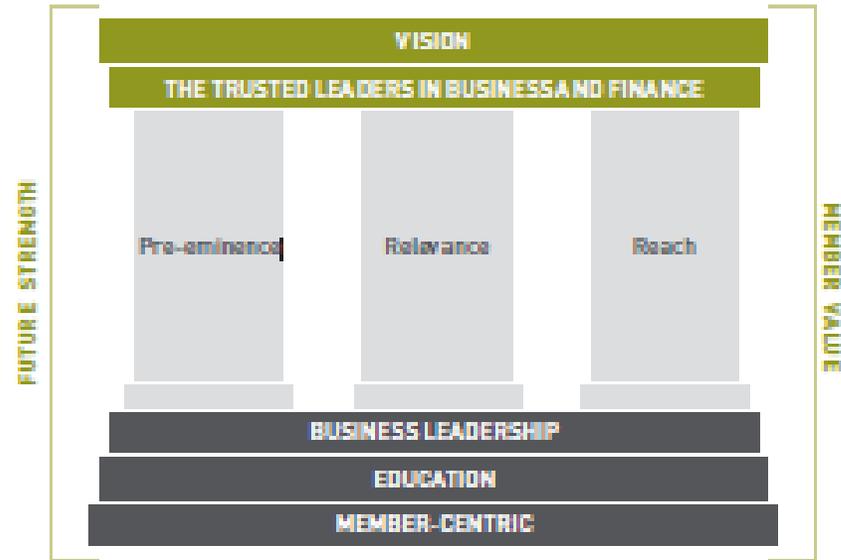
# Facts and figures

Age group (full members and Provisional Members)	New Institute
Under 30	25,505
31-40	30,280
41-50	25,025
51-60	15,063
Over 60	11,240
Not disclosed	254
<b>Total</b>	<b>107,367</b>



# Vision and strategy

- » Members of CA-ANZ to be viewed as trusted leaders in business and finance
- » Positioning “Chartered Accountant” as the profession’s pre-eminent designation





## Key amalgamation milestones

- » Amalgamation agreement between bodies
- » Proposal for members (Explanatory Memorandum)
- » Voting
- » Implement aspects of amalgamation
- » NZICA Act and Royal Charter amendments to gain legal effectiveness
- » Implement final elements and reconstitute governance structure



## Benefits to members

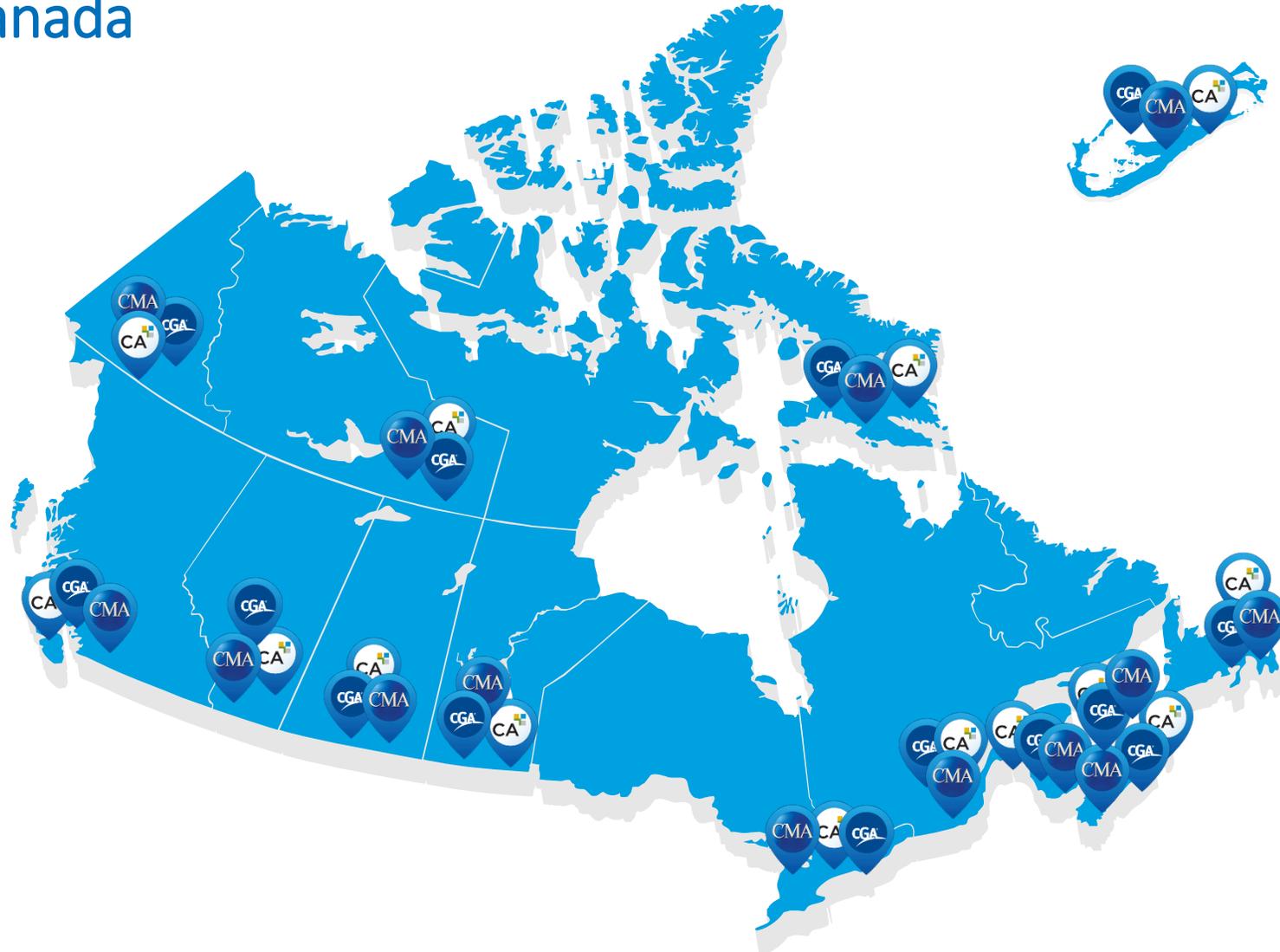
- » Some fee reduction
- » Stronger governance structures
- » Improved market recognition about value of professional accountants
  - » New brand launch
  - » Thought leadership
- » New education initiatives
- » New offices in South East Asia
- » New relationship model



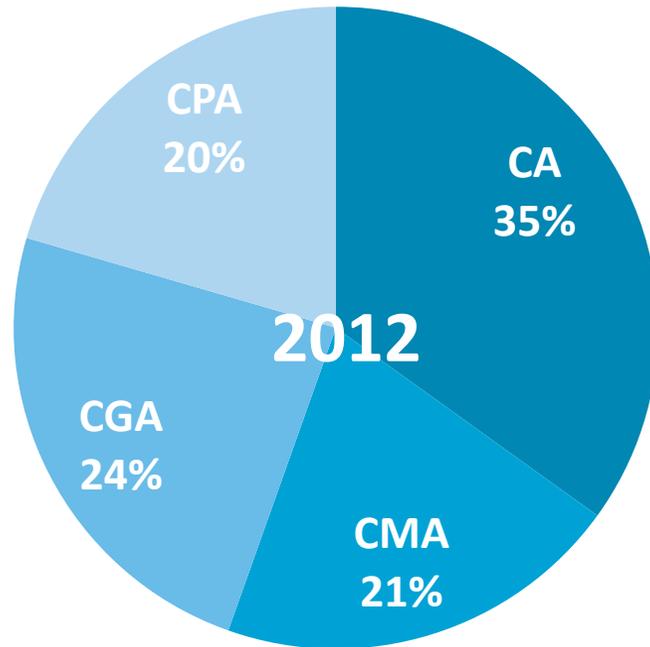
# CPA Canada

Key drivers	Membership and Designations	Other points of interest
Unifying a highly fragmented profession around one brand with strong global positioning	3 national designations to one new national designation.  New body CPA Canada	Required significant amendments in provincial legislation to pass  Emphasizing a CPA vs CA global 'battle' for increasing membership

# Canada



## A sign of success - It started with Quebec



- ✓ 4 accounting designations
- ✓ 38 governing bodies
- ✓ 170,000+ members

- ✓ 1 accounting designation
- ✓ 14 governing bodies
- ✓ 200,000 + members

# Building the framework – guiding principles

1. Evolution to one designation
2. Continued use of existing designations
3. Retention but no expansion of rights
4. New certification program
5. Post-designation specialties
6. Branding the CPA designation
7. Common code, regulations, public practice
8. Merged operations and governance



# NBA (Netherlands)

Key driver	Membership and Designations	Other points of interest
Better efficiency and effectiveness under an EU regulatory structure for accounting and audit	<p>Retained old designation RA (NIVRA) and AA (NOvAA). Now single membership in new entity (NBA) which was created by law.</p> <p>14,000 RAs 7,000 AAs</p>	<p>Organizations are created by law, 50+ years old.</p> <p>Merger attempted in 1998 and failed given approach to designations.</p> <p>2009: Moved into the same building 2010: Approved by General Assemblies 2013: Changes in law. AA able to be statutory auditors but not of PIEs</p>



# NBA (Netherlands)

Key drivers	Membership and Designations	Other points of interest
		<p>Co-executive directors one from each of predecessor bodies</p> <p>AA designation is more SME focus for compliance work. Not all audit, but some. So legal change not disruptive.</p> <p>No program, just assessment.</p>

**Combining PAOs: How to make it  
work?**



## The Fundamentals: Clear vision for what you're doing?

- » Why are you combining PAOs?
- » Are the synergies really significant enough?
- » Will the increase in scale be sufficient to achieve objectives?
- » The Virtuous Circle: Fragmentation in a developing profession makes achieving this more difficult
  - » Quality=>Recognition=>Premium=>Higher demand by students=>Higher fees=>More investment to improve quality
- » Competition in developing vs mature profession



# The Fundamentals: What approvals are required?

- » Members of combining PAOs
  - » Voting requirements
  - » Information necessary to vote
- » Is Government approval required?
- » IFAC membership



# IFAC Bylaws: Reorganization

## **Article 11 Significant Organizational Restructuring**

11.1 A Member, Associate, or Affiliate that engages in a Significant Organizational Restructuring shall inform the CEO at the earliest opportunity, subject to confidentiality restrictions, if the Significant Organizational Restructuring may affect the PAO's status as Member, Associate, or Affiliate. A **"Significant Organizational Restructuring"** includes, but is not limited to, a merger of Members, Associates, or Affiliates or of a Member, Associate, or Affiliate and another organization; a take-over of or by a Member, Associate, or Affiliate; a new organization emerging from a Member, Associate, or Affiliate; significant changes to the governance, financial, or operational arrangements of a Member, Associate, or Affiliate; or changes to the acknowledgement of a Member, either by legal decree or by general consensus, as being a national PAO in good standing in the jurisdiction in which it operates.



# IFAC Bylaws: Reorganization

- 11.2 A Significant Organizational Restructuring by a Member, Associate, or Affiliate shall be recognized by IFAC on the date the Significant Organizational Restructuring becomes effective; and:
- a. the Board shall determine whether the restructured organization should be subject to re-admission, in which case the affected Member(s), Associate(s) or Affiliate(s) will retain their pre-restructured status until such time as the restructured organization has completed the admission procedures and is admitted by the Council or Board, as the case may be;
  - b. the affected Member(s), Associate(s), or Affiliate(s) shall pay the total outstanding balance of their financial contribution and any other amounts owed to IFAC in their pre-restructured status for (i) the full fiscal year in which the Significant Organizational Restructuring is recognized by IFAC, and (ii) for all prior years;
  - c. if the effective date of the Significant Organizational Restructuring is on or after July 1, the affected Member(s), Associate(s), or Affiliate(s) shall pay the full amount of their pre-restructured financial contribution due in respect of the immediately following fiscal year; and
  - d. Board members nominated by the affected Member(s) shall retain their Board seats until the next Ordinary meeting of the Council after the effective date of the Significant Organizational Restructuring, during which their Board seats shall be reallocated according to the ordinary Board seat allocation procedures set forth in the Bylaws.



## The Fundamentals: What are the other legal considerations?

- » Revision to constitution and bylaws etc.
- » Change in law?
- » Securing IP around designation?
- » Current exemptions for members under Ukraine law
- » Contract due diligence
  - » Mutual recognition
  - » Translation rights

# Approach to combining: Does one size fit all?

## » Context is important

	Canada	NZ/Australia	Netherlands	UKRAINE
# of Professional Accountants	200,000+	200,000+	21,000+	6,500+

- » Some strong national professional bodies are positioning themselves globally
- » Ukraine is still focused on developing its national profession

## » Local facts and circumstances

- » Legal framework and role of PAO
- » Market recognition and penetration of designations



## Guiding Principle 1: Evolution to a Single Designation

- » Transitioning current designations to the new designation
  - » Consider a single designation and an associated designation together to merge members into new organization? (See handout)
- » An internationally recognizable designation has advantages:
  - » Is the education program ready to go?
- » How will membership fees be affected?



## Guiding Principle 2: Continued Use of Existing Designations

- » The Canadian pre-merger designations had considerable market penetration and recognition, is this the case for Ukraine?



## Guiding Principle 3: Retention but no Expansion of Rights

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» What mutual recognition agreements are in place?



## Guiding Principle 4: Certification and Training

- » What's the strategic driver for the changes?
  - » Mutual recognition regionally/internationally
  - » Recognition by audit regulations
  - » Future members looking to improve career prospects (i.e. membership growth)
- » Entry requirements into the professional education program
- » What's the timing for developing the new program? Transitional measures for students under old programs?



## Guiding Principle 5: Focus on the Needs of the Community of Professionals

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- » Are specialisms demanded by members?
- » Canadian and Ukraine contexts



## Guiding Principle 6: Branding of the Unified Professional Organization

- » Emerging trend on naming is to stay close to the designation (CPA Canada, Chartered Accountants ANZ) to achieve brand concentration
- » Canada has significant resources to rebrand the professional designation
- » Digital marketing strategy
- » Brand guidelines
- » Engagement programs with students and employers



## Guiding Principle 7: Common Code of Conduct, Regulations and the Practice

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» What is the role of the new PAO in standard setting?



## Guiding Principle 8: Merged Operations and Governance

- » Start early on working out a new governance structure, consider two objectives a) successful completion of the combination, b) better governance
- » Governance in Canada is complicated by provincial structures under law, this is not the same in the Ukraine?
- » What does the combination look like at the regional level?  
Importance of engaging early on (pre-merger)