Nova Scotia Merger Proposal for CA, CGA and CMA
April 2014

Vision

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

Overview

Since 2011, significant efforts have been underway to unify the accounting profession in Canada and all bodies are currently working toward this objective.

In Nova Scotia, a proposed merger of the Chartered Accountants and Certified Management Accountants was endorsed to proceed by the bodies’ respective memberships through votes held in 2012. Also, consultations undertaken with external stakeholders at that time provided support for the unification of the accounting profession both nationally and in Nova Scotia.

Consistent with the profession’s national Unification Framework including the eight Guiding Principles for Unification released in 2012 (see appendix A of this Merger Proposal), the leadership of Nova Scotia’s Certified General Accountants, Certified Management Accountants, and Chartered Accountants have developed this unification proposal that outlines key elements for a proposed provincial merger of the three organizations and that will also lead to the creation of a new Canadian accounting designation in Nova Scotia – the Chartered Professional Accountant (CPA).

While the fundamental elements of the unification are consistent across Canada, the profession is governed by provincial/territorial statutes and, as such, there are matters that must be agreed upon at the provincial/territorial level.

This proposal is supported by the boards of CGA Nova Scotia and CMA Nova Scotia and the council of the Institute of Chartered Accountants of Nova Scotia (ICANS).

As a member-based profession, the views of our members are extremely important. Also, as provincial regulatory bodies mandated to protect and serve the public interest, we will engage with external stakeholders to obtain their feedback and input respecting the unification of the accounting profession. Significant changes in our profession, such as unification, ultimately require decisions by government.
Key Stakeholders

Four key stakeholder groups have been identified for specific consideration to obtain their views and feedback regarding provincial unification:

- Members;
- The public;
- Consumers of accounting services and our education programs, including employers, registered students, and the academic and business communities; and,
- Government.

In the coming weeks, the three accounting bodies in Nova Scotia will be presenting the national Unification Framework including the Guiding Principles for Unification and this Nova Scotia Merger Proposal to members and will update other key stakeholders. Views and feedback will be sought through:

- Member communication;
- Communication with key external stakeholder groups, and
- A member vote held by each accounting body to ascertain the overall view and support for this proposed unification.

CGA Nova Scotia requires a two-thirds majority of those members present at a special meeting called for the purpose of considering this proposal. The board/council of CMA Nova Scotia and ICANS will each collect and assess input from member advisory votes, feedback from external stakeholders, and will also continue to consider the progress towards unification in jurisdictions across Canada.

Governance

The new CPA profession in Nova Scotia would be governed by a volunteer board whose size, roles, responsibilities, policies and procedures would be reflective of contemporary best-practices in governance.

<table>
<thead>
<tr>
<th>Members</th>
<th>Percent</th>
<th>Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>2,078</td>
<td>5</td>
</tr>
<tr>
<td>CMA</td>
<td>1,519</td>
<td>3</td>
</tr>
<tr>
<td>CGA</td>
<td>862</td>
<td>2</td>
</tr>
</tbody>
</table>

Board of Directors

The board of directors would ultimately be comprised of ten (10) elected members-in-good-standing from the profession and up to two lay representatives.

Term of Office

The terms of office for directors would be two years, renewable for a maximum of three consecutive terms. Exceptions to this term limit would be made for individuals appointed to the Executive Committee.

Board Chair

The chair of the board would be elected from among the directors for a one-year term, extendable for a second one-year term at the discretion of the board.

Executive Committee

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

The First CPA Board of Directors

The first board of directors would be formed once legislation is enacted to create the new CPA professional body in Nova Scotia. To ensure continuity within the profession, new board members would be appointed by the existing board/council of the respective organizations, and to the extent possible, from those members currently sitting on the CGA and CMA boards and ICANS council. The first board would include ten (10) members with a composition using current estimates resulting in the following proportionate representation:
The first Executive Committee, initially comprised of four directors, will, until the first election of the CPA board, consist of the Chair elected by the board and equal representation from each of the legacy bodies. The first board would appoint one (1) lay representative to serve with the ten (10) CPA members. After the fifth anniversary of the new legislation, up to two lay representatives may be appointed.

Over time, the board would be replaced with elected members from the CPA membership, regardless of their respective legacy designations.

The first election of the CPA board would be held during the year after the second anniversary of the new legislation taking effect, with three of the appointed board positions being up for election (two CPA, CA, and one CPA, CMA). In the following year, another four appointed board positions would be up for election (two CPA, CA, one CPA, CGA and one CPA, CMA). In the third year, following the second anniversary of the new legislation taking effect, the remaining three appointed board positions would be up for election (one CPA, CA, one CPA, CGA and one CPA, CMA), thereby completing the transition to an elected board of directors comprised of ten (10) members of the CPA profession, plus up to two lay representatives.

Special Resolution

A Special Resolution mechanism requiring a super majority vote of the CPA Nova Scotia board of 75% or more, and transitionally 85% or more in the first five years following the legislation taking effect, would be implemented with respect to the following matters:

(a) Undertaking any measure, such as imposing additional requirements in areas in which current members are licensed or authorized to practice or any organizational changes dealing with access to any current rights (such as public accounting);

(b) Any decision that results in substantive changes to the CPA certification model and subsequent development of CPAs, including management accounting and financial reporting as foundational components within the certification model, maintenance of rigor in the CPA program so that all current Mutual Recognition Agreements can be maintained, changes to the Approved Path or Experience Verification practical experience requirements, and changes which materially affect access to the profession;

(c) Promoting any accounting designation other than CPA;

(d) Any decision which results in materially less rigor in any existing rule of professional conduct; and,

(e) Any decision that reduces CPA Canada’s commitment to support standard setting or reduces the current level of support for setting accounting and assurance standards.

Transitional Steering Committee

Subsequent to a unification decision, and prior to the enactment of legislation to create the new professional body in Nova Scotia, each professional body will continue to operate and be governed under its existing structure. The development and implementation of a plan for integration of the three bodies in Nova Scotia would be overseen by a Steering Committee with equal representation from each professional body, including appointed members from each board/council, the CEO or designate from each organization, and additional staff and/or trusted advisors as agreed to.

Regulatory Processes

Each provincial/territorial body is responsible for regulating the profession and protecting and serving the public interest. Therefore, until new legislation is passed to create the new professional accounting body, members will continue to follow the acts, by-laws, codes of conduct, and policies as required by their respective existing professional bodies.
The new CPA body would move towards common self-regulatory processes, using best practices consistent with other provincial and international bodies as a guide. Such processes would include: rules of conduct; practice inspection; complaints resolution; professional development; and discipline. The three accounting bodies, through this proposal, commit to working with the Province of Nova Scotia and the Public Accountants Board of Nova Scotia towards public accounting licensing requirements that will maintain the existing practice rights of all members of the three bodies at the time of unification.

**Membership Fees/Dues**

Members of each accounting body pay dues annually. The intent would be to harmonize the Nova Scotia provincial fees of CPA members within a two-year period following the passage of legislation. National fees would be addressed by CPA Canada and the national legacy bodies.

**Integration of Operations**

The combined organization that would oversee the profession for Nova Scotia members would be managed through a model that reflects best accepted practices, processes, and management structure of the three bodies.

The creation of a new CPA organization would require experienced and talented employees to maintain continuity and to also ensure that the CPA becomes the pre-eminent, internationally recognized Canadian accounting designation. Successful unification would initially require utilizing existing staff from each of the three legacy organizations, appointing individuals whose education, experience, and qualifications best match the requirements of the various positions.

**Decision Making Process**

The primary task for the three accounting bodies in Nova Scotia will be to engage members and other key stakeholders, to obtain their views on the Unification Framework including the Guiding Principles for Unification and this Nova Scotia Merger Proposal.

Given the significance of the members’ stake in this matter, member votes will be held. We anticipate the votes taking place in late April and/or early May 2014. Details will be provided to the members by each respective accounting body.

Communication efforts will be undertaken to provide updates and obtain feedback on this Nova Scotia Merger Proposal from external stakeholders including the academic and business communities, lay representatives who represent the public interest and participate in the accounting profession’s governance and regulatory processes, and provincial regulators such as the Nova Scotia Securities Commission and the Public Accountants Board of Nova Scotia.

In addition, the Government of Nova Scotia will be invited to express its views on the Unification Framework including the Guiding Principles for Unification and this Nova Scotia Merger Proposal in the context of professional regulation.

The bodies will assess the stakeholder feedback received through the consultation process and the results of their respective member votes. The progress and results of merger initiatives in other provinces will also be reviewed and considered.

The member vote of CGA Nova Scotia will be binding on the organization. The respective board/council of CMA Nova Scotia and ICANS will independently decide whether to approve this provincial merger.

If a recommendation to merge is issued by both bodies and a two-thirds majority of CGA members present at a Special General Meeting have voted in support of unification, a formal submission would be drafted and submitted to the Nova Scotia Government.
The formal submission to Government would include the results of the consultation process and member votes, as well as terms of the proposed provincial merger of the bodies. To this end, it is expected that the existing Merger Agreement between CMA Nova Scotia and ICANS will form the foundation of the proposed provincial merger of the three bodies.

**Transition**

With the support of the Unification Framework and this Nova Scotia Merger Proposal, and a commitment to proceed with new legislative changes being received from government, the three accounting bodies in Nova Scotia will work with government officials to finalize legislation that could be passed as soon as fall 2014. Also, if support and commitment is obtained, the accounting bodies would immediately commence the planning and implementation of the integration plan for the three organizations.

All reasonable efforts would be made to ensure that the existing levels of member services would be maintained, or expanded, during the transition phase. To the extent possible, members of each legacy body would be granted access to the member services of the other body on equal terms.

As noted in the Regulatory Processes section above, existing self-regulatory processes of the three respective bodies will be maintained until the new legislation is passed.

Should provincial legislation be put in place, all current members in good standing of each legacy body would be granted the CPA designation. Members would then begin to use the CPA designation in conjunction with their existing designation as follows:

Members – mandatory tagging period:
- First and last name, CPA, CGA
- First and last name, CPA, CMA
- First and last name, CPA, CA

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

Members – post mandatory tagging period:
- First and last name, CPA

*OR*

- First and last name, CPA, CGA
- First and last name, CPA, CMA
- First and last name, CPA, CA

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

Members will be required to use the CPA designation in conjunction with their legacy designation during the mandatory tagging period of approximately ten years, after which time it would be optional to continue to include the legacy designation with the use of the CPA designation.

The CPA Nova Scotia board will have the ability to review the mandatory tagging period after five years following the passage of legislation to consider provincial tagging protocols in effect at that time. A member’s continuing use of the CPA along with a legacy designation in perpetuity would not be subject to this review.

**Fellowship and Honorary Designations**

Members who currently hold the FCGA, FCMA or the FCA designations will continue to be Fellows in the new profession. Honorary designations bestowed by the legacy accounting bodies will be maintained by the new profession.

**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 for a reasonable period of time following the passage of legislation.
**Significant Benefits for Members**

- Best positions the profession to protect the public by ensuring professional accounting and assurance services meet a uniformly high and consistent level of ethical and practice standards.

- Protects and enhances the value of your designation in an increasingly competitive global environment.

- Contributes to the sustainability and prosperity of the Canadian accounting profession.

- Governs the accounting profession in an effective and efficient manner.

**Questions / Comments?**

To learn more or to have your questions addressed or comments considered, please contact:

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APPENDIX: GUIDING PRINCIPLES FOR UNIFICATION

The guiding principles provide the framework to unify the profession and achieve the vision.

1. Evolution to a single designation

• The new profession would adopt the Canadian designation Chartered Professional Accountant (CPA).
• All current members in good standing would be granted this designation from their new CPA provincial body as CPA legislation is approved.
• For a period of 10 years, all members using the new CPA designation would be required to use it in conjunction with their existing designations. No current member could use the CPA without identifying his or her legacy designation as follows:
  • First and Last Name, CPA, CA
  • First and Last Name, CPA, CMA
  • First and Last Name, CPA, CGA
• After 10 years, a member could choose to use the CPA designation on its own.

2. Continued use of existing designations

• Existing members would retain their current professional designations.
• No member would be automatically granted an existing professional designation of another body.
• The national and provincial CPA bodies would be promoting the new CPA designation. Use of legacy designations on their own post-unification would be subject to provincial merger agreements and legislation.

3. Retention but no expansion of rights

• Unification would protect all existing rights of members, such as public accounting rights and rights under any existing Mutual Recognition Agreement, without granting new rights.
• The new CPA organization would negotiate on behalf of all members when entering into new Mutual Recognition Agreements.
• Any member not authorized to practice in a restricted area, such as audit, prior to the merger would be required to complete any necessary provincial programs to qualify post-merger.
4. Certification

• The new CPA organization would establish a certification program that draws on the strengths of the existing programs and would be recognized by members, regulators, global accounting organizations and the business community as being at least as rigorous as all existing programs. Detailed information on the developing certification program is available at www.CPACanada.ca and on the websites of the national bodies.

5. A single designation with specialties

• As in other professions like medicine and law, post-designation specialty programs would be developed to offer CPAs the opportunity to enhance their expertise and advance their careers.
• A number of post-designation specialties would be considered, such as tax, forensic accounting, strategic management, and public sector accounting.

6. Branding the CPA designation

• Early in the transition process, all branding efforts would focus on the CPA designation and there would no longer be any branding of the legacy designations.

7. Common code of conduct, regulations, and the practice of public accountancy

• A new, common regulatory framework reflecting the best practices of the existing organizations, including codes of conduct, practice inspection, disciplinary processes and an effective, nationally consistent public accounting regime would be developed.
• The new national CPA organization would be responsible for supporting standard setting in the profession.

8. Merged operations and governance

• The operations of the participating bodies would be combined at the provincial and national levels.
• The new combined provincial and national bodies would be overseen by new Boards of Directors that would include representation from each of the participating bodies.
• Mechanisms to protect existing members’ rights (such as those under Mutual Recognition Agreements) would be included.
• The organizations in each jurisdiction would be responsible for securing any legislation required to combine the operations and move to a new CPA designation. These bodies would work collaboratively to obtain any required change.