

Letter from the President

Dear Colleague:

This special edition of Folio provides you with information about the important changes that are being proposed to continuing professional development (CPD) and professional liability insurance (PLI) requirements for the Canadian CA profession.

The Public Trust Task Force, established by the Council of Senior Executives to identify where the Canadian CA profession must 'raise the bar' to continue to protect the public interest, has recommended that the profession adopt uniform minimum CPD and PLI requirements across the country.

Our Council recently approved the proposed changes to the CPD and PLI requirements and the changes will be brought forward for approval by the membership at this year's Annual General Meeting. The proposed changes have also been approved in principle by the other Councils/Bureau of each provincial Institute/Ordre across Canada.

We believe that the majority of members already meet these new standards and therefore do not expect the new requirements to result in significant change for most members.

The proposed changes to CPD and PLI requirements, detailed in this issue of Folio, are designed so that our profession can clearly demonstrate its standards continue to meet the highest scrutiny and protect the public interest.

The rapid pace of change and the complex nature of doing business in today's world require even the smallest organizations to enter into complex, multi-dimensional transactions. As a result, accounting and assurance services will also become increasingly complex, in order to meet client and public expectations. The profession must therefore enhance its standards and regulatory processes to ensure CAs continue to meet the challenge.

Proactively developing uniform national standards that meet or exceed existing international ones will signal our profession's ongoing commitment to protect the public interest and will confirm the quality and consistency of the CA brand.

We welcome your feedback. For more information, please contact me, Institute CEO Gary Hannaford or any member of Council. A directory of Council members is included on the Institute's website at www.icam.mb.ca.



J.K.A. (Gus) Campbell, FCA
President



Gus Campbell FCA

Proposed New Minimum CPD Requirements

Under the proposed changes, all members would be required to:

- complete a minimum of 120 hours of CPD over a three year cycle, including at least 60 hours of verifiable learning;
- complete at least 20 hours of learning annually;
- choose learning opportunities that provide for the development of new or existing competencies that are relevant to the individual member's overall professional responsibilities and growth.

Proposed New Minimum PLI Requirements

The proposed minimum PLI limits, which would apply to all members in public practice, are:

- \$1 million where one member practises public accounting;
- \$1.5 million where two or three members practise public accounting;
- \$2 million where four or more members practise public accounting.

Fact Sheet: Proposed New Minimum CPD Requirements

The Canadian CA profession's Public Trust Task Force has recommended that uniform minimum continuing professional development (CPD) requirements be adopted across the country. These proposed changes have been approved, in principle, by all Provincial Institute Councils/Ordre Bureau.

Background

A major factor contributing to the decision to review minimum CPD requirements was the recent adoption of a new international CPD standard by the International Federation of Accountants (IFAC). While most PICAs/Ordre currently have mandatory CPD, requirements vary across the country. Other accounting bodies already meet or are moving toward meeting the IFAC standard, which took effect on January 1, 2006.

Proposed New Minimum CPD Requirements

Under the proposed new requirements, each PICA/Ordre would adopt a harmonized standard that, as a minimum, meets the IFAC standard.

Members would be required to:

- ♦ complete a minimum of 120 hours of CPD over a three-year cycle, including at least 60 hours of verifiable study;
- ♦ complete at least 20 hours of study annually;
- ♦ choose learning opportunities that provide for the development of new or existing competencies that are relevant to the individual member's overall professional responsibilities and growth.

It is anticipated that the majority of members already meet or exceed the IFAC requirement of 120 hours of CPD over three years. Therefore, the new standard is not expected to result in significant change for most members.

Examples of Qualifying Study

Areas of study would not be mandated by the proposed requirements - members would complete study in areas they identify as relevant to their overall professional responsibilities and growth. PICAs/Ordre have been asked to develop a harmonized list of examples of both verifiable and unverifiable study and would publish that information for members.

Examples of verifiable study might include:

- ♦ courses, conferences, seminars and in-house training;
- ♦ formal study, professional re-examination/testing;
- ♦ reading/research leading to presentations, reports and articles or for a specific application in a professional role;
- ♦ formal study and/or self-study leading to an examination or attainment of a designation, diploma or degree;
- ♦ participation on committees or boards that contributes to professional growth;
- ♦ publication of articles, papers or books;
- ♦ relevant teaching and speaking.

Examples of unverifiable study might include:

- ♦ on-the-job training;

- ♦ self-study that does not involve an examination or other objective certification of completion;
- ♦ reading of professional journals or magazines that is not part of research for a specific application in a professional role.

Universality

In the current environment, it is imperative that CAs remain knowledgeable and current in all areas in which they practise or work in order to best serve the interests of clients, employers and the general public. Therefore, the proposed new minimum CPD requirements would apply to all members, with certain exceptions.

PICAs/Ordre would be able to provide exemptions to members who merit special consideration, such as those who are retired or on medical leave. PICAs/Ordre would be asked to share information on their exemption practices, with a view to harmonizing them to the extent possible.

Reporting and Monitoring

The proposed new standard would require an annual report to confirm that a member has met the minimum CPD requirements, including the number of annual hours, cycle hours and verifiable versus unverifiable study.

For Manitoba members, the three-year reporting cycle would be rolling (continues to re-start or roll over every year). The proposed standard also requires verification of selected annual reports from members. While the method of verification and selection would be established by each PICA/Ordre, it would allow for verification by the PICAs/Ordre for a period of at least one year following each three-year cycle.

Enforcement and Penalties

As is the case now in most jurisdictions, failure to report CPD results or to comply with minimum CPD requirements would usually ultimately result in expulsion from membership. The proposed standard would also ensure that individual PICA/Ordre governing legislation, bylaws and practices are respected.

Implementation Date

If approved, the effective date of the proposed new CPD requirements for Manitoba members would be January 1, 2007.

Cost-Effectiveness

PICAs/Ordre are being asked to share information on their CPD practices and to work together to harmonize the application, reporting and monitoring of the proposed new CPD standard as much as possible, in order to make the system cost-effective.

Frequently Asked Questions: Proposed CPD Requirements

Q. In order to obtain the 120 hours of CPD over three years, will I need to take all of my courses from the Institute?

A. While the new requirements call for 120 hours of CPD over three years, only half of those hours need to be verifiable learning activities. Up to 60 of the 120 hours can be unverifiable study such as reading of professional journals or magazines or on-the-job training.

When it comes to the 60 hours of "verifiable" learning activities, many will obtain some or all of their learning by attending courses, conferences, seminars, and the like. The new requirements recognize, however, members can and do learn from other means including research leading to presentations and reports for a specific application in a professional role or by participating on committees or boards that contribute to professional growth.

Finally, while the Institute will continue to offer courses, it cannot meet all of the learning requirements of members who work in a vast array of positions and organizations. Members are encouraged

to obtain the PD wherever courses are offered that are relevant to their professional responsibilities.

Q. I'm not in public practice. Why must I complete CPD to keep my designation?

A. In these times of constant change, it is imperative that CAs remain knowledgeable and current in all areas in which they practise or work in order to best serve the interests of clients, employers and the general public.

CAs in all sectors hold positions of importance involving financial reporting, public accountability and maintaining the public trust. Employers hiring CAs in any sector rely, at least to some extent, on the designation as proof of professional competence.

Because all CAs carry the professional designation, any lack of competence or ethical behaviour has the same consequences to the reputation and standing of the profession, regardless of the sector or role in which they operate.

In short, all CAs are the brand of the

profession and it should be a point of pride for each and every CA that each and every other CA is called upon to meet the same high standard.

CAs must remain at the top of the accounting profession and must also be seen to be at the top.

If other professions, and particularly other accounting bodies, impose more rigorous universal PD requirements on their members, it challenges CAs to defend their standard. The CA standard must continue to be the gold standard.

Q. I'm on medical leave - if I don't meet the new requirement will I be expelled from membership?

A. The new requirements permit PICAs/Ordre to exercise discretion to provide exemptions for members who merit special consideration, such as those on medical leave. PICAs/Ordre are being asked to share information about their exemption practices and to harmonize them as much as possible across the country.

Fact Sheet: Proposed New Minimum PLI Requirements

The Canadian CA profession's Public Trust Task Force has recommended that uniform minimum professional liability insurance (PLI) requirements be adopted across the country. These proposed changes have been approved, in principle, by all Provincial Institute Councils/Ordre Bureau.

Background

While professional liability insurance is currently mandatory in all PICAs/Ordre (except Bermuda, which is currently considering it), the amount and type of coverage vary. Most PICAs/Ordre currently require minimum PLI coverage of \$250,000 per member in public practice and minimum PLI coverage of \$1 million for firms with four or more members in public practice.

Many PICAs/Ordre introduced their current minimum PLI limits many years ago. Those levels haven't increased since then, even though the costs of doing business and the number and cost of claims have gone up considerably. Higher minimum PLI limits are being proposed because some PICAs have already adopted higher limits, as have other accounting bodies. As well, many CAs already carry more insurance than is currently required.

Proposed New Minimum Professional Liability Insurance Requirements

The proposed new minimum PLI limits are:

- ♦ \$1 million where one member practises public accounting;
- ♦ \$1.5 million where two or three members practise public accounting;
- ♦ \$2 million where four or more members practise public accounting.

The proposed new minimum limits would apply to all members in public practice, including part-time practitioners and those with small limited practices.

Many members in small, medium and large firms, who already carry coverage at or above the proposed new levels, will be unaffected by the changes. For those members who carry minimum levels of PLI coverage, it is anticipated that base premium costs would increase by no more than \$36 per month. For a relatively small increase in premiums, the new minimum limit quadruples existing coverage in many jurisdictions.

Effective Date

If approved, the effective date of the proposed new PLI limits for for Manitoba members would be for all new policies and renewals after October 1, 2006.

Frequently Asked Questions: Proposed PLI Requirements

Q. Isn't this just an over-reaction to the corporate failures in the U.S. in recent years?

A. While it is true that the accounting profession has been under unprecedented scrutiny over the past number of years due to Enron and other corporate failures, the need to increase minimum PLI requirements is driven by a number of factors, including globalization, rapid change, competition and enhanced oversight.

First and foremost, however, the CA profession must meet - and be seen to meet - the highest standards in order to protect the public interest. National harmonized PLI standards are an important part of the profession's ongoing commitment in this regard.

Changes are being proposed to PLI limits because most professional and personal liability insurance already exceeds the current minimum and other accounting bodies have introduced higher limits.

It should also be pointed out that claims with AICA Services Inc. (the company that provides insurance to approximately 85% of all small and medium sized firms) of over \$250,000 have doubled since 1999-2000, with more than half of the number and dollar value of claims

relating to tax issues. In addition, nearly 10% of claims relate to compilation engagements.

Many PICAs/Ordre introduced their current minimum PLI limits many years ago - in Manitoba the current requirements were introduced in 1992. Those levels haven't increased since then, even though the costs of doing business and the number of claims have gone up considerably.

Not only will these new requirements help to protect the public interest but will also help to protect members' personal assets.

Q. How much will my premium go up?

A. Many members in small, medium and large firms, who already carry coverage at or above the proposed new levels, will be unaffected by the changes.

It is anticipated that base premium costs for minimum coverage will increase by no more than \$36 per month. It should be noted that for a relatively small increase in premiums, the new minimum limit quadruples existing coverage in many jurisdictions.

Q. I'm a part-time practitioner - why do I have to meet these new requirements?

A. It is important that all CAs in public practice carry the required minimum coverage, in order to protect the public interest. At present, based on AICA data, more than half the number and dollar value of claims relate to tax issues and close to 10 per cent of claims relate to non-review engagements, the main areas of practice for part-time practitioners.

Q. Do CGAs and CMAs have higher minimum limits than what is being proposed for CAs?

A. The new minimum PLI per-claim limits proposed for Canadian CAs are in fact the same or higher than those of CGAs and CMAs.

The maximum per-claim limit for CGAs and CMAs is \$1 million or less, regardless of the number of practitioners.

The CA per-claim limit begins at \$1 million for one practitioner, rises to \$1.5 million for two or three practitioners and increases to \$2 million for four or more practitioners.

Q. Will I have to buy my insurance from a specific carrier?

A. No, the proposed changes do not require members to buy their coverage from a specific carrier.

For more answers to frequently asked questions and more information on the reasons behind the recommended changes, please visit the Institute's website at www.icam.mb.ca.

The proposed changes to the CPD and PLI requirements will be brought forward for your approval in the necessary amendments to bylaws and regulations at this year's Annual General Meeting.

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We value your feedback. Please contact any of us listed above or any other member of Council to discuss the proposed changes. A directory of all Council members is included on the Institute's website at www.icam.mb.ca under "About ICAM".



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