



June 15, 2020

Clerk of the committee
Education Committee
Parliament of Ghana
Via email: educationcommittee@parliament.gh

Dear Sir

MEMORANDA: Institute of Chartered Accountants, Ghana Bill 2020

Thank you for the opportunity to submit a memorandum on the Institute of Chartered Accountants, Ghana Bill 2020 (the Bill). On behalf of the Chartered Institute of Management Accountants (CIMA), I am writing to express our thoughts and serious concerns on the Bill.

The Association of International Certified Professional Accountants (the Association) is the most influential body of professional accountants, combining the strengths of the American Institute of CPAs (AICPA) and the Chartered Institute of Management Accountants (CIMA) to power opportunity, trust and prosperity for people, businesses and economies worldwide. It represents over 650,000 members and students in public and management accounting and advocates for the public interest and business sustainability on current and emerging issues. With broad reach, rigor and resources, the Association advances the reputation, employability and quality of CPAs, CGMA designation holders and accounting and finance professionals globally.

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of management accountants, with members and students operating in 177 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for-profit organizations. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially trained business leaders.

CIMA has offered examinations in Ghana since 1970 and opened an office in 2010. We have 1,158 members and students in Ghana.

1 General comments

Overall it is perfectly reasonable for the Institute of Chartered Accountants of Ghana (ICAG) to wish to have an act of parliament that sets forth its clear roles and responsibilities with respect to its members.

The Bill as proposed also attempts to regulate the entire accounting and auditing profession in its entirety solely to the benefit of the ICAG and not the wider profession or sector. As the

Bill stands ICAG would become the sole regulator and membership body for accountants, auditors and finance professionals in Ghana. This would mean there is no competition to drive up standards and behaviors in the industry. It would also harm investment into Ghana from the many global professional bodies that operate already in the country.

Our main concern is that this Bill overreaches the role and responsibilities of ICAG to the detriment of the profession in Ghana. If this legislation goes through there would be no clear firewall between the regulator and the regulated and would be a dangerous precedent to set and one, we believe, would harm the sector and wider business community in Ghana.

1.1 International best practice with respect to regulation of accountants and auditors

In most jurisdictions internationally it is only the profession of audit which is restricted and regulated. This is because it covers clearly defined activities as outlined by the International Standards on Auditing.

Jurisdictions which have attempted to regulate accountants in business have found it practically impossible to implement. This is because private and public enterprises structure their finance and accounting departments in ways that suit them. In some instances, part of the accounting function such as booking keeping may be outsourced. The structure and production of management accounts will vary from company to company in line with the operational and strategic information needs of the company. Staff performing accounting functions may not be called accountants.

International best practice is for a country to separate the role of the regulator of audit from the professional body or bodies which offer qualifications for auditors.

The International Forum of Independent Audit Regulators (ifiar.com) was established in 2006 with 18 members. Today it comprises independent audit regulators from 55 jurisdictions representing Africa (Botswana and South Africa), North America, South America, Asia, Oceania, and Europe. Its mission is to serve the public interest, including investors, by enhancing audit oversight globally.

It is recognized best practice globally that the regulator of auditors in a jurisdiction should be separate and have clear and defined boundaries from the professional bodies that represent the auditors and accountants.

A regulator's role is to set the standards, implement and enforce them on the profession it is seeking to regulate. A professional body's role is to qualify its members, from initial qualification through to continuous professional development. It must also provide best practice and interpret guidance, directions and legislation from the regulators and legislation. It also develops and enforces a code of conduct and ethics for its members.

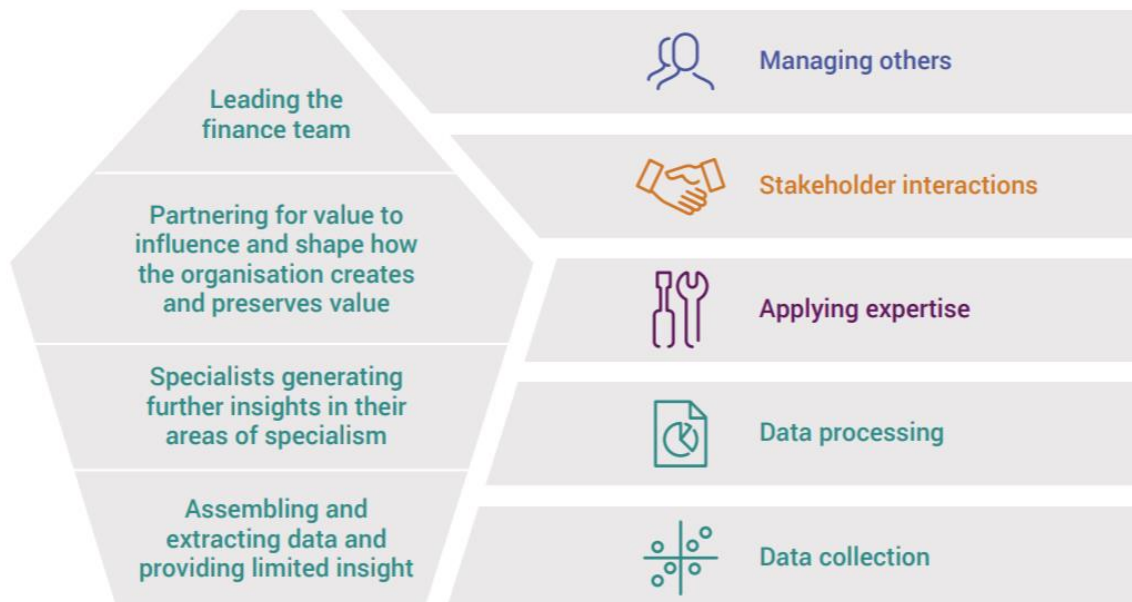
This proposed legislation will blur those lines completely and mean that ICAG is the only regulator and membership body in Ghana for accountants and auditors. This will create many challenges due to there being no clear firewall between the regulator, the regulated and the representative body. This could harm the international reputation of Ghana's finance, accounting and auditing professionals.

Recommendation

If Ghana is seeking to restructure and regulate the audit profession, we would recommend that it separates out the role of professional body and regulator to ensure independence and in line with international best practice.

1.2 Diversification of qualification and freedom to choose

Outside of the restricted and specialist role of the auditor, the accounting profession comprises a number of activities and competencies along its value chain. Jobs range from the clerical to transactional to increasingly complex and strategic activities. The diagram below demonstrates some of the roles performed by accountants.



Some of these areas have specialist high level qualifications attached to them.

An example of this is Management Accounting where CGMA is the most widely held management accounting designation in the world. It distinguishes more than 150,000 accounting and finance professionals who have advanced proficiency in finance, operations, strategy and management. The CGMA designation is underpinned by extensive global research to maintain the highest relevance with employers and develop competencies most in demand. CGMAs qualify through rigorous education, exam and experience requirements. They must commit to lifelong education and adhere to a stringent code of ethical conduct. Businesses, governments and non-profits around the world trust CGMAs to guide critical decisions that drive strong performance.

Similarly, there are professional bodies who qualify accounting technicians and financial accountants.

The creation of an effective monopoly in the qualification of professional accountants will, as general equilibrium economic theory teaches us, lead to negative outcomes. For example:

- **Price fixing:** Since monopolies are lone providers, they can set any price they choose. That is called price-fixing. They can do this regardless of demand because they know consumers have no choice. It is especially true when there is inelastic demand for goods and services. That's when people don't have a lot of flexibility.
- **Declining product/service quality:** Not only can monopolies raise prices, but they can also supply inferior products or services.
- **Loss of innovation:** Monopolies lose any incentive to innovate or provide "new and improved" products or services. A 2017 study by the National Bureau of Economic Research found that U.S. businesses have invested less than expected since 2000

due to a decline in competition.

- **Inflation:** Monopolies create inflation. Since they can set any prices they want, they will raise costs for consumers which is referred to as cost-push inflation.

Professional education thrives when prospective students have a choice where they study and whom with. The Bill as proposed would take away this choice in the accounting space and could mean overtime that the quality of accounting students' education and qualification is reduced as only one body with no competition is providing both education and qualifications. To maintain enhanced educational and professional standards having more than one recognized educational operator in the system is paramount and the Bill as proposed does not provide or allow for this.

The cumulative effect is that not only will the profession become unattractive, but also, a monopoly in the finance and accounting job market will be created for only members of the institute and that is detrimental for the social and economic development of the country.

For Ghana's economy to thrive and diversify a variety of professional bodies in different specializations should be encouraged as this allows for choice, competition and freedom of association.

This diversity of bodies also encourages global investment into Ghana as the profession is not seen as a closed shop and that in turn leads to more investment due to ease of entry into Ghana's business community. The current proliferation of multi nationals into Ghana is a great testimony to this fact and we must not do anything to stop that.

Recommendation

We recommend that Ghana's legislation recognizes all professional bodies who are members of the International Federation of Accountants (Ifac.com) and their members. This should be specified in the legislation, so it is clear what bodies are recognized in Ghana for accountants and auditors.

2 Specific comments

2.1 Section 26.1 (b)

adopt, use or exhibit the terms "Chartered Accountant", "Registered Auditor", "Public Accountant", "Public Auditor", "Public Tax Consultant", "Public Tax Adviser" or any other similar description;

It is right and proper that the ICAG does not want members who do not hold its qualification and designation to hold themselves out as such. However, the terminology and '*or any other similar description*' is too vague and open to interpretation. Chartered Management Accountants have earned their designation from the Chartered Institute of Management Accountants, a founder member of IFAC, and should be entitled to use their designation without restriction.

Recommendation

That the phrase '*or any other similar description*' be deleted from this sub-clause 2.2 Section 26.2 (a) and (b) and section 26.3

(a) practise as, be employed as, offer services as, or hold out to be a member of the Institute, a tax consultant

or a tax adviser;

b) adopt, use or exhibit the terms “Member of the Institute of Chartered Accountants”, “Public Tax Consultant”, “Public Tax Adviser”, “Receiver”, “Liquidator” or any other similar description; or

(3) Subsection (1) does not prevent a legal practitioner, a member of the Chartered Institute of Taxation or a member of the Institute from setting up a practice as a tax adviser or a tax consultant or from being in that practice.

Members of any professional accountancy organization should be able to offer tax advice. There is no reason for this to be restricted to members of ICAG and the Chartered Institute of Taxation

Recommendation

That the words ‘a tax consultant or tax advisor’ be deleted from section 26.2(a) and (b) and that the words ‘or member of an IFAC member body’ be inserted into 26 (3)’

2.3 Section 27.1 (ii)

27 (1) A Chartered Accountant shall not

(a) except with the approval of the Institute, employ in connection with the practice of the Chartered Accountant

(ii) a person who is not registered as a member or whose name has been removed from a register referred to in subsection (1) or (4) of section 22 or who is disqualified from registration by virtue of a conviction for professional misconduct;

Accounting practices will employ a number of people in a variety of roles and this section implies that the ICAG will be required to approve the employment of any person who is not a member of ICAG. This would imply that catering and cleaning staff as well as office administrators would need ICAG approval. This is surely not the intention of the Act.

No professional body or regulator should be required to approve the employment of any of its members. They can of course provide potential employers with pertinent information on their members such as when they achieved qualifications, up to date training information and any disciplinary matters, but they should not act as judge on employment and that should be left to the accountancy or business practice to decide what is best employment wise for their company.

The regulation of the Public Practice of Accountancy should be within the jurisdiction of the professional body of which the accountant is a member. There is no good reason that it should be restricted to members of only one professional body.

Regulation of Accountants (not auditors) in Practice should be the job of an independent regulator.

There is a high potential for conflict of interest when a professional body is both the professional membership body and a regulator in a monopolistic system.

Recommendation

That the public practice of accountancy (excluding audit) be open to members of any IFAC recognized professional body and that oversight of the public practice of accountancy vest with an independent regulatory body.

2.4 Section 33 (1) (c) and (d), 33 (2) and 33 (3)

(1) (c) Renders professional service or assistance in respect of matters that in principle or detail relate to accounting procedure or certification of financial facts or data; or

(d) renders any other service which may be prescribed Regulations to be service constituting the public practice of accountancy.

(2) A person who, under a contract of employment, provides any of the services specified in subsection (1) shall not be considered to be engaged in the public practice of accountancy by virtue of only performing the obligations under that contract.

(3) Despite subsection (2), a person shall not be employed to provide an accountancy service for the employer or any other person if that person who seeks the employment is not registered by the Institute.

This clause seeks to regulate who may be employed to provide an accountancy service to any private, public or state organization and public practice. As highlighted above, the tasks that potentially fall within the accounting profession are broad ranging from clerical to transactional to strategic support for the SME sector, where often the accounting records are kept by the owner. This clause prohibits this support system.

This clause also prohibits the state and private enterprise from employing staff of their choice. Additionally, since not all roles require professionally qualified accountants, this could lead to a shortage of staff and artificially drive up wages, especially of lower skilled staff.

An attempt to monopolise the supply of labour will not serve the national interest of Ghana.

Recommendation

We recommend that these clauses be deleted from the Act

3 Conclusion

We recommend that the Ghanaian parliament seek to create a level playing field where players are separate from the referees. One where professional bodies can focus on their core business and self-regulation.

Proper oversight, in line with international best practice can be provided through the creation of an independent regulator to regulate those activities which impact on the public such as audit, accounting practice and tax practice.

I would like to thank the Education Committee for their careful consideration of our comments. We would be delighted to share our thoughts in more detail with the Committee as offered in the call for Memorandum. These issues are complex and require a thorough

understanding of the local, continental and global accounting profession.

We would be happy to put our expertise at the disposal of the Education Committee.

Yours faithfully

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