



Institute of
Chartered Accountants
Australia



YOUR PROFESSION YOUR VOICE

A PROPOSAL TO TRANSFORM YOUR INSTITUTE

A consultation document for feedback from members of the
New Zealand Institute of Chartered Accountants and Institute
of Chartered Accountants Australia

May 2013

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ABOUT THIS DOCUMENT

This document is the first step in a conversation with members of both the Institute of Chartered Accountants Australia (ICAA) and the New Zealand Institute of Chartered Accountants (NZICA) on the New Institute proposal.

If, following the consultation process, there is support from members for the New Institute, members will have an opportunity to vote on whether to implement it. At this time members will receive a full Explanatory Memorandum containing all information relevant to members on which to base a vote.

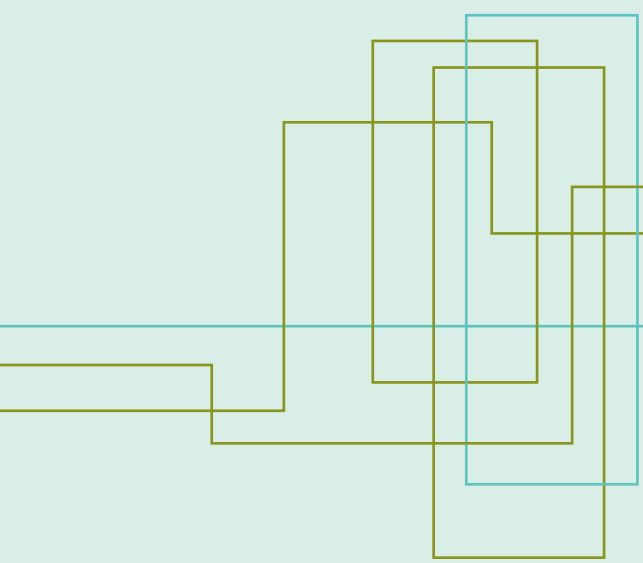
The strategies and initiatives described in this document have been developed following market research and an assessment of the challenges and opportunities confronting both ICAA and NZICA and the accountancy profession. The development of the New Institute proposal has been led by the Board of each Institute with input from the Councils, and relevant aspects have been reviewed by financial and legal experts.

The questions within the document are those that have been raised in discussions on the proposal with your elected representatives.

THE NEW INSTITUTE PROPOSAL

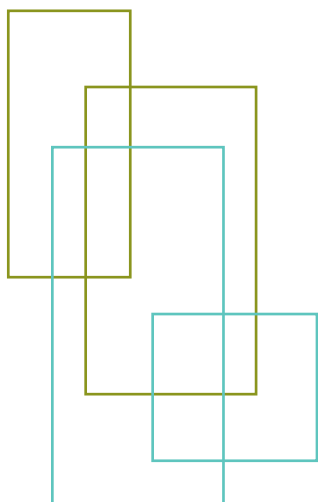
The New Institute described in this document would result from an amalgamation of ICAA and NZICA.

The exact legal structure is still to be determined and will be described in an Explanatory Memorandum when released, but will not affect the substance of the proposal.



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At a glance

An executive summary

Our aspiration is for members to see the New Institute as the most valuable resource they have.

WHAT ARE THE BENEFITS TO ME AS A MEMBER?

Put simply, the proposal to create one New Institute is premised on three things:

1. delivering better value to you for your membership
2. ensuring the ongoing relevance of services for a membership that is increasingly more diverse and geographically spread
3. ensuring the ongoing strength of your designation, the Institute and the profession.

By focusing our investment on the strategic pillars of pre-eminence, relevance and reach, the Boards believe:

- your designation will have an enhanced standing with business, government and local communities through increased investment in advocacy and thought leadership
- you will see targeted investment to differentiate your designation from other business and accounting qualifications
- you will have access to improved education programmes designed to differentiate you from other designations and business professionals.

You can expect your Institute to facilitate opportunities that are relevant to your career stage and sector of business.

WHAT WILL THE NEW INSTITUTE DO THAT'S DIFFERENT?

The proposed vision for the New Institute is to be viewed as **“the trusted leaders in business and finance”**.

These are the specific strategies that will enable achievement of the vision.

- **Business leadership** – our aspiration is for the New Institute to be recognised as the leading trans-Tasman voice for business, and a leading voice in the debate for the profession internationally. This will be achieved by targeted investment in thought leadership, advocacy and brand differentiation.
- **Education** – our aspiration is to be the leaders in business education. This will be achieved by substantially enhancing and evolving the Chartered Accountants Program, transforming the existing professional development programme into life-long learning and investing in ‘best-in-class’ online delivery and facilitation.
- **Member centric** – our aspiration is for members to see the New Institute as the most valuable resource they have. This will be achieved by investing to ensure members have the tools and resources to excel in their business, and to network and engage nationally, regionally and around the world.

WHY NOW?

There are three main drivers for considering the development of a New Institute now.

- **Demographics and member needs:** NZICA and ICAA members are demanding more advanced services and education offerings. Your needs are increasing and you are looking to your Institute for tools and services that grow your skillset, help advance your career, make it easier to run a practice or to do business. At the same time you are increasingly based around the world – more than 10,000 of our members now live outside Australia and New Zealand.
- **Globalisation:** It's real and is changing the make-up of membership bodies all over the world. Examples include the proposed unification of accounting designations in Canada, the global growth of the Association of Chartered Certified Accountants (ACCA), the joint venture between the Chartered Institute of Management Accountants (CIMA) and the American Institute of Certified Public Accountants (AICPA), and recent indications that up to 10 bodies in the Asian region are developing a mutual recognition agreement.
- **Competition:** This is changing the landscape for the Chartered Accountant designation. Alternative qualifications are cluttering the market, which necessitates strengthening the value of a Chartered Accountant designation in the eyes of employers and decision makers. Creating a modern relevant Institute is also paramount if we are to continue to attract the best and most capable students into our profession.

WHY THIS PROPOSAL?

NZICA and ICAA have a long history of shared relationships and insights. Just over two years ago we extended this relationship into collaboration on education, ICT renewal, opportunities for products and services, and examination of the best Asian strategy for your designation.

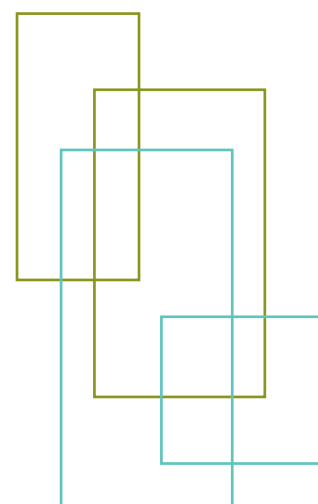
We have experienced success through collaboration and evolution into shared services with a new joint Chartered Accountants Program, significant ICT platform benefits, and products and services innovation. As a result of this collaboration we have also learnt a great deal about the limitations of a shared services arrangement.

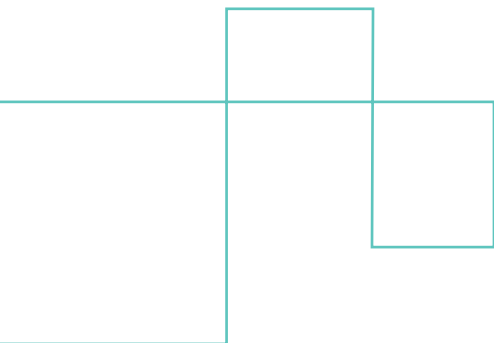
With this insight the Boards believe that a single strategy, leadership structure and vision is required to create the step change in service delivery needed, to ensure the ongoing pre-eminence of the designation.

Both Boards have formed a view that a single member body of almost 90,000 members would be better positioned to invest in meeting your needs and to maintain a strong voice in your profession, the market, with regulators and in the community. It would enable us to boost investment in services to you – improving the services you already value and introducing new ones.

THE FINANCIAL CAPACITY OF A NEW INSTITUTE

The formation of a New Institute is expected to deliver significant net cost savings and benefits. Cost savings can be expected through the removal of duplication,





combined with efficiency gains from a new approach to conducting business. These efficiencies will deliver incremental surpluses which would be available to improve services and benefits to you, to increase the standing of your designation and the influence of our profession.

It is anticipated that net annual synergies of A\$5m to \$10m can be achieved through committing the indicative combined project and implementation cost of A\$11m, with a payback range of between one and two years.

The total anticipated costs of this proposal can be attributed as follows:

Assessment – cost of strategy development, consultation and vote	A\$7m
Implementation – following a positive member vote	A\$4m
Total indicative anticipated costs	A\$11m

YOUR VOICE ON THE NEW INSTITUTE PROPOSAL

Now is your time to have your say and influence. The proposal detailed in this document represents considered effort and research from both Institutes. We hope that the vision painted and detail provided reflect your aspirations for the profession in Australia and New Zealand, but we are genuine in our desire to respond to your feedback – we'd like to hear your views.

The following channels are available to you for providing feedback on the proposal.

Written submissions are invited at onenewinstitute.com/yourvoice

Or send to:

New Institute Consultation

Institute of Chartered Accountants Australia

GPO Box 9985

Sydney NSW 2001

Australia

New Institute Consultation

NZICA

PO Box 11342

Wellington 6142

New Zealand

Alternatively, provide your feedback at one of the face-to-face consultation events – there is a schedule at onenewinstitute.com/roadshows and in the accompanying letter.

A message from your leadership

We are inviting your feedback on a proposal to significantly transform your Institute.

We are excited to share with you the proposal we are developing to transform our member bodies and strengthen the profession. We believe now is the time to create a new trans-Tasman Institute that can leverage scale and financial capability to the benefit of current and future members – but we need your feedback.

As leaders of the profession in New Zealand and Australia, we have reviewed the type of member body we need to be in the future to deliver the services you need, and to protect and enhance the pre-eminence of the Chartered Accountant brand.

As we've worked more closely together over the last two years on delivery of a joint trans-Tasman Chartered Accountants Program and shared technology platform, it has become increasingly apparent that together we can achieve more. How much more success is what this proposal is about.

What's suggested in these pages is not a traditional merger or acquisition. We have a bold vision to transform the current Institute model, and the services and support we offer you throughout your career.

At its heart the proposal is for a New Institute that is:

- built on tradition but ready for the future
- attractive to future members and relevant to existing members
- contemporary and progressive, with life-long education offerings equal to or better than any other body in the world
- as cost effective and efficient as possible.

ENSURING YOUR VOICE IS HEARD

At all times we have been focused on you – what you need and expect from us, the competitive landscape in which you do business, and the likely future landscape for professional accounting designations. Together with members in leadership roles, our Councillors, Advisory Groups, Committees and Past Presidents we have shaped the proposal and been challenged to be clear about the who, what, why and how.

Now is the time for you to consider this proposed vision and give us your view. We hope you will take an active part in this discussion, and that in doing so, you hold in mind the interests of:

- yourself, as an Institute member
- our profession as a whole
- the environment in which you operate – your clients, employers, regulators, governments and the community
- the next generation of members of our profession, who would reap the greatest benefits from this momentous step.

There are many ways for your voice to be heard, from formal submission to online debate on our consultation website onenewinstitute.com, or in conversation with us as we travel across the countries. Please take advantage of all these different channels so we can be clear on what you think – we are genuine in our desire to consult with you on the proposal and the issues we are facing.

Section 1 – An overview

Following this consultation period the Boards and Councils of ICAA and NZICA will meet again to review your perspectives and feedback. Subsequently, we expect to come back to you with a fully developed final proposal for your vote later in the year.

Both Boards believe this is the right direction to take. The prospect of creating a New Institute is exciting; we hope that as you read this document and find out more about this proposal, you will come to share our excitement.



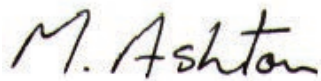
Tim Gullifer FCA

ICAA President and Board Chair



Liz Hickey FCA

NZICA President



Mel Ashton FCA

ICAA Deputy President



Graham Crombie FCA

NZICA Board Chair

How we got here

September 2010

NZICA and ICAA announce plans to collaborate on the delivery of two key projects: a new joint Chartered Accountants Program and the ICT platforms that enable it.

January 2011

Begin work on Chartered Accountants Program and ICT platforms.

Throughout 2011

Joint Boards discuss future collaboration activities and strategies to facilitate them.

March 2012

The ICAA and NZICA Boards agree on areas for further collaboration, including future structural options worth investigating – but this needs to be tested thoroughly.

June to October 2012

The Boards meet and test progress, thinking is shared with a variety of member forums including Past Presidents and Councils, strategic and financial work indicates there's value in progressing further.

October 2012

The ICAA and NZICA Boards update members on conversations taking place.

December 2012

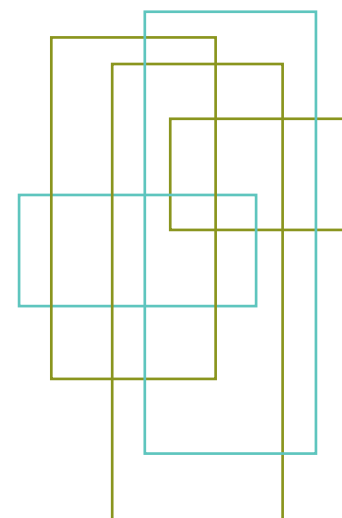
Details regarding the New Institute proposal are shared with the Councils of both Institutes for their feedback.

January and February 2013

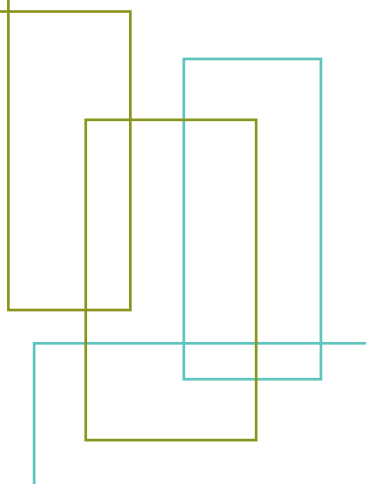
Fifteen ICAA and NZICA member-elected representatives form the Council Working Group (CWG) and are utilised to stress-test the proposal. The group meet and are provided with further detail on the New Institute strategies and member value proposition to critique. Feedback is provided to the Boards and adopted.

February 2013

The Joint Chartered Accountants Program goes live. Over 5,000 students in New Zealand and Australia commence, or transition into, the Program.



Continued...



March 2013

Members of the CWG share their findings with their respective Councils. Decision taken to go to full member consultation on the proposal with support of Council and Committees.

7 May to 12 July 2013

Members are invited to provide feedback on the proposal to create one New Institute.

PROPOSED NEXT STEPS

August 2013

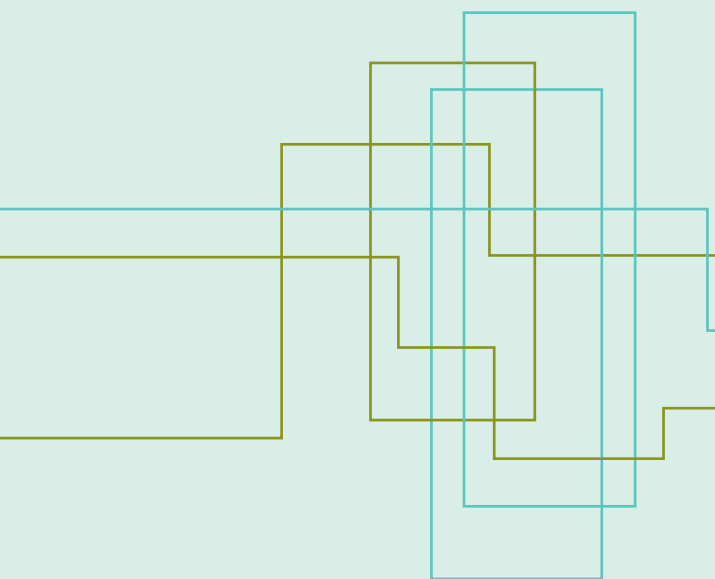
Review of formal submissions and member feedback. If favourable, it will be decided to go to member vote on the proposal.

1 October 2013

Release of Explanatory Memorandum for the purposes of voting and the voting period opens.

1 November 2013

Voting period closes.



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Factors driving change

We are witnessing significant change.

Three factors are changing our profession:

1. evolving member needs and changing member demographics
2. globalisation is real and is changing the make-up of membership bodies all over the world
3. competition is changing the landscape for the Chartered Accountant designation at home and overseas.

CHANGING MEMBER NEEDS AND DEMOGRAPHICS

We want to be proactive in our response to the dynamic needs of members.

Member needs

Each year we research members and ask how the Institutes are performing. Here's what you've been telling us.

- You have worked hard for your designation and hold it in very high regard.
- But this regard does not necessarily translate into satisfaction with the services and support provided by your Institute.
- You believe offerings lack relevance, and that improvement is required in how the Institutes differentiate, protect and enhance the Chartered Accountant brand.
- Your feedback has identified the following priority areas for improvement:
 - supporting ongoing learning and development via professional development and other products and services
 - selecting the right issues to advocate on and taking a leadership position on issues affecting the profession.

We want to be proactive in our response to your needs with insightful and relevant services. The reality is that these services, coupled with required ongoing enhancements to the Chartered Accountants Program, necessitate increasingly advanced ICT platforms and investment.

For both Institutes this level of ongoing investment is not fully achievable without additional scale.

Demographic changes

We are witnessing a significant change in the demographic make-up of our memberships. In the past few years there have been dramatic changes in the ethnicity, gender, sector and location profile of members.

- Both Institutes are experiencing growth in the number of women choosing the profession. In the year ended 30 June 2012, Australian female membership grew at twice the rate of male membership when compared to 2011. In New Zealand the proportion of female members grew by 3.2% to 42% of all members over the same period. This trend is expected to continue.
- The ethnicity of membership is also diversifying. For example, today 11% of NZICA members identify themselves as Asian, up from just 7% five years ago. ICAA is also experiencing a similar shift in diversity.
- The sector in which you work has also changed. Traditionally members worked in public practice, but today the largest group of members (35% ICAA and 44% NZICA) work in the corporate sector.
- We are also conscious that the Institutes will experience a retirement bubble, consistent with society at large.

We recognise that the memberships are likely to get more diverse not less, and we must be responsive to the membership profile as it evolves.

Our Institutes must be global in their outlook, relevant and attractive to talented students, and be flexible in the delivery of services and support. We also need to take proactive steps to address any potential gap between market demand and the supply of Chartered Accountants.

Answering your questions about demographics

Why can't our Institute respond with more relevant services now?

Scale is the difference. For both Institutes, standing alone limits the evolution of products and services for a wide variety of member needs. The scale and financial capability of a New Institute would enable relevant service delivery for a wider variety of sectors, career stages and geographies.

IMPACTS OF GLOBALISATION

It's important that we are ahead of the curve with regard to global consolidation.

Globalisation is real. We are witnessing the following trends that we believe require a strategic response.

- The rise of global Institutes and increasing consolidation of designations within countries. In the last two years we've seen an increase in member bodies looking to leverage off each other's geographic reach and scale.
- Technical and professional standards are now set globally, which necessitates a strong and influential voice at standard setting tables to effect change that is relevant to business in our geography.
- 12% of ICAA members and 17% of NZICA members (membership data 30 June 2012) are now based overseas. Current services and support for members in locations other than the UK are evolving.

Answering your questions about globalisation

Globalisation of the profession has little or no impact on me or my practice, so why should this trend concern me?

Globalisation of the profession will influence the pipeline of future Chartered Accountant students and graduates as alternative education and designations become more prevalent. We want to ensure your access to talent is not limited.

The standards we all use are global and it's rare to find a business with clients or operations that are not influenced by the global marketplace.

In addition, it's important that the New Institute is ahead of the curve with regard to global consolidation of the profession – this is why we are putting this proposal to you now, not once the dominoes have fallen.

Globalisation is part of life these days – how would a New Institute make a difference?

A New Institute will enhance the voice of your professional designation on the global stage, while building connections and leadership positioning that influences the business environment within which you operate. With increased investment in education, along with access to more tools and resources making it easier to do business, you will be better placed for globalisation.

What are other Institutes doing to respond to globalisation?

- Chartered Accountants of Canada, Certified Management Accountants in Canada and Certified General Accountants of Alberta have instigated a process of unifying their designations to strengthen the profession and reduce fragmentation within Canada.

Section 2 – Background and considerations

- The 2012 joint venture between the Chartered Institute of Management Accountants (CIMA) and the American Institute of Certified Public Accountants (AICPA) created a global designation for management accountants – Chartered Global Management Accountant.
- The Association of Chartered Certified Accountants (ACCA) is advancing and has experienced unprecedented growth. In 2012 membership was reported as 154,000 with over 432,000 students enrolled in its education programmes worldwide. The membership is supported by 83 offices around the world.
- Recent indications are that up to 10 bodies in the Asian region are developing a mutual recognition agreement.

COMPETITION

52% of employers express no preference between CA and CPA designations in accounting and finance hires.

In addition to increased competition from alternative education pathways, competition is also increasing from alternative professional membership bodies.

Student choices and employer preference in Australia

Growth in advisory and consulting services is creating demand for broad 'strategic business thinking' capability as well as specialisations in areas such as finance and tax.

Students' education choices have responded to these changes. In Australia, students have been choosing a broader range of management and commerce courses. Also in Australia, accounting degrees at undergraduate and postgraduate level declined to 15.8% of management and commerce completions in 2010, from 23.6% in 2007.

The competitive landscape in Australia has resulted in increasing indifference between designations in hiring decisions. In an Australian survey, 52% of employers expressed no preference between CA or CPA designations in accounting and finance hires. When only employers in commerce were considered, this increased to 63% indifference. (ICAA commissioned research)

CPA Australia in New Zealand

While CPA Australia (CPAA) is more established in Australia, it has been present in New Zealand since 1992. In the past five years the organisation has invested in the acquisition of new members and students into their education pathway. More recently, the Financial Markets Authority of New Zealand granted auditor licensing accreditation to CPAA.

Answering your questions about competition

New Zealand doesn't suffer from the same competition that Australia does, so couldn't NZICA invest more heavily in marketing to respond to CPAA's presence?

To date NZICA has held significant CPAA progress at bay, but we won't be able to do this in the long term as maintaining market share diverts resources from other activities. NZICA does not have the financial resources to match advertising spend, and we do not believe this is the best use of members' funds.

A more sustainable approach is to neutralise their scale advantage, and ensure that the Chartered Accountant designation is preferred by employers and graduates in the marketplace.

If CPAA is the major competition should we be proposing a merger with them?

CPAA and the Institutes have different designations, entry pathways, reciprocity and global alliances. In particular NZICA and ICAA are members of the Global Accounting Alliance (GAA), a body that enables members from the UK, USA, Canada, South Africa, Japan, Hong Kong and Germany to take advantage of the services and support provided by another member Institute when overseas. CPAA is not a member of the GAA.

CASE STUDY

Chloe Speedie CA
London

The high regard in which the CA designation is held globally is one of the main reasons that students continue to want to join our profession. After Chloe Speedie landed in London three years ago, she had her first job with a FTSE100 company, Bunzl plc, within six weeks.

“Although the lure of travel was not the reason I began the CA Program, it helped to keep me going.

“When I came to London, I was so glad that I had my CA qualification. Here in the UK, they really hold it in high esteem.

“A lot of my friends here are CAs, mostly Kiwis and South Africans. It’s fabulous to mix professionally and socially with people who have a similar badge but different perspectives.”

Chloe Speedie is an Internal Auditor at GlaxoSmithKline. She undertook the CA Program while working at Deloitte in Canberra.

Implications of change

As a consequence of these global trends we have considered what the future may look like and the implications for members and the Institutes. We anticipate the following:

- **Greater complexity** – demanding more of members, their organisations and the Institutes that serve them. In dealing with this complexity an Institute of the future will need to do more, requiring greater resource to fund increased capability and activity.
- **Accelerated pace of change** – the pace of change will continue under the influence of technology, global consolidation and regulation. An Institute of the future will need to reinvent itself and its organisational capability to be more agile and responsive.
- **Bigger stage** – the ‘stage’ on which businesses, members and their Institutes engage is getting bigger as borders are ‘removed’, consolidation and alliances accelerate and standards are globalised. A future-focused Institute will need both scale and a strong global presence in order to maintain influence.

Responding to change – options considered

We considered our options as individual Institutes and in partnership.

It’s our role as leaders of the profession in Australia and New Zealand to consider the options for addressing the challenges and opportunities affecting your designation and our Institutes.

In doing so we considered the options as individual Institutes and in partnership. The significant work completed on each option is summarised below.

OPTION 1: MODIFIED STATUS QUO – ONGOING COLLABORATION

Both Institutes continue to collaborate on the Chartered Accountants Program and shared ICT platforms but pursue separate strategic plans to address the local and global challenges facing the profession.

This option has limited organisational impact from a change perspective.

Why was this option discounted?

Collaboration on the joint Chartered Accountants Program and ICT has been successful to date, but the communication and decision-making processes are complex and sometimes delay timely action.

Significant ‘good spirit’ has been invested in our collaboration activities to date. This could not be expected in the longer term as each organisation makes individual strategic decisions to address the challenges facing the profession and its business.

This option is particularly unappealing for New Zealand members. In order to deliver the services that NZICA members are demanding, further significant investment is required. Financial modelling indicates membership fees would need to be increased significantly over the next few years to lift current service levels for an increasingly diverse membership.

OPTION 2: SHARED SERVICES

A shared services model was explored for services that are ‘back office’ on the assumption that agreements would be in place for such matters as delivery, financial arrangements and service level agreements.

It was assumed that an intermediary organisation or governance framework would be required to oversee the shared services.

Why was this option discounted?

Modelling indicated that a shared service arrangement could not deliver the same level of cost saving benefits that a New Institute could potentially deliver, nor did it create the opportunity for transformational change. The degree of organisation disruption and risk, however, was judged as very high.

The opportunity for cost savings in a shared services model is limited to those functions which can be scaled, and are not location specific or strategic – for example back office, customer support centre and IT support. The opportunity for both Institutes to partner together to address the challenges we're facing with innovative strategic initiatives is not possible under this model.

OUR CONCLUSION

As a result of our collaboration to date we have learnt a great deal about the limitation of a shared services model. With this insight we believe that a single strategy, leadership structure and vision is required to create the step change in service delivery needed, and ensure the ongoing pre-eminence of the designation.

Three critical assumptions underpin the strategic direction. These assumptions are the basis of advantage of a New Institute over collaboration or shared services. Those advantages are:

1. the scale of a larger membership base
2. greater financial efficiency allowing investment in the execution of strategy
3. the advantages created from having a single, cohesive vision and strategy.

Both Institute Boards believe a New Institute is the most sensible next step in addressing the challenges and global trends we're facing.

Answering your questions about the options considered

Other businesses run very successful shared service arrangements, so why have you discounted this option?

Significant effort was put into modelling and assessing what opportunities existed for shared services. It became clear that executing a shared services model came at a significant cost with significant disruption, but without the ongoing financial benefits of creating a New Institute. In addition, we believe a shared service model could not address the strategic challenges facing both Institutes as it would be delivering back office functions not strategic initiatives.

Why not merge with another Chartered Accountant body?

While both Institutes have healthy alliances with other Chartered Accountant organisations, most are some distance from Australia and New Zealand, which would create challenges and reduce potential synergies.

From a business environment perspective we are closely connected and our governments are committed to closer economic relations.

In addition, the collaboration work to date greatly reduces the risks and costs of the formation of a New Institute.



SECTION 3

The proposal and member benefits

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The proposal

The creation of a New Institute that is attractive to future members and relevant to existing members.

What's proposed in these pages is not a traditional merger or acquisition. We have a bold vision to transform the current Institute model, and the services and support we offer you throughout your career.

At its heart the proposal is for one New Institute that is:

- built on tradition but ready for the future
- attractive to future members and relevant to existing members
- contemporary and progressive, with life-long education offerings equal to or better than any other body
- as cost effective and efficient as possible.

When compared with remaining as separate Institutes, this pathway will deliver:

- increased capacity to invest
- increased presence and size (almost 90,000 members)
- demonstrable leadership
- an aspirational platform
- strong signals to government, the profession, business and the community.

WHY ARE ICAA AND NZICA SUCH A GREAT MATCH?

As Chartered Accountant Institutes we share values of excellence, rigour and professionalism. Over and above our shared designation we have very similar memberships, competencies and aspirations for the profession in our region and globally. We also have different strengths that we can share and adopt for the benefit of all members.

In addition, both Institutes are members of the Global Accounting Alliance (GAA). This ensures that members of our Institutes can access services and support from other member Institutes when in a GAA member country. This portability is particularly important for new members and contributes to the attractiveness of our profession.

It's these shared characteristics that make ICAA and NZICA a natural pairing.

Answering your questions about each other

I've worked hard to become a Chartered Accountant: does the other Institute have the same standards?

Both Institutes have had pathways to becoming a Chartered Accountant that were domestically and internationally recognised for their quality and their rigour.

The Chartered Accountants Program is now a joint Program, so candidates as of 2013 are undertaking an identical education pathway, with the only variations being for local factors such as taxation legislation.

Fundamentally there's a strong alignment of ethical and professional standards.

How do ICAA members benefit from this proposal?

The 58,000¹ members of ICAA will benefit from the additional scale provided by a New Institute – together we would be almost 90,000 members strong. This is a 50% uplift from the current membership. In addition, the financial capability of a New Institute would enable us to accelerate existing and develop new education and thought leadership programmes.

How do NZICA members benefit from this proposal?

The financial capacity of a New Institute is of significant advantage to NZICA's 28,000¹ members. It will enable investment in systems and services that would otherwise be out of reach.

¹Approximate as at 31 December 2012.

CASE STUDY

Steven McDonnell FCA
Joint member

The similarities between NZICA and the ICAA are most obvious to the CAs who are members of both Institutes. Steven McDonnell FCA has been a joint member for over 13 years, and brought this distinct perspective to the Council Working Group.

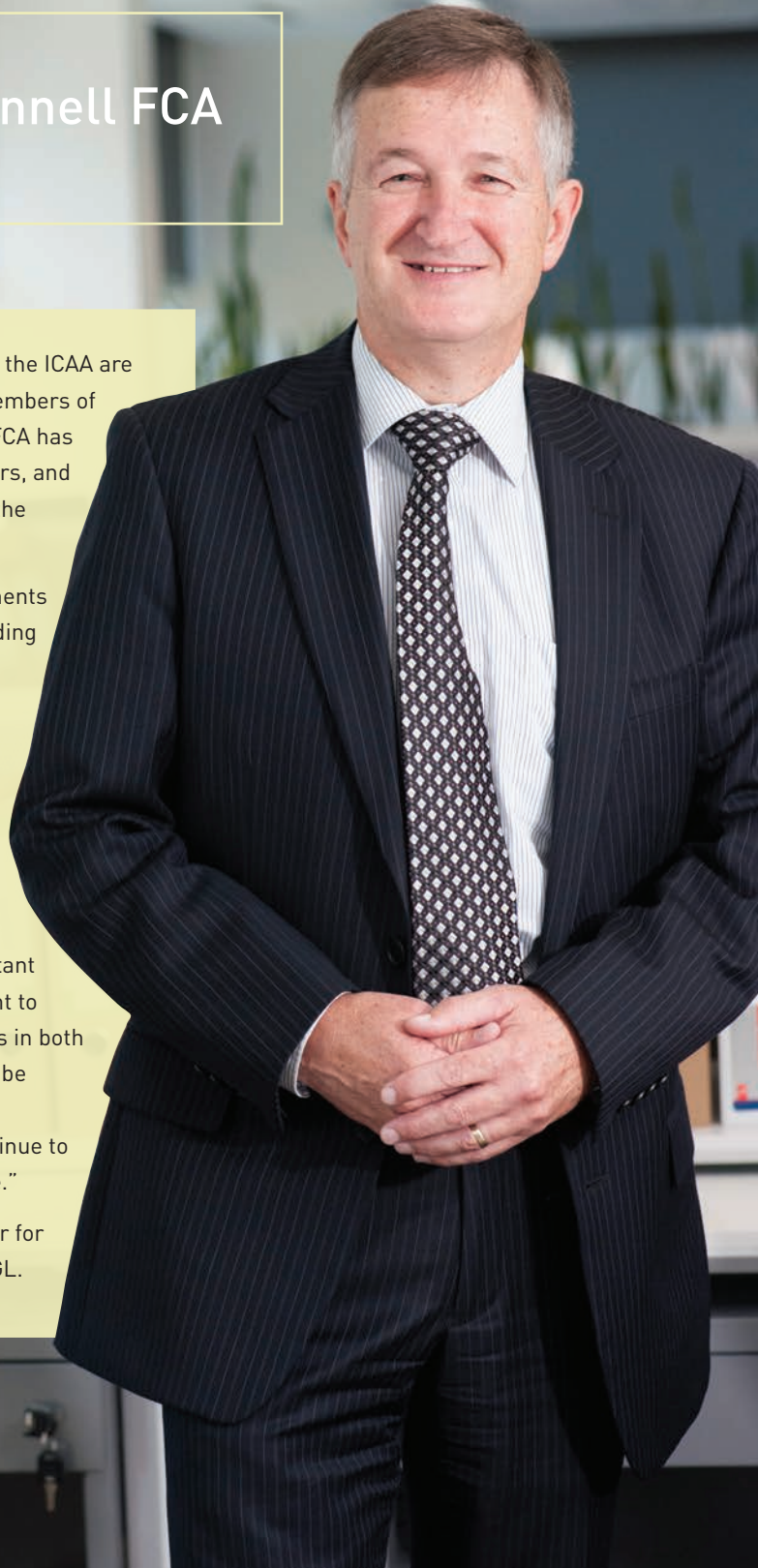
“I know first-hand that the requirements for membership are equally demanding in both Institutes.

“Having worked on each side of the Tasman, I also know that we share the same high standard of professional and ethical values.

“On the international stage, we speak with a common voice.

“Delivery of member value is important to me, and I’ve seen the commitment to meeting the local needs of members in both countries. So I have good reason to be confident that a local presence and local representation would continue to be a strong part of the New Institute.”

Steven McDonnell is Group Manager for Accounting and Taxation at ActewAGL.



The proposed strategy and vision for a New Institute

A number of factors went into the development of a new vision for a New Institute. It must be aspirational; it must move the two Institutes forward and provide strategic direction. In addition, it should reflect the work of today's members as trusted business advisors, not simply accountants.

We propose that a New Institute and its members aspire to be recognised as:

The trusted leaders in business and finance.

The three strategic pillars that provide the cornerstone for how the vision will be achieved are:

1. **pre-eminence** – reinforcing the quality and differentiation of your designation
2. **relevance** – extending and improving education and services for you
3. **reach** – increasing our profession's share of voice, connectivity and influence to make it easier for you to do business.

These pillars are designed to be steadfast; they represent the long-term underlying focus of the New Institute.

PRE-EMINENCE

The pre-eminence of the designation is the bedrock of its continued success and a source of great pride and value. As such, it is imperative in considering any future strategy and its execution that the Institutes' actions continue to strengthen the designation in the eyes of members and the public.

RELEVANCE

If the New Institute is to ensure the ongoing relevance of its education and designations it will need to extend the education offering to meet a broader range of business and community needs, be more relevant and portable on a global stage and tailored to suit members' career stages. It also needs to ensure that other products and services, and networking activities are relevant across the membership.

REACH

Size matters when it comes to advocacy and influence. Representing a substantially larger constituency of members will create opportunities for a New Institute to influence trans-Tasman and also further afield. Ensuring a strong regional and global voice on issues relating to the profession and broader business issues will reinforce perceptions of members, and the New Institute, as the leaders in business and finance.

Scale also enables a New Institute to invest in the highest quality resources.

CASE STUDY

Michael Spinks FCA
Past President, ICAA

As President of the ICAA in 2010, Michael Spinks FCA has a strong sense of the long-term strategic imperatives behind the vision of the New Institute.

“This vision is about what the profession will look like 10 to 20 years from now. From that perspective, this proposal affects all members.

“Without this new strategy, the CA brand faces losing relevance against competitive threats. We would have a smaller footprint.

“Together we will create a leading membership base of CAs in Australia and New Zealand, strengthening our relevance in the Asia Pacific region. That is the crux of the strategy.

“I see that as a stepping stone for the global relevance of the CA brand.

“We need to do this.”

Michael Spinks is CEO
at Collins SBA in Hobart.



The nuts and bolts – what will a New Institute do?

It will be a significant step forward from the status quo.

In assessing what a New Institute could do that is a significant step forward from the status quo, we have considered the following.

- What initiatives will make a difference to members, irrespective of their geography or designation type?²
- Where is there a natural market opportunity for a New Institute?
- What strategic initiatives will transition us to being viewed consistently as ‘the trusted leaders in business and finance’?

As a result, three strategic initiatives are proposed; they are interdependent and each one reinforces the three strategic pillars – pre-eminence, reach and relevance.

- **Business leadership** – our aspiration is for the New Institute to be recognised as the leading trans-Tasman voice for business and a leading voice in the debate for the profession internationally.
- **Education** – our aspiration is to be the leaders in business education.
- **Member centric** – our aspiration is for members to see the New Institute as the most valuable resource they have.

BUSINESS LEADERSHIP

Our aspiration is for the New Institute to be recognised as the leading trans-Tasman voice for business and a leading voice in the debate for the profession internationally.

A New Institute would represent the interests of almost 90,000 members and by proxy hundreds of thousands of businesses. If harnessed, this insight and capability can be leveraged to effect change, influence debate and drive outcomes.

The initiatives to achieve this aspiration would involve targeted investment in marketing to position the designation as the pre-eminent brand in business, and increasing thought leadership and advocacy capability as follows:

- policy formulation capability to influence national economic and regulatory agendas in our domestic markets, bring trans-Tasman Closer Economic Relations (CER) to life, and to increase influence on the development of international professional and technical standards
- leadership on the future state and what’s driving change, eg the future of the profession, education and the profession, technology and the profession
- positioning Chartered Accountant as the pre-eminent brand in business.

EDUCATION

Our aspiration is to be the leaders in business education.

The requirement for you to complete ongoing professional development contributes significantly to the quality of the designation and its reputation in the market. Currently the Institutes provide a selection of professional development opportunities that best meet the needs of a minority segment of the membership.

A New Institute would have the scale and financial capacity to enhance and evolve the Chartered Accountants Program, and transform the current professional development offering into a lifelong learning programme delivered on best-in-class online platforms.

² See page 33 for information on the ACA and AT NZICA designations.

The initiatives to achieve a transformation will include:

- strategic and technical-based curricula that deliver the excellence required to do business locally, regionally and around the world
- a fully resourced life-long learning programme that provides a full spectrum of high value education opportunities to meet career learning needs for all members
- continual investment in the Chartered Accountants Program to keep it best in class
- partnerships with leading domestic and international learning institutions and businesses
- technology that enables flexibility, relevance and connectivity in delivery of all programmes
- consideration of specialisation education and recognition pathways.

MEMBER CENTRIC

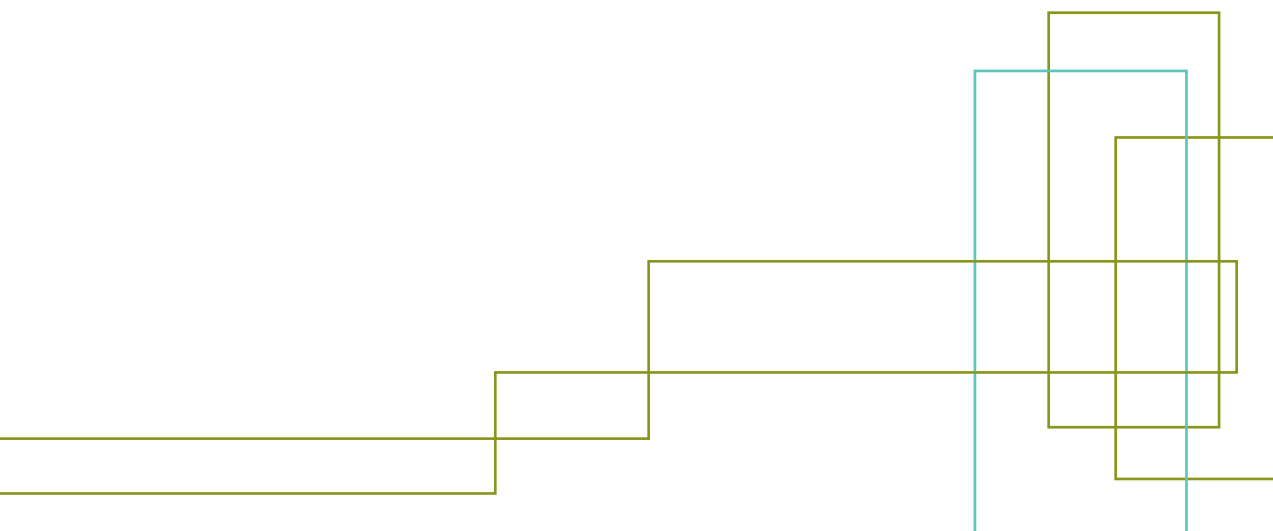
Our aspiration is for members to see the New Institute as the most valuable resource they have.

Put simply, this means being insightful and in tune to the needs of members, and facilitating engagement among members and with other important business groups and organisations.

A New Institute will invest in ensuring members have the tools and resources to excel in their business, and to network and engage nationally, regionally and around the world.

The initiatives include:

- implementation of a network model that enables members locally or around the globe to enhance their standing in the community, exchange ideas and debate issues affecting the profession or areas of expertise, and networking with other key stakeholders
- investing in technology support to maximise connectivity between members, whether that be at a profession, professional development or social level
- enhancing our presence in Asia to support members in this region
- targeted investment in tools and practical resources to assist with managing members' businesses or practices.



How will the New Institute proposal benefit me?

It will deliver better value to members for their membership.

In our view the scale and financial capability of a New Institute ensures:

- delivering better value to you for your membership
- ensuring the ongoing relevance of services for a membership that is increasingly more diverse and geographically spread
- the ongoing strength of the New Institute and the profession.

We are cognisant that you will likely review this proposal through a personal lens, one that is influenced by the sector you work in, your stage of career, your designation type and your degree of current engagement with the Institute. As such, we have considered the value proposition of this proposal from the perspective of many different member groups. These views are available on the consultation website if you wish to delve deeper.

Ultimately the New Institute is for the next generation of members. Creating a globally relevant, contemporary Institute is paramount to ensuring ongoing relevance of the profession to the next generation of Chartered Accountants and business professionals, and thus the pipeline of future partners and business leaders.

Answering your questions about the benefits of this proposal

These benefits don't feel tangible; how can I be sure that what's promised here isn't just hot air?

The Institutes are service-based organisations, so it will always be hard to offer a tangible, quantifiable benefit. What's proposed under a New Institute model is targeted investment in services that accurately meet members' needs.

We believe a significant step forward is required and that's why our aspirations for education, business leadership and member centricity are bold.

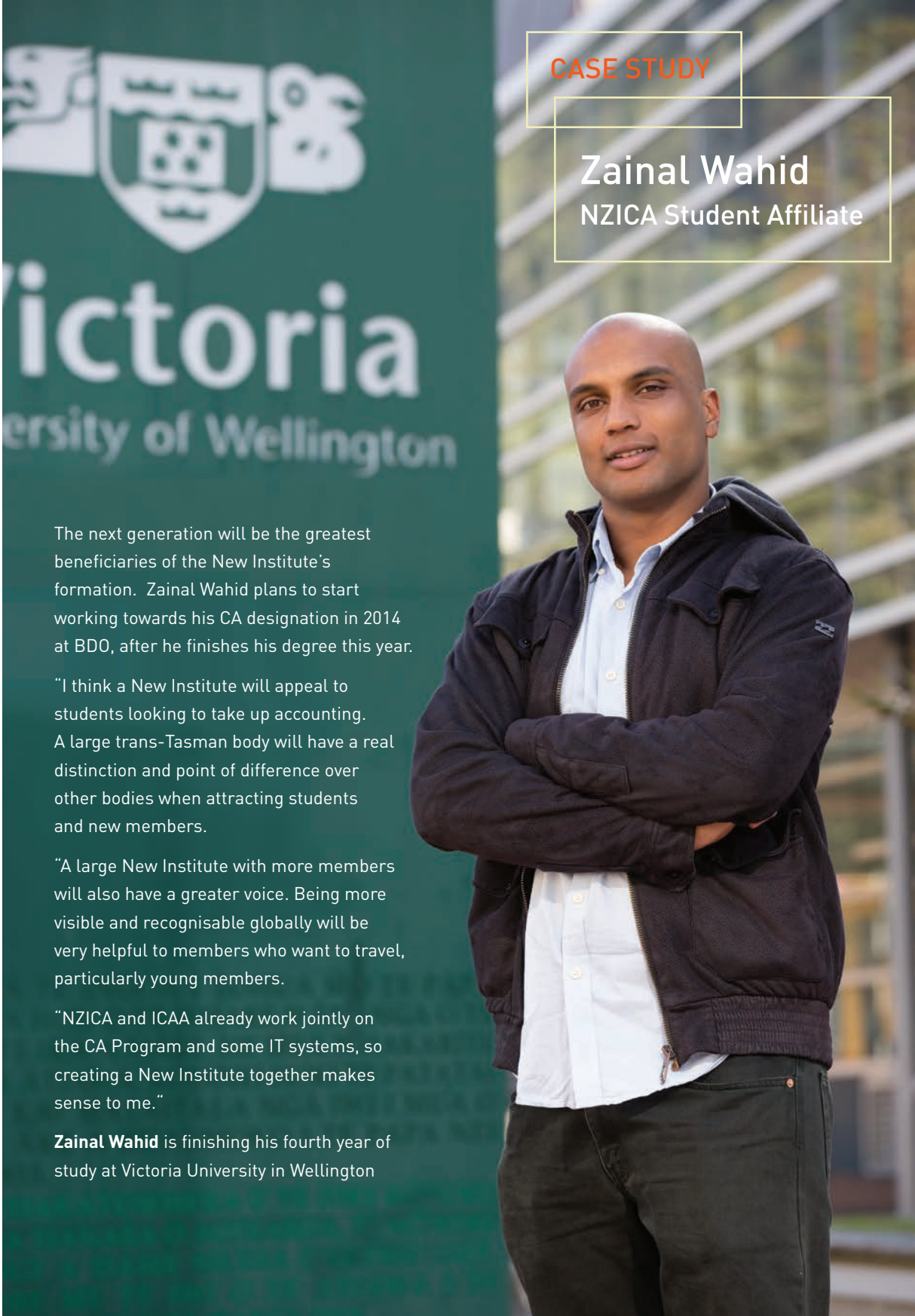
The right leadership and organisational design will also be important for ensuring delivery of the strategic initiatives.

Why should I care about the next generation?

Our ability to attract the best and brightest graduates is critical to maintaining the pre-eminence of our designation. For those in public practice they represent the market that you sell your practice to, or for commerce it is the pipeline of future CFOs. For all of us they represent the future membership fees that will enable us to continue to invest to maintain our pre-eminence, relevance and reach.

Below is a summary of the **potential member benefits of this proposal** for most members.





CASE STUDY

Zainal Wahid
NZICA Student Affiliate

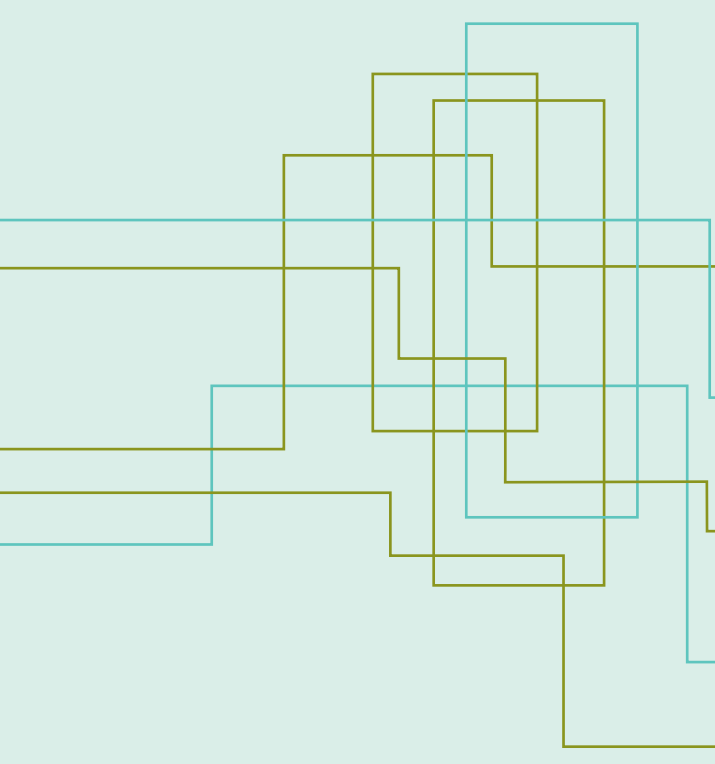
The next generation will be the greatest beneficiaries of the New Institute’s formation. Zainal Wahid plans to start working towards his CA designation in 2014 at BDO, after he finishes his degree this year.

“I think a New Institute will appeal to students looking to take up accounting. A large trans-Tasman body will have a real distinction and point of difference over other bodies when attracting students and new members.

“A large New Institute with more members will also have a greater voice. Being more visible and recognisable globally will be very helpful to members who want to travel, particularly young members.

“NZICA and ICAA already work jointly on the CA Program and some IT systems, so creating a New Institute together makes sense to me.”

Zainal Wahid is finishing his fourth year of study at Victoria University in Wellington



SECTION 4 Further important details

- The New Institute's financial considerations and outlook 30
- The NZICA Act and ICAA's Royal Charter 33
- Structure of the New Institute – including ACA and AT colleges 33
- Governance 34
- Abbreviations and terms 38

The New Institute’s financial considerations and outlook

Creating a New Institute requires investment in feasibility, consultation, member vote, transition and implementation.

Cost savings can be expected through the removal of duplication, combined with efficiency gains from a new approach to conducting business. These efficiencies will deliver incremental surpluses which would be available to improve services and benefits to you, to increase the standing of your designation and the influence of our profession.

Below is a summary of ICAA’s and NZICA’s audited historical statement of comprehensive income for the 2011 and 2012 financial years. These figures are aggregated to indicate the scale of a New Institute prior to any net synergies available through the formation of a New Institute.

Comprehensive Income Summary Year to 30 June (A\$'000)	ICAA FY2011	ICAA FY2012	NZICA FY2011	NZICA FY2012	Aggregation FY2011	Aggregation FY2012
Subscriptions and related revenues	42,826	45,587	15,458	15,958	58,284	61,545
Revenue from education and other	45,496	42,941	10,203	11,121	55,699	54,062
Revenue	88,322	88,528	25,662	27,079	113,984	115,607
Other income	3,086	3,111	1,352	1,722	4,438	4,833
Total revenue and other income	91,408	91,639	27,014	28,802	118,422	120,441
Total expenses	(86,349)	(88,801)	(26,409)	(28,745)	(112,758)	(117,546)
Surplus before tax	5,059	2,838	605	56	5,664	2,894
Income tax expense	-	-	-	-	-	-
Surplus	5,059	2,838	605	56	5,664	2,894
Other comprehensive income	-	-	-	-	-	-
Fair value revaluation of freehold property	339	1,850	-	-	339	1,850
Total other comprehensive income	339	1,850	-	-	339	1,850
Total comprehensive income for the year	5,398	4,688	605	56	6,003	4,744

Note: All NZICA financials have been converted from New Zealand dollars to Australian dollars at an exchange rate of NZ\$1.3 = AU\$1.0. Minor differences in the accounting policies of the two Institutes exist in areas including capitalisation of expenditure and depreciation of certain asset classes. No financial adjustment has been made to align accounting policies for the two Institutes as the impact, if such an alignment was made, would be immaterial at the reporting dates presented. Transactions between the two Institutes, to the extent that they exist, have not been eliminated as they have no impact on the aggregated surplus.

Below is a summary of the ICAA’s and NZICA’s audited statement of financial position as at 30 June 2011 and 30 June 2012, and a summary aggregated historical statement of financial position to indicate the scale of a New Institute at each of these dates prior to any required policy adjustments.

These net assets are not available to members individually; rather they provide the capacity to underpin and execute future activity in the interest of all members.

Financial Position Summary (As at 30 June A\$'000)	ICAA FY2011	ICAA FY2012	NZICA FY2011	NZICA FY2012	Aggregation FY2011	Aggregation FY2012
Cash and cash equivalents	30,361	38,766	3,437	3,178	33,798	41,944
Total Assets	98,843	108,543	13,886	14,453	112,729	122,996
Total Liabilities	45,052	50,064	6,160	6,672	51,212	56,735
Net Assets	53,791	58,479	7,726	7,782	61,517	66,261

SYNERGIES AND IMPLEMENTATION COSTS

The formation of a New Institute is expected to deliver significant net cost savings and benefits, mostly through the removal of duplication and the scale created.

Work is being undertaken on the nature of expected synergies, the quantum of which is determined by delivering an efficient future operating model for the New Institute, planning the core processes to be adopted, and successful execution of the transformational change programme to achieve the vision.

It is anticipated that if net annual synergies of A\$5m to \$10m can be achieved through committing the indicative combined project and implementation cost of A\$11m, a payback range of between one and two years would be achieved.

Assessment – cost of strategy development, consultation and vote	A\$7m
Implementation – following a positive member vote	A\$4m
Total indicative anticipated costs	A\$11m

We believe this investment of member funds is justifiable given both Boards' responsibility to invest in the future of the organisation and profession.

SUBSCRIPTION AND MEMBERSHIP FEES

We propose a single membership fee to be applied to each membership type of the New Institute.³ These fees would be set to harmonise the ICAA and NZICA membership bases, but adjusted for country cost of living considerations.

Answering your financial questions

What could be the impact on my fees?

The fee position is yet to be finalised in detail, but it's anticipated that membership fees for NZICA members would rise to harmonise with ICAA, taking into account cost of living considerations.

The fee rise in New Zealand will not be more than what would be required if NZICA was to operate on a stand-alone basis and invest in the Chartered Accountants Program and other initiatives.

What will happen to each organisation's assets?

The assets of each organisation will be combined and be available to service the objectives and strategy of the New Institute.

³ NZICA confers three designations – CA, ACA, AT (refer page 33). These designations have varying fee structures currently. This will continue under the New Institute model.

Australia would contribute greater net assets to the New Institute. Are these net assets diminished by the proposal?

The net assets of the two bodies represent the accumulated surpluses of their operations. Members don't hold individual proprietary rights to those assets, rather they are available to underpin capacity with annual revenues servicing the operations and strategic execution of the Institutes.

Each Institute admits new members each year and welcomes the increased subscription revenue. The New Institute will have 30,000 additional fee paying members compared to ICAA, which will deliver increased surpluses and see net assets per member increase over time.

So while it is true that ICAA is contributing greater net assets, there is no diminution of available reserves or operating capacity, rather an enhancement in all key usual measurable metrics for the benefit of members.

How can the fee rise in New Zealand be justified?

The fee rise in New Zealand is not more than what would be required if NZICA was to operate on a stand-alone basis and invest in the Chartered Accountants Program and other initiatives.

Without a significant fee increase NZICA is not in a position to meet the varied needs of its membership into the future – the investment in ICT systems, education programmes and relevant services at the level members are demanding is out of scope for an Institute of NZICA's size today.

The only long-term alternative would be to significantly scale back service offerings to members and structure the business purely as a registration and professional standards body.

Surely if cost of living would be taken into account in New Zealand, it should also be considered in various parts of Australia?

The fee adjustment has to be undertaken to recognise country differences.

Within-country cost of living adjustments have been considered but are not proposed for the New Institute.

Couldn't we reduce services and reduce fees instead of the initiatives that are planned and getting going?

Fees can always be reduced, as could services, but this is not in anyone's interest nor what you, our members, have indicated that you want. Ultimately it could also affect the pre-eminence of your designation.

Will the investment to date be wasted if this does not go ahead?

Much of the investment to date will be valuable to both Institutes regardless of whether a New Institute is formed, as it has identified future needs and strategic initiatives to meet them.

The NZICA Act and ICAA’s Royal Charter

The implementation of the proposal would require changes to the governing documents of each existing Institute including:

- NZICA’s Act and Rules
- ICAA’s Royal Charter and by-laws and regulations.

These changes are required in order to create the platform for a New Institute. If, following the consultation process, the proposal is put to a member vote, members will be provided with changes to the NZICA Act and a copy of the new Royal Charter for the New Institute as part of the voting process.

Answering your questions about the Act and Charter

What does the New Zealand Government think about this proposal?

The New Zealand Government officials have expressed the view that Government would consider amending legislation to facilitate the proposal but only if the proposal is supported by members. Accordingly, any legislative change would only follow a vote by members mandating such a step.

What challenges have been identified in changing the Charter in Australia?

Discussions are at an early stage but no challenges have been identified so far. Engagement with various levels of Government to date have been positive.

Structure of the New Institute

The New Institute will operate as a single member body.

A new common regulatory framework reflecting the best practices from each organisation is the medium-term goal, including a common Code of Ethics, disciplinary process and practice review system.

However, initially, NZICA will continue to discharge the regulatory functions contemplated by its Act and Rules. Members working in New Zealand will, in addition to membership of the New Institute, retain membership of, and be regulated by, NZICA.

The ACA and AT colleges will be retained in the New Institute structure, initially for those members working in New Zealand, but with consideration to be given to growing those designations in Australia and potentially Asia.

Answering your questions about membership structure

What are the ACA and AT colleges?

NZICA has a three-tiered college structure: Chartered Accountant, Associate Chartered Accountant and Accounting Technician. The three designations provide alternative pathways to membership

Only a Chartered Accountant can obtain a certificate of Public Practice.

Further detail on the entry and education requirements of the ACA and AT colleges can be found online at onenewinstitute.com/factsheets.

Would the other designations in the NZICA structure detract from my Chartered Accountant designation?

The three-tiered college structure in New Zealand is considered to reinforce the Chartered Accountant designation as it provides alternative pathways to membership and a framework of education for other levels in the profession.

Governance

Members' rights and representation would be retained in the New Institute.

It is proposed that the New Institute has a governance structure that takes the best of both ICAA and NZICA, incorporating best practice in governance while minimising the impact of change on members as much as possible.

The key elements of the proposed governance structure are as follows.

- A New Institute Council with the primary role of member representation will comprise elected representatives from Australia, New Zealand and around the world. The Council will also appoint the Board of the New Institute. Members of the New Institute Council would be elected through Regional Councils in New Zealand, Australia, Asia and Rest of World. The Council will be headed by a President and two Vice Presidents (one each from NZ and Australia).
- A Board operating to a corporate model, having primary responsibility for the organisational strategy and performance of the New Institute, will oversee strategy, policy and operational issues. The Board would comprise up to nine Directors appointed on the basis of their skills and experience, plus the President and two Vice Presidents. The Vice Presidents are ex-officio members of the Board. The Board would be headed by a Board Chair. The Board will include two non-members.
- A Nominations and Governance Committee would be responsible to the New Institute Council for overseeing the nomination and succession planning processes for the Council and Board, and monitoring and overseeing the New Institute's governance processes.

Each body would have particular and distinct roles and responsibilities, as a whole providing a balanced governance system combining member representation with best practice corporate governance. A summary of the proposed governance structure is provided on page 36.

Answering your Governance questions

Why are you proposing this governance structure for the New Institute?

Our aim is to ensure that decision making is effective and efficient, that you are effectively and fairly represented, and the structure is responsive to current issues. We considered what works best in each Institute currently and also took into account best practice among other professional bodies and organisations.

What are the key benefits to members under the proposed governance structure?

The proposed structure will ensure that your rights and representation are sustained and the New Institute is effectively run in members' best interests, maintaining and preserving the value of your designation and providing relevant products and services.

What are the key changes from the current governance structures in ICAA and NZICA?

In summary, for ICAA members:

- ICAA Regional Councils will continue to operate in their current form
- The New Institute Council is a new body
- The ICAA Board will be replaced by the New Institute Board, appointed on a skills basis, rather than geographic representation
- The current Nominations Committee of the ICAA Board will be replaced by the New Institute Nominations and Governance Committee which will operate on behalf of a larger group of members.

In summary, for NZICA members:

- The current NZICA Council will become the New Zealand Regional Council, with an advisory, rather than strategic role. The main function of this Council is member representation. This Council will appoint members to the New Institute Council. Overseas members will be represented separately rather than as part of the New Zealand Regional Council
- The current NZICA Board will be replaced by the New Institute Board which will operate in the same way, on behalf of a larger group of members
- The current Nominations and Governance Committee will be replaced by the New Institute Nominations and Governance Committee, which will operate in the same way on behalf of a larger group of members
- An NZICA Board (regulatory) will be retained under the NZICA Act to regulate members in New Zealand.

How will we move from our current governance structures to the structure proposed above, if adopted?

A period of transition will be required, given the different governance structures in place today. The transition period will follow a positive member vote on the New Institute proposal.

How will I be effectively represented and have a voice under the new structure?

Council will be primarily responsible for representing members' interests through:

- its composition (ensuring Council membership reflects membership numbers around the world)
- the role of individual Councillors (this means having awareness of member issues, communicating/ensuring regular liaison with members in each region, and being accessible to any member who may wish to raise an issue or idea)
- processes to ensure members' views are brought to the decision-making table (for example, ensuring that Councillors seek and provide input from members as part of any strategic decisions).

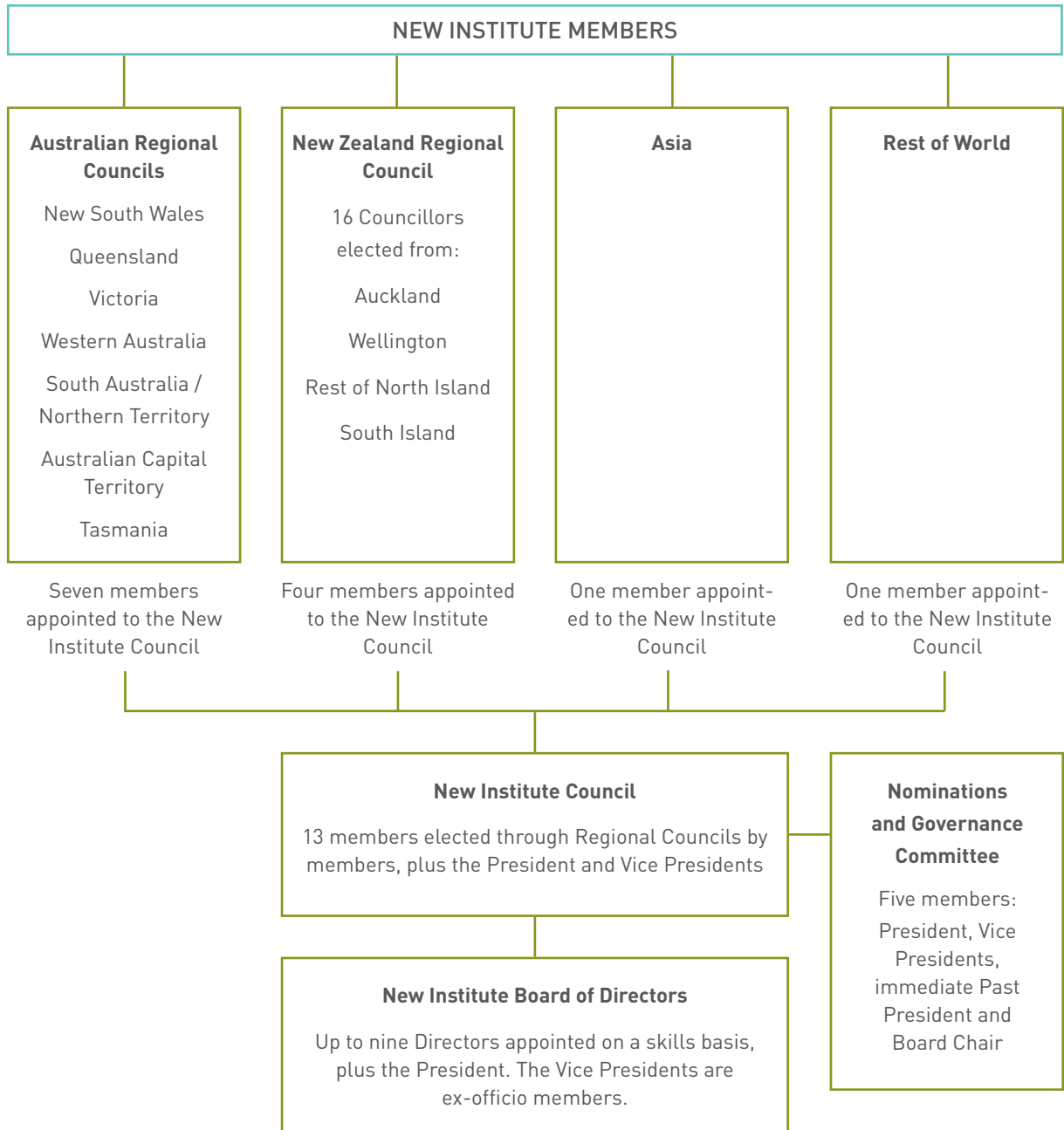
What will happen to existing ICAA and NZICA committees under the proposed structure?

The New Institute provides an opportunity for advisory groups and committees to provide a trans-Tasman perspective on pertinent business and member issues. While it's likely these will be reviewed in due course, we expect that similar types of groups to those currently in place would be recommended.

What would happen to current NZICA and ICAA local level arrangements/services under the proposed structure?

At this time there's no proposal to alter the local structures/operations in place. They would remain unchanged in the New Institute.

NEW INSTITUTE PROPOSED GOVERNANCE



CASE STUDY

Baubre Murray FCA
NZICA Council member

NZICA remodelled its governance between 2009 and 2012, to improve its structure, accountability and member representation. Baubre Murray joined the NZICA Council the year that this remodelling began.

“Our Council and Board are now entirely separate but they work together. Members from regions around New Zealand and the world elect the Council members while the Board is appointed.

“The Board is now made up of experienced directors, including two independent directors. The Council’s focus is on strategy and representing members and the Board’s focus is the operational aspects of the Institute. This gives a more objective, independent and commercial emphasis to NZICA’s operations.

“The New Institute would benefit from the clarity of responsibilities that this model provides.

“I support creating a New Institute together because it recognises the global nature of our members’ work and it is an opportunity to be part of a large, influential organisation.”

Baubre Murray is Director of Dowse Murray Chartered Accountants Ltd, Wellington.



ABBREVIATIONS AND TERMS

ACCA	Association of Chartered Certified Accountants
ACA	Associate Chartered Accountant
AT	Accounting Technician
CA	Chartered Accountant
CER	Closer Economic Relations
CPA	Certified Practising Accountant or Certified Public Accountant
CPAA	CPA Australia
CWG	Council Working Group
GAA	Global Accounting Alliance
ICAA	Institute of Chartered Accountants Australia
ICT	Information and communication technology
NZICA	New Zealand Institute of Chartered Accountants

Ensure your voice is heard on this proposal

We need your views to guide our decision making.

Consultation on this proposal is open until 12 July 2013. We need your views to guide our decision making about whether to proceed to a full member vote.

If the decision is made to go to a full member vote, an Explanatory Memorandum will be sent to you for your vote.

FORMAL SUBMISSIONS

Feedback is invited via the 'your voice' section on our consultation website (onenewinstitute.com). You are invited to provide your views on any aspect of the proposal and supporting materials. In particular we are interested in the elements which have resonated with you, concerns you have, and specific recommendations or adjustments. Among other things, you may wish **to respond to the following questions:**

- Have we effectively captured the challenges facing the profession? Are there other drivers of change not considered here?
- Are there other member considerations that need to be assessed in developing a strategic response?
- Are the strategic pillars of pre-eminence, relevance and reach the right pillars for addressing the challenges and opportunities facing the profession?
- What is your view on the proposed strategic initiatives of a New Institute?
- Are there any other options that should be considered?

QUESTIONS AND FURTHER DETAIL

To find out where to get more information please don't hesitate to contact us via email or contact the service centre team. Alternatively you could attend one of the information roadshows in your area.

ROADSHOWS

Over 60 roadshows are scheduled for around Australia, New Zealand, the UK and Asia between 13 May and 12 July 2013. The full roadshow schedule is available at onenewinstitute.com/roadshow. We recommend booking your place early.

ADDITIONAL COPIES OF THIS DOCUMENT

If you would like additional copies of this document you can print one from the consultation website, or email us or call our service centres using the details below and ask for a copy to be sent to you.

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Institute of Chartered Accountants Australia

New Zealand Institute of Chartered Accountants