



PRESIDENT'S MESSAGE



Angela Lee Loy
ICAC President

This being the last newsletter issue for 2008, I take the opportunity to thank the Board of Directors, the staff of the ICAC Secretariat and the staff of our territorial Institutes as well as our stakeholders in the region and international for your support during the year.

Regional Practice Monitoring Programme

We are pleased to note that progress is being made with regard to the implementation of the ICAC/ACCA regional practice monitoring programme in Barbados, Guyana, and Trinidad and Tobago.

Following the signing of contracts for the practice monitoring programme in June of this year, the Institute of Chartered Accountants of Trinidad and Tobago (ICATT), the Institute of Chartered Accountants of Guyana (ICAG) and the Institute of Chartered Accountants of Barbados (ICAB) have commenced training for practitioners in their respective territories. This is in preparation for visits to firms within these territories by ACCA's monitoring team, commencing in 2009. Under the agreement for the regional practice monitoring programme, ACCA will report its findings and recommendations to the respective Institutes.

Concerns have been raised by the participating Institutes about the confidentiality of the administration of the monitoring process to be carried out within firms. A decision was therefore taken at the 52nd ICAC Board of Directors Meeting held on October 11, 2008 in Barbados to establish a practice monitoring

sub-committee to address the concerns raised.

The sub-committee's mandate is to research and present recommendations to the ICAC Board on how the process of reports on audit firms should be handled to ensure confidentiality during the monitoring process and to formulate proposals for the establishment of a regulatory committee to address cases of conflict that may arise from the practice review process. The sub-committee is being chaired by Krishna Boodhai, CEO of ICATT and comprises:

- Karol Ashby, Council Member, Institute of Chartered Accountants of Barbados (ICAB)
- Harryram Parmesar, Council Member, Institute of Chartered Accountants of Guyana (ICAG) & Director for Guyana on the ICAC Board
- C. Patricia Hayle, Chairman, Practice Monitoring Committee, Institute of Chartered Accountants of Jamaica (ICAJ)
- Misha Lobban, CEO, ICAC

We will keep you informed via this medium of the recommendations formulated by the sub-committee and the strategies to be implemented by the ICAC Board in an effort to ensure confidentiality in the practice monitoring process.

Affiliation Agreement & Review of ICAC's Articles of Association

In an effort to enhance the role and effectiveness of the ICAC as a regional body, we continue to focus on the review of the Institute's Articles of Association. The Board is also assessing the areas at the regional level for which the ICAC can assume overall responsibility such as standard-

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setting. To this end, an affiliation agreement has been drafted which proposes the areas that could be better co-ordinated at the regional level while recognising the implementation and monitoring role of our member Institutes. The agreement has been disseminated to the regional institutes for review and sign-off by their respective Councils and we hope to receive comments and feedback by January 2009 prior to the next Board of Directors Meeting.

Strategic Goals and Imperatives for 2009-2011

A document outlining the strategic goals and imperatives for the ICAC for the next three years was presented and approved at the Board meeting in October 2008. The strategic plan will drive the direction of the ICAC and will focus on:

- Broadening ICAC's membership base in the region
- Strengthening relationships/partnerships with our regional institutes, affiliates and other key stakeholders in the region and internationally
- Enhancing the role and presence of ICAC within the region
- Increasing the international profile of the ICAC
- Boosting the efficiency of the operations of the ICAC Secretariat and strengthening organizational procedures within the Secretariat to increase efficiency
- Enhancing the ICAC Annual Conference as a profitable flagship event

We have already begun to host one-on-one meetings with our regional institutes with the aim of strengthening linkages between ICAC and its members Institutes and keeping them abreast of ICAC activities/initiatives. The first meeting was held with the members of ICAJ's Council in July, followed by a meeting with ICAB Council in October. Feedback from these meetings has been positive and it is anticipated that ongoing meetings will be held with other regional institutes during 2009.

I am also happy to report that the redevelopment of the ICAC website is now complete and that the upgraded website boasts additional features and content aimed at providing added value to members within the region and other users of the site. The new features include online access to the ICAC's annual reports and newsletter, access to the ICAC/KESDEE e-learning programme and linkages to the websites of ICAC member Institutes and

Affiliates. The ICAC will continue to explore ways in which the website can be used to provide additional services to members within the region.

IFAC Meetings

I had the privilege of representing the ICAC at IFAC's meeting with Regional Organisations (ROs) and Accountancy Groupings (AOs) on November 10, 2008 in Italy, Rome. The meeting was followed by IFAC's Board/Council Meeting which was held over the period November 11-13.

As an Acknowledged Grouping of IFAC, the ICAC's participation at the meetings was very beneficial to the continued growth of the profession in the region and to enhancing our contribution to the global accountancy profession.

At IFAC's meeting with ROs and AOs various matters were discussed. It was also an opportunity to meet other regional heads and to share common issues and best practices. ICAC received special mention for its role in promoting e-learning and practice monitoring among its members.

At the council meeting which followed, IFAC presented its strategic plan for 2009-2012 and the four strategic themes were to:

- Be recognised as the international setter standard in the areas of auditing and assurance, education, ethics and governmental financial reporting.
- Actively support the adoption of, and assist in, the implementation of international standards.
- Continually enhance the relevance of the profession.
- Be an influential voice for the global accountancy profession.

As we anticipate ongoing developments within the global accountancy profession in the New Year, the ICAC will continue to play its part in promoting international standards and best practices within the profession at the regional level.

Best wishes for the Christmas holidays and the New Year.

Angela Lee Loy
President, ICAC



Quote

"ALL YOUR LIFE YOU ARE TOLD THE THINGS YOU CANNOT DO. ALL YOUR LIFE THEY WILL SAY YOU'RE NOT GOOD ENOUGH OR STRONG ENOUGH OR TALENTED ENOUGH; THEY WILL SAY YOU'RE THE WRONG HEIGHT OR THE WRONG WEIGHT OR THE WRONG TYPE TO PLAY THIS OR BE THIS OR ACHIEVE THIS. THEY WILL TELL YOU NO, A THOUSAND TIMES NO, UNTIL ALL THE NO'S BECOME MEANINGLESS. ALL YOUR LIFE THEY WILL TELL YOU NO, QUITE FIRMLY AND VERY QUICKLY. AND YOU WILL TELL THEM YES."

(SOURCE: WWW.QUOTELAND.COM)

Board of Directors Meeting Brief

The ICAC's 52nd Board of Directors Meeting was held on Saturday, October 11, 2008 at the Accra Beach Hotel, Barbados. Among the issues discussed were the:

- **ICAC/ACCA Practice Monitoring Programme**

The Institutes of Barbados, Guyana and Trinidad and Tobago which signed contracts for the implementation of the Regional Practice Monitoring Programme in their respective territories in June reported that they have since hosted training seminars and workshops aimed at preparing practitioners for the commencement of monitoring visits by ACCA in 2009.

A sub-committee comprising representatives of the territories participating in the programme has been established to conduct

research and present recommendations to the ICAC Board on how the process of reports on audit firms should be handled to ensure confidentiality. The sub-committee will also formulate proposals for a regulatory committee to address cases of conflict that may arise from the monitoring process.

- **Proposed ICAC Affiliation Agreement/ Review of ICAC's Articles of Association**

The proposed affiliation agreement which seeks to formalise the role and responsibilities of the ICAC vis-à-vis its member institutes was discussed at the meeting. However, representatives of some member institutes have requested additional time to have the proposal reviewed by their respective councils.

The ICAC is also reviewing its Articles of Association in an attempt to improve its effectiveness as a regional body and as such several amendments were proposed during the meeting. A committee has been established to lead the process of finalisation of the revisions to the Articles of Association and to lead the process of discussion on the affiliation agreement with regional institutes.

- **MIF Project**

Communication relating to ICAC's decision to participate in MIF's initiative to support the implementation of IFRS for SMEs by December 2008 was discussed at the meeting.

ICAC is also looking to contract a Technical Officer to provide technical support relating to standards, etc. to ICAC member Institutes and to provide responses to IASB, etc. on behalf of ICAC.

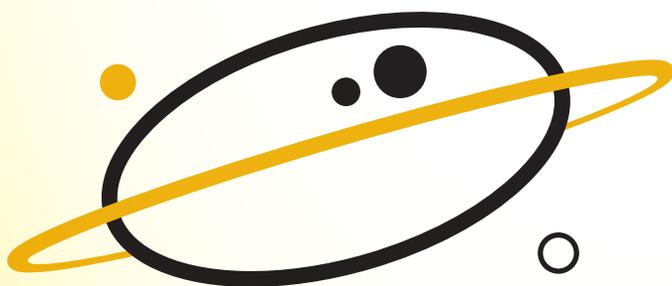
- **IFAC Meetings**

ICAC participated in IFAC's meeting with Regional Organisations (RO) and Acknowledged Groupings (AG) on November 10 as well as IFAC's Council Meeting, on November 11-13. The attendance of the ICAC President at the meetings was facilitated by sponsorship from the Certified General Accountants Association of Canada (CGA-Canada).

- **Membership**

The British Virgin Islands Association of Professional Accountants (BVIAPA) and the Suriname Association of Accountants (SUVA) have expressed an interest in becoming members of ICAC. A representative of SUVA has been invited to make a presentation on the goals and objectives of that association at the next ICAC Board meeting to be held in Guyana in February 2009. Additionally, the chair of the Membership Committee was asked to have follow-up discussions with the BVI Association.

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PEOPLE ARE GOING THAN
WHERE THEY'RE FROM.**



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B.O.D. Meeting Brief Cont'd..... A proposal was presented and accepted by the board for ICAC to become a member of the Caribbean Association of Industry and Commerce (CAIC). The CAIC represents the interest of Caribbean private sector organisations at various regional and international meetings on economic, social and environmental

policy and in creating an enabling environment for private sector development. Meetings hosted by CAIC will be attended by the Director or Alternate Director for Trinidad & Tobago on the ICAC Board.

ICAC Affiliates Brief

Association of Chartered Certified Accountants (ACCA)

ACCA Caribbean – Staff Changes

Brenda Lee Tang, who has been a member of the ACCA Caribbean team since January 2003, is the new Head of Corporate Development for ACCA Caribbean.

As part of the restructuring of the office, Paula Marcelle-Irish has now assumed the role of Manager – ACCA Northern Caribbean, Shane Kissoon is now the Manager – ACCA Southern Caribbean and Maria Batson is the new Manager for ACCA Eastern Caribbean. This will ensure that all key stakeholders in each region deal directly with a particular ACCA Caribbean staff member, with Ms. Lee Tang overseeing the entire region.

Sustainability Agenda

In announcing the publication of its Sustainability Agenda for Action, ACCA has declared that the 'business as usual' approach to sustainability is no longer an option for companies globally. The agenda, entitled *Going Concern?*, calls for related regulation to be fair and proportionate so that all businesses will be able to continue operating in the commercial environment. The report also offers eight key policy areas to be addressed, from corporate governance to audit and assurance. On a more practical level, the report suggests a series of recommendations for business, government and the accountancy profession to consider.

Certified General Accountants Association of Canada (CGA-Canada)

CGA issues policy recommendation to new Government

In an open letter to the leaders of Canada's five major political parties, Anthony Ariganello, President and CEO of CGA-Canada, identified five areas the association believes must be addressed by Canada's next government in order to successfully

lead the country through a period of global economic turbulence and mounting domestic challenges. The letter, detailing the policy recommendations can be found on the association's site at www.cga.org/canada.

Institute of Chartered Accountants in England and Wales (ICAEW)

ICAEW officers for 2008 - 2009

The following officers have been elected to the Council of ICAEW for 2008-2009:

| | |
|--------------------------|---------------------|
| President: | David Furst, FCA |
| Deputy President: | Martin Hagen, FCA |
| Vice President: | Gerald Russell, FCA |

ICAEW launches the Certificate in Finance Accounting and Business

ICAEW has launched a new stand alone business qualification, the Certificate in Finance Accounting and Business, intended to widen access to the profession both in the UK and internationally.

The Certificate in Finance Accounting and Business (CFAB) is aimed at aspiring finance professionals looking to undertake an industry benchmarked qualification, as well as providing a staging post for those considering the full ACA programme.

CFAB is also aimed at those with the potential but not necessarily the academic or vocational experience to take ACA. The qualification comprises six modules from the ACA professional stage – business and finance, management information, law, assurance and tax – with accounting at the core of the syllabus. For more details about CFAB, visit www.icaew.com/cfab

Historical



Tidbit

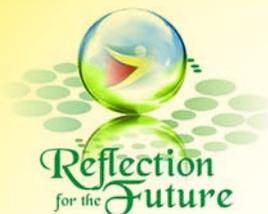
In recognition of the commonality of the challenges facing Accountants in the Caribbean region, delegates representing accounting bodies in the region began to meet in the early 1960s. The overall aim of the meeting of Caribbean Accountants was to provide a forum for social interaction and networking among Accountants from the Caribbean region. At that time, the meetings were held every two years.

In December 1969, at the meeting of Caribbean Accountants in Barbados it was first proposed that a regional body should be established to promote and advance the interest of Caribbean Accountants.

With the establishment of the ICAC in 1988, the decision was taken to host the meeting of Caribbean Accountants on an annual basis. The Caribbean Conference of Accountants, held in June each year, continues to be the premier social event of the ICAC while ensuring the continued professional development of Accountants in the region. The Conference provides a forum for accountants in the region to network and to examine regulatory issues and other matters impacting the profession globally.

ICAC 2009 Conference - Reflection for the Future

2009 ICAC CONFERENCE - GUYANA



The ICAC's 27th Annual Conference of Accountants will be held in Georgetown, Guyana over the period is June 26 – 27, 2007 and is being hosted by the Institute of Chartered Accountants of Guyana.

The conference theme is, *Reflection for the Future*, and will bring into focus the many developments within the global accountancy profession and the ways in which to enhance the development and growth of the profession.

The conference topics will focus on the many developments within the regional accountancy profession and will examine ways in which the profession can further contribute to the development and growth of the Caribbean region.

Conference topics include:

- The Future of the Caribbean Economy

- Regulation of a Globalised Profession
- Modernising Corporate Legislation
- Developments in IFRS
- Money Laundering Developments
- Information Technology Governance
- Taxation in a Single Market
- Going Green
- Changing Expectations of a Finance Director
- The Rules of Office Politics

Conference rates and other information will be available soon via the ICAC's website at www.icac.org.jm or via ICAG's website at www.sdn.org.gy/icag/

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ICAC President Receives International Award

ICAC President, Ms. Angela Lee Loy, has received the ACCA (Association of Chartered Certified Accountants) Achievement Award for the Americas for her contribution to the accountancy profession, and to business and society.

The first female President of both the Institute of Chartered Accountants of the Caribbean (ICAC) and the Institute of Chartered Accountants of Trinidad & Tobago (ICATT), Ms. Lee Loy was presented with the international award in London recently.

In nominating her for the award Richard Young of Scotiabank Trinidad and Tobago Limited said, "Angela Lee Loy enjoys a high profile in the national business community and is well known for her 'can do' attitude and willingness and ability to get things done regardless of the obstacles."

"If one was to reflect on all she has done for the accounting profession and in the national community, Ms Lee Loy epitomises the ultimate professional and her

contribution to Trinidad and Tobago are exemplary and is truly deserving of being recognised for her achievements," he added.

In presenting her with the award, Richard Aitken-Davies, President of ACCA lauded her for being a leading role model for women in the accountancy profession. Ms. Lee Loy is also recognised for her wide-ranging professional and civic achievements and her long-term contribution to business and society.



Angela Lee Loy is presented with the ACCA Achievement Award by ACCA President Richard Aitken-Davies (right) and Sir John Stuttard, former Lord Mayor of London and Vice-Chairman of PwC UK's Advisory Panel.

"After an extensive career at PwC - including becoming the only second ever female partner in the office - Angela embarked on her own very successful business venture, with Aegis Business Solutions Limited and Aegis Management Solutions Limited. In addition to holding the highest office in both the national and regional professions, Angela has worked extensively for charitable organisations and is currently the Chairman of the National AIDS Coordinating Committee (NACC)." Mr. Aitken-Davies stated.

In 2002, she was inducted into the International Association of Business Leaders and in 2004 she was selected as an honoured member of the Who's Who of Professionals.

Benefits of ICAC Membership

ICAC membership affords the following benefits:

- The opportunity to serve on the various Regional Committees of the ICAC, thereby making an input in the growth and development of the regional accountancy profession.
- Professional growth and development through the regional practice monitoring programme being implemented by the ICAC in collaboration with ACCA to enhance the regulatory capacity of the profession in the region.
- Advantage of mobility within Caricom under the Protocol II arrangements, which provide for the free movement of certain personnel throughout the Caribbean community.
- The opportunity to provide leadership on emerging issues as they affect the accountancy profession in the region.
- Preferential rates for the ICAC annual Caribbean Conference of Accountants as well as seminars held jointly with territorial institutes or affiliates (Association of Chartered Certified

Accountants; Certified General Accountants Association of Canada; Institute of Chartered Accountants in England and Wales).

Mission Statement

"ICAC is the internationally recognized body for the accountancy profession in the Caribbean, with an expanding influence in the region. It regulates the profession and promotes the highest standards of professional and ethical conduct. Through thought leadership and the provision of research, CPD and other services, it adds value to its members and the wider community."



Climbing out of the Credit Crunch

The following is a policy paper developed by ACCA on the year-long financial and is reprinted with permission. The paper, **Climbing Out of the Credit Crunch**, examines five key areas: corporate governance, remuneration and incentives, risk identification and management, accounting and financial reporting and regulation – and recommends that accepted practices in all these areas need to change to avoid future failures.

We are now more than a year into the 'credit crunch'. An issue which began in one relatively obscure sector of the US housing market has unfolded over the last 12 months into a widespread credit and liquidity crisis which, combined with soaring commodity prices, appears to threaten a global slowdown. While there is general agreement on what has happened, there is far less on why it has occurred and it seems that there is still much to learn about market liquidity.

Introduction

The last few years have seen unprecedented growth in size and profitability of the global banking industry. Worldwide profits¹ in 2006 were \$788bn – more than \$150bn greater than the next most profitable sector, oil, gas and coal. Global banking revenues were six per cent of global GDP and profits per employee were 26 times higher than the average of all the other industries. Some have argued that such profitability is due in large part to market imperfections arising from the regulatory system such as lack of competition and information asymmetry between parties to transactions.

Independent surveys² also point to a growing differential in remuneration packages for CEOs compared with other Board members. Also, over the last decade, remuneration of senior staff appears to be growing at a faster rate than dividends paid to shareholders.

The prosperity of the banking sector, nonetheless, positively influenced global growth in the so-called 'real economy'. But we are now in the curious position of seeing institutions in a sector which, in early 2007 was seemingly awash with liquidity, now relying on, and receiving public funding in countries like the US and UK. This is in the form both of loans from central banks to provide liquidity and capital injections from other states' sovereign wealth funds.

As a global body representing accountants and finance professionals, ACCA (the Association of Chartered Certified Accountants) has naturally been following developments in the credit crunch closely, and has hosted several events to debate the issues and contributed to consultations from regulators and standard setters. Below, we summarise our views on the immediate causes of the problem, and then briefly examine some of the issues involved in the credit crunch covering five key areas of ACCA's expertise:

- corporate governance
- remuneration and incentives
- risk identification and management
- accounting and financial reporting
- regulation

We are very grateful to the experts from the banking, investment and academic communities who have helped us in forming these views. Root causes of the credit crunch.

Key Factors

ACCA believes that excessive short-termism, coupled with a lack of accountability both within financial institutions and between management and shareholders, is at the heart of the problem. This has meant:

- failure of institutions to appreciate and manage the inter-connection between the risks inherent in their business activities and management and remuneration incentives
- remuneration structures/bonuses of banks being characterised by excessive short-termism. This neither supports prudent risk management nor works in owners' long-term interests
- risk management departments in banks which did not have sufficient influence, status or power and
- weaknesses in reporting on risk and financial transactions.

Secondary Factors

Further contributory factors were:

- over-complexity of financial products and lack of management understanding of the associated risks – including the fact that, currently, there is no genuine market for certain asset-backed securities
- over-dependence on debt and an assumption of a continuing low cost of capital environment
- scale of issuance of securities and the interconnectedness of financial institutions, especially between retail and investment banking
- human weaknesses: a failure to appreciate the influence of cultural and motivational factors such as rigidity of thinking, lack of desire to change. An attitude of 'it is not my problem', inappropriate vision/drivers and, perhaps most importantly, human greed
- lack of training to enable management to understand underlying business models, leading to poor managerial supervision
- lack of rigorous challenge by non-executive directors possibly caused by poor understanding of the

1 'What's in store for global banking?', *McKinsey Quarterly*, January 2008.

2 'The Executive Director Total Remuneration Survey', *Manifest* (MM&K), May 2008.

complexities of the business and

- bad habits and complacency after a prolonged bull market.

Corporate Governance

ACCA believes that underlying much of the credit crunch has been a fundamental failure in corporate governance. While the financial institutions involved may have been in compliance with local requirements and codes, they have ignored the key point – good corporate governance is about boards directing and controlling the organizations so they operate in their shareholders' interests. Boards should be answerable to company owners, to account properly for their stewardship and to ensure both sound internal control and the ethical health of the organisations. The use of overly-complex financial products, which thwarted effective supervisory control, and the unethical advancement, at the point of sale, of loans to people with little realistic hope of repaying them shows a lack of basic corporate governance.

A fundamental role of the board is to provide oversight, direction and control but also to challenge where necessary. This does not appear to have happened in many of the banks. No doubt this is partly owing to a lack of understanding of the complexities of the business, but more training is probably only part of the solution. Further research is needed to understand what inhibited boards and managers from asking the right questions and understanding the risks that were being run on their watch.

Remuneration and Incentives

ACCA believes that executive remuneration arrangements should promote organisational performance. Existing incentive and career structures of banks meant enormous rewards but have reinforced short term thinking, which has been one of the major causes of the credit crunch.

If not addressed, remuneration issues will continue to frustrate other attempts for reform. This is a human behaviour challenge. Risk management and remuneration and incentive systems must be linked. Executive payments should be deferred (e.g. held in an escrow account) until profits have been realised, cash received and accounting transactions cannot be reversed. Instead of paying out on paper profits, there must be a much stronger link to genuine operational cashflows. These measures would make the risk management function more important in organisations - risk managers should be regarded as having a status equal to those in the 'front office' and should be remunerated accordingly.

We question whether the relative share of bank income paid as remuneration compared with dividends has been in the best interests of long-term shareholders. Investors and shareholders have limited ability to influence companies they own. Not all shareholders invest for the long-term and not all of them have an interest in holding boards to account for their stewardship. This is a fundamental governance challenge in capital markets where shares are widely held, and is not confined to the banking sector. The emergence of new strategies (e.g. using derivatives) for participating in corporate profitability and new types of shareholder, such as sovereign wealth funds, compounds the challenge.

and shareholders receive appropriate, clear, timely and reliable information on risk and financial results.

Risk Identification and Management

Banks have highly sophisticated risk management functions yet recent events have tested them and found many wanting. A report from UBS in April 2008 to its shareholders explaining the reasons for its write-downs provides a very clear example of risk management failings, with a clear disconnect between incentives to senior staff and risk management.

In early 2007, few senior managers thought they were betting on the viability of their banks. It appears they did not understand the risks and were using risk assessment with tools which were inappropriate. Boards may not have expended the necessary time and energy, and/or lacked the expertise to ask the right questions.

There seems to have been widespread misunderstanding about credit ratings. Some investors may have believed that an AAA-rating meant 'safe'. Others were allowed by their employers to buy AAA-rated instruments with little or no further diligence or consideration of risk. As referred to above, the risks of such an activity were not matched to the incentive system. This meant that traders were able to buy large volumes of mortgage backed security and receive a bonus based on the difference between the yield on the security and the bank's internally charged cost of funds. There was no downside risk for them individually. The inherent risk to the bank from such a trade was enormous yet was either ignored or not recognised.

Such activity generated a huge demand for AAA-rated securities. Selling derivatives of securities became akin to selling betting slips. Products were created, packaged and marketed which were a 'bet' on the performance of the reference assets. Collateralized debt obligations (CDOs) were created, in part, because there was an insufficient volume of underlying mortgage-backed security (MBS) origination to meet investor demand. These products relied for their existence on credit grades as there was no claim on the underlying assets in difficult circumstances as there was in an MBS.

In a low inflation environment, banks' search for increased yield has encouraged derivative trading. Derivative traders are, however, very different from traditional retail bankers, and the chief executives of banks may have lacked the necessary training in these new products. This, accompanied by complexity and volume of transactions in turn facilitated by the continuing increase in computing capacity, meant that traders were effectively allowed to 'get on with it' with minimal control from the board. The yields which seemed to be created, aided by AAA ratings, mesmerised top management of many of the major financial institutions. There was not enough questioning about what AAA actually meant.

The way risk is accounted for is a primary driver of capital value. Present prices, showing points (rather than ranges) in time are not a good indicator of future asset values. Many of the risk management tools such as VaR (value at risk) assume that 'efficient market theory' works. Efficient market theory in turn assumes a normal distribution around a mean, and does not take

proper account of the huge risks posed by derivative market variables which may not move in line with normal distributions.

Accounting and Reporting

The problems of markets' efficiency have had a similarly major bearing on accounting valuations. Have accounting standards inadvertently made the credit crunch worse by turning a crisis of liquidity into one of solvency?

In recent months, there has been a keen debate in the accountancy profession about the so-called 'fair value' practice of valuing assets not at original purchase price, or 'historic cost', but using current market value. While in normal times, this seems sensible, the question arises: what do you do when there is no genuine 'market' to mark to? Subjective models have to be used which do not adequately reflect the extreme conditions of the last twelve months. This has contributed to huge bank write-downs, which can then pressurise other players to use the new lower benchmark. This in turn leads to a temptation to sell now, before the price gets even lower, and so the vicious spiral gains momentum.

Some banks and regulators have argued that fair value – one of the key tenets of the International Financial Reporting Standards (IFRS) regime now used in Europe and by listed companies in 100 countries – is making a bad situation worse. Even some accountants have called for a 'smoothing' of assets values at average market price over a 12-month period to take the sting out of the downwards slide in an abnormal situation.

ACCA believes that for all the current troubles, the increased transparency of IFRS and fair value makes it still the best model available. Any sort of smoothing will ultimately lead to a diminution of market integrity and openness. It should not be forgotten that historic cost led to stagnant loans and lack of transparency in the Asia- Pacific economies which was shown up in the 1997/8 crisis, and which in turn led to the drive for international accounting standards. More appropriate than yet another revision of accounting standards would be to provide fund managers with better and more consistent guidance for implementation of existing standards.

All parts of the accountancy profession – preparers, standard-setters, and auditors – must learn from the last year and strengthen the fair value model. They need to define the parameters where profits and losses are struck under fair value. Poor quality loans sliced, diced and parcelled up in a new wrapping with an AAA sticker should not be accepted as assets worth billions of pounds or dollars. Banks balance sheets which included these CDOs did not represent a 'true and fair' picture – and even other banks' willingness in early 2007 to buy them at a falsely high price does not change that fact. The credit crunch is not another Enron as far as the accountancy profession is concerned – though in the extensive use of off-balance sheet vehicles there is a superficial resemblance – but preparers and auditors of accounts in the affected organisations legitimately face questions. If credit ratings agencies and mortgage brokers are most culpable, the accounting profession must learn the lessons from its various roles in this sequence of events.

Regulation

ACCA does not believe that poorly drafted and inadequately implemented regulation is the main driver of the credit crunch and too great a focus on this area risks deflecting blame from specific banks and individuals concerned. Nonetheless it must be considered.

Retail banks have a fundamental role in society and both they and their depositors need protection. Arguably, investment banks do not need the same protection, but with most large banks now having both retail and investment activities in-house, there has been a blurring of the dividing line. The issue is that banks are now too big for regulators to ensure proper protection of all depositors. In the US, only direct government intervention to support Freddie Mac and Fannie Mae led to the safeguarding of people reliant on these huge mortgage providers. A collapse of either could have had a larger effect on society if the depositor base lost faith in the banking system. This leads to the issue of moral hazard, with banks being too big to be allowed to fail.

Clearer rather than heavier regulation is needed. A separation of retail from investment banking should be the regulatory goal. Regulators around the world must be clear about the purpose that regulation is trying to achieve. Depositors must be protected as a primary objective with adequate compensation arrangements being crucial to maintaining public confidence in the banking system. Simplification of over-complex investment products would also help the position of the consumer as would measures to increase financial literacy. On a fundamental level, the regulatory system must recognise that the relationship of bank and customer should be one characterised by trust.

To help achieve this, a separation of retail from investment banking should be the regulatory goal. Retail banks should be segregated from other financial institutions in terms of the activities they can engage in. Any new product that does not resemble a deposit or a loan to an individual or a corporate body should be presumed to be a non-retail product and not permitted. All banking regulatory bodies, nationally and internationally, should aim for this distinction as a key policy objective.

It is vital that the public know what they are putting their money into. Normal retail bank customers were not to know that banks were taking on wholesale market risks. There has to be a clear stratification of savings products. Transparency is key.

The capital requirements regime for banks should be reviewed. Consideration should be given to retail banks being offered more protection against crises in liquidity with larger buffers built into the Basel 2 framework. The adequacy of the close link between accounting numbers and regulatory capital also needs reviewing.

ACCA would add one final point about regulation – credit ratings agencies do not have any sort of statutory regulation. Given their considerable role in the credit crunch, the industry has not been any sort of example for self-regulation. This anomaly should be addressed immediately and agencies brought into line with other players in the financial regulatory field.



Bahamas Institute of Chartered Accountants

Annual General Meeting

The Annual General Meeting of the Bahamas Institute of Chartered Accountants (BICA) was held on July 16th, 2008 at the British Colonial Hilton Hotel. Elected to Council for 2008/2009 are:-

| | |
|--------------------|----------------------------------|
| Daniel Ferguson | - President |
| Ronald Knowles | - 1 st Vice President |
| Philip Galanis | - 2 nd Vice President |
| Nicolette Gardiner | - Treasurer |
| Roslyn Minnis | - Secretary |
| Reece Chipman | |
| Lambert Longley | |
| Peter Turnquest | |

In his second year as President, Mr. Ferguson, plans to implement a health insurance/pension plan for members, particularly, small practitioners and to establish a “permanent” home for BICA as a priority.

Continuing Professional Development Seminars

BICA held a seminar entitled, *Accountant's Role in the Banking Industry*, on October 15. Speakers for the event were:

- Mr. Brian Smith, Project Manager, Bahamas Automated Clearing House, who enlightened members about the proposed automated clearing house;
- Ms. Tanya McCartney, Managing Director, RBC Finco, who spoke on mortgage for professionals and initiatives offered by the Bank to assist clients who are having difficulty with regard to repayment of mortgages;
- Mr. Deno Moss, Investment Advisor, Scotia Private Client Group who addressed the topic, *Investment Strategy in an Ever Changing Market Environment* and
- Mr. Lambert Longley, Partner, KPMG and a member of Council, who updated members on issues such as Peer Review and Continuing Professional Education requirements.

The Institute of Chartered Accountants of Barbados

Continuing Professional Development Seminars

The Institute of Chartered Accountants of Barbados hosted a CPD seminar on *Practical Application of Audit Techniques* for junior audit staff at the Accra Beach Resort on September 18, 2008 and a follow-up session for senior staff on September 19, 2008. The main presenter for both sessions was Charles Gubbins, Consultant, FTC Kaplan. The seminar was designed to provide practical training to audit staff involved in the audit of small and medium-sized companies.

ICAB hosted a joint seminar with the Association of Chartered Certified Accountants on *International Financial Reporting Standards (IFRS)* on September 22, 2008 at the Sherbourne Conference Centre. The seminar provided participants with an update of recent developments with the standards, the work programme of the IASB and other related matters.

A seminar on *International Auditing Standards (IAS)* was also held on September 23, 2008 to provide persons with an update of recent developments with respect to the standards and to address issues that need to be considered in preparation for the practice monitoring programme. Seminar presenter was Charles Gubbins, Consultant FTC Kaplan.

Annual Conference

ICAB will host its 15th Annual Conference entitled, *Beyond the Numbers*, on Friday, November 21, 2008 at the Lloyd Erskine Sandiford Conference and Cultural Centre. The topics to be addressed at the conference include:

- **Corporate Governance**
Presenter: Dr. Grenville Phillips, CBE, J.P, DBA, F.C.I.S, F.A.I.A, F.C.I.B, F.I Mgt-
- **Public Accountability and Transparency –**
Presenter: Margaret Sivers, Accountant General
- **Whistle Blowing Legislation**
Presenter: Jeff Cumberbatch, Law Lecturer, University of the West Indies
- **Accounting & Financial Risk Management**
Presenter: Everett Colby, Vice Chairman-CGA Ontario
- **Tax update – eFiling**
Presenter: Veronica Savoury – Accountant - Inland Revenue Department
- **Ethics Debate (Panel Discussion)**
Moderator: Mr. David Ellis, Director, News and Current Affairs, Starcom Network Inc

The Institute of Chartered Accountants of Belize

The Council of the Institute of Chartered Accountants of Belize will be undertaking a review of its bye-laws in light of important issues affecting the existing economy. A committee has been established to carry out the review and amendments to the bye-laws.

During the period under review, recently adopted CPE guidelines were finalized and circulated to members for their information. Additionally, three new members were admitted to the membership of the Institute and plans are being made to re-

introduce the end-of-year banquet for members. The Institute is also in the process of preparing identification cards for practicing members, which will be issued in the last quarter of this year.

Further to ICAC's initiative to establish an affiliation agreement which seeks consensus from each member Institute on the areas that could be better managed at the regional level in the best interest of the accountancy profession, for example, administering CPE standards and professional conduct at the regional level, Council has agreed in principle to the agreement.

The Institute of Chartered Accountants of the Eastern Caribbean

Accountants' Week

ICAEC (Antigua & Barbuda Branch) held its Accountants' Week from September 22nd through to the 26th. The week was held under the theme, *Ethics – the Backbone of our Profession*. The theme was chosen to remind members that the practice of accountancy and the offer of audit services were not only concerned with qualifications and Continuing Professional Education but also ethical behavior. To this end, a CPD seminar on Business Ethics was held on Wednesday, September 25, which attracted some 40 participants. The seminar facilitator, Rev. Charlesworth Browne, is a lecturer on Business Ethics at the University of the West Indies, School of Continuing Studies.

Other highlights of the week included interviews on the local television programme, *Good Morning Antigua* and a radio morning show aimed at promoting the week of activities, as well as the work of the Institute and to sensitise the public on the regulations and requirements for persons offering services to the public as auditors. Members also visited schools and provided career guidance to

young persons desirous of becoming accountants.

Bursary

ICAEC (Antigua & Barbuda) also offers an annual accounting bursary of USD \$1,000. This year's recipient was Rachel Bridge, a second year accounting student at Cave Hill, Barbados. Applicants were required to provide proof of matriculation, good grades and to write an essay on why they wanted to become accountants.

CPD Seminar

In October, the Institute held a joint seminar with the Certified General Accountants (CGA) on the topic, *Accounting Red Flags and the Financial Headlines of 2008*. This was well-received, attracting some 52 persons, with more than 40% being non-members. It was the first time that the Institute had collaborated with CGA and Chairman of ICAEC, Erwin Southwell, expressed the hope that this event would mark the start of several such collaborative efforts between the two bodies.

The Institute of Chartered Accountants of Guyana

2009 ICAC Annual Conference – Reflection for the Future

ICAG has commenced plans for the ICAC's 27th Annual Conference of Accountants to be held in Georgetown, Guyana over the period June 26 – 27, 2009.

Membership

Three persons were admitted to membership of the ICAG during the period under review.

CPD Seminars

On August 15, 2008, ICAG hosted a seminar in collaboration with ACCA on the topic, *Managing Conflict for Organisational Performance*. The presenter was Andre Vincent Henry, PhD.

The Institute also hosted a seminar on August 28, 2008, on the Economic Partnership Agreement with the EU. The presenter was Distinguished Professor Clive Thomas of the University of Guyana's Institute of Development Studies.

The Institute of Chartered Accountants of Jamaica

43rd Annual General Meeting

The ICAJ's 43rd Annual General Meeting was held at The Jamaica Pegasus Hotel on July 30, 2008. Matters pertinent to the operations of the Institute were discussed. Also on the agenda was the election of a Council Member, Audley Gordon, to replace Carey Metz, who previously resigned from Council. Mr. Gordon will take over the chairmanship of the Legislation Review Committee, a position formerly held by Mr. Metz.

ICAJ/ACCA CAT Graduation Ceremony

The Annual Certified Accounting Technician (CAT) Graduation Ceremony was held on August 27, 2008, at the Knutsford Court Hotel to honour 119 students who successfully completed the programme in June and December 2007. Awards were presented to three graduates – Cassandra Brown and Stacey-Ann Edwards, who received the CAT Award as well as Aswanda Stoddart, who received the Sushil Jain Award. Kareen Bruce, though not qualifying for an award, received special mention for her excellent performance in the examinations. Guest Speaker was Ashburn Simon, member of ICAJ and Managing Partner, Ashburn C. Simon & Co.

Accountants' Forum

Titled, *Is the World Food/Energy Crisis Contrived? What are the Challenges and Opportunities Facing Jamaica?*, the forum was held on September 10, 2008 at the Jamaica Pegasus Hotel. The areas of focus were the issues/causes of the world food energy crisis; its impact on Jamaica and when the crisis would end.

Presenters were Dr. Adrian Stokes, Senior Investment Manager at Jamaica Money Market Brokers; John Robinson, Division Chief of the Bank of Jamaica's Research and Economic Production Department; and Dr. Peter John Gordon, Director of Economic Planning and Research at the Planning Institute of Jamaica. They, along with Ralston Hyman, host of radio program, *Real Business*, comprised the panel for the evening.

Continuing Professional Development Seminars

A seminar on *Managing Human Capital for Performance Improvement* was held on July 29, at the Hilton Kingston Hotel. The areas covered were *Recognition and Measurement of Employee Benefits*, *Pension Regulations* and *Tax implications of human resources*. Presenters were Ethlyn Norton-Coke, Legal & Compliance Officer at the University of Technology; Andrew Messado, Group Finance Manager of Grace Kennedy and Leon Anderson, Director of Insurance at Financial Services Commission.

A seminar themed, *Managing Cost for Competitiveness*, was held on September 27, 2008. The workshop looked at global factors and challenges that affect cost-management at the macro and micro economic levels, as well as effective strategies to employ to overcome these challenges based on the factors.

Topics presented included *Managing Cost for Decision Making*, *Cost Expectation from an Economic Point of View* and *Achieving Cost Advantages/Impact on Corporate Strategies*. 11

The Institute of Chartered Accountants of Trinidad and Tobago

The Institute of Chartered Accountants of Trinidad and Tobago (ICATT) hosted its annual *Accountants Week* under the theme, *Moving Beyond the Wall*, over the period September 8-13, 2008.

The event commenced with a breakfast meeting under the theme, *Ethics & Governance*, on Monday, September 8. The main address was delivered by the Honorable Mariano Browne, Minister in the Ministry of Finance.

Other activities included a workshop entitled, *The Keys to Unlocking Total Health in Your Life*; a series of practice monitoring

workshop led by Mr. Michael Scott of PCP Trainers in the United Kingdom. A taxation workshop, focusing on Corporation Tax, Personal Income Tax, VAT, was held on September 9.

On October 9, ICATT hosted a *Practice Monitoring/Formation of SMP Committees* luncheon at the Cara Suite and a breakfast meeting entitled, *The Global Financial Crisis and its effect on the Trinidad and Tobago Economy*, was held on October 24 at the Trinidad Hilton Hotel. The meeting was open to members and students and graduates.

International Federation of Accountants' Update

• IAASB Releases Audit Practice Alert On Fair Value

The staff of the International Auditing and Assurance Standards Board (IAASB) has released an audit practice alert, *Challenges in Auditing Fair Value Accounting Estimates in the Current Market Environment*, to assist auditors of entities of all sizes in addressing the challenges of auditing fair value accounting estimates. The alert highlights areas within the International Standards on Auditing that are relevant in the audit of fair value accounting in times of market uncertainty. This alert was developed in consultation with the IAASB's task force on fair value auditing guidance, which is currently considering the need for new or modified guidance in light of current market conditions. The practice alert may be viewed at http://web.ifac.org/download/Staff_Audit_Practice_Alert.pdf.

• IFAC Issues Policy Paper Supporting Single Set Of Auditing Standards

The International Federation of Accountants (IFAC) issued a policy position titled, *IFAC's Support for a Single Set of Auditing Standards: Implications for Audits of Small and Medium-sized Entities*. The paper sets out IFAC's view that International Standards on Auditing (ISAs) are designed to be applicable to audits of financial statements of entities of all sizes, and highlights the ways in which the International Auditing and Assurance Standards Board (IAASB) considers the needs and perspectives of small and medium-sized entities (SMEs) in the development of these standards. The paper emphasizes that the consistent use of the ISAs is essential to meeting the public interest expectations of an audit. The IAASB will be considering changes to this standard in light of the current needs of the marketplace.

• IAASB Issues Seven Revised ISAs, Including Updated Standard On Scope Of Audit And Auditor's Role

The International Auditing and Assurance Standards Board (IAASB) released seven clarified International Standards on Auditing (ISAs) following the consideration and approval of due process by the Public Interest Oversight Board (PIOB). The clarified ISAs include ISA 200 (Revised and Redrafted), *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*. The pronouncement serves as fundamental guidance for the other standards: delineating the purpose and scope of an audit and explaining the objectives outlined in the other ISAs. The other ISAs that were released are:

- ISA 320 (Revised and Redrafted), *Materiality in Planning and Performing an Audit*;
- ISA 450 (Revised and Redrafted), *Evaluation of Misstatements Identified during the Audit*;
- ISA 530 (Redrafted), *Audit Sampling*;
- ISA 610 (Redrafted), *Using the Work of Internal Auditors*;

- ISA 705 (Revised and Redrafted), *Modifications to the Opinion in the Independent Auditor's Report*; and
- ISA 706 (Revised and Redrafted), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

All clarified ISAs will be effective from a single date, for audits of financial statements for periods beginning on or after December 15, 2009. The ISAs can be downloaded free-of-charge from the IFAC online bookstore at <http://www.ifac.org/store>.

• IPSASB Issues Conceptual Framework for Public Sector Reporting

The International Public Sector Accounting Standards Board (IPSASB) has issued for comment the consultation paper *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*. It is the first step in the board's project to develop a public sector conceptual framework. The objective of this project is to develop a public sector conceptual framework that makes explicit the concepts, definitions and principles that underpin the development of IPSASs.

Comments on the consultation paper are requested by March 31, 2009. It may be viewed and downloaded by going to <http://www.ifac.org/Guidance/EXD-Details.php?EDID=0119>. Comments may be submitted by email to EDComments@ifac.org.

Further Information

For more information on IFAC and its committees and standard-setting boards, visit its website at <http://www.ifac.org>.

All IFAC standards and publications can be downloaded free-of-charge from the IFAC online bookstore: <http://www.ifac.org/store>.

IFAC Examines Developments In Public Sector Performance Measurement Structures

As part of its mission to serve all professional accountants in business, including those working in the public sector, IFAC's Professional Accountants in Business (PAIB) Committee has conducted a survey to obtain information about the development of financial and non-financial performance measurement and reporting structures in various public sector entities around the world.

The results of this survey, contained in the information paper, *Developments in Performance Measurement Structures in Public Sector Entities*, will help professional accountants in business, and others who work in the public sector, in evaluating and further improving their own financial and non-financial performance measurement structures. This will enable them to better plan, execute and control their organization's service delivery and to achieve a

higher level of accountability. The results will also help IFAC's

accountants in business.

PAIB Committee to consider specific public sector aspects when developing International Good Practice Guidance for professional

The full report can be downloaded free-of-charge from the PAIB section of the IFAC online bookstore at <http://www.ifac.org/store>.

Congratulations

The Board and Staff of the ICAC extend congratulations to:

- ICAG President and Alternate Director for Guyana on the ICAC Board, Khalil Alli, who has been appointed Affiliate Director on the ICAC Board for the Institute of Chartered Accountants in England and Wales (ICAEW)

- Robert Bunting, past Chairman of the American Institute of Certified Public Accountants (AICPA) and an IFAC Board member since 2005, who was elected President of the International Federation of Accountants (IFAC) and to Göran Tidström of Sweden who assumes the position of Deputy President. The announcement was made at IFAC's Board and Council Meetings held in Rome over the period November 11-14.

ICAC Regional Calendar of Events

| DATE | EVENT |
|----------------------|--|
| November 2008 | |
| November 21, 2008 | 15 th Annual Conference, "Beyond the Numbers" (Lloyd Erskine Sandiford Centre) |
| November 24-26, 2008 | Seminar – Risk-based Approach to Business and Disaster Recovery Planning (Hilton Trinidad & Conference Centre) |
| November 26, 2008 | Taxation Forum (Hilton Kingston Hotel) |
| November 28, 2008 | Breakfast Meeting for Accountants in Business (The Courtyard by Marriott) |
| December 2008 | |
| December 1, 2008 | Fraud Risk Assessment Check-up Breakfast Meeting (Hilton Trinidad & Conference Centre) |
| December 2-3, 2008 | Corporate Fraud Prevention and Detection (Hilton Trinidad & Conference Centre) |
| December 4, 2008 | Annual Awards Dinner (Jamaica Pegasus) |
| December 4-5, 2008 | Seminar – Advanced Interview Techniques |
| December 6, 2008 | IFRS Seminar (Jamaica Pegasus Hotel) |
| December 1-10, 2008 | ACCA / ICATT Examinations |
| December 12, 2008 | Cocktail Reception and Presentation (Hilton Barbados Hotel) |
| January 2009 | |
| January 11, 2009 | 44th Anniversary Church Service - Kingston |
| January, 2009 | 44th Anniversary Church Service - Montego Bay |
| February 2009 | |
| February, 2009 | 44th Anniversary Luncheon - Montego Bay |

NOTE:

* **Dates** - scheduled for these events are projected & are subject to change

Key

- Institute of Chartered Accountants of Jamaica (ICAJ)---Blue
- Institute of Chartered Accountants of Barbados (ICAB)---Sea Green.
- Institute of Chartered Accountants of Trinidad and Tobago (ICATT)---Red. Additional workshops are being planned for Trinidad



*The ICAC takes
this opportunity
to thank you for
your support
during 2008
and extends
best wishes for
2009*

