Overview of proposed changes to the Bylaws and Standards to align to Strategy 2025

The following is a summary of changes to our Bylaws (recommended for member approval by our Board) to align membership criteria to our Strategy 2025.

In addition, conforming changes to our Membership and Communication Standards are summarized for information. In compliance with our Bylaws, the Board has approved changes to these Standards subject to member approval of the Bylaw revisions.

Bylaws (World)

General, Licensing and Regional Membership (Articles I, II and III)

- To reflect the diversity of our firms, minor changes to refer to the accounting, advisory, audit and tax profession; rather than just the accountancy profession.

Independent Member Firms (Article IV - Section 1)

- Introduces a principle-based requirement which recognizes that ongoing quality criteria are approved annually by the Board. This ensures that the Board can update the quality standards to reflect emerging issues to ensure quality is maintained as members service evolve.

- Removes the requirement for the majority of active proprietors, members, or shareholders of firms to be Certified Public Accountants (CPAs), Chartered Accountants (CAs) or hold an equivalent qualification. Recognizes that firms are changing with firm leadership increasingly representing a range of services.

- However, the principle that recruitment focuses on firms that provide core audit, tax and accounting services is included in the Bylaws. This maintains our DNA and is consistent with our Strategy.

- Includes a principle that a firm may be recruited if it complements the services of other members, for example, corporate finance practices, insolvency practices, tax specialists or technology consultants. This ensures our members can meet their clients' differing needs and reflects increasing specialisation across our firms.

- A firm or entity which demonstrates leading practices in emerging services, which may be offered by our members, may also meet the membership criteria if their admission will support our members development of such services. This helps ensure that our members are ready for the future from their clients – a key goal of our Strategy.

- Extends the requirement that members may not be a member of another accounting association/network to include accounting and advisory association/networks. This recognizes that all major associations and networks now include accounting and advisory firms.

Termination of Membership (Article IV - Section 5)

- The current requirement states if a member terminates it membership it must pay outstanding dues and in addition a termination fee. The fee is calculated as the amount from the time of termination to the following May 31. The requirment is not to the next May 31, but the following. For example, if a firms termination date is in March 2022, the termination fee would be for 14 months – based on the number of months to May 2023. The Board consider this to be disproportionately high and could place us at a competitive disadvantage to other associations/networks. The requirment is also being inconsistently applied across regions.

- The revised requirement sets the termination fee at six months of the annual membership dues. However, the total of the termination fee and any prepaid membership dues on the date on which the membership is terminated will never exceed annual membership dues, examples are shown below:

  - If a firm terminated in September 2022, and are billed annually, they will have paid eight months of prepaid dues to May 2023. The additional termination fee is therefore limited to four months additional charge (i.e., the total is not higher than 12 months: 8-month prepaid dues and 4 months termination fee).

  - If a firm left in January 2023, and are billed annually, they would pay the full six months termination fee (i.e., prepaid dues represent 4 months, and the full 6-month termination fee would be paid).

  - If a firm is billed quarterly (as this is currently the case for firms based in North America), then the termination fee will always be 6 months. In addition, quarterly invoices which have been issued must be paid. For example, if a firm gave notice to terminate in July they would need to pay the first quarterly invoice for the year and the 6-month termination fee in full.

Membership Standards (Annex 1 – provided for information)

Requirements for entry

- Changes to reflect that, as firms evolve, not all service lines may be regulated by an audit, accounting, or tax body. Requirements introduced that all members services, regardless of whether the service is regulated, should demonstrate compliance with appropriate elements of IFAC quality standards or comply with standards set by a recognized professional body. If a member provides regulated services such as audit, requirement introduced to demonstrate that professionals should be registered/supervised by a competent authority.

Policy requirements

- Branch office requirement updated to ensure that specialist staff are able to support all services offered – i.e., not just CPA or CAs or the equivalent.

Communication Standards (Appendix 2 – provided for information)

Engagements

- To align to our Strategy, description of PrimeGlobal updated to refer to being an association of advisory and accounting firms.

Use of the PrimeGlobal name

- For risk mitigation reasons, all member firms are required to state that they are independent members of PrimeGlobal. However, it is proposed that firms will have the option whether to use the descriptor referring to PrimeGlobal as being 'The Association of Advisory and Accounting Firms'. This responds to feedback when developing our Strategy. For those firms wishing to promote advisory services the revised wording is likely to be beneficial. For those firms who wish to remain focused on promoting accounting, audit, or tax they have the option not to use the revised descriptor.

PrimeGlobal logo

- Members will be provided with a standard logo stating that they are an 'Independent Member of PrimeGlobal'. An additional version will also be provided for those wishing to use the descriptor – "The Association of Advisory and Accounting Firms".

- To allow time for members to revise their branding and collateral, members are given until January 2024 to adopt the changes. Member joining after June 30, 2022, must adopt the revised logo.