

Consider This...

Doing the Right Thing

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March 15, 2010

Two weeks ago, Mr. Bradley Roberts, the National Chairman of the Progressive Liberal Party, drew the nation's attention to the awarding of a contract for a Government operational audit at The Bahamas Mortgage Corporation to Catsan & Chipman Limited, a company headed by Mr. Reece Chipman.

Mr. Chipman, in addition to serving as the President of The Bahamas Institute of Chartered Accountants (BICA's), the statutory body which regulates the accounting profession in The Bahamas, was also the unsuccessful FNM candidate for St. Thomas More in the last general election.

The record shows that Catsan & Chipman Limited was awarded this contract despite the fact that the firm submitted the highest bid to perform the audit for The Bahamas Mortgage Corporation, of which Mr. Kenyatta Gibson serves as Chairman. More experienced, less costly accounting firms, including Ernst & Young, KPMG, Deloitte and Gomez Baker Tilly were overlooked by the Corporation, although their bids were, in some cases significantly lower than the bid submitted by Catsan & Chipman. Mr. Chipman's firm submitted a bid of \$152,000 - the highest of all bids - while Baker Tilly Gomez submitted the lowest bid of \$57,500, slightly more than one-third of the Catsan & Chipman bid. The other firms submitted bids between these two extremes.

Mr. Bradley Roberts asserted that the awarding of this contract to the highest bidder was "a scandalous abuse of the public purse." In a press statement a week ago, Mr. Roberts suggested that Mr. Chipman might have violated the BICA Rules of Professional Conduct. Mr. Chipman responded in a press interview that he had done nothing wrong. Who is right and who is wrong in their assertions? This week, I would like us to consider this matter in greater detail.

It is important to refer to the Public Accountants Act ("the Act"), legislation with which this writer has some familiarity, having served as President of BICA when the law was written and passed by Parliament and when it came into force in 1991.

The Act provides for the Institute to make Regulations as needed from time to time to affect good governance of public accountants in The Bahamas. The entire regime is based on the principal of self-regulation of the accounting profession. One of regulations is the Public Accountants (Rules of Professional Conduct) Regulations which took effect in 1993.

In his press statement last Sunday, Mr. Roberts alleged that Mr. Chipman had possibly violated several of those Regulations, including **Rule 4** relating to **Independence and Objectivity** and **Rule 19** relating to **Description of Public Practice**. In addition, although he did not specifically mention it, I believe that a similar assertion can also possibly be made for **Rules 2 and 21** relating to **Integrity and the Name of a Public Accounting Firm, respectively**.

Rule 4 - Independence and Objectivity

Rule 4 states that "Every accountant engaged in public practice must be free of any influence, interest, relationship which, in respect of an audit or review engagement, **impairs or appears to impair the professional judgment or objectivity of the accountant.**" The operative words and spirit of the Regulations speak to the impairment or *appearance of an impairment* of professional judgment or objectivity of the accountant. In other words, the accountant must not only be independent, *he must at all times appear to be independent of any relationship that could be seen or viewed to impair his independence.*

According to Mr. Roberts, Mr. Chipman was a business partner of the Chairman of the Mortgage Corporation. There would be absolutely no question whatsoever of an accountant's breach of the Independence Rule if it can be demonstrated that the accountant was in business with any member of the board of the company for which he is engaged.

No one, neither the Chairman of the Mortgage Corporation nor Mr. Chipman, denied being business partners in a company by the name of Braxton Wheels Limited. However, both Messrs. Gibson and Chipman asserted that they are no longer business partners and, therefore, no breach arises.

Nevertheless, the fact that these individuals say they are no longer business partners does not negate **at the very least, an appearance of a lack of Independence and Objectivity** in this case, in light of the existence of a business relationship, and therefore the potential for a breach of Rule 4.

Rule 19 - Description of Public Practice

Rule 19 states that "No person shall engage in public practice under a name or style which is misleading as to the nature of the practice. The practice of public accounting should be carried on under the descriptive style of 'Public Accountant(s)' or 'Chartered Accountants' in the case of those persons who are also members of the Institute". This means that only members of BICA can hold themselves out as "Public" or "Chartered Accountants."

Rule 21 - Name of Firm of Public Accountants

In addition, Rule 21 prohibits a public accountant from "carrying on the practice of public accounting under a non-personal name", and requires that "a sole practitioner must practice under his own name..."

This brings us to the firm of Catsan & Chipman. No one disputes that Mr. Chipman has a company by the name of NASTAC which teaches persons about the stock market and securities. As Mr. Roberts pointed out, CATSAN is not a person; it is NASTAC spelled backwards. Therefore, because Catsan is not a person, and is not a member of BICA, the firm cannot hold itself out to be or use the designation of "Public Accountant(s) or "Chartered Accountants" after the name of this firm because neither NASTAC nor CATSAN are members of the Institute. Yet Mr. Chipman has done this in the telephone directory and in the public domain. Moreover, as a sole practitioner Mr. Chipman is required by law not to operate in a non-personal name. BICA must therefore determine whether there has been a breach of Rules 19 and 21.

Rule 2 -Integrity

Rule 2 states that "Every accountant must perform professional services with objectivity and integrity, (and) must be free of conflicts of interest..." Having regard for what has already been said relative to Rule 4 above, the question arises as to whether Mr. Chipman has complied with this Rule.

Regardless of the explanations proffered in defence of this matter, every single accountant with whom I have spoken has, without exception, maintained that the public is extremely suspicious of the ultimate awarding of this audit to Catsan and Chipman, particularly in light of the other largely disparate bids submitted to the Mortgage Corporation.

Conclusion:

So where does this leave us? In light of these developments, it is my opinion that the honorable thing for the President to do is to immediately resign his office. If he fails to do so, I believe that the Council of the BICA, in the interest of the profession, should request his resignation. *If the Council fails to act, it risks losing its objectivity, independence, credibility and mandate to act as the regulatory body for and in the best interest of the accounting profession.* One possible cure for this could include the replacement of BICA's Council by the BICA membership at an Extraordinary General Meeting of the Members.

Section 4 (a) of the Public Accountants Act which states that "the objects of the Institute shall be to govern the discipline, and regulate the professional conduct of members..." and Section 4 (c) "to promote and protect the welfare and interest of the Institute and the accounting profession." It is BICA's responsibility to implement those objectives.

In this era when we have almost come to expect behavior that veers away from the ethical high road we were brought up to aspire to, there has come a time when we need to draw a line when confronted with questionable actions, not only for the profession of which I happen to be a part, but for our nation. This is one of those moments and, irrespective of political mileage some would wish to accrue, this is an instance when, instead of saying nothing, Bahamians need to be heard saying “no more” for the good of our country and of our future.