

September 20, 2011

Michel Barnier
European Commissioner for Internal Market and Services
Consultation on Recognition of Professional Qualifications
European Commission
Internal Market Directorate General, Unit D-4
Rue de Spa 2
1049 Brussels, Belgium

Delivered electronically: MARKT-PQ-EVALUATION@ec.europa.eu

**Re: European Commission's Green Paper,
*Modernising the Professional Qualifications Directive***

Dear Commissioner Barnier,

The International Accounting Education Standards Board (IAESB) appreciates the opportunity to comment on the European Commission's (EC) Green Paper entitled, *Modernising the Professional Qualifications Directive*.

The IAESB is an independent standard-setting board operating under the auspices of the International Federation of Accountants (IFAC).¹ The IAESB develops and issues, in the public interest and under its own authority, standards, practice statements, information papers, and other information documents on pre-qualification education and training of professional accountants and on continuing professional education and development for members of the accountancy profession. In developing its education pronouncements, the IAESB works under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAESB, and the IAESB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.

The IAESB's most authoritative type of pronouncements is its suite of eight International Education Standards (IESs), which aim to increase the competence of the global accountancy

¹ IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 164 members and associates in 125 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, government service, industry, and commerce. In pursuing this mission, the IFAC Board has established the IAESB to function as an independent standard-setting body.

profession, and thereby contribute to strengthened public trust. The IESs are intended to assist IFAC member bodies, but have implications for professional accountancy organizations and a wide range of stakeholders including: universities, employers, regulators, and other stakeholders who play a part in the design, delivery, or assessment of education programs for accountants.

The IESs address the principles of learning and development for professional accountants and prescribe good practice in learning and development for professional accountants. IFAC member bodies are required to report on how programs of education and training in their jurisdictions meet the requirements of the IESs.

The Compliance Advisory Panel (CAP) oversees IFAC's member body compliance program which requires IFAC members and associates to demonstrate how they have used best endeavors to implement the standards issued by IAESB, and the other independent standard-setting boards. IAESB member bodies' obligations are set out in the IFAC Statements of Membership Obligations, which is monitored by the CAP.

The IAESB also acts as a catalyst in bringing together the developed and developing nations, as well as nations in transition, and to assist in the advancement of accountancy education programs worldwide, particularly where this will assist economic development. The IAESB's role is focused on addressing the professional knowledge, skills and professional values, ethics, and attitudes of the accountancy profession to serve the overall public interest.

The IAESB has chosen to comment on only those questions that fall within the IAESB's remit of responsibility. We provide comment on the following questions.

SECTION 2. NEW APPROACHES TO MOBILITY

2.1. The European professional card

Question 1: Do you have any comments on the respective roles of the competent authorities in the Member State of departure and the receiving Member State?

The IAESB supports how the roles of the competent authorities are described, but is concerned that without a common benchmark there can be no agreement among Member States, making implementation of a professional card system difficult. In the accountancy profession the IAESB notes a lack of common practice in the area of education and training among European Member States. The work of the IAESB in setting IESs is an example of a common benchmark in the education and training of professional accountants and auditors. The adoption of the IESs by the EC would reduce the potential for a continued lack of trust between the competent authorities in different jurisdictions. It would also improve the likelihood that the professional card would be successfully implemented.

Question 2: Do you agree that a professional card could have the following effects, depending on the card holder's objectives?

a) The card holder moves on a temporary basis (temporary mobility):

- Option 1: the card would make any declaration which Member States can currently require under Article 7 of the Directive redundant.**
- Option 2: the declaration regime is maintained but the card could be presented in place of any accompanying documents.**

- b) The card holder seeks automatic recognition of his qualifications: presentation of the card would accelerate the recognition procedure (receiving Member State should take a decision within two weeks instead of three months).**
- c) The card holder seeks recognition of his qualifications which are not subject to automatic recognition (the general system): presentation of the card would accelerate the recognition procedure (receiving Member State would have to take a decision within one month instead of four months).**

The IAESB agrees with the view that the use of a professional card should have the desirable effect of accelerating the recognition procedures among Member States, but is concerned that the use of a professional card will not solve some of the more fundamental problems in practicing accountancy in Europe. These problems include: the general lack of harmonization in accounting education and training practices among Member States; and the lack of recognition and the application of the term, “accountant,” in the practice of accountancy and in areas of tax and commercial law.

2.2. Focus on economic activities: the principle of partial access

Question 3: Do you agree that there would be important advantages to inserting the principle of partial access and specific criteria for its application into the Directive?

The IAESB supports the principle of partial access in the accountancy profession, but is concerned that its application would be difficult in Member States because of the variety of roles and services offered by the professional accountant. A common set of accounting education standards (such as the IESs) would assist in reducing the difficulty because competent authorities would know the minimum level of education and training provided in a Member State.

SECTION 3. BUILDING ON ACHIEVEMENTS

3.2. Temporary mobility

3.2.1. Consumers crossing borders

Question 7: Do you agree that the requirement of two years' professional experience in the case of a professional coming from a non-regulating Member State should be lifted in case of consumers crossing borders and not choosing a local professional in the host Member State? Should the host Member State still be entitled to require a prior declaration in this case?

The IAESB does not agree with lifting the requirement of two years' professional experience in the accountancy profession. [IES 5, Practical Experience Requirements](#) sets a global standard in this respect, and is already accepted and implemented by IFAC member bodies worldwide. This standard establishes not only the scale of pre-qualification practical experience required, but also what this practical experience should contain, the role of supervisors and mentors, and the framework within which it should be achieved. In adhering to IES 5 IFAC member bodies require a minimum of 3 years of relevant workplace experience prior to qualification. The regulation of the accounting and auditing profession, based on this standard and EC Directive 8 requirements, is an essential part of ensuring that adequate standards of competence (through attainment of professional qualifications and continual professional development) and ethics (through membership of professional bodies) are maintained.

3.2.2. The question of "regulated education and training"

Question 8: Do you agree that the notion of "regulated education and training" could encompass all training recognised by a Member State which is relevant to a profession and not only the training which is explicitly geared towards a specific profession?

The IAESB agrees that "regulated education and training" should encompass all training recognized by a Member State which is relevant to a profession. This notion is already commonly applied in the accountancy profession.

3.3. Opening up the general system

3.3.1. Levels of qualification

Question 9: Would you support the deletion of the classification outlined in Article 11 (including Annex II)?

The IAESB supports the deletion of the classification outlined in Article 11 and would favor a process that is based on a learning outcomes approach for the accountancy profession.

3.3.2. Compensation measures

Question 10: If Article 11 of the Directive is deleted, should the four steps outlined above be implemented in a modernised Directive? If you do not support the implementation of all four steps, would any of them be acceptable to you?

The IAESB supports the implementation of four proposed steps in a modernized Directive. The IAESB, however, notes that an expected outcome of these four steps is advocacy for a common set of standards, which is the aim of the eight IESs, and what the IAESB proposes the EC should consider in modernizing this Directive for the accountancy profession.

3.3.3. Partially qualified professionals

Question 11: Would you support extending the benefits of the Directive to graduates from academic training who wish to complete a period of remunerated supervised practical experience in the profession abroad?

The IAESB supports extending the benefits of the Directive to graduates from academic training. In this respect, [IES 5, Practical Experience Requirements](#) sets a global standard and is accepted and implemented by IFAC member bodies worldwide. The regulation of the accounting and auditing profession, based on this standard and EC Directive 8 requirements, is an essential part of ensuring that adequate standards of competence (through attainment of professional qualifications and continual professional development) and ethics (through membership of professional bodies) are maintained. The adoption of this standard by member bodies supports the facilitation of mobility of graduates who seek access to a remunerated traineeship in another Member State and facilitates the recognition of third party accreditations.

SECTION 4. MODERNISING AUTOMATIC RECOGNITION

4.1. A three-phase approach to modernisation

Question 14: Would you support a three-phase approach to modernisation of the minimum training requirements under the Directive consisting of the following phases:

- the first phase to review the foundations, notably the minimum training periods, and preparing the institutional framework for further adaptations, as part of the modernisation of the Directive in 2011-2012;
- the second phase (2013-2014) to build on the reviewed foundations, including, where necessary, the revision of training subjects and initial work on adding competences using the new institutional framework; and
- the third phase (post-2014) to address the issue of ECTS credits using the new institutional framework?

The IAESB supports the proposed three-phased approach to the modernization of the minimum training requirements under the Directive, but emphasizes the need to avoid duplication and unnecessary work when global standards in a profession already exist. In the accountancy profession, several initiatives are already in place which provide global standards that set minimum education and training requirements; for example: the Common Content Project (European Accountancy Institutes, <http://www.commoncontent.com/about-us.php>), Revised Model Accounting Curriculum (UNCTAD, http://www.unctad.org/en/docs/c2isar21_en.pdf), and International Education Standards (IAESB, <http://web.ifac.org/publications/international-accounting-education-standards-board>).

4.2. Increasing confidence in automatic recognition

4.2.1. Clarifying the status of professionals

Question 15: Once professionals seek establishment in a Member State other than that in which they acquired their qualifications, they should demonstrate to the host Member State that they have the right to exercise their profession in the home Member State. This principle applies in the case of temporary mobility. Should it be extended to cases where a professional wishes to establish himself? (Please give specific arguments for or against this approach.) Is there a need for the Directive to address the question of continuing professional development more extensively?

The IAESB agrees that the modernization of the Directive should address the question of continuing professional development (CPD). The IAESB believes that CPD is critical for the accountancy profession, especially when regulations and business practice evolve quickly and require the need to update competences.

[IES 7, Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence](#) sets out in detail how this should work for qualified accountants, and is accepted and implemented by IFAC member bodies worldwide in respect of their members. It is suggested that the Directive refer directly to IES 7 given the importance of

member bodies in facilitating and monitoring the professional accountants' commitment to developing and maintain competence.

4.2.3. Ensuring better compliance at national level

Question 17: Do you agree that Member States should make notifications as soon as a new program of education and training is approved? Would you support an obligation for Member States to submit a report to the Commission on the compliance of each programme of education and training leading to the acquisition of a title notified to the Commission with the Directive? Should Member States designate a national compliance function for this purpose?

The IAESB agrees with the proposals on timely notification and compliance reporting. The IAESB, however, is concerned that duplication should be avoided, especially in professions where compliance functions already exist. In the accountancy profession, compliance reporting already exists. This is demonstrated by IFAC's compliance program (IFAC Member Body Compliance Program, <http://www.ifac.org/ComplianceProgram/>) in which IFAC member bodies are required to report on how programs of education and training in their jurisdictions meet the IESs (Statements of Membership Obligation 2, http://web.ifac.org/download/Statements_of_Membership_Obligations.pdf). Due consideration should be given to existing available information when considering or designing notification requirements.

4.8. Third country qualifications

Question 24: Do you consider it necessary to make adjustments to the treatment of EU citizens holding third country qualifications under the Directive, for example by reducing the three years rule in Article 3 (3)? Would you welcome such adjustment also for third country nationals, including those falling under the European Neighbourhood Policy, who benefit from an equal treatment clause under relevant European legislation?

The IAESB works within the accountancy profession to establish a global set of international education standards, which act as a common benchmark that facilitates the recognition of third country qualifications. This objective should also be included in any initiative to modernize the Directive on Professional Qualifications.

We hope these comments are helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mark Allison', with a long horizontal flourish extending to the right.

Professor Mark Allison

IAESB Chair

Visiting Professor at Robert Gordon University, Scotland