

## REGULATION OF THE ACCOUNTANCY PROFESSION

**Regulation of individual professional accountants is primarily conducted at a national level, with professional accountancy organizations playing an important role in working with governments to ensure that such regulation is effective, efficient, and in the public interest. Ongoing dialogue and cooperation is essential to ensure an appropriate balance between self-regulation by the profession, self-regulation with public oversight and accountability, and external regulation.**

### Regulation

Regulation of the accountancy profession encompasses a range of dimensions; e.g., entry, licensing and educational requirements; monitoring behavior, and disciplining where appropriate, professional accountants; and prescribing standards with which professional accountants must comply.

To be effective, regulation should be: (i) transparent; (ii) proportionate; (iii) targeted; (iv) non-discriminatory; (v) implemented fairly and consistently; and (vi) subject to regular review, and should:

- Aim to ensure that the quality of services provided by the profession responds effectively and efficiently to the demands of the economy and society.
- Provide for the creation and enforcement of ethical, technical, and professional standards, to permit purchasers of professional services (and other non-contracting users of accountancy services, such as investors and creditors) to derive a level of comfort that professional accountants have necessary qualifications and will meet the appropriate professional standards in their work.

### Regulatory Convergence

IFAC supports global regulatory convergence for the accountancy profession. Progress towards a globally consistent approach to effective national level regulation is demonstrated by recent developments, including:

- Global adoption and implementation of international high-quality technical and professional standards.
- External regulation of the market for audits of public interest entities, often undertaken in a manner consistent with the principles outlined in the *Core Principles for Independent Audit Regulators*, issued by IFIAR.
- IFAC's SMOs, which assist professional accountancy organizations in ensuring high-quality performance by professional accountants.

### A Shared Approach to Regulation – Roles for Government and Professional Accountancy Organizations

IFAC recognizes that professional accountancy organizations and governments both have important roles to play in the regulation of the accountancy profession. A shared approach to regulation finds an appropriate balance between self-regulation by the profession, self-regulation with public oversight and accountability, and external regulation by the government and/or its agencies. This balance will differ by jurisdiction. Shared regulation should be dynamic, allowing for ongoing dialogue and alignment of actions between professional accountancy organizations and governments.

Typically, shared regulation of auditing at the national level includes:

- Audits for public interest entities (PIEs) being regulated by independent audit regulators. Independent audit regulation exists in countries representing around 80% of global stock market capitalization.
- Professional accountancy organizations regulating audits for non-PIEs and for PIEs where there is no independent audit regulator. In doing so, professional accountancy organizations comply with SMO1 *Quality Assurance*.