

Institute of Chartered Accountants in England and Wales (ICAEW) – Written evidence (FTS0058)

On behalf of the Institute of Chartered Accountants in England and Wales (ICAEW), I would like to thank you for the opportunity to provide information to your inquiry and clarify our ongoing interest in this area.

As you may know, ICAEW supports over 180,000 chartered accountants and students worldwide. Our members advise over three million companies across all sectors and at all levels of the UK economy. ICAEW has significant experience of European markets, on the basis of our ACA training in a number of countries and the 6,000 plus members working in a variety of senior roles across Europe. In addition, ICAEW has maintained a presence in Brussels for approaching 30 years, working across a range of EU regulatory and legislative areas. ICAEW also chairs the Accountancy Sub-Group, which is part of a wider Professional and Business Services Council (PBSC), a sector led initiative that is co-chaired by the Minister for Business and Industry. The subgroup considers the immediate and medium-term priorities for the accountancy profession in the new UK-EU relationship.

Through this letter, I am pleased to provide a first response to Question 9 of your consultation:

“How will the new UK-EU framework for the mutual recognition of professional qualifications affect professionals and service business?”

With respect to professional recognition, the Trade and Cooperation Agreement (TCA) is a significant step back from the EU-wide recognition procedures and the legal certainty underpinning them which were previously enjoyed by holders of UK qualifications in the Single Market. In cases where a professional sought to pursue the same regulated activities for which he/she was qualified in the UK, the procedures avoided the need to "requalify from scratch" and gave access to an aptitude test (or adaptation period) to show competence in national laws and requirements. At this point in time, there is no functioning system in place for UK-EU-wide recognition for accountancy – and indeed most professions. We very much hope that this gap will be filled for accountancy, and most particularly statutory audit, as soon as possible.

The TCA establishes an overall architecture for the development of recommendations on mutual recognition for the professions between the UK and the EU and a procedure for their approval within the Partnership Council. ICAEW will be pleased to provide input where needed to support the pursuit of EU-wide recognition for the accountancy profession, on the understanding that UK government and the FRC will lead on the UK's side with the development of a recommendation. We specifically suggest that the recommendation addresses the mutual recognition of statutory auditors where the compatibility of the respective regimes is high and there is mutual economic benefit to the EU and the UK, given the public interest role of statutory audit. We draw attention to the fact there is substantive alignment between the UK and EU member states, given the existence over many years of minimum education and training requirements and practical experience through specific EU legislation. We trust that this facilitates the development of a recommendation.

Notwithstanding our call for a speedy pursuit of EU-wide recognition, we take the opportunity to underline the potential importance of bilateral arrangements between the UK and individual EU member states, especially for the reciprocal recognition of statutory auditors. In the event that the procedures via the Partnership Council cannot be pursued in a timely manner, we would strongly encourage UK government to conclude bilateral agreements with European markets of major interest to the profession. In this respect, we draw attention to the fact that the FRC has recently concluded a 'Memorandum of Understanding on Recognition Arrangements' (MOURA) with the Irish regulator, IAASA. This MOURA will provide the reciprocity needed by Ireland to register UK statutory auditors as Irish statutory auditors.

In respect of bilateral agreements, we note that major interest does not necessarily always refer to the size of jurisdictions. The take-up of ICAEW's ACA qualification via in-country training arrangements in a number of EU member states is also an important consideration. While the strength of the ACA qualification is well acknowledged by specialists, bilateral arrangements are helpful to shape the wider market perception in these countries of the standing and portability of our qualification, including that of prospective students.

It is the case that some EU member states have embedded in their existing legislation, arrangements for non-EU qualifications which avoid requalification requirements and foresee an aptitude test approach. On this basis, ICAEW members seeking professional recognition may have recourse to such arrangements if they move to one such member state. While individual member state arrangements are welcome, this remains far removed from legal certainty on professional recognition on an EU-wide basis. It is also very time consuming to stay up to date with individual EU member states laws. Moreover, market perception of the standing and portability of UK qualifications is best supported by EU-wide recognition arrangements.

I also take the opportunity to comment briefly on UK recognition arrangements since 1 January. A priority for the UK government is to take a flexible or combination approach to recognition of qualifications, that is, it gives UK professional bodies a high degree of control over who they admit to membership and on what terms. This new approach is being put in place by ICAEW and necessitates only minor changes to previous practice – specifically, by disregarding any applicant's nationality and extending recognition to holders of EEA and Swiss qualifications. For the rest, ICAEW will continue to apply the principles of the EU mutual recognition regime for applications to join ICAEW, including a free of charge syllabus comparison and no further educational requirements beyond passing an aptitude test covering identified gaps.

Finally, ICAEW's participation in the Common Content Project – a shared learning outcome framework for professional accountants currently comprised of EU and UK bodies - is unaffected by the UK leaving the EU. It can also be of considerable importance in the pursuit of the various channels for recognition outlined above. The project provides up to date evidence, based on recently completed qualification reviews, that the ACA meets the same exacting learning outcomes as other leading accountancy and audit qualifications in Europe. For more information, please see: commoncontent.com

ICAEW anticipates considerable further activity in the area of professional recognition in the months ahead and will be pleased to provide further insights, should these be

useful to you. We will be drawing from the experience of our members and from dialogue with our various counterparts from across Europe.

We also anticipate drawing together experience on the questions in your inquiry regarding rights of establishment (with reference to noted reservations at member state level) and the cross-border provision of services.

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