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SPEAKING NOTES

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Introduction

1. The Fédération des Experts Comptables Européens (FEE) is the representative organisation for the accountancy profession in Europe. It groups together 41 professional bodies from 29 countries. FEE Member Bodies are present in all fifteen Member States of the European Union, nine European Union candidate countries and three member countries of EFTA. Between them, these bodies have a combined membership of 500.000 individuals, of whom approximately 94% are from EU countries.
2. Accounting firms carry out professional activities which include in many cases auditing, accounting and tax services. However, the situation varies from country to country and is very much depending on local laws and regulations but also on traditions and culture.
3. Audit activities are more heavily regulated than other types of accountant activities. This applies equally in the European Union and in other parts of the world. The recent financial scandals in the US have proved that a certain level of regulation is necessary to protect investors (customers) confidence. If professional institutes do not help providing appropriate level of self-regulation, then the public authorities will be obliged to intervene and to implement regulatory measures at a much higher cost for professionals and society.
4. In accordance with the programme of this conference, comments focus on 3 topics:
 - a. Registration and entry to the profession;
 - b. Rules that impact professional development; and
 - c. Structures of professional firms and multidisciplinary practices.

Registration and Entry

5. As mentioned in the FEE written submission “high level of professional education and training is universally recognised as necessary to protect consumers of professional services. Asymmetry of knowledge between professional and users of services requires adequate rules on education in the public interest”.
6. Qualification is the formal recognition of an individual having been deemed competent in terms of meeting the requirements prescribed for obtaining professional accountant status. In some countries, qualification results from registration with an official (governmental) body. In most countries, qualification is recognised by the professional body. In most, if not all Member States,

the professional institutes of accountants provide a major contribution to preparing young generations to carry out the profession with competence and in the respect of professional ethics.

7. The European Commission itself acknowledged the merit of self-regulation to maintain appropriate entry requirements. Article 15 of the proposal for a Directive on the recognition of professional qualifications suggests that professional associations may notify the Commission of common platforms which they establish at European level". This system is preferred to pure regulation which is considered to be more burdensome and less flexible.
8. FEE recognises, however, that public oversight may be useful to avoid that professional bodies abuse their position. In most Member States, such public oversight already exists which means that as far as accountants are concerned the system is not purely self-regulated.
9. The number of accountants members of professional institutes in the Member States could be used as an argument in the comparison of national situations. This comparison would however be irrelevant because in some countries institutes will continue to register members who are not in practice in a firm whereas in other countries employees and civil servants may stay as member. Roughly 45% of the accountants represented in FEE work in public practice, providing a wide range of services to clients. The other 55% work in various capacities in industry, commerce, government and education. Other reason for the difference may result from the scope of the activities which differs from country to country. We do not believe that economic conclusions may be drawn from statistics which are not adequately validated.

Professional Standards and Ethics

10. FEE believes that professional services may not be assimilated to other types of business services. We expressed concerns about joining professional services and craft industries in the Directive on recognition of professional qualifications because this is giving the wrong signal on how and why some professions need to be regulated.
11. FEE does not share the conclusion of the Austrian Institute that bringing regulation back to the lowest possible level would necessarily result in economic benefits for the consumers and the society. We can understand and share the view of the Commission that anti-competitive rules which are not fully justified by the need to defend the public interest should be removed but it would be the wrong conclusion that regulation in itself is unjustified.
12. FEE strongly believes that professional standards and ethical rules are essential to meet the needs of users of professional services. Professional bodies are best placed to develop such standards because they have the intellectual resources to do it. However, some oversight by public authorities is acceptable in order to ascertain that the standards are related to the quality of the services and are not influenced by competition among the professionals, which is usually intensive.
13. FEE has always given its preference to global standards. A system of public oversight of IFAC (International Federation of Accountants) will be approved shortly at global level, demonstrating the commitment of the accountancy profession worldwide to carry out its activities in the public interest.

Structure of Professional Firms and Inter-Professional Cooperation

14. FEE issued a position paper in 1999 recommending that accountants should be able to carry on their professional activities in the legal form of their choice. Most Member States allow legal forms with limited liability. In these cases, the restriction of legal liability does not exclude the personal liability of the signatory professional. Consequently, permitting freedom of choice of

legal form does not endanger the public interest and could promote the policy of liberalisation and mutual recognition within the European Union.

15. If regulation is needed, as indicated in the FEE written submission, the objectives should be to ensure that the provision of professional services is not overwhelmed by commercial interest but continues to be underpinned by the highest professional and ethical standards necessary to protect the interest of users of professional services.
16. The Eighth Directive on qualification of statutory auditors requires audit firms to be owned in the majority by registered statutory auditors. This requirement is necessary to protect the independence of the statutory auditors. The objective is to avoid undue influence of external parties on the outcome of the audit process. It is generally considered that the threat to auditor's objectivity would be excessive in a legal structure where statutory are not in the majority of ownership and management structures.
17. Inter-professional cooperation is a very difficult subject and it would be wrong to address it exclusively in terms of competition rules. We are aware of divergent Courts' decisions in the Netherlands and Belgium concerning cooperation between accountants and lawyers. It is important to consider arguments which are perfectly valid when they are addressing the quality of the services to the benefit of clients and society in general. We believe that some form of multi-disciplinary practice would be useful but it is likely that some regulation needs to exist if we want to avoid disparity of situations among the Member States.

Conclusion

18. FEE believes that the profession of accountant as other regulated professions has a role to play in society which cannot be purely assimilated to business services. Professional institutes have also an important role to play in ensuring that young generations will be able to meet the required benchmarks of quality. Monitored self-regulation is likely to be the most cost-effective system to regulate intellectual professions.