



## FEE Roundtable on Qualifications and Recognition Tuesday, 17 June 2008 Summary

### Content

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FEE organised a Roundtable on Qualifications and Recognition on 17 June 2008.

61 representatives from the European Commission, Member State governments and licensing bodies as well as from FEE Member Bodies from 19 European countries followed the invitation and attended the Roundtable.

Participants discussed the practical impact and the inter-relationship of EU legislation regarding the freedom of establishment and the freedom to provide services and addressed some important pending questions from the perspective of the accountancy profession.

FEE has raised and analysed such questions in the FEE paper “Internal Market for Services and the Accountancy Profession: Qualifications and Recognition”. The FEE paper, published in November 2007, 68 pages, is available in English and French

([http://www.fee.be/currentissues/default.asp?library\\_ref=4&category\\_ref=134&wp=2&archive=yes&content\\_ref=n](http://www.fee.be/currentissues/default.asp?library_ref=4&category_ref=134&wp=2&archive=yes&content_ref=n)).

FEE (Fédération des Experts comptables Européens – Federation of European Accountants) represents 43 professional institutes of accountants and auditors from 32 European countries, including all 27 EU Member States.

In representing the profession, FEE recognises the public interest. FEE has a combined membership of more than 500.000 professional accountants working in different capacities in public practice, business, government and education, who all contribute to a more efficient, transparent, and sustainable European economy. To learn more about FEE and about the accountancy profession in Europe, read the FEE 2007 Annual Review, downloadable from our website ([www.fee.be](http://www.fee.be)).

## Opening

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- (1) **Jacques Potdevin, the President of FEE**, opened the Roundtable, emphasising that the economy is globalising and that accountants can benefit from globalisation by taking advantage of the possibilities offered by the European Single Market.



## Presentation of the FEE paper “Internal Market for Services and the Accountancy Profession: Qualifications and Recognition”

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- (2) **André Killesse, Chair of the FEE Working Party on Qualification and Market Access (QMA)**, provided the background for the discussions with an analysis of the inter-relationship between the relevant EU Directives,
- the Directive on the recognition of professional qualifications (RPQ Directive),
  - the Directive on statutory audits of annual accounts and consolidated accounts (Statutory Audit Directive) and
  - the Directive on Services in the internal market (Services Directive)

as set out in the FEE paper “Internal Market for Services and the Accountancy Profession: Qualifications and Recognition” (November 2007, 68 pages).

[http://www.fee.be/publications/default.asp?library\\_ref=4&content\\_ref=761](http://www.fee.be/publications/default.asp?library_ref=4&content_ref=761)



## Comments by officials of the European Commission

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- (3) **Pamela Brumter, European Commission, Internal Market and Services Directorate General (DG MARKT)**, Head of the Unit Regulated Professions, emphasised that the FEE paper represents a comprehensive analysis of the complex issues. Ms Brumter made the comments below.



- (4) Access to the profession depends on the scope of the profession in the host Member State and is for the accountancy profession complex and complicated due to the differences between the Member States.
- (5) Partial access is a topic that needs to be addressed in future for cases where the scope of professional activities is broader in the host Member State than in the home Member State. It is not excluded that this could be applied to accountants.
- (6) For migration of auditors, the Statutory Audit Directive provides a specific regime and requires the aptitude test as compensation measure.
- (7) For cross-border provision of services without establishment, Member States may ask for a pro-forma declaration; and also for certain documents to be made available. However, a prior check of the qualification is not required.
- (8) The European Commission is working on implementation guidance for the transposition of the RPQ Directive that should be available by the end of this year.
- (9) The transposition in Member States is a slow process, at present only six Member States have fully transposed the RPQ Directive.
- (10) The Internal Market Information System (IMI) pilot project has seen limited success as far as the accountancy profession is concerned because of the small number of requests (5 from the accountancy profession out of 67 in total) as well as due to a lack of registered competent authorities in some Member States.

- (11) **Karolina Majewska, European Commission, DG MARKT, Unit Auditing**, drew attention to the open questions related to statutory audit, in particular whether there is a freedom to provide statutory audit services on a temporary and occasional basis and what the scope of the aptitude test should be. Ms Majewska made the comments below.



- (12) Article 3 of the Statutory Audit Directive requires approval but does not mention infrastructure.
- (13) Permanent infrastructure as required in the Ramrath ECJ decision does not necessarily mean an establishment.
- (14) The initial purpose of an infrastructure was to store the audit working papers and therefore to provide quality assurance but the Statutory Audit Directive addresses this in other ways.
- (15) The scope of the Statutory Audit Directive is in principle limited to the audit of annual accounts insofar as required by community law but the status of statutory audit not covered by community law is indeed unclear. These may be either audit activities covered by national legislation that do not fall under the scope of the Statutory Audit Directive. The European Commission is discussing internally and with Member States to clarify this issue.

## Work sessions

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### **Work session 1: Provision of non-statutory audit services:**

#### ***Pro-forma declaration Host Member State rules on supervision and disciplinary procedures***

- (16) The **temporary and occasional cross-border provision of non-statutory audit services** without establishment in the host Member State was the theme of the first work session; questions related to the **pro-forma declaration** and the application of **host Member State rules on supervision and disciplinary procedures** were addressed.

- (17) **Martin Manuzi, member of the FEE QMA Working Party**, introduced the theme and discussion points.

He pointed out that the host Member State might require the service provider to inform the competent authority through a pro-forma declaration prior to providing services only where the profession (title) or service provision is regulated in the host Member State.



- (18) During the following tour de table, the corresponding practice in the Member States was confirmed, showing the broad variety of regulated and non-regulated services provided by accountants.

A pro-forma declaration is required in Belgium, Denmark, Italy, France and for regulated areas in the UK; it is not required for non statutory audit services in the Netherlands; discussions are in progress in Germany, Portugal and the Czech Republic.

The relevant competent authorities in the Member States are professional institutes (e.g. in Belgium and for certain activities in the UK), the ministry of economics (e.g. in Denmark and France) or the ministry of Justice (e.g. in Italy).

Factual checks are carried out in Italy, where the declaration must include a description of the services that the professional intends to provide. In Denmark, brief pro-forma factual checks are carried out, to ascertain whether the information received is complete. In Belgium, no factual checks are carried out.

Participants suggested that clarification of the various professional titles used in the different Member States could increase market transparency.

- (19) Regarding the application of host Member State rules on supervision and disciplinary procedures participants generally considered that
  - (a) There are no special mechanisms to ensure compliance with host Member State rules;
  - (b) The disciplinary system of the professional body applies where regulated services are provided;
  - (c) Cooperation means that the disciplinary procedure has to be managed in liaison with the home Member State.
- (20) Upon questions from panel and audience, Pamela Brumter, European Commission, expressed the opinion that
  - (a) The profession should be considered as regulated, where the professionals are members of a professional body (see article 3 para. 2 RPQ Directive: “members of an association or organisation listed in Annex I”). The European Commission is working on a revision of the annex of the RPQ Directive.
  - (b) Establishing a definition of temporary and occasional service provision is not envisaged. Initial ideas of a link to a certain period of time were dismissed due to the differences between the more than 800 professions covered by the RPQ Directive, e.g. regarding seasonal activities. A possible solution is to argue that temporary and occasional service provision is everything beyond an establishment (e contrario).
  - (c) The future implementation guidance could contain indications regarding what kind of attest from the competent authorities should be required to prove professional experience.
  - (d) A national requirement of a professional address in the host Member State could be too far-reaching and might hinder professionals in their activities.
  - (e) At the present stage, it is not envisaged that the implementation guidance contains measures in this regard. It may be included at a later stage when the implementation guidance, which should be a living document, will be further developed.

## ***Work session 2: Provision of statutory audit services:***

### ***Infrastructure***

(21) The provision of **statutory audit services in another Member State** was the theme of the second work session; questions related to the required **infrastructure** were addressed.

(22) **Jean-Luc Doyle, member of the FEE QMA Working Party**, introduced theme and questions.

Auditors seeking to provide statutory audit services in another Member State have to be approved and registered in the host Member State.

Many Member States still seem to follow previous ECJ jurisdiction and require a professional address or even a minimum infrastructure in the host Member State as part of the process of approval and registration.



(23) During the following discussions, participants expressed their views on the usefulness of maintaining the requirement for a minimum infrastructure or even a professional address in the host Member State.

(24) Upon question of Jean-Luc Doyle, Ms Majewska, European Commission, explained that cooperation between competent authorities in the Member States as now set out in the Statutory Audit Directive may supersede the requirement for a minimum infrastructure.

Article 3 para. 4 of the Statutory Audit Directive sets forth, which requirements Member States may ask in relation with the approval of statutory auditors and audit firms (via reference to articles 4 and 6 to 12 of the Statutory Audit Directive). A professional address is not mentioned amongst these requirements and Member States are in principle not allowed to set additional conditions. Furthermore, statutory auditors and audit firms with establishment in the European Union do already dispose of a professional address within the EU.

(25) FEE has already pointed out in the FEE paper “Internal Market for Services and the Accountancy Profession: Qualifications and Recognition” that a professional domicile is not required (see no. 59 of the FEE paper).



- (26) The developments in some Member States seem to go against any kind of local infrastructure; in other Member States there seems to be a tendency towards a professional address:
- (27) In Denmark, an auditor has to provide the job through an audit firm; auditor and audit firm need to be approved in Denmark. If administrative cooperation and access to working papers by the oversight body should not work, it would be necessary to go back to the requirement of an infrastructure.
- (28) In Finland, no infrastructure is required, a professional address in any country is sufficient.
- (29) The representative of France mentioned that they have two aptitude tests in the hands of two different Ministries.
- (30) In Germany, members of the profession must have a professional establishment somewhere in the EU; professionals from third countries must have an address in Germany.
- (31) In Italy, a professional address is required, but no infrastructure.
- (32) In Slovenia, the auditor needs to work in a firm that is registered in Slovenia. The registration of an audit firm is simple, but requires a local professional address.
- (33) In the UK, no local address is required. Migrants are monitored by the professional body of their host country.
- (34) Additionally, several attendees emphasised that language is an issue and could be a practical barrier to registration.



**Work session 3: Establishment of accountants providing statutory audit and non-statutory audit services:**

**Compensation measures - aptitude test**

(35) The establishment of accountants providing **statutory audit and non-statutory audit** services in another Member State was the theme of the third work session; questions related to **compensation measures**, in particular the **aptitude test**, were addressed.

(36) **Helmut Klaas, member of the FEE QMA Working Party**, introduced theme and questions.

In the case of statutory audit service providers seeking establishment in another Member State an aptitude test as compensation measure is required. For non-statutory audit service providers a compensation measure may be required where the profession is regulated in the host Member State. Applicants must have the choice between aptitude test and adaptation period.



(37) Participants explained how the aptitude test for auditors is organised in their countries, showing that a wide range of systems exists.

Depending on the Member State, the test is organised once a year or on specific request; a written test or an oral test or both can be required.

Company law and tax law are usually the main subjects of the test.

The number of aptitude tests carried out per year varies within Member States from 60 or 70 over 12 or 15 to zero.

Generally, the number of applicants seems to be quite limited in most countries which might be due to the fact that the aptitude test must typically be passed in (one of) the official national language(s). Only in one of the Member States that were represented in the Roundtable the aptitude test is offered in another language.

(38) Special licenses are required for statutory audit services for banks, insurances and other financial institutions in some Member States.

(39) Participants discussed whether partial recognition for this kind of activities might be considered.

- (40) Ms Majewska, European Commission, mentioned that the Statutory Audit Directive does not cover the audit profession as such but only “statutory audit as required by Community law” and that it does not contain rules on a professional title.

## Wrap-up session

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- (41) **André Killesse, Chair of the FEE QMA Working Party**, thanked participants for the fruitful debate and briefly summarised the discussions. He announced that FEE will consider further work and conclusions.



- (42) **Jacques Potdevin, President of FEE**, concluded the Roundtable, expressing his gratitude to speakers and participants for their contribution. He asked the FEE QMA Working Party to move forward with its agenda and consider whether further progress can be made in the harmonisation of the aptitude test.

