



## RECOGNITION OF PROFESSIONAL QUALIFICATIONS AND REGULATION OF PROFESSIONS: BEIS CALL FOR EVIDENCE

Issued 22 October 2020

ICAEW welcomes the opportunity to submit written evidence to the call for evidence on recognition of professional qualifications and regulation of professions opened by BEIS.

This response is a specific response to the Questions for Regulators and has been prepared on behalf of ICAEW by the Learning and Professional Development Department.

Chartered accountants are talented, ethical and committed professionals. There are more than 1.8m chartered accountants and students around the world, and more than 186,500 of them are members and students of ICAEW. ICAEW promotes inclusivity, diversity and fairness.

We attract talented individuals and give them the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

Founded in 1880, we have a long history of serving the public interest and we continue to work with governments, regulators and business leaders around the world. We are proud to be part of Chartered Accountants Worldwide, a global network of 750,000 members across 190 countries, which promotes the expertise and skills of chartered accountants on a global basis.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create strong economies and a sustainable future for all.

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## ANSWERS TO SPECIFIC QUESTIONS

### **Q1. Please tell us in which nation(s)**

1. England and Wales and Scotland and Northern Ireland

## QUESTIONS FOR REGULATORS: CURRENT REGULATION OF PROFESSIONS

### **Q2. Please state the sector(s) you regulate within.**

2. Chartered accountancy, statutory audit, insolvency, probate

### **Q3. Please state the profession(s) you regulate.**

3. As above

### **Q4. Please outline the rationale for regulation within your sector. Listed below are some non-exhaustive possible rationales for regulation you may like to consider in your answer. In each instance, please explain their importance to regulation within your sector.**

4. ICAEW's responsibility and regulatory role in the provision of education and training, the maintenance of professional standards, and delivering technical excellence in the public interest is defined by its Royal Charter. ICAEW has a long history of serving the public interest and working with governments, regulators and business leaders around the world. As an improvement regulator, ICAEW supervises and monitors over 12,000 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.
5. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. As a Recognised Qualifying Body under the UK Financial Reporting Council that abides by the 2006 Companies Act, ICAEW must have rules and arrangements in place to register students and track their progress, administer examinations and ensure that appropriate training is given to students in an approved environment.
6. ICAEW promotes and maintains the integrity and efficiency of the profession in a number of ways. Rigorous education and training standards are set requiring new members to have gained and demonstrated knowledge, skills and experience from a supervised training environment before they can join ICAEW. Members receive new rights and privileges, but are bound to a set of ethical and professional standards regulating their conduct. ICAEW also has regulatory powers to discipline those found guilty of professional misconduct.

### **Q5. Please outline any evidence you have on the consumer protection impacts provided by your regulations.**

7. ICAEW's regulation of its members and accredited firms ensures that consumers – whether members of the public or employers – can trust the service they receive from ICAEW chartered accountants. Consumers can be assured that professionals holding the chartered accountant qualification from ICAEW, the ACA, have completed a rigorous accountancy training and are able to provide the highest standard of service. ICAEW's regulatory and disciplinary role is independent of membership activities so that it can monitor, support or take steps to ensure change if standards are not met.
8. ICAEW's Code of Ethics is based on the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA) published by the International Federation of Accountants (IFAC).

9. An additional layer of consumer protection is ensured through professional indemnity insurance. Professional indemnity insurance is compulsory for all ICAEW members who have a practising certificate and engage in public practice.
10. Most importantly, ICAEW holds an important consumer protection function in its quality assurance monitoring. ICAEW's regulatory and disciplinary roles are separated from ICAEW's other activities so that we can monitor, support or take steps to ensure change if standards are not met. Our role is to authorise ICAEW firms and members to undertake work regulated by law: audit, local audit, investment business, insolvency and probate; support the highest professional standards in general accountancy practice through our Practice Assurance scheme; provide robust anti-money laundering supervision and monitoring; monitor ICAEW firms and insolvency practitioners to ensure they operate correctly and to the highest standards; investigate complaints and hold ICAEW firms and members to account where they fall short of standards; respond and comment on proposed changes to the law and regulation; and educate through guidance and advice to help stakeholders comply with laws, regulations and professional standards. Our monitoring work is supervised by oversight regulators such as the FRC for audit, the Insolvency Service for insolvency, the Legal Services Board (LSB) for probate and the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) for AML).

## INTERNATIONAL RECOGNITION

The following questions focus on the route to recognition you offer for applicants with international qualifications.

***Q6. Please outline your process(es) of recognising someone with an international qualification. In your answer, please include details of how this differs from the process of recognising a domestic applicant, the rationale for this/ the reasons why this is the case, and the costs of administering this route.***

11. ICAEW offers various routes to membership for holders of international accountancy qualifications, including the EU's Directive on the Recognition of Professional Qualifications (RPQ) and Statutory Audit Directive (SAD), partial credit for ACA exams under our credit for prior learning scheme or complete or advanced credit arrangements under reciprocal membership agreements, the **Common Content Project**, agreements with other accountancy bodies, and a Pathways to Membership programme for qualified accountants who can demonstrate appropriate work experience. These are described in detail at <https://www.icaew.com/membership/becoming-a-member/members-of-other-bodies>.
12. ICAEW has in place several processes to gain and maintain ICAEW membership in order to support the global mobility of our profession and members, and to offer the benefits of ICAEW membership to accountants and auditors already qualified elsewhere.
13. Firstly, ICAEW works with professional bodies around the world to review their qualifications and determine comparability with the ACA qualification. This allows recognition agreements with partner bodies which enable fully qualified members of those bodies to join ICAEW by enjoying some credit against the exams, work experience, skills and ethics components of the ACA. ICAEW commissions an independent syllabus mapping to assess the exams syllabus comparability, conducts an internal review of the other body's work experience, skills and ethics learning processes, mapping and assessing these against the ACA. Upon completion of the review process, and various governance processes ICAEW sets out a top-up route for fully qualified members of the partner body to join ICAEW. Professional bodies whose members gain over 10 credit exemptions are also eligible to become Pathways recognised bodies which would give their members a further route into ICAEW membership

provided they had at least five years' post qualification experience and met other eligibility requirements.

14. For certain partner bodies where the professional qualification has been assessed as being comparable with the ACA we may enter into a reciprocal membership agreement which enables members of those bodies to join ICAEW without the need for completion of further exams, work experience, skills or ethics development. The process for a partner body to be assessed for a reciprocal membership agreement is similar to the above recognition agreements but the review process is more detailed. Partners are assessed against a set of Fundamental Principles, set by the **Global Accounting Alliance (GAA)** bodies which takes into account the full education and training process of the potential partner including exam results, pass marks, credit awarding processes for university degrees and the status of the organisation itself.
15. Secondly, aligned to the RPQ route, ICAEW has further recognition processes in place with a number of European professional bodies as part of the Common Content Project. The review process of the Common Content Project involves the partner body providing a self-assessment of how their qualification meets the learning and skills outcomes. The self-assessment is then assessed by a review team made up of colleagues from Project member bodies and a report is considered before a potential member might be approved to join the Project.
16. Thirdly, is the scheme for Credit for Prior Learning (CPL). ICAEW has credit arrangements with over 200 Higher Education Institutions (HEIs) globally to align the content of relevant bachelor and master degrees to the ACA and CFAB qualifications. Internally within the UK we also have many agreements with other professional bodies where it is more of a strategic decision to offer students or members CPL. We commission an independent syllabus mapping in these circumstances and then offer a conversion route for students and affiliates from other accountancy bodies.
17. Lastly, until the end of the transition period, ICAEW applies the Recognition of Professional Qualifications Directive (RPQ) and Statutory Audit Directive (SAD). The RPQ Directive applies to migrant accountants in good standing from an existing professional accountancy body within the EEA. For auditors from the EU who would like to gain UK audit rights, ICAEW offers the recognition route as set forth under Article 14 of the Statutory Audit Directive (SAD).
18. Under the RPQ route, an applicant accountant wishing to work in the UK will have to sit an aptitude test to gain ICAEW membership. The applicant will sit various ICAEW examinations in order to bridge any syllabus differences between their home qualification and the ICAEW's ACA qualification. ICAEW waives this aptitude test for members of a Common Content body as syllabuses will already have been aligned under this Project. As per the most recent introduction of the RPQ into UK domestic legislation, the ICAEW will, after the transition period, maintain the routes to membership under the RPQ similar form (notably the recognition of Common Content bodies) while disregarding any applicant's nationality and extending recognition to holders of EEA and Swiss qualifications.
19. The process for recognising a UK domestic applicant, on the contrary, requires the applicant to first complete the ACA qualification. The ACA qualification takes three to five years to complete, and it is made up of four elements: three to five years of supervised work experience with an authorised employer; the completion of 15 exam modules; recorded development of professional skills; and demonstrated professionalism and ethics and integrity with a 70% pass rate on its assessment.

***If you have different processes for different international routes (e.g. for candidates from the EU, USA, Australia, or due to any Mutual Recognition Agreements you hold), please include details on the differences between them.***

20. The review processes for the different international routes are explained in our answer to question 6.

***Q7. Please outline any additional steps and their resource implications that you face in processing applicants with international qualifications?***

21. Resource implications for ICAEW in processing applicants with international qualifications are significant. However, there is a difference between qualifications so that it depends on whether a qualification has already been evaluated by us, or whether it is a new one. Each application is given significant time and may require an external expert's academic evaluation thus incurring high financial costs. ICAEW does not charge applicants for the assessment exercise undertaken to evaluate their home qualification and it may require a successful applicant to remain an ICAEW member for several years before ICAEW would have covered its costs.

***Q8. With reference to any of the additional steps outlined above, what would you suggest are the priorities for the UK Government in considering future ways to recognise international qualifications? Please include any details on what an ideal system could look like, as well as how it could operate. Please consider what the priorities would be for the profession you regulate.***

22. 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 autonomy and flexibility over who they admit to membership and on what terms. At the same time, the government needs to play a role and actively promote professional mobility and recognition by striking comprehensive recognition agreements with other governments, for instance with UK's major trading partners and EU member states.
23. We think the terms of the framework set out in the February 2019 Statutory Instrument concerning a no deal with the EU provides a helpful approach, namely that UK professional bodies should be free to recognise incoming professionals where they deem the level, scope and content of their qualification equivalent, but should not be obliged to provide a bridging aptitude test where they do not. This is an efficient and flexible recognition approach.
24. Our experience suggests that at times the involvement of the UK government will be necessary in order to strike agreements between UK and non-UK professional bodies. The involvement of government is needed because in certain cases a recognition agreement would need approval by the regulator of that profession, for accountancy, the Financial Reporting Council. Access to UK audit rights is controlled by the Financial Reporting Council.
25. The UK will need to decide on an approach for recognition agreements as there are going to be conflicting forces in play. On the one hand the UK will want to be seen to be open for business with the EU and the rest of the world and will need to forge a range of deals quickly to replace what it has lost from the EU single market. But by the same token, there will be a legitimate concern to only recognise those in the UK who have been shown to meet every letter and line of the law. Again, audit is a relevant case. Many overseas professional institutes want deals that include UK audit rights but to date only two non-EU qualifications have ever been accepted by the FRC, and both of these qualifications are no longer available to new students.



**Q9. Do you require legislation to give you powers to make changes to your international recognition routes?**

26. Depending on which recognition routes are applied, yes, the ICAEW requires legislation to make certain changes. We are a Recognised Qualifying Body for statutory audit under the Companies Act 2006, but this does not allow us to recognise members of non-UK bodies for UK audit unless they have completed our audit qualification. It is for the FRC and BEIS to recognise overseas auditors in the UK, something that is a key part of general recognition agreements.

**Q10. What level of dialogue do you maintain with your international counterparts? Please outline the benefits and challenges to cooperation. Please also outline if you are a member of any international networks of regulators, what they are and your experience with them.**

27. ICAEW is engaged in numerous partnerships, forums, networks and organisations to facilitate international cooperation and mutual understanding for the profession to operate more globally. These forums enable ICAEW to discuss common problems, sense check solutions, benchmark qualifications, and resolve challenges such as different approaches to qualification, education and legal systems.
28. ICAEW is a founding member of the International Federation of Accountants (IFAC), the Global Accounting Alliance (GAA), and Chartered Accountants Worldwide. As such, all ICAEW assessment policies and regulations must meet the supranational standards set forth for professional accountants.
29. ICAEW is part of the **Common Content Project**. Common Content is a collaboration between accountancy bodies with an aim to develop, maintain and unify high quality professional accountancy education benchmarks reflected in the distinct qualifications of participating bodies. ICAEW offers automatic recognition for members of the project, despite the fact that this automatic recognition is not necessarily reciprocated. Substantial resources are dedicated to this ongoing project. If clear comprehensive harmonising agreements between governments on the recognition and mobility of qualifications could be achieved, it could save a lot of time and resources for professional bodies.

**Q11. What are your priorities for supporting UK professionals on your register to have access to their profession in other countries? Please outline any Government support that would help.**

30. Our priorities for supporting ICAEW members abroad is to have membership recognition agreements with accountancy bodies in major markets such as the US, Australia, Cyprus, Singapore and Malaysia that enable a ICAEW member to live and work by joining the local institute without sitting further assessments or at the very least making sure that such assessments can be accessed regularly and fairly. We need government support to put in place such agreements and expedited routes that eliminate arbitrary barriers to recognition and professional mobility.

**Q12. Do you have any provisions for the recognition of professional qualifications held by refugees residing in the UK? If yes, please detail what these are and why you have implemented these provisions. If no, please detail why not.**

31. There are no current provisions in place specifically for refugees. If a refugee residing in the UK holds a qualification that is recognised by ICAEW and meets the eligibility requirements we will recognise that applicant for membership.

## DEVELOPING PROFESSIONAL STANDARDS AND REGULATION

The following questions focus on how you develop your UK professional standards.

***Q13. Please describe the process by which UK professionals gain qualifications to enter the profession, including detail on the types of education and training they must undergo and how long it takes to complete them.***

32. The process for recognising a domestic applicant requires the applicant to first complete the ACA qualification. The ACA qualification takes three to five years to complete, studying part-time around work commitments. It consists of four elements: 450 days of work experience with an authorised employer; the completion of 15 exam modules; recorded development of professional skills; and demonstrated professionalism and integrity with a 70% pass rate on its assessment. In order to train for the ACA, it is necessary to train within an ICAEW Authorised Training Employer or under an Authorised Training Principal who will have been inspected by ICAEW and be subject to our Training Standards.

***Q14. Please describe the process you offer for professionals who have gained the relevant UK qualifications to be brought onto your register.***

33. Once the ACA student has completed a training agreement with an ICAEW authorised training employer or principal and submitted an online training file with the final sign off from their employer, they have up to 12 months to apply and become an ICAEW member.
34. For practising rights, however, there is another application process that a professional must follow to engage in public practice in the UK or the EEA which includes complying with ICAEW's Professional Indemnity Insurance and Practice Assurance Regulations.
35. And most importantly, for audit rights, there are more stringent requirements to follow in order to be recognised as a UK auditor. There is a minimum of three years general training and work experience obtained within an ICAEW Authorised Training Employer (ATE), at least two of the three years must have been completed within an EU firm of registered auditors. The professional must have achieved a minimum of 240 days appropriate audit experience. Of the 240 days audit work experience; at least 120 days must be in statutory audit work as defined in the Companies Act 2006, and; the rest must be in either statutory audit work or other audit work similar to statutory audit work.

***Q15. How often do you review your processes and standards? In your answer, please describe both formal and informal ways this is carried out (e.g. via consultancy, membership surveys) and include detail of any changes you have recently made based to this process.***

36. ICAEW consults with a range of stakeholders (employers, tuition providers and technical experts) each year as part of the annual ACA syllabus update. This ensures that the qualification content remains relevant and fit for purpose. In addition, the ICAEW conducts every five years, a comprehensive and detailed review of its qualification involving a lengthy consultation process.
37. In reviewing our standards and practices we consult internally through governance processes and externally with stakeholders that represent the many different areas of the accountancy profession from academia, practice, business and our regulator, the FRC and our members. This process ensures that the qualification is relevant to the market and meets regulatory requirements.

**Q16. Thinking about key changes that have been made to your qualification processes, what have been the key changes?**

38. There are constant changes as the qualification and the profession is constantly evolving in content and structure to remain leading. Some examples are embedding the assessments with computer based technology, allowing non-ICAEW members to supervise ACA training where they meet our standards, offering training in business and public sector, not just public practice, offering training in countries all around the world, not just the UK, introducing remote invigilation, and creating a new CFAB qualification.

**Q17. Do you feel that the current standards you set, against which applicants are assessed to enter onto the register, are a fair reflection of the level of skill, training, education, and experience required to practise their profession? Please explain your answer.**

39. Yes, the current standards are appropriate because of the regular and frequent reviews and assessments we undertake with relevant stakeholders – as explained in our answers above. Our qualifications and processes are subject to annual FRC audits that decide whether we are maintaining the quality standard under the Companies Act to retain our Recognised Qualifying Body status.

**Q18. Please detail any principles of regulation you follow (e.g. proportionality and transparency) and how you uphold them, and whether they support you in your duties as a regulator.**

40. ICAEW adheres to the Legislative and Regulatory Act of 2006, Section 21, which includes proportionality principles known as the Hampton principles of proportionality, accountability, consistency, transparency, and targeting. We will also observe the EU Proportionality Directive for so long as UK law requires.

**Q19. Please detail any requirements you may place on the professionals you regulate and why they are necessary. If you do not impose any requirements, please justify your reasons for not doing so.**

41. ICAEW students and members must abide by the ICAEW's general and disciplinary bye-laws, Code of Ethics, and CPD requirements. ICAEW regulated firms and Authorised Training Employers must abide by the regulations and standards attaching to their authorisation.

**Q20. Please describe the process by which you determine your application fees. Please set out any principles or guidelines you adhere to when determining fee amounts.**

42. Membership application fees are set by the ICAEW to cover the cost of processing one's admission to membership. Once a professional has completed this membership admission process and fee, they pay an annual membership subscription fee. These fees are reviewed internally by the ICAEW Finance department to ensure they are proportionate and in line with fees of the other professional bodies. The fees must then be approved by the ICAEW Board and the ICAEW Council.
43. There are additional fees associated with training to become an ICAEW Chartered Accountant. These include tuition fees, exam entry and learning materials. Students who have secured an ACA training agreement are generally supported with these costs by their employer.



**Q21. Please detail any changes that you are considering for your sector to ensure the profession you regulate stays relevant to current challenges. Does current regulation allow for you to make these changes?**

44. ICAEW is committed to the evolution and future of the profession. We undertake numerous activities to ensure our qualification is relevant and remains of the highest standard. As explained in our answer to question 15, every year the syllabus of the ACA qualification is reviewed and updated to stay in line with regulatory requirements, changes in the market, and the needs of the employers. As a result of this annual review, the qualification has been evolved with its addition of technology skills and knowledge, data analytics as well and concepts of sustainability and ESG. ICAEW has also embedded technology in its assessment and invigilation with all exams now available on computer and remotely invigilated.
45. ICAEW is engaged with government in ensuring the profession stays true to its public interest commitment. ICAEW supports the government in its reforms of the audit profession by participating in the Kingman review and Brydon review.
46. Due to regulatory oversight, ICAEW can make changes to its processes and qualification as related to accountancy but cannot make changes in the audit sphere without regulatory approval from our statutory regulator the FRC.

**Q22. Please detail any steps you take to help make sure that your standards and processes are adaptive, support innovation and promote social mobility.**

47. As explained in our reply to question 4 and question 21 above, ICAEW is committed to staying innovative and maintaining the highest standards in professional competency, training and development of professional accountants. Diverse schemes enable access to the profession whether as a school leaver or university graduate or as a member of another professional body.

## CONTINUOUS PROFESSIONAL DEVELOPMENT

**Q23. Please detail any continuous professional development that is required for professionals to remain on your register. Please include detail on how often this should take place, in what form, as well as the benefits of adhering and consequences of not adhering to these requirements.**

48. All ICAEW members are subject to CPD requirements. Members are required to maintain and develop their knowledge and skills to remain up to date with their current professional role. Members must make an annual declaration of compliance with their CPD requirements at the time they receive their membership renewal and supply their CPD record for review by ICAEW when requested. Please see [www.icaew.com/cpd](http://www.icaew.com/cpd).

## DIVERSITY AND INCLUSION

**Q24. Do you collect data on the diversity of both your UK and international applications? For example, on gender or ethnic background.**

49. ICAEW collects data on diversity and ethnicity in its UK and international applications, but this information is given to ICAEW on a voluntary basis and is therefore not mandatory.

***Q25. Please outline any steps you take to eliminate unconscious bias from your recognition process.***

50. ICAEW is committed to non-discriminatory measures and acting in the public interest as set out in our Royal Charter. In the ICAEW, the staff are given the opportunity to follow a training on unconscious bias.
51. ICAEW's marking processes for the ACA exams are also designed to eliminate bias. The marking process is anonymised for students so that the markers and second markers do not know the identity or location of the exam candidate.

***Q26. Please outline any steps you take to support job creation in the profession you regulate.***

52. ICAEW is engaged with employers in the UK and internationally in all sectors and works closely with the major accountancy firms: KPMG, EY, PwC, Deloitte, GT and BDO. ICAEW students also train with a number of medium and small employers. There are more than 2,200 ICAEW authorised training employers (ATEs) across the world which train ACA students. These range from accountancy firms of all sizes to FTSE companies and smaller businesses, as well as public sector organisations. To qualify as a chartered accountant, our students must complete a training agreement with an ATE. Subject to differences in audit rights, ICAEW ensures that all students, even independent students, wherever they train across the world receive support and guidance and the best possible chance of job success. Furthermore, ICAEW is very active in developing, delivering, and certifying apprenticeships. Apprentices can gain the ACA qualification after completing a level 7 apprenticeship in accountancy.

***Q27. Please outline any steps you take to attract a diverse workforce to the profession you regulate.***

53. ICAEW is committed to opening the accountancy profession to talented and ambitious people from all backgrounds, supporting social mobility. ICAEW supports the recruitment of trainees by working closely with schools, colleges and universities, and employers. ICAEW's recruitment teams actively engage and communicate throughout the country and through diverse forums whether at conferences, school events, online webinars, and partnerships with charity organisations to support social mobility and career development. We are further concerned with being able to reach out to potential students that may be left behind by the digital divide, and we are now focused on how to address this pressing issue considering the current crisis.
54. BASE is ICAEW's free national business and accounting competition for 16-17 year olds across the UK which teaches aspiring students some of the professional skills need in the accountancy and business world.
55. Access Accountancy is a collaboration of more than 25 professional services firms dedicated to improving access to the accountancy profession in the UK. The programme was established in 2014 with the ambition to promote diversity across all levels of the sector in the face of overwhelming evidence showing that applicants from lower socio-economic backgrounds are less likely to be hired.

**ADDITIONAL INFORMATION**

***Q28. Please detail any other information or evidence that you think we should take into consideration during this Call for Evidence.***

56. There is a need for more appropriate validation systems to be put in place to enable information sharing on professional qualifications. For example, the IMI database within the EU, to verify the credentials of applicants – and similar body to NARIC in the UK which is able to testify to the level of UK qualifications with other countries' qualifications.