Role of professional accounting bodies – trade associations or regulators?

Perspectives and questions to consider

Liam Coughan
Characteristics of a profession

» 'A disciplined group of individuals who adhere to high ethical standards and uphold themselves to, and are accepted by, the public as possessing special knowledge and skills in a widely recognized, organized body of learning derived from education and training at a high level, and who are prepared to exercise this knowledge and these skills in the interest of others. (Australian Council of Professions, 1995)

» Issue – this implies that the public interest should take precedence over the self-interest of members

» IFAC “protects the public interest” by encouraging high quality practices amongst its 157 members in 122 countries
Trade association or regulator?

- Historical context – accounting bodies originated in UK
- Emulated in other developed western economies (Australia, Canada, USA, Europe) but adapted to “fit” with legal and commercial cultures
- Example: in UK the “Royal Charter” granted unique powers for PBs to regulate their members. In the USA, CPAs regulated by State Boards of Accountancy
- “Managed self-regulation” permitted under EU 8th Directive, (Independent oversight)
- Systems of organization of accounting profession more identical in “common law” countries
- Elements of common law structures exported/imported into civil law/transitional economies with mixed results
IFAC SMOs

Adopt or use best endeavours to promote national adoption:

SMO-1 Quality Assurance
SMO-2 IAESB standards, guidance, pronouncements
SMO-3 IAASB (ISAs)
SMO-4 Code of Ethics
SMO-5 IPSASB (IPSAS)
SMO-6 Investigation & Discipline
SMO-7 IASB (IFRS)
Models – examples in REPAIRIS region

Regulated work recognized and regulated (Chamber of Auditors)
Self-regulating professional body including accountants and auditors (professional accountancy body)
Ministry of Finance licensing of regulated service providers, membership of PB or Chamber may or not be mandated
Trade Associations or Unions without statutory recognition
Cost of compliance with SMOs

Under managed self-regulation (where PB has substantial responsibility, subject to oversight), need for either large membership base, or large subscriptions or both

Oversight costs borne in part by industry, government and public interest entities

In many countries, unnecessary regulation (scope of application of IFRS for example) makes the compliance problem greater (and the cost)

But however economies implement the EUDs and SMOs, and whichever implementation model is chosen, there are fewer differences on the issue of the importance of accounting education
Some questions for consideration

Given that education comprises:
- Entry requirements (IES-1)
- Content of professional education program (IES-2)
- Professional skills (IES-3), values, ethics (IES-4)
- Practical experience (IES-5), Assessment (IES-6)
- CPD (IES-7) and Competence requirements for audit professionals (IES-8):

- What are the complementary and separate roles of the professional bodies (whether Chambers of Auditors or Associations of Accountants & Auditors) in education, and what should the linkages be with Universities and Regulators?
This was not a presentation

Accounting education CoP will succeed when its members can bring something to the table, and of course, take something useful away from it.