

10 March 2011

Michel Barnier, Commissioner  
European Commission  
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BELGIUM

By E-mail: [MARKT-PQ-EVALUATION@ec.europa.eu](mailto:MARKT-PQ-EVALUATION@ec.europa.eu)

Dear Commissioner Barnier

**Re: Consultation Paper by DG Internal Market And Services on the Professional Qualifications Directive**

As chair and secretary of the Steering Group of the Common Content Project, on behalf of the Steering Group, we would like to thank you for the opportunity to respond to the European Commission's Consultation Paper on the Professional Qualifications Directive.

### **What is the Common Content Project?**

The Common Content Project is a collaboration between premier accountancy bodies to develop, maintain and unify high quality professional accountancy education benchmarks, reflected in the distinct qualifications of these bodies and recognised internationally, as meeting the challenges posed by globalisation and the needs of diverse stakeholders. This objective of Common Content encompasses developing, maintaining and unifying those education benchmarks for professional accountants in the EU and worldwide.

Currently, nine leading accountancy bodies from six major EU member states are members of Common Content:

France	Compagnie Nationale des Commissaire aux Comptes (CNCC) Ordre des Experts-Comptables (OEC)
Germany	Wirtschaftsprüferkammer (WPK) Institut der Wirtschaftsprüfer (IDW)
Ireland	Chartered Accountants Ireland (CAI)

Italy	Consiglio Nazionale dei Dottori commercialisti e degli Esperti contabili (CNDCEC)
The Netherlands	Koninklijk Nederlands Instituut van Registeraccountants (NIVRA)
United Kingdom	Institute of Chartered Accountants in England and Wales (ICAEW) Institute of Chartered Accountants of Scotland (ICAS)

Common Content seeks to internationalise and harmonise the high quality educational outcomes for relevant skills of professional accountants that are subject to globalisation and changing public expectations, while retaining the strength of local educational structures, qualifications and designations. Participation in the Project is currently open to any accountancy body, within or outside of the EU, that shares these goals and has a reasonable likelihood of meeting Common Content requirements.

Since the Common Content Project is directed at the education and training of the accountancy profession, our comments have generally been limited to that profession. However, we believe that many of the issues, and solutions, that we have identified may be relevant for other professions. Our comments concentrate on those matters that are relevant from the perspective of the Common Content Project, rather than seeking to respond to all of the matters raised in the Consultation Paper.

### **The Importance of Education and Training of Professional Accountants**

We believe that the single most important factor in the quality of the accountancy services provided by professional accountants is the quality of professional accountants, which depends, in the first instance, to a significant extent upon their education and training. Furthermore, one of the most important factors affecting the mobility of professional accountants within the EU is the degree of harmonisation of their education and training.

However, the Consultation Paper does not address the issue of the quality of services provided at all (except as a barrier to mobility in Section 3.3), and only refers to the harmonisation of the education and training of professionals in Section 3.2 when mentioning European curricula as a means of improving mobility, in Section 4.1.1.2 when addressing the nature and extent of training as a mechanism to improve mobility, and in Section 4.2 when addressing continuing professional development. Consequently, it seems to us that, on the whole, the Consultation Paper places too much focus on *de jure* mobility and not enough on ensuring that education and training of professions among member states is *de facto* harmonised, which serves to raise the confidence of authorities, and the public, that services provided by professionals from outside their home jurisdiction meet the public's quality expectations. Even if professionals from an EU member state have the right to practice in another EU member state, if the public does not have the confidence that the services are of an expected quality, such professionals will not be successful in pursuing their careers in other member states, which constitutes a real barrier to mobility. In our view, *de jure* mobility follows *de facto* harmonisation of educational content.

We are writing this letter to you to make you aware of the real progress that has been made through the Common Content Project in developing high quality benchmarks for the education and training of professional accountants, harmonising professional qualification requirements for professional accountants in the EU among the participating accountancy

bodies within the major EU member states, and ensuring that the education and training for all of these professional accountants is of equivalent quality.

The letter is therefore divided into two sections. The first section explains how the development of high quality benchmarks for the education and training of professional accountants through the Common Content Project helps address some of the issues raised by the Commission in the Consultation Paper. The second section explains in greater detail how the Common Content Project is organised, how its high quality qualification benchmarks are structured, and what the advantages and challenges of the Project are.

## **Issues Relevant to Common Content in the Consultation Paper**

### ***Facilitation of the European Market by Improving the Mobility of Professional Accountants***

Sections 1 and 2 of the Consultation Paper appear to assume that the primary barrier to the mobility of professionals within the EU, and therefore the low percentage mobility of professionals within the EU, are caused by the qualifications barriers that are maintained by the registration and compensation measures that are permitted in the Qualifications Directive.

Since most enterprises and other institutions within the EU are subject to national law when operating within a particular member state, it is the relevant national laws and standards that apply when providing accountancy services. Hence, a single market for the provision of accountancy services within the EU depends upon harmonising not only accounting standards, auditing standards, quality control standards, ethical requirements, but also the harmonisation of, for example, business law and tax law. There is therefore a public interest dimension to ensuring that professional accountants are competent in national law and standards that does not exist to the same extent for other professions, other than the legal profession.

In this context, the member bodies of the Common Content Project have considered what the real barriers to cross-border mobility are and have consulted with the firms in their jurisdictions on this matter. In our view, the primary barriers to cross-border mobility are:

- The language barrier.
- Personal and social issues related to personal taxation, healthcare benefits, pension plans, career development and culture.
- Lack of complete harmonisation of accounting standards, auditing standards, quality control standards, and ethical requirements.
- Lack of harmonisation of business law, tax law and business customs and practices.
- Lack of knowledge about national qualification programs and effective lack of harmonisation of the content of those programs for those areas that are common to some degree (e.g., IFRS, auditing standards based on ISAs, quality control standards based on ISQC 1, financial management, strategic and business management, etc.).
- Difficulties in contacting, or in obtaining certified copies of documentation from, some jurisdictions to prove status as a professional accountant.

- The fact that in a majority of EU member states, most accountancy services are not regulated. In these cases the Professional Qualifications Directive (PQD) may be difficult to implement. The European Commission also needs to recognise that there is an interrelationship between the PQD and the Services Directive, and for statutory audits, the Statutory Audit Directive.

Despite these barriers, the larger firms regularly move staff from one EU member state to another without significant difficulty, particularly when such staff deal with matters that have some degree of harmonisation (e.g., IFRS for listed entities). Large firms are also able to deal more easily with the personal and social issues affecting the mobility of individuals. National approval, registration and the aptitude test only become relevant in a few instances when such staff decide to stay in the new EU member state and therefore seek to obtain the local professional designation so that their qualification is recognised in the local employment market. Based on information received from the firms, these “barriers” to the cross-border mobility of staff are not very significant.

In our view, it is the small and medium-sized firms that are less likely to move staff from one EU member state to another, but not because of national approval, registration or the aptitude test. The real barriers are:

- The language and cultural barriers become more acute for the small and medium-sized firms
- Personal and social issues related to personal taxation, healthcare benefits, pension plans, and cross-border career development are more difficult to overcome
- International standards (e.g., IFRS) are less relevant to small and medium-sized firms in some jurisdictions
- Lack of a common benchmark for education and training for those matters that are common, which makes small and medium-sized firms less likely to seek staff from outside of their member state, or for staff to seek to move to another EU member state.

The Common Content Project cannot resolve all these barriers to mobility, but it can make a contribution to the amelioration of the lack of a common benchmark for education and training by focusing on content and enhancing the comparability of different national accountancy qualifications. At the same time, such a common benchmark must recognise that significant parts of the education and training (e.g., national accounting law and standards and national ethical requirements) are not yet completely harmonised, and that, for example, business law, tax law, and national business practices and customs are not harmonised at all.

The accountancy profession in different EU member states developed differently historically, and so, there are services that the profession traditionally provides in some EU member states but not in others or the emphasis placed within a service provided is different. Furthermore, the delivery systems for education, training, and assessment (examinations) are very different from one EU member state to another. The stage of development of the country, the sophistication of its education system and the proximity of the education system to the profession are all matters of difference. Hence, uniform professional qualification requirements (i.e., an entirely European curriculum or “28<sup>th</sup> regime” without consideration of national content, as suggested in Section 3.2 of the Consultation Paper) for European-wide registration of professional accountants under the oversight of a single regulator at a

European level cannot be established at an EU level in the near future. However, it is possible to establish improved comparability and mobility of professional accountancy qualifications in the EU through increased harmonisation of educational content by means of Common Content.

The Common Content Project recognises both the similarities and differences needed in the education and training of professional accountants by not seeking to unify educational and assessment structures and delivery systems, but, based on defined learning outcomes, to harmonise the educational content for those areas that are common (IFRS, ISAs, ISQC 1, IFAC Code of Ethics, management accounting, strategy and business management, financial management), and to only provide a framework for those areas that are national in content (national accounting law and standards, national auditing and ethical requirements, business law, tax law, etc.). This system allows optimal harmonisation without losing the strengths of the national qualifications, which is entirely in line with the principal of subsidiarity of the European Union.

We also note that the Consultation Paper does not address the mobility of professional accountants from within the EU to states outside of the EU and from states outside of the EU into the EU. We believe that in its deliberations on the mobility of professionals the European Commission needs to take into account the global nature of many accountancy services and the fact that therefore professional accountants increasingly seek to cross the border of the EU when providing services. In this context, mutual recognition of professional accountancy qualifications between the European Commission and countries from outside the EU under comprehensive economic and trade agreements becomes a relevant consideration.

## **Responses to Relevant Questions Posed in the Consultation Paper**

*Question 2: Do you have any suggestions for the simplification of the current recognition procedures? If so, please provide suggestions with supporting evidence.*

In our view, establishing common regimes such as Common Content would lead to overall simplification of recognition procedures because all professionals that are educated under such a common regime would achieve automatic recognition for the common portion of the curriculum in all participating EU member states, and would only need to engage in further education for national content that would be assessed by means of an aptitude test.

*Question 4: Do you have any experience of compensation measures? Do you consider that they could have a deterrent effect, for example as regards the three years duration of an adaptation period?*

For statutory audit service providers seeking establishment in another EU member state, an aptitude test is required as a compensation measure by the Statutory Audit Directive. We have had good experience with the aptitude test as a compensation measure to ensure that candidates have mastered the national content and the local language needed to provide high quality auditing and other accountancy services in another EU member state. However, there are some difficulties with the aptitude test due to a lack of a common regime that harmonises the test. Consequently, harmonisation of certain aspects of the aptitude test, such as whether it is written or oral, its duration, timing, appeals, etc., may contribute to ensuring that the tests are proportionate. National content may need to vary from one member state to another. The establishment of a common regime, such as the Common

Content Project, provides a framework for harmonising such aptitude tests so that they are proportionate.

The professional accountancy qualifications under the Common Content Project already require a minimum common duration of professional training or experience of three years based upon International Education Standard 5 (IES5) issued by the International Accounting Education Standards Board (IAESB). Hence, a three year duration of adaptation is not relevant when a common regime such as Common Content exists for education and training. Furthermore, duration periods are not conducive to determining whether the necessary national content and language skills have been mastered. Duration periods are therefore an unnecessary barrier and should be eliminated.

*Question 5: Do you support the idea of developing Europe-wide codes of conduct on aptitude tests or adaptation periods?*

A common regime like Common Content obviates the need for codes of conduct on aptitude tests because such a regime sets a framework for the content of such tests and, when relevant, specifies that they can be given in the business language of the member state in which the candidate intends to practice. A code of conduct is not necessary for adaptation periods because, as we have noted, these are not relevant for those subject to a common regime that prescribes common minimum training periods.

*Question 7: Do you consider it important to facilitate mobility for graduates who are not yet fully qualified professionals and who seek access to a remunerated traineeship or supervised practice in another Member State? Do you have any suggestions? Please be specific in your reasons.*

We agree it to be important to facilitate mobility for graduates who are not yet fully qualified professionals because they have not completed their term of required professional experience and who seek to obtain such required professional experience in another EU member state. Recognition by a competent authority in an EU member state of a significant portion of practical experience obtained in another EU member state is in line with the principles of Common Content.

*Question 11: What are your views about the objectives of a European professional card? Should such a card speed up the recognition process? Should it increase transparency for consumers and employers? Should it enhance confidence and forge closer cooperation between a home and a host Member State?*

*Question 12: Do you agree with the proposed features of the card?*

*Question 13: What information would be essential on the card? How could a timely update of such information be organised?*

As a matter of principle, the concept of a professional card would be in line with the principles of Common Content. Essentially, when a common regime such as Common Content is in operation, then such a card would necessarily contain the information about the education, training and qualifications of a professional that are common across the profession. It would then provide a basis for the determination of access to an assessment of national content through an aptitude test in another EU member state. The card would therefore not necessarily speed up the recognition process, which would depend upon the successful completion of the assessment of national content through an aptitude test, but it may ease some of the problems that professionals have in putting together the

documentation they need when moving to another EU member state and the problems that competent authorities in other EU member states may have in evaluating education, training and qualifications to determine the national content that needs to be assessed or the credit that should be given for the content that is common. Therefore, such a card may enhance confidence and forge closer cooperation between a home and host member state. The features and content of the card would very much depend upon the nature of the profession. The home member state would need to be responsible for updating the card, including any additional education, training or qualifications obtained in other member states based on information received from the competent authorities in those states.

*Question 15: What are your views about introducing the concept of a European curriculum – a kind of 28th regime applicable in addition to national requirements? What conditions could be foreseen for its development?*

We agree that common platforms as currently conceived have failed. One of the primary reasons for such failure is the hurdle in Article 15 that requires an inventory of the situation in at least 2/3 of all member states, which, in our view, is a bottom-up, lowest common denominator approach rather than a top-down approach directed towards education and training that enables practitioners to provide the high quality services that the public expects. The advantage of common regimes when they are conceived in a manner such as Common Content is the commitment from the start to engage in a top-down process of determining the competencies needed for the profession to provide the high quality services expected by the public, rather than the “lowest common denominator”. This top down approach means that all participating member states and their professional associations need to suffer some “pain” in adjusting to the common educational benchmarks.

As a matter of principle, the requirements of Common Content represent a potential kind of “European curriculum” or “28<sup>th</sup> regime”, but Common Content recognises that such curricula or regimes cannot be entirely uniform for the accountancy profession across Europe: it can only contain common benchmarks for the common portion of education and training (e.g., financial management, IFRS, etc.), but not for national content (for example, in the accountancy profession, law and tax, etc.). Some flexibility is also needed to allow national add-ons to the common portion of education and training, as long as these cannot be required in the assessment of national content (aptitude test). We suggest that the European Commission consider adopting common regimes, such as Common Content, as a basis for harmonising the education and training of qualifications in the EU and to maintain the quality of those qualifications. To this effect, the Commission should encourage EU member states and professional associations to take part in such common regimes.

*Question 22: Do you see a need to modernise the minimum training requirements? Should these requirements also include a limited set of competences? If so what kind of competences should be considered?*

We do believe that education and training requirements for many professions need modernisation, and in particular, agree that there should be a greater focus on output-based competencies. A particular advantage of the Common Content approach is the fact that it harmonises content by means of defined learning outcomes, rather than delivery and assessment mechanisms (i.e., what matters is the competencies obtained, rather than how they were obtained). However, our experience in Common Content shows that it is a combination of learning outcomes and related knowledge required to meet those learning

outcomes that provides better clarity of the nature and depth of the competencies required. The ability to exercise a profession is also dependent upon interdisciplinary and other professional skills, such as cognitive skills (analytical and appreciative skills), behavioural skills (personal skills, interpersonal skills, and organisational skills), integrated and multidisciplinary skills and professional ethics, values and attitudes. Common Content underlines the importance of these professional skills in its Skills Framework. The approach to skills requirements builds on the International Education Standards (IES) 1-8 issued by the International Accounting Education Standards Board (IAESB). Hence, Common Content emphasizes those aspects of education and training of professional accountants that are central to the quality of the services provided.

*Question 27: Do you see a need for taking more account of continuing professional development at EU level? If yes, how could this need be reflected in the Directive?*

We agree that continuing professional development is a key issue for the continuing competence of professionals so that they can provide high quality services in a changing environment. For this reason, the accountancy profession does require CPD in most member states, and Common Content requires CPD in accordance with IAESB education standards. We would therefore support the harmonisation of CPD requirements by means of a common regimes such as Common Content.

*Question 30: Have you encountered any major problems with the current language regime as foreseen in the Directive?*

As we have noted, the greatest barrier to mobility within the EU is the language barrier. It is imperative that those seeking to provide high quality services to the public in a particular member state are able to communicate adequately in the local language. However, we do not believe that separate language testing is necessary. Rather, having candidates use the local language in the aptitude test for national content suffices to demonstrate whether a candidate is able to communicate adequately in a professional environment. This is why Common Content rejects language testing beyond the assessment of national content through an aptitude test.

### **The Common Content Project**

The Common Content Project is governed by a Constitution, which stipulates that an accountancy body shall be considered for membership as a Participating Institute only if its entry-level professional qualification:

- meets or exceeds relevant national and international requirements for professional accountants;
- meets or exceeds examination requirements at national, EU and international levels for statutory auditors of financial statements;
- meets or exceeds IAESB International Education Standards 1-8;
- requires integrity and a commitment to the public interest;
- requires compliance with the highest ethical standards including the IESBA Code of Ethics for Professional Accountants;
- requires holders of its qualification to meet or exceed national, EU and IFAC requirements for continuing professional development; and
- meets the criteria for membership established by the Steering Group.



Members are obligated to implement Common Content requirements in their qualifications. The Project is governed by a Steering Group with one member per accountancy body (if two accountancy bodies represent the same profession, they have two members with one collective vote). A simple majority is required for decisions, but changes to the Constitution or education requirements require a three-quarters majority. In practice, consensus is achieved.

Overarching educational requirements are set forth in the document "Qualification Requirements". The detailed educational requirements are set forth in the documents "Learning Outcomes and Knowledge" and the "Skills Framework". The Learning Outcomes and Knowledge document covers the professional and other knowledge needed to achieve the learning outcomes (professional values and ethics, law, information technology, and business environment, economics and quantitative methods). The learning outcomes are divided into the five service areas of professional accountants (assurance and related services, performance measurement and reporting, strategic and business management, financial management, and tax and legal services). The required knowledge, and knowledge level, are set forth for each learning outcome. Required professional skills are defined in the Skills Framework document.

The Common Content Project has a functioning compliance system under the oversight of an Oversight Committee that is independently chaired by M. Jules Muis, former Director General of the Internal Audit Service of the European Commission. The compliance system is described in the Compliance Manual. Under the Compliance Manual, each member body is required to perform a self-assessment of its compliance with Common Content requirements. This self assessment is then subject to independent review through a multinational review team drawn from outside of the jurisdiction of the reviewed body. The compliance process is overseen by the Oversight Committee of five members, two of which, including the chair, are independent of the member bodies. Once the Project has matured, it is the intention of the Steering Group to have the Oversight Committee composed of a majority of independent members.

A full self assessment and review process under the oversight of the Oversight Committee for all participating Institutes was undertaken in 2008 - 2009. This included the observation by the independent members of the Oversight Committee of selected review visits. The results of the review process indicated that all of the participating Institutes have met the requirements for continuing membership, but that more or less remedial action is required by the Institutes as applicable. The experience gained from the compliance process led to the revision of the Common Content educational requirements (including creating the distinction between requirements and guidance) and to strengthening the compliance process through a compliance manual.

For further information, the following documents in relation to Common Content can be found on the website of the Project ([www.commoncontent.com](http://www.commoncontent.com)):

- Organizational document
- Qualification requirements
- Learning Outcomes and Knowledge
- Skills Framework
- Compliance Manual

The primary barriers to new members to the Common Content Project from accountancy bodies from other EU member states and from other developed countries have been the following issues:

- The time involved in performing a self assessment
- The cost of a high quality review process
- The fact that there is no official pressure from regulators from within or outside of the EU for the harmonisation of education and training of professional accountants, whether through a common regime, such as Common Content, or otherwise
- For accountancy bodies from outside the EU, the fact that many national regulators or professional bodies in EU member states and the EU do not have a harmonised system in place to provide credit for at least the common portion of the qualifications from outside the EU.

The Steering Group surmises that these issues would be surmountable if the European Commission were to view Common Content as a model for the harmonisation of the education and training of professional accountants in the EU.

### **Summary**

In summary, the advantages of the Common Content Project as a means of harmonising a high level of education and training of professional accountants in the EU include:

- It represents a common regime for harmonising education and training that recognises both the areas that are common and the areas that need to be different in national qualifications under application of the principle of subsidiarity, but is not a uniform qualification with uniform educational delivery systems
- The common content portion of the Project provides detailed requirements and guidance on those areas that are common (e.g. IFRS, ISAs, etc.)
- The national content portion of the Project provides a framework for considering what is national (e.g., law and tax) and provides a firm foundation for the aptitude test and therefore for portability of the qualifications of professional accountants within the EU
- The inclusion of a skills framework, which helps ensure that professional accountants are able to apply their competencies in practice and is important for the adaptability of education and training
- Through its compliance system, it ensures real harmonisation – rather than just on paper
- Through its oversight system with some independent members, there is assurance that the compliance system is applied fairly
- The educational requirements, compliance system, and oversight have been proven to work in practice through the application of compliance and oversight processes in 2008-2009
- The Project can serve as a model for the mutual recognition of professional accountants between the European Commission and countries from outside of the EU under comprehensive economic treaty and trade agreements

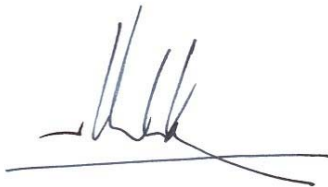
The by-products of the Project should not be overlooked. The Common Content Project fosters the cross-border exchange of views of those involved in the education and training of professional accountants in the EU – including academics, the profession, professional bodies and regulators – on such matters as educational programs and courses,

examinations and training. Such cross-fertilisation helps improve the quality of education of professional accountants on an EU-wide basis to the benefit of all stakeholders.

The Steering Group of the Common Content Project believes that the Common Content Project is a model for the harmonisation and maintenance of high quality of professional qualifications of professional accountants within the EU and on a worldwide basis.

Together with other members of the Steering Group, we would be pleased to answer any further questions you may have and would be pleased to have the opportunity to visit your offices in Brussels, or to invite you, or one or more representatives of DG Market, to one of the cities in which our member bodies reside, to discuss the contribution that the Common Content Project can make to the quality of professional accountants in the EU and the facilitation of the European internal market for services performed by professional accountants.

Yours sincerely



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