

A PROPOSED DEFINITION OF PROFESSIONAL ACCOUNTANT: A STAFF PAPER PREPARED FOR CONSULTATION

COMMENT SUMMARY

	Comment Highlights	Working Group's Comments
Compliance Advisory Panel (CAP)	<ul style="list-style-type: none"> • A number of comments were offered on the cover letter template. • A number of comments were offered concerning Staff's discussion (e.g., "Problems with the Existing Definition") • No specific comments were offered on the actual definitions of professional accountant or accountancy. 	Comments do not impact the IESBA Working Group's draft definitions.
IAASB	<p>Note: It appears that many of the edits reflected in the IAASB document shared with us were made pre-issuance of the final Staff Paper and therefore, are already reflected in the final Staff Paper.</p> <ul style="list-style-type: none"> • A significant number of edits were proposed to the Staff's Paper. • No additional comments/edits were offered on the actual definitions of professional accountant or accountancy. 	Comments do not impact the IESBA Working Group's draft definitions.
IAESB	<ul style="list-style-type: none"> • In general the IAESB supported the proposed definition of the professional accountant subject to the following concerns: <ul style="list-style-type: none"> • Clarify which stakeholders are included in the definition and which stakeholders do not fall within the definition; • Consider combining the 2nd and 3rd bullets of the 2nd level of the definition to improve clarity; • Clarify what is meant by high in the phrase, "... to a high professional standard" of the 3rd bullet of the 2nd level of the definition; 	<p>The IESBA Working Group has addressed many of these comments. Specifically the Working Group:</p> <ul style="list-style-type: none"> • Revised the 2nd and 3rd bullets of the proposed definition which adds clarity. • Clarified what is meant by a high professional standard by referencing the <i>IESBA Code of Ethics for Professional Accountants and IAESB International Education Standards</i> in the proposed definition. • Clarified the reference to "competence" by revising it to state that a professional accountant has "expertise in the field of accountancy, achieved through formal education..."

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	<ul style="list-style-type: none"> Review the wording of the 3rd level of the definition because this level may not be needed if definition is properly articulated; Clarify the reference to competence in the 3rd level by replacing with levels and areas of competence; and Clarify the term formal education Consider adding that professional accountants undergo assessment of their competence to the definition; and Review the definition to determine whether it covers the aspiring professional accountant (e.g., trainee or student). 	<ul style="list-style-type: none"> Clarified the term “formal education” by making reference to the <i>IAESB International Education Standards</i> in the proposed definition which establishes the education requirement. <p>The Working Group does not believe it is necessary to add a requirement to the definition that the professional accountant undergo an assessment of their competence. The reference to the IAESB standards should be sufficient in that the professional accountant will need to meet the requirements set forth in such standards.</p> <p>With regard to whether the definition covers the “aspiring accountant,” the Working Group agreed that it would not be appropriate for a trainee/student to be considered a “professional accountant.”</p>
IAESB CAG	<ul style="list-style-type: none"> In general the CAG supported the approach of providing a framework to define the professional accountant subject to following suggestions for clarification. <ul style="list-style-type: none"> Explain what is a professional and what distinguishes a professional accountant from technicians, specialists, as well as other types of professionals; Align explanations with the 3 levels of the definition to improve understanding; Enhance the explanation around why the 3rd level of the definition is needed; and Explain what accounting roles and activities should be included in the accountancy profession. Several CAG members suggested that the definition for the professional accountant could be improved by avoiding any linkage with jurisdictional matters and limiting the scope to financial accounting and 	<p>Most of the clarifications noted by the CAG appear to address the narrative/discussion of the Staff Paper rather than the definition itself. However, the IESBA Working Group has addressed some of these comments. Specifically the Working Group</p> <ul style="list-style-type: none"> Clarified what distinguishes a professional accountant from technicians, specialist, etc., by making reference to the <i>IESBA Code of Ethics for Professional Accountants and IAESB International Education Standards</i> in the proposed definition. Revised the definition of “accountancy” which describes the types of accounting roles and activities in the accountancy profession. <p>The Working Group is uncertain as to what CAG intended by recommending the definition should avoid “any linkage with jurisdictional matters” but it would appear the proposed definition would be applicable to professional accountants from all member bodies.</p> <p>The Working Group does not recommend limiting the scope to financial</p>

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	reporting.	accounting and reporting since the role of professional accountants is much broader and therefore limiting the scope would exclude many professional accountants.
Professional Accountants in Business (PAIB) Committee	<ul style="list-style-type: none">• The proposed approach causes the PAIB Committee significant concern because of two key reasons:• It does little to enhance the profile or status of professional accountants; and• With the inclusion of section VI, it seemingly excludes professional accountants in business.• Section VI must be removed as the scope of the definition should clearly relate to all professional accountants, and we should not be seen to indicate that professional accountants in business are not professional accountants, or in some way disenfranchised from the definition. Section VI currently implies that professional accountants who have moved beyond core finance and accounting roles are no longer considered a part of the profession. The definition should clearly be seen to embrace professional accountants who are in mainstream business roles, and particularly those who have become organizational leaders <p>Specific comments related to the definition include:</p> <ul style="list-style-type: none">• The definition does little to support the PAIB Committee's work in achieving the IFAC PAIB vision, which is the <i>Global recognition of professional accountants as business leaders and strategic partners in building long-term sustainable organizational success</i>. To achieve the PAIB vision and objectives, the PAIB Committee advises IFAC that it needs to portray professional accountants in business as being relevant to the needs of their employing organizations.• Fundamentally, the definition should emphasize a broader range of roles and activities undertaken by professional accountants.• The proposed approach is seemingly based on achieving an internal	<p>The PAIB's comments on section VI are outside the scope of the definition drafted by the Working Group.</p> <p>Many of the specific comments raised by the PAIB related to the definition focus on the concern that the proposed definition does not adequately capture the role of the professional accountant in business. Staff believes the definition of professional accountant should remain broad, applicable to professional accountants in business as well as public practice.</p> <p>The definition of professional accountant in business (as defined in the Code) is a separate definition that can be used by other boards and committees where the only focus is on professional accountants in business.</p> <p>The PAIB offers a revised definition of Accountancy. The Working Group does not believe these additional edits are necessary. For example, the Working Group does not believe it would be appropriate to include economics, control system and management processes into the definition of accountancy</p>

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	<p>facing objective of <i>helping to identify those for whom international standards are developed and directed</i>. It is not helpful in fulfilling the external facing objective of <i>guiding public awareness</i>...One approach to solve this challenge might be to clearly separate the needs of the standard-setting boards with the needs of IFAC. A separate definition might better serve the purpose of the public interest activity committees, which need to define the constituency to which their standards are applicable. An external facing definition will need to more broadly describe the role of professional accountants, and how they are distinct from other professionals.</p> <ul style="list-style-type: none">• If the Task Force wishes to use the proposed definition in the public domain, for clarity it should explain what a PAIB is, which is a widely used title by IFAC, and also used in the Code of Ethics for Professional Accountants. The definition is: <i>Professional accountants working in commerce, industry, financial services, education, and the public and not-for-profit sectors.</i>• In level 2 of the definition, add “<i>appropriate to the current role</i>” to <i>Demonstrates and maintains competence</i>. This reflects that professional accountants perform many different types of role.• In level 3 of the definition, remove reference to “competence”, as we do not want to imply that some accountants are competent while others are not. A PAIB needs to be competent to fulfill the current job role that they are performing: <i>Professional accountants can be are differentiated from one another by certain factors such as competence, responsibilities, and services provided.</i>• We propose a rewording (see yellow highlights): Accountancy – A field of practice involving the management, measurement, recognition, preparation, analysis, and/or disclosure of financial and relevant nonfinancial information, or auditing of or provision of assurance and advisory services on financial information and, where applicable, nonfinancial information. Such information	

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	<p>assists managers, investors, tax authorities, and other decision makers in resource allocation decisions. The field of accountancy involves the study of accounting, auditing, finance, financial management, and/or tax. Such information assists internal and external decision-makers, stakeholders and regulators in making strategic resource allocation decisions. The field of accountancy involves the study of accounting, economics, control systems, auditing, finance, financial management, tax and management processes.</p> <ul style="list-style-type: none">• A number of edits were also proposed to the Staff's Paper.	
Small and Medium Practices (SMP) Committee	<ul style="list-style-type: none">• We have significant reservations about the existing proposal. We suggest that the main, and perhaps sole, objective of having such a definition be one of raising awareness of the unique role and value of members of IFAC member bodies in the minds of the key stakeholders and the wider public, so that such parties can more readily differentiate members of IFAC member bodies from others. If one were to have this objective in mind the resulting definition would be quite different. We question the need, or at least the urgency of the need, to define 'professional accountant' for the purpose of the international standard setters supported by IFAC.• This differentiation needs to be a positive one that stresses how membership requirements serve to help ensure the integrity and competence, and in turn the quality and reliability of the work and services of members. It is important to recognize that this differentiation is of particular significance to SMPs who, like professional accountants in business (PAIB), find themselves in direct competition with those who are not subject to the various requirements imposed on members of IFAC member bodies, specifically those around education and training, CPD, ethics, and oversight and discipline which collectively underpin the quality of their work and service offerings. This switch in focus	<p>The SMP Committee questions the need to define professional accountant for purposes of IFAC standard setting bodies. They suggest retaining the definition which is currently being used by IFAC but supplementing it with explanatory guidance. While the IESBA and its Working Group have not specifically discussed this approach, it would be inconsistent with the objective of the Staff Consultation Paper and the direction the Working Group has taken.</p> <p>With regard to the definition of accountancy, the SMP Committee considers it to be too narrow in focus, and “unduly audit-centric.” The Working Group disagrees with this view and believes the examples described under the field of accountancy are sufficiently broad to cover non-auditors and professional accountants in business.</p> <p>The Working Group considered the comment regarding enforcement of the term professional accountant and concluded that member bodies are responsible for enforcement of their members and this is not an issue that should be addressed in the definition.</p> <p>The SMP Committee also recommends conveying the ethical and education</p>

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	<p>necessarily has significant implications for the form and content of the definition.</p> <ul style="list-style-type: none">• We question the merit of defining the term ‘professional accountant’ not least because it does not translate easily into other languages: different jurisdictions use different terms and these do not readily match with the term ‘professional accountant’.• It should also be noted that enforcement of the use of the term ‘accountant’ or ‘professional accountant’ is often problematic: in many jurisdictions there is little if anything to stop any one presenting themselves as a ‘professional accountant’.• Accordingly, we suggest that the definition can best help the public differentiate ‘professional accountants’ from others by defining what it means to be a member of an IFAC member body and, as part of the definition, explain the role, value and attributes of an accountant using the proposed text, suitably simplified and adapted, as a basis for this. Essentially we are suggesting retaining the definition which is currently being used by IFAC but supplementing it with explanatory guidance.• If, as we are advocating, public awareness were to be the main if not sole objective of having the definition then one may not need to go beyond supplementing the existing definition with some principle-based high level explanatory guidance. In particular, we suggest that the differentiation of types of ‘professional accountant’ is superfluous. In addition, we suggest the definition emphasize less what a ‘professional accountant’ is required to do and more what their skill set should be, with any differentiation based simply on experience.• Furthermore, consistent with the definitions of other professions such as law, teaching and medicine which do not refer explicitly to ‘professional’ to describe qualified members of their profession, one could argue that ‘professional’ is actually part of being an accountant and so can be implied. In this way we can define members of IFAC member bodies as simply being accountants and then go onto describe what we mean by this.	<p>requirements that members of IFAC member bodies comply and that educational references could be aligned with and draw specific reference to the International Education Standards. The Working Group has addressed this comment by making reference to the <i>IESBA Code of Ethics for Professional Accountants</i> and <i>IAESB International Education Standards</i> in the proposed definition.</p>

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	<ul style="list-style-type: none">• With respect to the explanation of ‘accountant’/‘accountancy’ we consider it to be too narrow in focus. In particular we believe it to be unduly audit-centric and as such tends to exclude, or at least de-emphasize, those members that work in practice but do little if any audit work and members working in PAIB. We suggest, therefore, that reference be made to the wide range of professional services that practitioners provide. To help make the appropriate change we highlight the relevant parts of the SMP Committee fact sheet which states that: <i>“SMPs typically offer a broad range of professional services that help their clients both comply with regulation and enhance their business performance. These services range from traditional accountancy-based services, such as audit, other assurance, accounting, and tax, to various forms of value-adding business advisory services, including advice on strategic planning, financial management, financing, and risk management. SMEs often, especially where they lack sufficient in-house expertise, look to SMPs to provide a broad range of professional services (see above).”</i>• To the extent to which the definition needs or would benefit from references to regulation then this ought to focus on registration, licensing and discipline, which serve to ensure quality of their work, as opposed to the type of service such as audit.• We consider that conveying the ethical and education requirements that members of IFAC member bodies comply with are critical to making the positive differentiation from others. Such requirements provide some degree of assurance to the employer or client that the person employed or practice contracted with are of integrity and competent. This is the value proposition of using a member of an IFAC member body. Hence the definition could usefully incorporate in some way the following: <i>“The Code establishes ethical requirements for professional accountants and provides a conceptual framework for all professional accountants to ensure compliance with the five fundamental principles of professional ethics. These principles are integrity, objectivity,</i>	

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		<p><i>professional competence and due care, confidentiality, and professional behavior. Under the framework, all professional accountants are required to identify threats to these fundamental principles and, if there are threats, apply safeguards to ensure that the principles are not compromised."</i></p> <ul style="list-style-type: none">• Educational references could be aligned with and draw specific reference to the International Education Standards which specify an entry level education requirement (when joining the member body as a student) be a first degree or its equivalent. Alternatively the definition could focus on the exit level education requirement (when attaining full membership of the member body) and stipulate that this be the equivalent of a higher degree.	
IFAC Department	Translation	<p>Note: It appears that the edits reflected in the IFAC Translation Dept. document shared with us were made pre-issuance of the final Staff Paper and therefore, are already reflected in the final Staff Paper.</p> <ul style="list-style-type: none">• A number of edits were proposed to the Staff's Paper.• No additional comments/edits were offered on the actual definitions of professional accountant or accountancy.	Comments do not impact the IESBA Working Group's draft definitions.