

Review of the EU UK Trade Cooperation Agreement, Part 2: Services

A public consultation issued by the Scottish Parliament's Constitution, Europe, External Affairs and Culture Committee

Response from ACCA (Association of Chartered Certified Accountants)

December 2024

REF: TECH-CDR-2201

About ACCA:

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of **252,500** members and **526,000** future members based in **180** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values. Across the UK our community includes 100,000 members and around 70,000 future members, working across a range of sectors including in practice as critical advisors to SMEs, in the public sector, financial services, manufacturing and all key sectors of the economy.

In Scotland, ACCA has a community of around 10,000 members and future members. With a substantial part of our global operations, employing around 700 people, based in Glasgow, we are also a large Scottish employer.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance, and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business, and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations, and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities. And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. Find out more at: www.accaglobal.com

Summary

- The arrangements for mutual recognition of professional accountancy qualifications are complex, since accounting services are regulated differently across different countries.
- This complexity existed while the UK was a member of the EU, however EU membership required steps to achieve mutual recognition, thus enabling ongoing mapping and agreements across different bodies. While some agreements remain in place, the requirement for bodies to maintain recognition has been lost.
- This primarily affects the ability of UK qualified auditors (the most heavily regulated aspect of accounting services) to work across the EU (with the exception of Ireland where agreements between the UK and Ireland exist).
- Data on exports of UK accountancy services suggests exports have grown since Brexit, while initial data suggests we have seen no noticeable change in member and student flows in and out of Scotland and the UK from EU nations.
- Instead, the impact of the loss of mutual recognition relates to lost opportunities for growth – especially in emerging areas of accounting services; restrictions on opportunities for mobility and access to regulated roles; as well as the loss of international insight and experience which furthers the global accountancy profession.
- In ACCA's recently published policy prospectus we called on the UK government to: *Ensure that mutual recognition of professional qualifications and trade in services are at the heart of ongoing and future Free Trade Agreement negotiations between the UK and other nations to expand opportunities for exchange of talent and support social inclusion.*¹
- In relation to measures relating to services within trade agreements, we would encourage a section on arrangements for mutual recognition of qualifications and licensing, through the competent authorities arranging working parties, with timelines to achieving MRAs to be confirmed by the Ministers of Trade or equivalent.
- Given the importance of the accountancy profession to all sectors of the economy, we would welcome the opportunity for specific mutual recognition agreements relating to accountancy. It is our understanding that such a sector-specific approach is not prevented via the terms of the CTA. One model might be the recent agreement between the EU and Canada on recognition of architecture PQs.²

Accountancy in Scotland and the UK

The accounting profession makes a significant contribution to the UK economy as well as being a cornerstone profession in society. Professional qualified accountants play a key role in keeping businesses and organisations compliant with legal and tax obligations. They are central to business investment and growth, as well as delivering audit and assurance services across society, which are critical to transparent governance public trust.

¹ [Accounting for a Better World: an ACCA policy prospectus for the UK](#), 2024

² https://policy.trade.ec.europa.eu/news/eu-adopts-first-ever-mutual-recognition-agreement-professional-qualifications-2024-10-10_en#:~:text=Today%2C%20the%20EU%20and%20Canada,be%20concluded%20by%20the%20EU.

The regulation of accounting services, such as general accounting, tax advice, audit and insolvency, differs from country to country. This requires agreements between different competent authorities, such as national Professional Accounting Organisations, as well as professional bodies. In the UK, for example, audit and insolvency are regulated, while accountancy and tax are managed by professional bodies.

- In 2022, it is estimated that the profession contributed £80.7 billion, or 3.4%, to UK GDP, and supported over 900,000 jobs.³
- Of these roles, most are associated with accounting, bookkeeping and audit while around 15% (138,900) are in supported roles, such as admin and IT. Overall, 357,200 are members of eight main professional bodies in the UK which operate in the accountancy-related profession (though only six are Chartered Accountancy professional bodies).⁴
- In Scotland, data suggests that 42,800 roles were directly associated with accountancy or bookkeeping in 2023. However, this may underestimate a range of other roles associated with an accountancy qualification.
- SDS's Sectoral Skills Assessment for Professional Services published in 2022 estimated that the sector's workforce is expected to grow by 6.2% between 2025 and 2032, to 74,400 people. It was forecast to account for 0.6% of Scotland's total number of job openings between 2022-25.⁵
- UK businesses spent an estimated £29.3 billion on accountancy services in 2022.
- Provision of accounting services (and the term 'accountant') are not statutorily protected in Scotland or the UK. The ACCA qualification leads to the protected title of 'Chartered Certified Accountant'. ACCA members must comply with certain requirements set out in our rule book - however, further requirements may be necessary depending upon their role. Examples include requiring a practising certificate (if operating in public practice) and complying with anti-money laundering requirements.
- However, provision of audit is regulated in the UK. The Financial Reporting Council (FRC) is the competent authority for the role of 'Statutory Auditor' and ACCA and three other UK professional accountancy bodies (ACCA, ICAEW, ICAS, CAI) are delegated authorities, and authorised by FRC to qualify and supervise statutory auditors in the UK.
- There were 4,310 audit firms registered in the UK at the end of 2022, according to the Financial Reporting Council (FRC). The market is heavily dominated by the 'Big 4' accountancy firms. The reported income of the top 100 firms in the UK was £19.7 billion in 2022, with approximately £15 billion of this reported by PwC, Deloitte, EY, and KPMG.

³ The Accountancy Profession in the UK and Ireland, Oxford Economics, 2024. Unless otherwise stated, data in this submission is drawn from this publication.

⁴ Key Facts and Trends in the Accountancy Profession, FRC, 2024

⁵ Professional Services Sectoral Skills Assessment, SDS, November 2022 (this publication now incorporates financial services)

SIC code data related to accountancy Scotland – sectoral skills assessment 2023⁶

Occupation	2023	2026	2033
4122 Book-keepers, payroll managers and wages clerks	30,400	30,700	30,000
2421 Chartered and certified accountants	12,400	12,800	13,300
Total	42,800	43,500	43,400

Exporting Accountancy Services

- The UK exported £4 billion in accounting services in 2022 – a doubling in the value of accounting services exports since 2016.⁷
- Overall, this accounted for 5.7% of professional service exports for the year, or 1% of all service exports. The UK had a trade surplus in accounting services of £1.7 billion.

Mutual Recognition of Accounting Professional Qualifications

- The regulation of accounting services differs across countries, including within the EU. The most important element of mutual recognition relates to recognition of 'Statutory Auditor' roles.
- Typically, a national professional accountancy organisation (PAO) is the competent authority in a country.
- Irrespective of high employer recognition of a global qualification, such as ACCA's, recognition and membership of the national PAO can sometimes be one of the requirements for access to the role of 'Statutory Auditor' in that country.
- This necessitates 'mapping' and agreement of recognition between the qualifications of professional bodies and PAOs.
- Outwith trade agreements, ACCA is able to enter into recognition arrangements for which it is the competent authority currently (offering the equivalent national PAO direct access to membership of ACCA and the use of our protected title 'Chartered Certified Accountant'). However, we consider such agreements carefully and only do so where there is demand and an established and respected relationship exists.
- Member recognition agreements may be mutual (a Mutual Recognition Agreement - MRA) in which case there is reciprocity of recognition into membership, and the partner PAO offers a recognised route (which may involve national law and tax examinations as well other experience or ethics requirements) for ACCA members direct into their membership. For example, the ACCA – Hong Kong Institute of Certified Public Accountants (HKICPA), MRA enables ACCA members to become HKICPA members, which provides eligibility to complete the requirements for a statutory audit licence.
- ACCA also supports recognition of our qualification within the education sector within our markets, depending on the national government legislation of their education sector. For example, in our domicile market of the UK we have gained full credit rating on the Scottish Credit and Qualifications Framework with our highest level of

⁶ Figures provided to ACCA by SDS based on data from Oxford Economics

⁷ The Accounting Profession in the UK and Ireland, Oxford Economics, 2024

exams being at UK master's degree level (level 11). We seek similar alignment or equivalency in our markets around the world. This recognition in the education sector can support applications for recognition to regulated roles within the accountancy sector.

Impact of EU Exit

- As outlined above, the financial data suggests that export of accountancy services has grown since the UK left the EU. However, the data does not specifically examine exports to the EU or whether export growth might have been higher were the UK still in the EU.
- The lack of provision for mutual recognition of professional qualifications in the CTA means that the requirement for mapping and recognition against UK qualifications no longer exists.
- However, some case-by-case agreements between UK bodies and PAOs within EU member states remain. For example, ACCA has historic agreements on recognition for Poland, Cyprus, and Malta.
- Renewing recognition on a case-by-case basis would likely be a significant burden on resources of the individual professional bodies involved. Notwithstanding the efforts of professional bodies, it is worth noting that this would not apply to recognition for EU Statutory Auditor status, since this is regulated by the UK government (via the FRC) in the UK and not in the gift of the professional bodies.
- The main impact of loss of mutual recognition reported by employers is the lack of recognition of UK qualified auditors who are no longer automatically qualified to practice in the EU.
- Feedback suggests that prior to EU exit, especially for larger financial services employers, there was greater fluidity of professionals across borders, for example undertaking a short secondment to an office located in the EU. While professionals could still work for their employer in different locations subject to visa requirements, they are no longer qualified to deliver certain services, and their experience will not be relevant for the purposes of maintaining their qualification.
- Further, if the EU were to further regulate aspects of accounting services in future (which may occur, for example, as both the UK and the EU introduce new sustainability reporting accounting standards with associated rules for assuring this reporting) potential new opportunities for UK firms or professionals will be limited.
- ACCA member and student data for Scotland suggests relatively low levels of movement between the EU and Scotland prior to EU exit.
- Examining those moving in and out of Scotland (by the country they are moving from) does not indicate any notable change in flows from EU member states in recent years. The EU is not a leading contributor to these figures, since the largest international flows of members and students into Scotland come from rUK, alongside Nigeria, Pakistan, India, and China.
- Exploring data for ACCA members who are Polish nationals (a strong market for ACCA within the EU) from 2021-22 suggests that 28% of ACCA members who recorded their nationality as Polish, were living in the UK. For 2023-24, this figure remains at 28%.

- Overall, the financial and membership data available to measure the impact of EU exit is limited but does not appear to indicate a substantial impact on either the flow of ACCA members moving in or out of Scotland or on the UK's exports of accounting services. However, it is challenging to quantify the lost opportunity for individual professionals or firms, as well as the wide range of additional benefits to mutual recognition.

Benefits of Mutual Recognition

- ACCA believes that mutual recognition drives up the value of our qualification amongst employers and students. It helps improve the opportunity for exports for our education sector (as ACCA is based in the UK), as access to more regulated roles in more markets makes the ACCA qualification more attractive to prospective students.
- For professionals, MRAs can allow easier access to regulated roles in certain markets, **opening** a wider variety of career options. Those include increased earning potential, career progression, and mobility.
- Recognition enables accelerated routes to membership for professional accountants who move countries without having to follow a student pathway. Our members cite the mutual recognition arrangements for the ACCA qualification as a key satisfaction measure and ensuring wider access to the profession is at the core of ACCA's ethos.
- Membership status allows more professionals to access membership resources including CPD, career services, as well as supporting the on-going development of the national profession with the rich benefits of global insights and experience.
- For employers, it supports employer choice and responds to demand, enabling them to employ member and student talent to meet their business needs.
- Mutual agreements promote healthy competition and counters protectionism. Accountancy is a global profession that works across borders and boundaries and needs to be able to practice fairly across different currencies, different national laws and even different cultural practices, thus the profession needs to be able to compete. To serve the public interest, this must be done on a level playing field as far as possible, within the law and with a firm eye on transparency and ethical behavior.
- Opening more markets to UK bodies and professional qualifications, as well as the movement of professionals across borders and the sharing of their expertise, supports the 'soft power' of both Scotland and the UK, an important element in supporting international trade.
Crucially MRAs help us strengthen the professional globally. Agreements can provide opportunities to build capacity, share expertise and collaborate on research and insights. This supports governments, regulators and PAOs to strengthen public value and address skills development in the finance sector.