

Please ask for:
Direct Line:
Email:

John Conway
Corporate Frameworks, Accountability and Governance Team
Department for Business, Innovation and Skills
3rd Floor, Spur 2
1 Victoria St
London SW1H 0ET

23 October 2014

Dear Mr Conway,

UK Implementation of The EU - Accounting Directive (Chapters 1-9: Annual financial statements, consolidated financial statements, related reports of certain types of undertakings and general requirements for audit)

The Chartered Institute of Management Accountants (CIMA) is a body incorporated under Royal Charter. The objects of the Institute include formulating standards of professional conduct and competence for those engaged in the profession of management accountancy, establishing rules, and disciplining members who fail to comply with such standards and rules. CIMA has more than 183,000 members and students worldwide.

Around 1500 of CIMA's membership are registered as being "in practice", the majority of them providing accountancy services directly to small and medium-sized businesses. CIMA Members in Practice act as reporting accountants for businesses that are below the threshold for audit exemption. We are pleased to offer the following comments and observations on a number of the questions posed in the consultation:

Question 3: CIMA agrees that it would be helpful to have a new set of Small Companies and Group Regulations which set out the new small company regime and incorporate both the small companies' exemption and the micro-entities exemptions clearly and in one place.

Question 5: CIMA agrees that the new regulations should apply to financial statements for financial years commencing on or after 1 January 2016.

Question 6: CIMA believes that companies should be able to access the new financial reporting regime (increased thresholds and revised reporting requirements) ahead of the mandatory application date of 1 January 2016. It will enable companies to prepare properly and provide a lead in time to allow accounting firms to amend reporting templates.

Question 7: CIMA supports the Government's proposal to maximise the small company thresholds and provide as many eligible companies as possible with the opportunity to access the small company regime. CIMA agrees with the financial reasoning in the impact assessment and believes that this will further reduce the burden on small businesses.

We do, however believe that there is no reason to delay the maximising of the audit exemption threshold in line with the small company regime (please see our answer to Question 31 below).

Question 8: A number of CIMA Members in Practice provide accountancy services to manufacturing companies many of which are above the current audit exemption threshold. The decision not to raise the audit threshold causes a negative impact on these companies as they struggle to grow post recession. The costs of an audit are typically around £6,000 per annum and there is an additional cost in the professional fees of accountancy firms for interacting with the auditors.

In addition, CIMA believes that it is important to communicate the benefits of audit exemption clearly to smaller companies that fall below the threshold. In the experience of CIMA Members in Practice many companies appear unsure as to the requirements for an audit and elect to have audits where they are not required by law. CIMA is keen to initiate a discussion with BIS on how this may be achieved through CIMA's communication channels.

Question 15: CIMA agrees that small companies should have the choice of preparing an abbreviated balance sheet and profit and loss account if they wish.

Question 31: CIMA does not agree with this proposal. CIMA does not see any discernible benefit for the audit exemption framework in the Companies Act to have to explicitly set out the current thresholds so that those thresholds continue to apply for the purpose of audit exemption, while the thresholds that apply for the purpose of the small companies accounting regime are increased.

CIMA believes that the thresholds for the small companies audit exemption should be increased in line with thresholds for the small company regime for accounting purposes. The Accounting Directive excludes all small undertakings and CIMA supports this. It would be less administratively burdensome for small companies - two thresholds is an unnecessary complication when companies should be helped to understand their obligations and fulfil them.

Please contact me if I can provide any further clarification on the CIMA response.

Kind regards,

Professional Standards Support Manager