

## **Notices of auditors leaving office - simplification for companies and auditor**

**Department for Business, Innovation and Skills**

**RPC rating: validated**

### **Description of proposal**

The Red Tape Challenge identified that both the auditor and the company, or companies, being audited must notify Companies House and the audit authorities whenever the auditor of a company resigns or is removed by the company (known as leaving office). It also identified several minor technical issues with the legislation regarding auditors leaving office that have the potential to create confusion and impose legal costs on companies.

The Department proposes to remove two notification requirements for companies and auditors in relation to the departure of auditors and clarify a number of technical issues.

### **Impacts of proposal**

The Department uses data collected by the Institute of Chartered Accountants in England and Wales and by Companies House on notifications of auditors leaving office. These data indicate that approximately 8,000 notifications are sent each year, although figures differ slightly by source, and different notifications require different quantities of information.

The Department estimates that the removal of the requirement for companies to notify audit authorities and Companies House when auditors leave office will save companies £385,000 per year. The Department also estimates that removing the requirement for auditors of non-listed companies to notify companies, audit authorities and Companies House on leaving office will save £352,000 per year.

The Department states that there may be limited benefits to a small number of businesses from the technical clarifications it is introducing; however it does not monetise these benefits. It also states that one of the clarifications will impose approximately £8,000 of costs per year on businesses as a result of a definitional change that will bring approximately 150 companies in scope of slightly stricter notification frameworks.

The Department expects that there will be one-off familiarisation costs of £236,000 for auditors. It also expects companies to remove auditors sufficiently rarely that they would need to familiarise themselves with the measure each time that they remove an auditor. This would impose additional ongoing familiarisation costs of approximately £8,000 per year.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of -£0.7 million. This differs from the EANDCB in the published IA for the reason explained below. This will be a qualifying regulatory provision that will score under the business impact target.

### Quality of submission

The IA for this measure was originally published in the last Parliament. However, as the proposal was only implemented on 26 May 2016, an EANDCB using 2014 prices and a 2015 present value base year is required for the business impact target. This was included in additional information provided to the RPC and on this basis the RPC can verify this as -£0.7 million.

### Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	-£0.7 million
Business net present value	£6.1 million

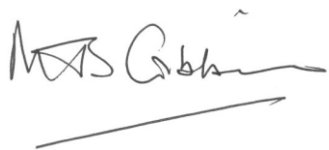
### RPC assessment

Classification	Qualifying regulatory provision (OUT)
EANCB – RPC validated <sup>1</sup>	-£0.7 million
Business Impact Target (BIT) Score <sup>1</sup>	-£3.5 million
Small and micro business assessment	Not required (fast track low-cost regulation)

<sup>1</sup> For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.

Opinion: EANDCB Validation  
Origin: Domestic  
RPC reference number: RPC-3383(1)-BIS  
Date of implementation: 26 May 2016

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**Michael Gibbons CBE**, Chairman