

BIPA's response to BIS document:-

Consultation on Audit Exemptions and Change of Accounting Framework

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For any queries please contact:-

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Background & Purpose

Business Information Providers Association (BIPA)

BIPA was formed in March 2011 following feedback from UK business. We are an Association comprising the five principal Commercial Credit Reference Agencies in the UK – Creditsafe, Dun & Bradstreet, Equifax, Experian and Graydon. It operates in a non-competitive way to address issues pertinent to the industry as a whole. Collectively the Agencies facilitate billions of pounds of business decisions each year.

Trade Credit is essential to business cash flow and far outweighs bank lending as a source of finance.

One of the Association's primary purposes is to facilitate economic growth through the promotion and protection of statutory publicly available data used by the Credit Reference Agencies. This information is essential because it helps to reduce the risk inherent in business transactions; deters fraud; and facilitates the granting of credit.

Response to the Consultation - Summary

BIPA welcomes the opportunity to respond to this Consultation and would support any Government approach which reduces administrative and cost burden on British Businesses.

However BIPA does not endorse the overall principle of reducing audit requirements and has evidence that businesses which do not have their accounts audited often attract a lower credit score. The lack of audit generally weakens the validity of financial data being presented; is not helpful in the preparation of business plans and can negatively impact decision making for both trade and bank lending. This latter point is particularly important as one of the key challenges today is difficulty in lending.

Official statistics show that the fraud is on the increase, a fact supported through data held by BIPA members. Reducing the transparency and external verification of financial information will see a continued rise in fraudulent activity in our view.

BIPA members and others that purchase and make extensive use of Companies House data would also have to incur additional unplanned costs to change their methods of data capture if proposals in this Consultation go ahead.

Answers to each of the questions are given in the “Yes, No, Not Sure” format as outlined in the Response form, with some additional comments where needed. Some questions we are not able to respond to, either because we have no way to quantify assumptions being made or we simply have no view.

Question 1

As already explained, BIPA is not in favour of reducing audit requirements for any companies.

Question 2

No Response.

Question 3

No.

Question 4

No.

Question 5

The effect of exempting companies from mandatory preparation of accounts, mandatory filing of accounts and mandatory audit of accounts will lead to less transparency of data; negatively impact on lending and credit decisions; and result in an increase in fraud.

Question 6

There are always difficulties in defining a dormant company and often critical data stored within the overall accounts. We are not in favour of reducing the level of information being made available. Companies taking advantage of limited liability status and the benefits this gives them should continue to be required to declare audited financial data in the public domain.

Question 7

BIPA does not agree with Article 57 exemptions.

Question 8

See earlier comments – there should be no further exemptions from audit.

Question 9

See earlier comments – there should be no further exemptions from audit.

Questions 10, 11, 12, 13

No response.

Question 14

No – further loss of statutory information in the public domain is not a good idea.

Question 15

Yes, we agree that the costs would exceed any benefits that might arise.

Question 16

No response.

Question 17

No.

Question 18

Not sure – what is the definition of “all debts” – would this include creditors and amounts already written off?

Question 19

Not sure.

Question 20

No response.

Question 21

No response – this is a Government regulatory decision.

Question 22

No response – this is a Government regulatory decision.

Question 23

Once every 5 years at minimum – too frequent movement from one standard to another would cause inconsistency in financial analysis.

Question 24

No response.

Question 25

No response.

Question 26

Yes, we firmly believe that these proposed changes will increase the risk of financial irregularities and the potential impact on stakeholders would be a rise in levels of fraud.

Question 27

Not sure, but we believe switching between accounting frameworks more often than once every 5 years would be highly confusing.

Question 28

No response.

Question 29

No response.

Conclusion

Whilst BIPA does not support the Proposal to increase audit exemptions we would be more than happy to help BIS further understand our views and quantify what we believe the impacts would be. We would also be delighted to continue dialogue on what could be done to aid trade credit and deter fraud.