

BUSINESS INNOVATION CENTRE  
INNOVATION WAY  
WILTHORPE  
BARNLEY S75 1JL

2 GENESIS BUSINESS PARK  
SHEFFIELD ROAD  
TEMPLEBOROUGH  
ROTHERHAM S60 1DX

15 HIGH STREET  
ROTHERHAM  
S60 1PT

T +44 (0) 844 414 5100  
E info@brchamber.co.uk  
W www.brchamber.co.uk

23<sup>rd</sup> December 2011

DAVE

Dept for Business, Innovation & Skills  
Spur 2, 3<sup>rd</sup> Floor  
1 Victoria Street  
London  
SW1H 0ET

Dear Secretary of State,

Barnsley & Rotherham Chamber of Commerce would like to outline our thoughts on your open consultation on Audit Exemptions and Change of Accounting Framework.

There is a substantive argument for the reduction and abolition of regulation which does more to hinder businesses than safeguard the economy and market against malpractice, corruption and potentially fraudulent business activity.

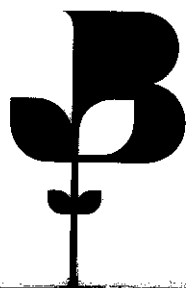
It is ironic that, at a time where a distancing of UK Law from EU Law and Directives is seen as a positive move to reduce unnecessary and burdensome regulation and legislation, that we in this case should be taking advantage of an opportunity through adopting Article 51(2) of the 4<sup>th</sup> Council Directive (78/660/EC) - which would enable us to legislate to provide SME's with the opportunity to choose not to audit their accounts subject to meeting specific criteria.

As a Chamber of Commerce, we support the overarching principal of adopting the said directive. We believe that the incumbent system in the United Kingdom is grossly outdated and does nothing to support SMEs who want to qualify for audit exemption. Indeed, requiring companies to fulfil the balance sheet and turnover criteria to be classified as a 'small' company, and not accepting number of employees as one of those required criteria does not achieve what the Government intended - flexibility, inclusivity and crucially reduced costs for all SMEs.

The EU model of classification for 'small' companies is such that businesses only need to fulfil two of the three criteria: turnover, balance sheet total and number of employees which is much more flexible and less proscriptive. It is obvious that the current system precludes that some SMEs do not qualify for audit exemption, merely because they don't fulfil the relevant turnover and balance sheet requirement to be defined as a 'small' company.

As a Chamber, on behalf of our member businesses, and SMEs generally in the South Yorkshire region, see below our suggestions on the various proposals.

- That all of Article 51(2) under the 4<sup>th</sup> Company Law Directive be adopted and thus abolishing the current system of requiring businesses to satisfy at least the turnover and balance sheet criteria to be classified as a 'small' company. That the European model of requiring companies to meet at least 2 of the 3 criteria and not be proscriptive about which ones be adopted, with the following criteria being applied:-
  1. Number of employees – no more than 50
  2. Balance sheet total – no more than £3.26 million
  3. Turnover – no more than £6.5 million



**Barnsley & Rotherham  
Chamber of Commerce**  
The Ultimate Business Network

Chamber of Commerce (Barnsley and Rotherham) Ltd.  
VAT Reg. No. 746 0350 47 Company Reg. No. 4029723 Company Reg. Address: Business Innovation Centre, Wilthorpe, Barnsley S75 1JL

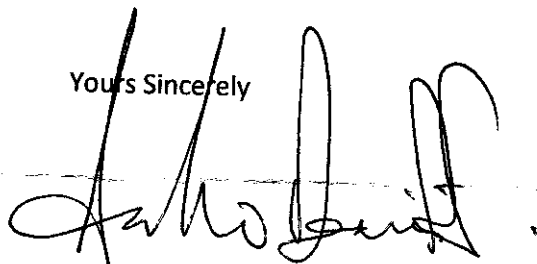
- That the Government's extra two conditions on mandatory audit for company subsidiaries be adopted – 'f. The subsidiary is unquoted', 'g. The subsidiary is not in the banking or finance sector'. It is imperative that condition 'g' is adopted to protect against corporate negligence, malpractice and over liberal financial activity.
- That Article 51(2) of the 4<sup>th</sup> Company Directive (78/660/EC) not apply to registered charities, regardless of whether they meet at least two of the three criteria. It is incumbent upon all charities to account for expenditure that is funded and sourced publicly to safeguard against corruption, fraudulent and exploitative activity. This is also an important aspect to be mindful of to ensure there is no contradiction with the Charity Commission's own guidelines.
- That the following criteria be applied for registered charities only.
  1. Number of employees – no more than seven
  2. Balance sheet total – no more than £500,000
  3. Turnover - no more than £1 million

The Chamber is fully supportive of the overriding principal behind the recommendations cited in the consultation document and the safeguards around the subsidiary exemption criteria which is crucial to protect industry and the markets against over-liberal business activity. Our suggestions around how charities should be treated as part of the exemption criteria is based on an ethical assumption that charities, due to their funding models, are more easily exploited by individuals or companies for monetary gain.

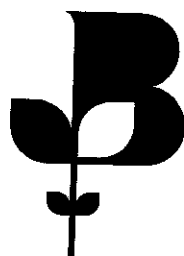
We would like to put on record our support for the round of consultations the Government is having around the red tape and legislation agenda, which is seen as a burden and hindrance for many businesses who spend too much time ticking the boxes rather than doing what they do best - creating wealth and opportunity.

We would strongly suggest that you do not neglect and underestimate the potential positive impact that real reform in regulation could harbour for many businesses across the country, not just South Yorkshire.

Yours Sincerely



Andrew Denniff  
Executive Director



Barnsley & Rotherham  
Chamber of Commerce  
The Ultimate Business Network