

# AccountancyAge

## BIS warned on consequences of raising audit thresholds

by Richard Crump

30 Oct 2013

1	451	368	80	46	83	74	29	15
39	164	94	45	73	38	99	25	73
35	166	172	54	91	85	49	75	45
			10	30	62	49	30	31
433	896	2,132	2,390	3,850	2,175	1,999	2,850	1,999
870	2,845	1,001	1,920	1,748	2,997	2,999	1,999	1,999
1,427	1,133	1,308	3,928	3,176	2,514	2,859	2,109	1,999
2,424	2,697	1,710	1,287	1,272	2,999	2,78	1,999	1,999
1,692	1,844	1,725	2,110	1,928	1,999	1,999	1,999	1,999
1,199	1,903	1,442	3,222	3,299	2,199	1,999	1,999	1,999
2,032	1,198	2,453	1,272	1,999	1,999	1,999	1,999	1,999
290	92	288	119	99	75	75	75	75
243	430	159	169	169	169	169	169	169
249	271	524	524	524	524	524	524	524
301	175	354	354	354	354	354	354	354
17	3,809	2,452	2,452	2,452	2,452	2,452	2,452	2,452
94	6,303	1,999	1,999	1,999	1,999	1,999	1,999	1,999

**THE QUALITY** of company accounts could deteriorate over the next ten years if the range of [businesses](#) that are exempt from having an audit is increased, experts have warned.

As part of changes to the EU's Accounting Directive, voted through European Parliament earlier this year, member states can significantly increase the size of businesses that do not require audited financial statements.

Speaking at an ICAEW event in the City last week, Malcolm Bacchus, an institute council member, said accounts could "look worse than they are now" if audit exemption thresholds are further increased to

include [companies](#) with a turnover below €12m (£10.3m) and a balance sheet below €6m.

"There's a whole tranche of businesses I worry about," Bacchus said, adding that the Department [for Business](#) Innovation and Skills (BIS) would need to monitor the quality of unaudited accounts filed at Companies House as any deterioration would happen over a long period.

Last year, BIS aligned mandatory audit thresholds with range of businesses that can be defined as small, and thus exempt from an audit, under EU rules.

Companies are exempt from requiring an audit if they meet two out of three qualifying criteria - a balance sheet of less than £3.26m, turnover below £6.5m and fewer than 50 employees. However, a new paragraph introduced into the EU's Accounting Directive earlier this year could effectively double the size [company](#) able to obtain an exemption.

EU member states have until 2015 to implement the directive, and BIS is expected to consult on any changes next year. However, accountants and capital [providers](#) are concerned about the implications such changes would have.

Stephen Pegge, director of group external relations at Lloyds Banking Group, expressed concerns that presenting audit "as a burden" and something that is "required by law other than something of value" was not "terribly helpful".

© Incisive Media Investments Limited 2013, Published by Incisive Financial Publishing Limited, Haymarket House, 28-29 Haymarket, London SW1Y 4RX, are companies registered in England and Wales with company registration numbers 04252091 & 04252093