



CORPORATE TRANSPARENCY AND REGISTER REFORM: IMPROVING THE QUALITY AND VALUE OF FINANCIAL INFORMATION ON THE UK COMPANIES REGISTER

Issued 1 March 2021

ICAEW welcomes the opportunity to comment on the consultation *Corporate Transparency and Register Reform: improving the quality and value of financial information on the UK companies register* published by the Department for Business, Energy and Industrial Strategy in December 2020, a copy of which is available from this [link](#).

We strongly support efforts to improve the quality of financial information on the UK companies register. We believe improving the value of the information on the register will benefit trade and the economy, and also help combat economic crime. We also support the ambition for companies to be able to file once with government and encourage BEIS to take further steps to achieve this goal. We are, however, concerned that some of the proposals and suggestions within the consultation paper do not align with the goal of ensuring that requirements for companies are proportionate.

This response of 1 March 2021 has been prepared by the ICAEW Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. The faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 186,500 chartered accountant members and students around the world. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

© ICAEW 2021

All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is appropriately attributed, replicated accurately and is not used in a misleading context;
- the source of the extract or document is acknowledged and the title and ICAEW reference number are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

For more information, please contact: representations@icaew.com

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)20 7920 8100 F +44 (0)20 7920 0547 icaew.com

The Institute of Chartered Accountants in England and Wales (ICAEW) incorporated by Royal Charter (RC000246)
Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

KEY POINTS

SUPPORT FOR THE INITIATIVE

1. We welcome the consultation by the Department of Business, Energy and Industrial Strategy (BEIS) about ways to improve the quality and value of financial information on the UK companies register and believe reform in this area is required as a priority. ICAEW recognises the value of the information held on the register in supporting trade and the economy and we welcome steps to improve the integrity and quality of that information.

DUE PROCESS

2. We thank BEIS for granting us an extension to the deadline for submitting responses. We would nevertheless like to register our concern over the timing of this consultation and the period of time allowed to respond. Given the importance of the proposals and their potential to have widespread and significant effects on all UK companies, we would have expected a longer consultation period. Similarly, awareness of the consultation may have suffered due to its publication close to the end of the year, and in light of unprecedented challenges facing companies as a result of the COVID-19 pandemic and Brexit.
3. We are encouraged to note that BEIS intends to continue to engage with stakeholders as this project progresses, to ensure it has sufficient high-quality input before taking action. We also encourage BEIS to consult again on this project as more concrete proposals emerge. We stand ready to respond to these further proposals and contribute to this important project.

A STEP IN THE RIGHT DIRECTION

4. We support the ambition of allowing companies to file once with government, believing this will reduce burdens for companies and improve efficiency for both companies and government. We also support the goal of introducing mandatory digital filing, with tagging, and greater checks of information filed. We believe that these are positive steps that will increase the value of the data held on the register and assist in preventing economic crime.
5. We are concerned however, that some of the proposals and suggestions within the consultation paper do not align with the goal of ensuring that requirements for companies are proportionate. Shortening filing deadlines and requiring companies to file the most detailed set of accounts they produce are likely to increase burdens placed on companies significantly, particularly smaller companies. In light of the current range of challenges being faced by UK businesses, we encourage BEIS to carry out and publish careful cost-benefit analysis of these proposals.
6. There are also important challenges that will need to be overcome and further consideration is needed as to how these measures would be implemented in practice. As a next step and to inform future proposals, it would be helpful for BEIS to gather more evidence and research, including for example, to understand how:
 - Information made publicly available on the register is used, and by whom;
 - Data submitted under a file once approach might be appropriately safeguarded;
 - Suitable, simple and accessible filing software can be made available for all sizes of company; and
 - Checks can be appropriately targeted to best combat economic crime.

FILING DEADLINES – CAUTION NEEDED

7. While we recognise the merits of ensuring financial information is as current as possible, we believe this must be balanced with ensuring the information is of high quality. We also recognise that technology advancements have enabled certain aspects of accounts to be

prepared more quickly and efficiently. However, the process of preparing and auditing accounts still requires significant levels of human resource. Therefore, we believe further consideration must be given to the practical impacts of shortening filing deadlines. A proportionate approach that strikes the right balance between improved timeliness of information with quality and increased costs to companies is required.

FILING REGIMES – THE BIGGER PICTURE

8. While we note that there have been improvements in the filing regime for smaller companies in recent years, we welcome a review of the filing requirements for such companies. In particular, we believe consideration could be given to removing the option to file abridged accounts and also to the filing processes for dormant companies.
9. However, in our view, a more fundamental review of the reporting regimes in UK company law, and the associated reporting requirements, is needed. For example, by reviewing the company size limit thresholds and related eligibility criteria held within legislation. As part of this review, we would also welcome a review of the micro-entities regime. We encourage BEIS to consider these areas further to clarify the underlying issues and develop solutions accordingly.

ANSWERS TO SPECIFIC QUESTIONS

SECTION 1: TOWARDS FILE ONCE WITH GOVERNMENT

Question 1. What features of the Companies House and HMRC filing regimes should be kept under a harmonised filing process?

10. Currently, certain companies with straightforward tax affairs can file their Company Tax Return with HMRC and accounts with Companies House at the same time, using the Company Accounts Tax Online (CATO) software. According to the government website, the software enables accounts and computations to be submitted to HMRC in the correct machine-readable (iXBRL) format.
11. We believe that there are many advantages to having harmonised filing processes between Companies House and HMRC. In particular, it helps to prevent instances whereby companies can file information to the two agencies separately containing fundamentally different information.
12. However, although this service is available, only a small proportion of companies are eligible to use it. In addition, we understand that take up of the system has been low due to ongoing and critical issues with the system's taxonomy for tagging purposes.
13. We believe that with appropriate investment, a harmonised filing process between Companies House and HMRC is desirable and achievable, and support this being retained and expanded as part of the larger ambition of filing once with government.

Question 2. What information (if any) in annual accounts should not be made public?

14. We do not believe that the consideration of a file once approach should have a bearing on what information in annual accounts should or should not be made public; we consider these to be two distinct topics.
15. In deciding what information should not be made public, appropriate consideration needs to be given to the commercial sensitivity of information. As noted in the consultation document, company accounts contain valuable information, and although it is a fundamental principle of companies afforded limited liability protection that information should be filed and made publicly available, the ability of the company to be able to carry on its trade effectively and

without serious prejudice must also be respected. A balance needs to be struck in order to achieve transparency while still preserving a proportionate regime.

16. As an example, we believe that small and micro entities should continue to have the option to not make public their profit and loss account and the notes to the profit and loss account on the grounds of commercial sensitivity (see our response to question 19).
17. We also understand that the UK companies register contains more data than many overseas registers. This needs to be taken into account if any changes in the information made available to the public are to be considered. The provision of information should not be at the expense of domestic businesses ie, by in effect assisting overseas competitors.
18. Consideration would also need to be given to the potential impact of making information publicly available. If new requirements increase the information available on the public record, it is important that a clear justification is provided and supported by evidence. Taking this approach is more likely to gain the support and improve the compliance of businesses in the longer term.

Question 3. What benefits do you envisage for filing once across government?

19. We strongly support the ambition of allowing companies to ‘file once with government’. We believe that this will reduce compliance costs for companies and improve efficiency for both companies and government. We also believe that a ‘file once with government’ approach will assist in preventing fraudulent activity by ensuring consistent information is provided to government agencies.
20. A further potential benefit of a ‘file once with government’ approach is that government will have access to valuable information that could be provided in turn to companies eg, in the form of a data pack, as we understand happens in some other countries. This may, in turn, act as an incentive to comply with filing requirements. For example, companies could be provided with data regarding their sector or geographical area that might assist decision-making and help government achieve policy objectives that benefit society more widely, such as in relation to transport or climate.
21. We would also encourage consideration of whether a filing once approach with government could be extended internationally, such that filing financial information in the UK could also meet the filing requirements of other jurisdictions globally. We recognise this to be an ambitious and longer term opportunity, but think further efficiencies might stand to be achieved.
22. While we have noted below concerns and challenges with a filing once approach, we believe these are outweighed by the benefits. In line with the National Data Strategy recently announced by the Department for Digital, Culture, Media & Sport, we support the use of data in a file once model and consider it an opportunity to be embraced, with the caveat that appropriate safeguards and data security measures need to be in place.

Question 4. What challenges do you envisage for filing once across government?

23. We believe that clarity is required over the meaning of ‘file once’. We have noted it is often understood to imply that information would be required to be filed simultaneously ie, that filing deadlines of different government agencies would be aligned. For the purpose of this response, we have understood it to mean that information would only be required to be filed once via a single portal, but that information could be filed at different points in time in accordance with various current filing deadlines.
24. An area of challenge will be concerns around safeguarding and data security, to ensure that individual government departments can only access the information that they are legally entitled to from the central volume of data filed by a company. For example, HMRC will

require access to a detailed profit and loss account but in some cases, this should not be made available to Companies House.

25. A second key area of challenge will be ensuring that the compliance costs of filing are not substantially increased as a result of a wide range of government departments requesting data to be filed. Where requests for additional data to be submitted or accessed are made by government departments, these must be appropriately scrutinised and be supported by evidence demonstrating a genuine need for the information to be filed.
26. Consideration will need to be given to defining and establishing the format and content of information that will meet the needs of all government departments. For example, defining the format and content of a profit and loss account that meets the needs of HMRC and is also suitable to be made publicly available on the register at Companies House.
27. Government IT systems will also need to be aligned across departments so that data can be readily shared between different parts of government. This will also involve being able to identify the purpose for which information has been filed. For example, when filing a profit and loss account, it will be necessary to identify whether it has been filed for the purposes of HMRC, the public register or both.
28. As noted above, we have understood a 'file once' approach to allow for information to be filed at different times. A file once approach that requires information to be filed at one time will, however, be challenging for companies. When combined with shortened filing deadlines, as well as increasing logistical burdens, it is likely to have a detrimental impact on the quality of certain information (see our response to question 10). Coordinating accounts preparation with tax compliance work under this approach would be a particular area of challenge.

SECTION 2: REQUIRING FINANCIAL INFORMATION TO BE DELIVERED IN A DIGITAL FORMAT

Question 5. In your view, why do some companies continue to file on paper?

29. Some companies choose to file on paper due to a lack of access to the technology needed to be able to file digitally and/or the costs associated with accessing software being disproportionate.
30. In the case of small, micro or dormant companies in particular, directors may be filing information for just one, or possibly a handful, of companies, meaning they need only file information on a small number of occasions per annum. In these cases, some consider the cost of purchasing software and/or the time required to become familiar with software in order to file digitally to be disproportionate when compared with the cost of filing on paper (ie, printing and postage).
31. We also believe some companies that file on paper are likely to be doing so deliberately, to avoid scrutiny. Such companies are often engaged in fraud or economic crime and are not necessarily small companies.

Question 6. What challenges will mandatory digital filing present?

32. We believe that clarity is required over the meaning of the terminology 'digital filing'. For example, will filing a set of accounts in machine-readable pdf format constitute a digital filing? For the purpose of this response, we have understood 'digital filing' to refer to filing through a digital software solution.
33. In our view, mandatory digital filing has the potential to be a positive and important step forward and we support plans to move towards this goal. In particular, we agree that mandatory digital filing:
 - Will ensure the UK keeps up to date with international best practice;

- Enhance the value of information through comparability; and
- Help to combat economic crime.

However, we have noted some challenges below that will need to be overcome to ensure an orderly and proportionate transition to mandatory digital filing.

34. A key challenge will be the accessibility and associated costs of software, with its provision needing to cater for all sizes of company. Consideration will need to be given to whether portal style software (similar to that currently used for income tax self-assessment) should be utilized or whether third party software should be made available. In the latter case, it will be necessary for third party suppliers to collaborate and coordinate to ensure consistency in the information filed by the systems.
35. A balance will need to be struck between software solutions that are simple and easy to use, with the need to submit information that complies with relevant reporting requirements, and that also provides relevant information for other government agencies.
36. Companies are encouraged by regulators to provide tailored, entity-specific information in their accounts and to avoid boilerplate disclosure. A balance will need to be achieved between software that allows free-form entry to cope with such disclosures with the need for consistent information to be submitted that complies with regulatory and accounting standards' requirements.
37. The use of third party solutions may result in cost implications for companies that consider it necessary to employ the services of accountants to be able to file their accounts digitally.
38. Fully digital filing will also require the implementation of a formal digital signing process, as a requirement to sign by hand reduces the speed and efficiency of the filing process. We believe the implementation of digital signing by both directors and auditors would, to some extent, help to tackle fraud.
39. A further challenge will be to ensure the accessibility of mandatory digital filing to all, without any disproportionate impact, in terms of cost or otherwise. During consultations, an example was highlighted of a person whose IT system is adapted due to their disability, with some software not able to run smoothly on their computer due to these adaptations. Given the limited number of instances that they need to file information at Companies House, they currently consider the cost and inconvenience of installing software for the purposes of digital filing to be disproportionate when compared with paper filing.

Question 7. What can government do to assist these companies to transition to digital filing?

40. The introduction of mandatory digital filing should not result in disproportionate cost or time burdens on companies. Software should therefore be freely available and be simple to use, without the need for extensive training. A realistic, transitional period should also be put in place.
41. Software needs to be adequately tested to ensure compatibility across operating systems, including adaptations to core operating systems that may have been implemented for example, use by those with disabilities.
42. Help and support should be available to users to aid implementation and to deal with issues such as system errors. Back-up systems will also need to be in place to cover outages, including those caused by hacks.
43. As far as possible, the means of filing should not increase the amount of information required from filers or require them to present information in a way that is significantly different from how it is prepared currently, as this might result in unnecessary time and expense being incurred.

44. We also believe providing portals or templates via which information could be input directly by companies may be preferable compared to requiring companies prepare information in a format that would meet the requirements of digital filing.
45. Options should be retained to permit non-digital filing in exceptional circumstances, eg for those without access or the ability to use the relevant software or geographical areas without adequate internet access.

SECTION 3: FULL I-XBRL TAGGING OF FINANCIAL INFORMATION

Question 8. What challenges do you foresee with filing fully tagged accounts with Companies House?

46. For many companies, tagging has become an extra step within the reporting process and can be perceived as a burden. It often takes place at the end of the reporting process and may not always be undertaken with the same level of attention as other steps, which can result in errors and inconsistencies. There also appears to be a lack of awareness of the benefits and value resulting from tagging. We believe that efforts are needed to highlight these benefits, including evidence or examples of how the information is used.
47. For example, one concern we noted relates to how incorrect tagging may have adverse consequences, such as affecting the credit rating of a company and that such consequences may be difficult to reverse. Awareness of how tagged information might be used, and the consequences of incorrect tagging, is important and may encourage improved processes by companies.
48. There is also a need for greater awareness as to what constitutes 'fully tagged' accounts. For example, while HMRC require all accounts submitted to them to be fully tagged, there is a lack of clarity of what this means which can lead to incomplete or incorrect tagging. Similarly, further clarity would be helpful for a company that files abridged or filleted accounts. For example, would it be required to tag only the information filed or be required to file full accounts for tagging purposes, despite only abridged or filleted versions being filed? The latter of these scenarios would appear to result in an unnecessary level of tagging. Further clarity in this regard would be beneficial.
49. We are aware that the taxonomies currently used to tag accounts for HMRC purposes contain a large number of tags, sometimes for similar items. This leads to inconsistencies in tagging and reduces the ability to analyse and compare data. Consideration could therefore be given to streamlining taxonomies.
50. We also consider collaboration with other regulatory authorities, such as the Financial Conduct Authority, to be important to avoid a proliferation of taxonomies that might otherwise lead to inconsistency and incomparability.
51. Looking ahead, a further challenge to implementing full tagging requirements effectively will be determining if and how they can be enforced, including how to appropriately sanction non-compliance.

Question 9. As a user of financial information on the register, what information in a company's accounts is critical for you and should be checked (validated) to ensure it is tagged correctly?

52. In considering information that users think it critical to tag, we would raise a note of caution about creating a regime that tries to meet the information needs of a wide range of possible users. Analysis of how information on the register is used, and by whom, together with related cost benefit analysis may assist in identifying the information that it is most critical to tag and check to ensure it is tagged correctly.

53. We encourage BEIS to continue to collaborate with other organisations such as the FRC to take steps that would aid companies and software developers in correctly tagging accounts. For example, the template accounts included within FRS 105 *The Financial Reporting Standard applicable to the Micro-entities regime* could specify which XBRL tag should be used for each data item within the templates. This would help achieve consistency of tagging across the micro entity population.

SECTION 4: REDUCING THE TIMESCALES FOR DELIVERING FINANCIAL INFORMATION

Question 10. With continual advancements in digital technology, what are your views on shortening the time allowed to submit accounts to Companies House?

54. While we recognise the case for ensuring that financial information published on the register is as current as possible, we believe this aim must be balanced with the need to ensure that the information is of high quality.
55. We do not consider advancements in digital technology in itself to be a case for shortening filing deadlines. While digitalisation has enabled certain aspects of accounts to be prepared more efficiently, the process of preparing and auditing accounts still requires significant levels of human resources. Certain procedures such as asset valuations also take time to complete.
56. While we recognise the scope for advancements in technology to have some impact on the ability to file accounts more quickly, we would like to see quicker filing being driven by companies better understanding and recognising the value of more timely information and, in turn, how technology can assist them in achieving this.
57. There are also considerable practical considerations, outlined below, that will need to be thoroughly explored before decisions are taken on shortening filing deadlines to ensure no unintended consequences arise.
58. We encourage government to consider ways in which companies can be encouraged to submit accounts in as timely a manner as possible. For example, by providing evidence of how filing accounts more promptly stimulates commercial activity and economic growth or facilitates investment and lending.
59. We also think it would be helpful to gather more data to determine to what extent there might be scope to shorten filing deadlines. For example, how many companies currently file ahead, and how far ahead, of their current filing deadline and what trends have been exhibited in recent years as technology has advanced?
60. Finally, we encourage consideration of whether filing deadlines for government accounts should be aligned with those for private companies.

Question 11. What would be the impact if filing deadlines were shortened to three months for public and six months for private companies from the end of the reporting year?

61. We do not support the shortening of filing deadlines to three months for public companies and six months for private companies from the end of the reporting year. We believe this will have a detrimental effect on the quality of reporting. We further believe that the effect it will have on the time available to audit those accounts will have quality implications. At a time when audit quality and trust in the profession are under scrutiny, these are major concerns.
62. We are also concerned that shortening deadlines to these timescales may:
- Impact on the ability to make materially correct estimates in accounts, for example in relation to tax. Any such errors may lead to amended accounts being issued subsequently, or further detrimental consequences if no amendments are made.

- Reduce the time available for directors, and where required auditors, to consider going concern and viability issues. This is a matter of concern in respect of all companies but would be particularly problematic in respect of public companies.
 - Require significant changes to working patterns in some accountancy firms. Workloads are likely to become highly compressed into certain times of the of the year, with the impacts of bottlenecks in workflows and additional costs such as overtime. Firms may find it necessary to pass some of these additional costs on to their clients, and there may be undesirable impacts on staff welfare in some accountancy firms.
63. Firms have also cited how compressed working patterns will lead to resources becoming under-utilised at certain points in the year. This may impact the number of trainees recruited into the profession and/or lead to working practices such as zero-hour contracts within the profession to manage the variable workflows. We believe smoother working patterns to be more efficient and cost-effective in the long-term.

Public companies

64. We believe shortening filing deadlines to 3 months for public companies would significantly increase pressure on both companies and audit firms, particularly for smaller quoted companies such as those listed on AIM and unlisted plcs. Whether all audit firms would have adequate resources to complete audit assignments within these timeframes is open to question. As well as the time required for companies to complete their year-end procedures, audit firms require time to:
- Carry out their field work;
 - Prepare reports and documentation for the Audit Committee; and
 - Complete their internal review procedures before sign-off.
65. We believe public companies currently work to finalise their accounts as quickly as possible and do not consider the benefits that might be gained by compressing this timeframe further outweigh the associated risks and costs.
66. Public companies subject to the Financial Conduct Authority's Disclosure and Transparency Rules are required to publish their audited annual report within four months of their reporting date. Consideration could instead be given to alignment with these requirements. We note however, that this would have implications for its interaction with current legislation requiring public companies to have an 'accounts meeting' within six months of the end of the financial year. In practice, the accounts meeting is typically combined with the annual general meeting (AGM). Thus shortening filing deadlines is likely to impact on the timing of AGMs.

Private companies

67. BEIS should explore whether a six-month filing deadline for private companies would result in the UK being out of alignment with many other countries. This may lead to practical challenges when preparing and filing consolidated accounts for groups with overseas subsidiaries. It may also impact the ability of some companies to take advantage of exemptions from consolidation eg, where there is an overseas parent.
68. We are aware that some companies view the preparation and filing of accounts as a compliance exercise. Such companies will generally file their accounts shortly before any deadline, irrespective of whether the deadline is say six or nine months after their reporting date. This may particularly be the case for owner-managed companies that do not see the value of continuous preparation of management information throughout the year or the value of filing annual information on the register.
69. It often takes longer to prepare accounts for these companies as they need time to collate the necessary information for the accounts to be prepared. Such companies may find it

particularly challenging to file their accounts to a shortened timescale. An alternative approach might be for government to consider ways to encourage information to be filed more promptly by demonstrating the value of filing information on a timely basis.

70. Incorporated charities may also find it particularly challenging to meet shortened filing deadlines due to the lower audit thresholds applicable. Accountancy firms that specialise in charity audits may be particularly impacted by increased pressures and bottlenecks as noted above.

Question 12. What measures could the government implement to ease the transition to shorter filing deadlines?

71. As noted above, we have significant concerns about shortening filing deadlines. However, should they be shortened, we believe any transition should be implemented gradually and over an extended timeframe.
72. We would also encourage consideration of an approach to shortening filing deadlines based on certain cohorts of companies. For example, and as noted above, by shortening the filing deadline for only those public companies that are subject to other regulatory requirements. Large private companies may be more able to comply with a filing deadline of six months from the end of the reporting period than smaller companies as they already prepare significant amounts of financial information on a regular basis as part of their day to day management, and have greater access to the necessary resources.
73. We also believe consideration needs to be given to the current challenging environment companies are facing in light of the pandemic and encourage any implementation to be deferred until companies are more able to manage the implications of shorter filing deadlines. Consideration also needs to be given to other requirements being placed on companies, for example Making Tax Digital and tagging.

SECTION 5: MAXIMISING THE VALUE AND INTEGRITY OF ACCOUNTS INFORMATION

Question 13. What will be the challenges for companies submitting a declaration of filing eligibility with accounts?

74. We strongly support measures to prevent abuse of the UK financial reporting regime and to combat economic crime. However, while we recognise that some companies deliberately file under the wrong regime to disclose less financial information than law would otherwise require, we question whether the submission of a declaration of filing eligibility signed by the director(s) would prove an effective measure.
75. We also believe that many companies that file under the wrong regime do so due to misinterpreting or not fully understanding the complexities of the thresholds and eligibility criteria for the various reporting regimes in UK company law.
76. A challenge of requiring the director(s) to sign a declaration of filing eligibility will be in ensuring that they understand the eligibility criteria of the various regimes, alongside the various ineligibility criteria. This may be challenging for director(s) without adequate skills and knowledge and who therefore rely on their advisors.
77. We recommend consideration is given to a broader review of the reporting regimes and their associated eligibility criteria prior to the introduction of a requirement to submit a declaration of filing eligibility. For example, are the current criteria of turnover, number of employees and balance sheet total appropriate criteria and are the thresholds set at the right levels? Some question whether there are too many hierarchies, particularly with the concept of 'very large' being introduced by the Wates Principles and other thresholds such as greenhouse gas emissions for Streamlined Energy and Carbon Reporting.
78. We also believe that simplifying and reducing the number of reporting hierarchies may remove barriers to growth. Currently, the number and range of thresholds mean that

companies must continually assess the implications of additional reporting requirements as they grow and approach these thresholds.

79. In addition, the current rules are located across several places within legislation. This exacerbates their complexity and can result in elements being easily overlooked.

Question 14. Under what circumstances, if any, should the eligibility information collected with the declaration not be published on the public register?

80. On balance, we believe that information collected with the declaration that would not otherwise be filed should not be published on the public register. For example, companies that are not filing a profit and loss account should not have their turnover published where it has been collected as part of their declaration of eligibility.

Question 15. What other information should Companies House collect that would be useful for:

- **Combating economic crime;**
- **Increasing the value of the information available on the register?**

81. With appropriate safeguards in place, Companies House should be able to share information collected with enforcement authorities that indicates a company is being established with a primary motive of economic crime.

82. Consideration might be given to a system whereby information collected at the point of registration or subsequently, might generate a flag being raised. The existence of a number of flags might then suggest that further investigation is warranted and/or that information should be shared with enforcement authorities. See our response *ICAEW Rep 26/21 Corporate transparency and register reform: powers of the registrar*.

Question 16. As the directors' declaration will need to include information in respect of turnover, balance sheet total and number of employees, what changes, if any, would you make to these definitions in Part 15 of the Companies Act to make the definitions clearer?

83. We recommend greater clarification of the terminology 'balance sheet total'. While it means total assets, it is often misinterpreted to mean net assets.
84. We also believe greater clarification of the definition of an employee would be beneficial to address trends being seen within the economy, particularly the emergence of the gig economy and off-payroll working. Clarification relating to whether directors who work within a company should be classed as an employee for the purposes of Companies Act size limits would also be beneficial.

Question 17. What would be an appropriate sanction for making a false declaration of eligibility?

85. As a first step, as noted above, we encourage government to consider ways in which they can support directors understand the eligibility criteria of different reporting regimes and believe that this may achieve greater compliance than introducing sanctions.
86. We accept however, that in cases such as false declarations with a deliberate intention to mislead, that sanctions such as fines or it being a criminal offence might be appropriate.

SECTION 6: REVIEW OF SMALL COMPANY ACCOUNTS FILING OPTIONS

Question 18. What is the minimum level of financial information that a micro-company should disclose on the public register?

87. The minimum level of financial information that a micro-company discloses on the public register should be determined by understanding the needs of users of that information. It would be helpful for government to obtain evidence of what information is used from that currently published by small and micro entities, and by whom, in order to determine the level of information that should be disclosed on the public register.
88. More broadly, we would welcome a review of the micro-entities regime in its entirety. This could coincide with the wider review of the different reporting regimes in UK company law as discussed in response to question 13. Such a review might helpfully explore and address concerns regarding the minimal level of information required under the micro-entities regime. We are also aware of criticisms of micro-entity accounts as providing ‘meaningless’ information, particularly when there is limited, if any, assurance over that information. Examples have also been noted of accountants being unwilling to prepare accounts for clients under the micro-entities regime as a result of these concerns.
89. Consideration could, for example, be given to increasing reporting requirements for micro entities to align with the requirements of the small companies regime. While a proper assessment would be needed, it is worth noting that much of the additional data that would be required can often be generated directly from accounting software packages, which we understand are widely used by such companies. The costs associated with increased reporting requirements may not, therefore, be significant when compared to the benefits of providing the additional information.
90. We are also aware that some support exists for the micro-entities regime, including in jurisdictions outside of the UK. Some view the deregulatory measures introduced by new UK GAAP to have been a considerable success and suggest it may have encouraged innovation and enterprise. One could argue that if the relaxations in the publication of information by micro-entities is justified, then perhaps consideration could also be given to extending them by removing the need for micro-entities to file accounts on the public register. These are interesting points for BEIS to consider, but also need to be balanced against those who argue that the principle of incorporation brings with it a responsibility for companies to be transparent and accountable. While we do not explore this debate in full here, we believe the issues should be discussed as part of a wider review of the micro-entities regime.

Question 19. Are there any existing filing requirements under the small or micro-entity regimes that could be discarded?

91. We support the removal of the option to file abridged accounts. We have noted that support exists for the filing of so-called filleted accounts, but that the option to file abridged accounts adds an unnecessary layer of complexity and is not an option widely taken up in practice.
92. We have also noted continued support for filing abbreviated accounts as existed under ‘old UK GAAP’.
93. We recommend that the approach to filing dormant accounts is reviewed. A significant proportion of accounts filed are dormant company accounts which do not change across many years, except for the date. Consideration could be given to a process whereby a box is ticked on the annual confirmation statement to indicate that the accounts remain unchanged, alongside a requirement that a full set of dormant accounts need be filed only periodically eg, every 5 years. We believe this could achieve significant efficiencies for Companies House in terms of data storage and processing, as well as reduce burdens for affected companies.

Question 20. What would be the impact on small companies if the Companies House filing requirement was aligned with HMRC's to require a profit and loss account?

94. We support measures that will improve consistency of the information filed at Companies House and HMRC. To assess the impact fully, clarification would be beneficial as to whether this proposal entails filling the profit and loss account with Companies House with a view to it being published on the public register or for it to be filed for other reasons such as regime eligibility checks.
95. We believe that requiring small companies to publish a profit and loss account, and accompanying notes, on the public register to be prejudicial to the interests of such companies and their members. This would allow significantly more commercially sensitive information to be readily available to a companies' competitors (see our response to question 2).
96. In addition, information required by HMRC is significantly more detailed than that required by accounting standards. Providing such granular information on the register would not improve its quality to the public.

Question 21. How do you think the current small company filing options could be amended to help combat economic crime whilst maintaining a simple filing system for small entities?

97. Consideration should be given to measures that will ensure consistent information is filed at Companies House and HMRC, as noted above.

SECTION 7: CHANGING AND CLARIFYING FILING REQUIREMENTS

Question 22. What would be the benefits of requiring companies to file the most detailed set of accounts that have been prepared?

98. We firstly note that a proposal to require companies to file the most detailed set of accounts prepared for company members appears to contrast with earlier elements of the consultation relating to information in annual reports that should not be made public and the discarding of aspects of filing requirements for small and micro-entities. It may be the case that clarification would again be beneficial as to whether this would entail the most detailed set of accounts being published on the public register or for other reasons, such as to ensure consistency of information filed between HMRC and Companies House.
99. We also think it necessary for clarification to be provided as to the meaning of 'the most detailed set of accounts prepared for company's members' in this regard. Companies prepare several detailed sets of accounts for a range of users such as management accounts and accounts for the HMRC purposes which it would not be appropriate to publish on the public register.
100. As stated previously, we support measures that will improve consistency of the information filed at Companies House and HMRC. Concerns have been noted that some companies are currently filing information with different government agencies under different regimes and believe such situations should be prevented. We encourage a review of the filing regimes with a view to reducing and simplifying the reporting hierarchies and their eligibility criteria (see our response to question 13).
101. We recognise that a potential benefit of requiring companies to file the most detailed set of accounts would be in the value of the information then held by government. As noted earlier (see our response to question 3) the data held by government contains valuable information that could be provided to companies in turn to assist their decision-making and to help achieve benefits for society more widely.

Question 23. What would be the disadvantages of requiring companies to file the most detailed set of accounts that have been prepared?

102. We believe considerable progress has been made in recent years to simplify and deregulate filing requirements for small and micro companies and a requirement to file the most detailed set of accounts would undo this progress. We believe this may discourage innovation and enterprise and discourage risk-taking.
103. We consider it prejudicial to the interests of a company and its members to require the most detailed set of accounts prepared to be filed (see our response to question 2).
104. We also anticipate tensions arising if companies were required to file the most detailed set of accounts prepared alongside a reduction in the timescales available to deliver financial information.

SECTION 8: GREATER CHECKS ON FINANCIAL INFORMATION

Question 24. What are your views about the general premise that checks should be conducted on all accounts prior to them being accepted as fit for filing on the public register?

105. We believe it desirable and achievable to increase checks on accounts prior to them being accepted as fit for filing on the public register.
106. Effective implementation of checks will require Companies House to expand its levels of resource and expertise beyond those that currently exist. As well as the right skills within its workforce, changes to IT systems may also be necessary. We believe such investment to be worthwhile as it will have a substantial impact on the ability to combat economic crime. See also our response to question 25 below.

Question 25. Additional checks will be limited. Bearing in mind resource and expertise constraints, can you provide examples of what information Companies House should check as a priority and how it can be checked?

107. We believe the proposed risk-based approach to exercising the querying power to be reasonable (see our response *ICAEW Rep 26/21 Corporate transparency and register reform: powers of the registrar*) and encourage a pro-active approach be taken. Where information is delivered electronically, we believe automated solutions may be able to highlight those high-risk filings that would benefit from a manual review (see our response to question 15).
108. Checks should be proportionate, especially bearing in mind resource and expertise constraints. Attention should be focused on checks that will help combat economic crime and identify fundamentally incorrect or incomplete information, rather than identify comparatively minor misdemeanours.
109. Examples of information that should be checked include:
- fundamental errors such as balance sheets that do not add up;
 - eligibility to file under the regime being used;
 - activity codes being kept up to date;
 - correct and complete tagging of information;
 - ID verification of company directors.

Question 26. Examples of suspicious activity in a company's accounts may be incomplete, inconsistent or apparently misleading information. Can you provide examples of information in a company's accounts that may be an indicator of suspicious activity?

110. Please refer to our response to question 25 and our response *ICAEW Rep 26/21 Corporate transparency and register reform: powers of the registrar*.

SECTION 9: DISPLAYING KEY INFORMATION ON THE REGISTER

Question 27. Which elements of financial information would be most useful to see on the company overview page?

111. While not related to the overview page, we believe consideration could be given to the timeframe over which company information is visible on the register. It is noted that currently information dating back 20 years is currently visible. As well as perhaps of limited relevance to users, this volume of data increases the clutter of information for users and consideration should be given to an archiving policy whereby certain information is only available on request.

Question 28. What non-financial information would you like to see on the company overview page?

112. No response submitted.

Question 29. Do you have any additional comments about this proposal?

113. A further step to improve the quality and value of data on the UK companies register may be to reconsider the audit threshold and to explore the potential benefits to the UK economy from lowering it. While the increased use of digital data at Companies House demonstrates an appetite for the information held on the register, proposals for change would require careful consideration and a full public debate.