

# IFA REPRESENTATION 3/21



## **Consultation on improving the quality and value of financial information on the UK companies register.**

The IFA welcomes the opportunity to comment on the Corporate Transparency and Register [consultation on improving the quality and value of financial information on the UK companies register](#) issued for consultation by BEIS on 9th December 2020.

We would be happy to discuss any aspect of our comments and to take part in all further consultations in this area.

Institute of Financial Accountants  
Member of the IPA Group  
CS111, Clerkenwell Workshops  
27-31 Clerkenwell Close  
Farringdon, London EC1R 0AT  
T: +44 (0)20 3567 5999  
E: [mail@ifa.org.uk](mailto:mail@ifa.org.uk)  
[www.ifa.org.uk](http://www.ifa.org.uk)

Established in 1916, the Institute of Financial Accountants (IFA) is an internationally recognised professional accountancy membership body. Our members work within micro and small to medium sized enterprises or in micro and small to medium sized accounting practices advising micro and SME clients. We are part of the Institute of Public Accountants (IPA) of Australia Group, the world's largest SME-focused accountancy group, with over 40,000 members and students in over 80 countries.

The IFA is a full member of the International Federation of Accountants (IFAC) the global accounting standard-setter and regulator. We are also recognised by HM Treasury and the Financial Services Authority in the Isle of Man to regulate our members for the purposes of compliance with the Money Laundering Regulations.

Copyright © IFA 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 is quoted.

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

For more information, please contact the IFA [mail@ifa.org.uk](mailto:mail@ifa.org.uk)

[www.ifa.org.uk](http://www.ifa.org.uk)

## General comments

1. IFA welcomes the proposed reforms which we consider achieves a balance between preventing economic crime while not placing additional filing burdens on firms.
2. The measures being introduced appear proportionate to the challenges with the benefits outweighing any associated additional burdens and costs.
3. The reforms will enable Companies House to be able to interrogate consistent data sources to aid the identification of criminal exploitation of vulnerabilities in the current regulatory framework and processes.
4. IFA would like to thank BEIS for the opportunity to respond to this consultation and offers its support and future engagement on corporate reform.

## Specific questions

### ***Section 1: Towards file once with government***

#### ***Q1: What features of the Companies House and HMRC filing regimes should be kept under a harmonised filing process?***

5. The IFA supports the concept of 'file once with Government' to simplify and align reporting requirements across government agencies such as HMRC, Companies House and the Charities Commission. The harmonised filing process should also include harmonised deadlines for filings. For example, charitable companies are required to file their financial statements within 9 months of the year end in Companies House and 10 months in the Charity Commission.
6. To be accessible, the IFA would encourage the Registrar to implement electronic submission systems that are open to many organisations at a low cost with the minimum number of administrative burdens to encourage full take up of digital filing.

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

7. Apart from the information provided as part of statutory requirements the IFA has no suggestions for any information that should be excluded from the public register and should at least include information that is publicly available.
8. One possible issue that should be considered would be to remove signatures to minimise fraudulent use.

#### ***Question 3: What benefits do you envisage for filing once across government?***

9. The administrative savings from filing once would be tangible to most reporters where multiple filing is required.

10. The consistent reporting available on different platforms will be of great advantage to readers of filed information.

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

11. IFA believe most reporters will have little difficulty provided there are simple and cost-effective systems available for reporters to file accounts digitally either directly to a platform or via third party IT system and software.
12. The Registrar would need to consider reporters with digital access problems and ensure they are accommodated with a realistic transitional period before mandatory digital filing is introduced.

**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?***

13. Anecdotally the IFA believe there are several possible factors including:
  - Lack of confidence in digital platforms by some users,
  - Reporters not using third party platforms and therefore not confident in tagging process,
  - Accounts can form part of an Annual Report produced by business and the fact that this cannot be accepted in a digital format without the removal of photographs, charts, etc. means reporters must provide separate financial statements, therefore it may be easier for reporters to submit both in paper form.
14. IFA have engaged with Companies House as part of the Accountancy round table meetings and local forums and have actively engaged with its members to promote digital filing by accountancy firms. It is rare that we encounter any unwillingness or obstacles to embrace digital filing.

***Question 6: What challenges will mandatory digital filing present?***

15. As detailed above the main challenge will be accessibility and affordability of reporting mechanisms and associated software.

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

16. It was noted that during the Covid-19 pandemic Companies House provided the facility for companies to file certain documents with Companies House by uploading them via the emergency filing service which could be extended during any transition period.
17. The availability of a direct system to run alongside reporting through third party software would also help those without the resources to use such software.

**Section 3: Full i-XBRL tagging of financial information.**

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

18. IFA practising members have already fully engaged with i-XBL requirements and there we do not envisage any challenges, other than stated above in points 11 and 12, when firms implement full tagging requirements.
19. IFA agrees that minimum tagging standards in i-XBRL would make financial information more easily identifiable both to users of the register and Companies House.

***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?***

20. IFA research company information on a daily basis and the key elements we interrogate are financial statements and ownership details of practising accountants to ensure firms meet regulatory requirements and appear to submit the correct form of prescribed financial statements based on their size.
21. The common search elements are:
  - Structure of the firm
  - Shareholding and voting rights
  - Filing dates met
  - Balance sheet and profit and loss statement (where appropriate)
  - PSC register
  - Outstanding charges

**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?***

22. IFA supports the proposal that filing deadlines should be reduced to ensure information on the register is as current as possible, however we are not clear what implications the changes would have for accountants such as, what are costs and benefits, also what additional burdens would the changes have on related professionals such as solicitors.
23. Regarding PLCs, it is not clear if this is this something that investors are asking for?
24. IFA would suggest that Companies House should consider how advancements in digital technology can be utilised first and make sure it works for all stakeholders before considering shortening the reporting periods when benefits can be understood after a full impact assessment for PLs and PLCs, as well as others such as Charitable Incorporated Organisations which still have a 10 months reporting period with the Charities Commission yet, a charitable company would need to file within three months of the financial year end.
25. Reporting deadlines for filing need to be aligned across all government bodies such as HMRC, Charities Commission and Companies House.

***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?***

26. Companies House may want to consider notice periods relating to AGMs which are the vehicle required to approve financial statements. Currently 21 days' notice is required to be given in advance of an AGM, however in view of the digital advancements IFA believe this could be shortened and clarity provided on holding such meetings via digital platforms. However, this would need to be discussed with other regulators that may be affected, to ensure consistency such as the Charity Commission.
27. IFA is not clear why there needs to be a difference in timescales proposed between the public and private bodies and can see no reason why this should not be consistent across both entity types.
28. It is not clear what the impact or benefits are for the different timings and there needs to be clear definitions of different legal entities and guidance on how they are each impacted.
29. A balance would need to be made to ensure annual reports are not in any way marginalised for the need to submit financial statements by the proposed reduced time frames.

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

30. IFA suggests there is as much lead in time to implementing reduced filing deadlines with appropriate transitional arrangements in place to accommodate the changes.
31. It may also be appropriate to carefully consider any sanctions in a sympathetic manner when introducing the reduced deadlines.

**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?***

32. IFA can see no specific challenges to requirement for a director to sign the eligibility statement.
33. This would improve the IFA's ability to scrutinise the eligibility to submit the chosen accounts based upon the three threshold conditions set out in section 15 of the Companies Act, namely turnover, balance sheet and employees.

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

34. IFA cannot see any circumstances where eligibility information collated with declaration should not be published on the register as this information would help with any disciplinary action taken against an IFA member regarding the misuse of appropriate accounting thresholds and reporting.

**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?**
35. The ability to quickly establish the number of current appointments of a director or designated member would be a useful indicator to look more closely at a company or individual.
36. The [Money Laundering and Terrorist Financing \(Amendment\) Regulations 2019](#) introduced the requirement for discrepancy reporting regarding PSC registers at the point of onboarding a new client in regulation 30A. From engagement with the Companies House testing team there appears to be a suggestion that there will be no audit trail of this on the public register. IFA would argue the persistent correction of the PSC from multiple accountants could also be an indicator of the director attempting to obfuscate the register and therefore consideration should be given to publishing details on the public register.

**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?**

37. IFA supports the notion of providing greater clarity to the definitions in part 15 of the Companies Act, however cannot provide specifics other to ensure details are clearly included in any documentation detailing a director's responsibility which could be cross referenced to future regulations.

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

38. IFA supports the proposal to introduce civil penalties such as fines, criminal sanctions, and director disqualifications as possible sanctions for making a false eligibility declaration.
39. Any proposed sanctions should be consistent with sanctions for other breaches of accounts submission requirements.
40. Care should be taken to include appropriate safeguards for directors who appear to have acted in good faith and were not aware their declaration was incorrect.

## **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?**

41. IFA believe it is important to find a balance between maintaining effective regulation and minimising burdens on businesses.
42. IFA would agree that all entities should be required to submit the same minimum financial information including threshold, balance sheet, employees as well as profit and loss as required by HMRC.

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

43. IFA have no evidence to suggest any of the existing filing requirements should be discarded.
44. IFA believe that as the majority of information is already required through i-XBR reporting to HMRC then this should not result in any increased burden on reporters, especially when considering the government file once philosophy.

**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?**

45. IFA believe that as the majority of information is already required through iXBR reporting to HMRC then this should not result in any increased burden on reporters, especially when considering the government file once philosophy.

**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?**

46. The requirement to submit consistent financial statements in a tagged form would enable Companies House to interrogate the complete register and identify trends and typographies that could be used to identify misuse of the register to identify criminal activity.

#### **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?**

47. The requirement for companies to file the most detailed set of accounts that they have prepared would assist Companies House, regulators and law enforcement to interrogate the financial health of a company and to ascertain indicators of illicit activity.

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

48. IFA can see no disadvantages other the increased administration, however this should be minimised when the government implements its file once philosophy.

#### **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?**



49. IFA agrees with the Governments proposal that Companies House should perform additional checks but that they will be limited to ensuring the information provided is coherent, complete for a company of that size/type and consistent with accounts submitted to other relevant agencies.

**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?**

50. IFA suggests that using i-XBRL tagging, the following items could be checked quickly, using automation and minimal resources:
- The company's classification/size, i.e., micro, small, medium-sized or large.
  - Checks to ensure all the required constituent information has been included such as balance sheet, profit and loss account, notes to the accounts, directors' report, annual report (where required)
  - Have the accounts been signed and approved in the required places?
  - Have the accounts been audited/assured and if so the inclusion of the audit opinion or assurance opinion e.g., independent examination
  - Tagging of Accountant/Auditor.
  - Tagging of Company secretary
  - Tagging of Solicitor.
  - Name of bank

**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?**

51. It is difficult to provide specific examples as often it is the underpinning detail that gives rise to suspicion rather than the actual filed financial statements. However, repeated late filings or excessive director engagements are used by the IFA as risk indicators.
52. A recent example giving rise to suspicion of illicit activity relates to a firm allegedly filing draft accounts with a foot note stating draft accounts being submitted, which includes a declaration that final financial statements will be submitted shortly. It is alleged that the reporter would only submit final accounts a few years later with materially differing net assets resulting in a changed position in relation to taxation and the ongoing solvency of the company. This could be a pointer towards criminal exploitation of the system.

## **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?**

53. From IFA's perspective the following information would be most useful on the company overview page as well as information already present:
- Full list of current directors or designated members,
  - Full list of shareholders and voting rights,
  - Number of employees or whole-time equivalents
  - Governance documents.

54. IFA recommends should consider the layout of the Charity Commission online register of charities as being a good example as it clearly sets all the charity details out, namely:
- Charity overview – summary of all details
  - What, who, how, where – objects and jurisdiction
  - Governance – organisation type and policies
  - Trustees – details of trustees and links to other appointments
  - Financial history – comparison between current and previous reporting periods
  - Accounts and annual returns – downloadable financial statements and reports
  - Governing document – full governance document
  - Contact information

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

55. From IFA's perspective the following information would be most useful on the company overview page as well as information already present:
- Size and classification of the company, i.e., micro, small, medium-sized, large, dormant
  - If the company is exempt from an audit/independent examination,
  - If the company prepared bridged accounts
  - The tagged accountant/auditor
  - The tagged Company secretary
  - The tagged solicitor
  - Whether the company accounts and reports been tagged

***Question 28: Do you have any additional comments about this proposal?***

56. Should there be a requirement that companies include the company number in their websites and other promotional platforms? While there is a current requirement to do so, it is not well publicised or enforced.

**Contact details.**

Should you wish to discuss our responses further, please contact Tim Pinkney, Head of Practice Standards by email at [timp@ifa.org.uk](mailto:timp@ifa.org.uk)