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To whom it may concern,

Corporate Transparency and Register Reform: Consultation on improving the quality of financial information on the UK companies register

We welcome the opportunity to respond to your consultation on improving the quality of financial information on the UK companies register.

The Quoted Companies Alliance *Accounting, Auditing and Financial Reporting Expert Group* has examined the proposals and advised on this response from the viewpoint of small and mid-size quoted companies. A list of Expert Group members can be found in Appendix A.

Our primary concern with the proposals is in relation to shortening the filing deadline for public companies from six months to three months as outlined in the consultation. This will produce significant unintended consequences and markedly impede the quality of financial reporting in the UK.

Please note that, as the independent membership organisation representing the interests of small and mid-sized quoted companies, our response is only concerned with the questions that relate to public companies.

If you would like to discuss our response in more detail, we would be happy to arrange a meeting.

Yours sincerely,

Tim Ward
Chief Executive

Responses to specific questions set out in the consultation

Section 4: Reducing the timescales for delivering financial information

Q10 With continual advancements in digital technology, what are your views on shortening the time allowed to submit accounts to Companies House?

The QCA does not agree with proposals to shorten the time allowed to submit accounts to Companies House and believes that the negative implications of doing so are significant.

Regardless of the level in which the technology is embedded and facilitates the publications of accounts more efficiently, the period in which a company needs to appropriately prepare their annual report and financial statements and to ensure all checks and balances have taken place remains the same.

Although the ease of filing has improved, the preparation, approval and auditing of those accounts has not. As referenced in the consultation paper itself, irrespective of digital technology advancements, the pressures on companies to prepare and submit their accounts remain and the ongoing COVID-19 pandemic has further impacted upon that. Furthermore, these pressures have been exacerbated due to the continuous introduction of new legislation which has required further content to be added in the annual report, substantial changes to the accounting standards, and the increase in the expectations of the role auditors and the work they perform on annual accounts.

Q11 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?

The QCA wholeheartedly disagrees with the Government's proposals to reduce the Companies House filing deadline from six months to three months from a public company's reporting year end. It does not appear that the Government has adequately considered the implications of making such a change. The implications of shortening the deadline to three months would be significant and would have a negative impact on the whole market ecosystem, namely, companies, auditors and investors.

The case for reform, as outlined in the consultation, is weakened due to the fact that public companies are required to keep the market up to date with significant changes to trading performance. We also disagree with the idea that the "receipt of accounts more promptly would increase the value of the data" on the basis that a reduced timeline could potentially decrease the validity of the data provided.

The current timeframe of six months allows sufficient time for a company to prepare its accounts, allow the audit to take place and then ensure that the Audit Committee and Board have appropriate time to review and approve the accounts. A reduction to this timetable, therefore, threatens the integrity and robustness of the process, and would put undue stress on many companies and in particular, smaller quoted companies and their advisers, as this will effectively change the market reporting deadlines.

In addition, we note the increasing insistence of the Financial Reporting Council on good-quality narrative disclosures. These disclosures necessarily require significant investment of time in order to draft and re-draft, and unlike the numbers, cannot simply be formulated by the software.

This has obvious implications for the standard of financial reporting, both in terms of the quality of reporting and the credibility of it. Firstly, it is possible that this will engender an increase in the number of errors and/or misinformation being included in the annual report and financial statements, because the ability of the company and their auditor to perform their roles may be severely restricted. The overall accuracy and reliability would be compromised, hindering investor protection and thus damaging investor confidence in a company's annual report and financial statements with significant negative implications for a company's market value.

Secondly, the reduced timeframe will have an impact on the quality of information provided, with investors having to potentially rely on less well-informed market disclosures.

Furthermore, the implications of a shortened timeframe will be most acutely felt by smaller quoted companies and their auditors. The complexity and rate of growth of smaller quoted companies can be such that these companies will need time to ensure that appropriate discussions and checks are conducted on potentially contentious governance or accounting disclosures.

It should also be noted that shortening the deadline to three months would work in contradiction to the timescales established by the relevant markets. For instance, the FCA has a four-month deadline. As such, it would appear that Government has not adequately considered this when seeking to reduce the reporting deadline and how this contradiction in timescales can be addressed.

We appreciate that there could be an appeal in aligning timescales to be consistent across the board, however, this could produce an unintended resource constraint whereby accountants, auditors and advisors currently utilise the differing deadlines to manage workloads and resources.

For the above reasons, we believe that no changes should be made to the Companies House filing deadline for public companies.

However, if Government is determined that change is required, then the deadline must be consistent with the reporting deadlines implemented by the relevant UK markets which, at present, are not consistent themselves (i.e. the deadlines differ between the FCA's Listing Rules, AIM Rules and AQUIS Rules).

That said, and as mentioned above, it is important to be mindful that this could produce the unintended consequence of a resource constraint and that there are public companies in the UK which are not listed and would find a dramatic acceleration of their deadlines if these proposals were to be introduced.

Q12 What measures could the government implement to ease the transition to shorter filing deadlines?

As outlined in our response to Q11 above, we strongly disagree with a shorter filing deadline of three months and do not believe there are any appropriate measures the Government could implement to ease the transition to this given the significance of the consequences of reducing the deadlines.

In taking such action, it will likely run counter to the current drive by BEIS to implement the recommendations from the Sir Donald Brydon and CMA reviews which is aimed at improving audit quality, enhancing auditor responsibility, and expanding the audit market.

Section 5: Maximising the value and integrity of accounts information

Q13 What will be the challenges for companies submitting a declaration of filing eligibility with accounts?

Rather than highlighting the challenges that companies may encounter when submitting a declaration of filing eligibility with accounts, we would instead argue that the declaration should be focussed on all entities, public or not, which apply a reduction to the full financial reporting and annual reporting requirements.

For instance, if an entity uses Section 1A of FRS 102, applies FRS 101, the reduced disclosures allowable under FRS 102, or takes advantage of any exemption to not prepare a strategic report or prepare a reduced directors' report, then they should be required to make a declaration.

However, if a company applies the full framework, there is no benefit in submitting a declaration of filing eligibility and this would, therefore, represent an unnecessary burden on such companies.

Appendix A

The Quoted Companies Alliance *Accounting, Auditing and Financial Reporting Expert Group*

Rochelle Duffy (Chair)	PKF Littlejohn LLP
Elisa Noble (Deputy Chair)	BDO LLP
Edward Beale	Western Selection PLC
Matthew Brazier	Invesco Asset Management Limited
Anna Hicks	Saffery Champness LLP
Mark Hodgkins	Trackwise Designs PLC
Matthew Howells	Smith & Williamson LLP
Michael Hunt	ReNeuron Group PLC
Clive Lovett	Bilby PLC
Laura Mott	Haysmacintyre
Giles Mullins	Grant Thornton UK LLP
James Nayler	Mazars LLP
Matthew Stallabrass	Crowe UK LLP
Helena Watson	KPMG LLP
Peter Westaway	Deloitte LLP