Proposed audit legislation: Good for business or political posturing?

by Becky

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219 businesses across the UK responded to a recent survey with their thoughts on audits, reporting and changes being proposed.

Thumbs up for audit

â€¢ Only 34% of businesses which currently have an audit would like to be released from the perceived â€˜audit burdenâ€™.

â€¢ The main benefit stated was that an audit helps to ensure good governance within a business. The reasoning behind this response is the fact that whilst raising the audit threshold may be beneficial to certain businesses, others will continue to want some of audit if only for their own comfort.

Auditor commentary

â€¢ Almost 60% of respondents thought that providing additional auditor commentary on matters significant to the usersâ€™ understanding of the audited financial statements would not be a good idea, in particular if it increased costs.

â€¢ The main message was that auditors should steer clear of subjective comments because the scope for inconsistency was too great and the result may be that the value of audits would decrease.

Thumbs down for excessive financial reporting requirements

â€¢ A whopping 78% did not believe that reducing the clutter in annual reports would devalue them; in fact one respondent felt it would increase their value.

â€¢ Respondents felt strongly that disclosures should be relevant to the size, complexity and risks of the business not a â€˜one size fits allâ€™.

â€¢ FRS17 was extremely unpopular: too long, too involved and of little use to anyone.

Keep costs low

â€¢ Businesses are keen to ensure legislation is relevant to a companyâ€™s size.

â€¢ With a number of changes to audit being discussed in the UK and Europe our respondents agreed that any additional costs of these should not outweigh the advantages that the audit provides.

Conclusion

For many businesses, increasingly complex accounting rules and the volume of information required are seen as the burden, rather than the audit itself.

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