



Department for Business, Innovation and Skills: The Business Impact Target, Growth Duty and Small Business Appeals Champion. Consultation on Scope and Guidance

ICAEW welcomes the opportunity to comment on *The Business Impact Target, Growth Duty and Small Business Appeals Champion. Consultation on Scope and Guidance* published by the Department for Business, Innovation and Skills (BIS) on 11 February 2016, a copy of which is available from this [link](#) .

This ICAEW response of 17 March 2016 reflects consultation with the Business Law Committee which includes representatives from public practice and the business community. The Committee is responsible for ICAEW policy on business law issues and related submissions to legislators, regulators and other external bodies.

ICAEW has both regulatory and membership functions which operate in a single unitary body. On occasions representations are asked from both the regulatory and membership arm and this is one of those occasions. This response of 17 March 2016 is made by the membership arm through the Business Law Committee. A separate response in addition to this has been made by Professional Standards, the regulatory arm of ICAEW.

ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 145,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.

ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.

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MAJOR POINTS

1. ICAEW applauds the government's intention to unlock productivity and welcomes its intention to cut a further £10 billion of red tape for business. To this end we are broadly supportive of the view that extending the Business Impact Target (BIT) to statutory regulators will ensure that the impact of regulation on business (of any size) is a key factor to be considered by regulators.
2. We would, however, point out that regulators should always have a dual responsibility to regulate and to promote economic growth. We would argue that the two should not be mutually exclusive.
3. We would also argue that the complex regulatory landscape and the constant change in legislation are as much of a burden to businesses, particularly those in the SME sector, as regulation itself.

ANSWERS to SPECIFIC QUESTIONS

We have confined our response to answering Q1 and Q7.

Q1: Do you agree that the regulators listed in Annex A should be brought within the scope of the Business Impact target (BIT)? Are there any others you think should be in scope?

4. We agree that the regulators listed in Annex A should be brought within the Business Impact Target (BIT).
5. We particularly welcome the inclusion of the FRC and the FCA as they are the main oversight regulators that our members deal with. As we note below, we feel that the inclusion of statutory regulators such as the FRC and FRA is sufficient to ensure that the accountancy profession as a whole falls within the scope of BIT.

Q7: Do you agree that there is a case for extending the Business Impact Target, Growth Duty and Small Business Appeals Champion to Professional Bodies?

6. Whilst we acknowledge that the Government is as yet undecided on whether to make proposals on the inclusion of professional bodies within the better regulation measures, we note the request for views in question 7 of the consultation document and set these out below.
7. We do not agree that there is a case for extending the Business Impact Target, Growth Duty and Small Business Appeals Champion to Professional Bodies, at this point. Our rationale for this is that in most of the areas in which our members operate, membership of ICAEW (or indeed of other professional accountancy bodies in particular or other professional bodies in general) is not required in order to undertake many of the services provided by our members to their clients. Membership is voluntary and we exist largely subject to market forces, with individuals weighing up cost of membership against reputational benefit. In such areas, a requirement to undertake deregulatory cost-benefit analysis adds to the cost of our services but is entirely unnecessary to achieve the objective of reducing the regulatory burden.
8. In those areas where membership of certain professional accountancy or other bodies is necessary to undertake certain activities (investment business, audit and insolvency), the professional accountancy bodies are already subject to oversight scrutiny by regulators that we note are largely included within the list already. Those with ultimate responsibility in those areas include the FRC (general oversight of the profession and particularly audit regulation), FCA (investment business), and The Insolvency Service (IS). As we state above we agree that the FRC and FCA should be included in the BIT, and although IS is not, this is because it is included as part of BIS.

9. We are concerned that if ICAEW (and indeed other accountancy professional bodies) were to be included alongside the FRC and FCA this could result in an element of 'double counting' not to say double regulation and thus would be counterproductive.
10. We would also point out that if professional bodies were to be included then it would be incumbent upon BIS to ensure that all relevant professional bodies were included to avoid 'regulatory arbitrage.' For the accountancy profession as a whole this could mean a significant increase in the list of statutory regulators included in the BIT to cover the various professional bodies accountants can join. There is a danger that some professional bodies would be penalised in relation to the cost burden by being included and others would be favoured by exclusion, but this would not necessarily reduce the regulatory burden on businesses, protect consumers or promote economic growth.
11. We would note, however, that it is not unreasonable to expect professional bodies to follow the principles of BIT, that is to be accountable to their members and to consider the impact of their activities on members. Membership of ICAEW is, as noted above, voluntary and so dependent on the willingness of accountancy practitioners to pay the fees imposed. As such any professional body must always be accountable to its members.
12. We would further stress that professional bodies should be encouraged to promote economic growth but we do not believe that regulation is the best way to achieve this.
13. ICAEW's governing body will, in the light of the Government's proposals, ensure that it undertakes consideration of whether it has helped to reduce the burden on business through any regulations that it has imposed and ensure that it holds itself accountable for producing good outcomes as a result of its regulatory activities.