International Journal of Disclosure and Governance
https://doi.org/10.1057/s41310-025-00333-z

ORIGINAL ARTICLE

An examination of the auditing law proposal, suggesting a review instead of an audit for micro companies in Finland

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Received: 8 May 2025

Abstract
This study uses qualitative methods to analyze stakeholder comment letters concerning a Finnish legislative proposal to replace mandatory audits with less stringent review engagements for micro companies. The study explores lobbying incentives and public interest discourse surrounding this regulatory change, which aimed to reduce administrative burdens for small businesses. Findings reveal overwhelming opposition to the reform, primarily due to concerns that it would decrease financial reporting quality, cause confusion, and potentially facilitate the gray economy. Stakeholders largely preferred retaining traditional financial statement audits or moderately increasing audit exemption thresholds rather than adopting the proposed review mechanism. This paper contributes to auditing literature by examining how policymakers addressed the tension between reducing regulatory burdens on small businesses and maintaining the quality of financial reporting.

Keywords Review assurance · Harmonization · Regulation

Introduction

This paper examines a proposed regulatory reform that would replace mandatory audits with review engagements for small companies' financial statements. Financial disclosure and auditing requirements for small firms vary significantly across jurisdictions. While private companies in the United States and Canada are generally not required to disclose financial information or undergo financial statement audits (Minnis and Schroff 2017), European private limited liability companies must typically disclose financial results publicly and submit to mandatory audits. However, European Union (EU) countries have implemented different size-based audit exemption thresholds[1], which gives some smaller companies the option to disclose financial information without verification. The audit exemption thresholds of EU countries have increased in recent years and there is currently a debate regarding whether this trend will result in lower-quality financial reporting by unaudited companies (Höglund and Sundvik 2019). This research was motivated by the broader public debate across EU and Nordic countries regarding deregulation of financial reporting for small and micro entities to reduce administrative burdens.

Prior literature suggests that review engagements could serve as a viable alternative to statutory audit requirements for ensuring the quality of small firms' financial information. Vanstraelen and Schelleman (2017) argue that reviews may offer a more cost-effective approach than audits for private companies seeking to enhance the credibility of their financial statements. This is particularly relevant when small companies require financial statement assurance for credit lending decisions and loan covenant compliance (Ruhnke and Schmitz 2019). Supporting this perspective, the Federation of European Accountants (FEE 2016) concluded that the current and future assurance needs of small

[1] As part of the reform of the EU statutory audit markets, small EU companies are not required to have a statutory audit. A small company is defiined as those which, on their balance sheet date for two consecutive years, do not exceed the limits of at least two of the following three criteria: (a) a balance sheet total of € 4,000,000; (b) a net turnover of € 8,000,000; and (c) an average number of employees during the financial year of 50. It should, however, be noted that member states are permitted to increase the audit exemption thresholds for (a) and (b) to a level not exceeding a balance sheet total of € 6,000,000 or a net turnover of € 12,000,000. Appendix 1 provides an overview of the audit exemption thresholds in EU member states. (Accountancy Europe 2021).

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Published online: 01 December 2025

and medium-sized entities could be effectively addressed through alternative service offerings, such as reviews, rather than traditional statutory audits. Review engagements[2] would allow small firms to reduce their administrative costs while maintaining the quality of their financial information (European Commission 2010).

This study analyzed 42 comment letters (CLs) and nine additional statements submitted to the Finnish Ministry of Economic Affairs and Employment. The findings reveal overwhelming opposition to the proposed regulatory change, with respondents emphasizing potential negative consequences and identifying multiple problematic aspects. A key concern was that creating two assurance levels—reviews and audits—would generate confusion and uncertainty in the market. More critically, respondents argued that the proposal would fail to achieve its primary objective of reducing regulatory burdens and administrative costs for small enterprises. This objective aligns with EU-level initiatives to boost economic growth by reducing regulatory burdens on small businesses, theoretically making them more competitive and promoting employment growth (European Commission 2010). However, stakeholders remained highly skeptical, consistently arguing that the current proposal would not deliver these intended benefits. CLs strongly supported retaining statutory audits for smaller and micro entities as the best mechanism for ensuring reliable, high-quality financial reporting.

This study contributes to auditing literature by analyzing a recent proposal to reduce statutory audit requirements and broadening understanding of financial statement audits' societal role for small companies, particularly regarding public interest considerations. The findings underscore the multifaceted value of auditing beyond compliance. Auditors offer valuable recommendations regarding operations, financial management, and business processes. Audited financial statements enhance stakeholder confidence because customers, suppliers, and business partners view them as indicators of trustworthiness and transparency.

The study emphasizes significant unintended consequences of the proposed regulatory change, supporting Clatworthy and Peel's (2013) concerns that relaxing mandatory audit requirements may compromise financial reporting quality. These findings offer valuable insights for other jurisdictions, particularly those in the EU with substantial amounts of micro and small businesses, considering similar deregulatory proposals.

[2] The international standard for review engagements is the International Auditing and Assurance Standards Board (IAASB)'s ISRE 2400 (Revised), Engagements to Review Historical Financial Statements, which is effective for periods ending on or after December 31, 2013.

Background

Motivation

SMEs represent the foundation of the global economy, with 400 million enterprises comprising 90% of all businesses worldwide (World Economic Forum 2025). In the EU alone, 32.3 million enterprises employ 160 million people, with small and micro-firms accounting for 99% of businesses and 49% of employment (European Commission 2024). These enterprises are essential drivers of economic growth, innovation, and job creation both in Europe and globally. The proposed main solutions to reduce administrative burdens for small companies in the EU member states are, for instance, to simplify their financial statements, exempt them from statutory financial statement audits (i.e., increase the audit exemption thresholds) and adoption of the review (Accountancy Europe 2021). A review has a substantially smaller scope than an audit because it is subject to far less stringent external standards. Reviews are a less costly alternative to an audit in cases where a statutory audit is not required (Ruhnke and Schmitz 2019).

Despite the increasing importance of examining possible solutions to decrease the administrative burden on small companies, there is a surprising lack of research investigating the adoption of reviews[3] to provide assurance for micro companies' financial statements. Introducing reviews and the International Standard on Review Engagements (ISRE 2400) was suggested as an opportunity to decrease the administrative burden in Finland. The examination of public interest argumentation enables to evaluate whether the suggested change from statutory audit to general review aligns with the broader societal goals of trust, transparency and accountability.

As mentioned earlier, audit requirements vary significantly around the world. The substantial disparities in national auditing regulations worldwide highlight the lack of international consensus among policymakers on the cost-benefit trade-offs of mandatory audits. To evaluate whether audit mandates generate positive or negative externalities for society, audit research must examine their effects on third parties, not just the audited companies themselves.

[3] Reviews are subject to significantly less stringent external standards than statutory audits. Unlike financial statement audits, reviews usually don't include an evaluation of internal controls, physical inspections, or detailed testing, such as document examination. The risk assessment approach in reviews is also less comprehensive than in audit engagements. Due to their substantially reduced scope, reviews provide only limited assurance, offering a lower level of confidence than the reasonable assurance provided by audits. This limited assurance is expressed negatively, with the reviewer stating that nothing has come to their attention that causes them to believe the subject matter is not fairly stated in accordance with the applicable standard (Ruhnke and Schmitz 2019).

Financial statement audits in the EU

The EU Accounting Directive does not mandate statutory audits for companies classified as "small undertakings". This reflects the EU's broader policy objective of reducing administrative burdens. Member states retain the authority to impose audit requirements on small undertakings through national legislation. The Fourth Directive of 1978 first established audit requirements while simultaneously granting member states the option to exempt certain companies. However, the member states did not take advantage of this opportunity immediately (Collis 2010). For instance, Finland and Denmark waited until 2006 before introducing the audit exemption and started with much lower thresholds than those in other EU countries (Niemi et al. 2012; Vanstraelen and Schelleman 2017). Sweden and Norway adopted the audit exemption thresholds in 2011 (Sundgren and Svanstrom 2014). To clarify, the audit exemption thresholds in Scandinavian countries are much lower than the average thresholds in the EU[4] (Accountancy Europe 2021).

Accounting and auditing regulation in Finland

In Finland, the major sources of governmental regulation are the Finnish Auditing Act (1141/2005), the Finnish Accounting Act (1620/2016), and any acts applicable to the corporation or foundation in question. According to the Finnish Accounting Act, nearly all corporations and foundations referred to in the Finnish legislation must keep accounting records. Currently, very small companies are eligible to opt out of auditing, as in comparison to other European countries, the audit thresholds in Finland are low (a balance sheet total of 100,000 euros, revenue of 200,000 euros, 3 personnel). The Finnish Auditing Act[5] prescribes the general qualifications of auditors, as well as the scope of the statutory audit and auditors' reporting.

The current case

The discussion of the administrative burden on small firms has been very active in Scandinavian countries and at the EU level during the last decade (e.g., Accountancy Europe 2019; Ojala et al. 2016; Weik et al. 2018; Haapamäki 2022). Administrative simplification, defined as a strategy for reducing regulatory complexity and red tape, is particularly important and it is rationalized by using public interest arguments. For instance, burdensome requirements and difficult processes could hinder entrepreneurship and business development, which is not in the public interest.

Responding to these concerns, the Finnish Ministry of Economic Affairs and Employment established a dedicated working group in April 2016 to examine auditing and statutory audit requirements for small firms, among other regulatory issues. This initiative culminated in January 2018 when the Ministry released a comprehensive memorandum[6] recommending increases to audit exemption thresholds. Following publication, the proposal underwent two separate rounds of consultation with various official stakeholders to gather feedback and assess implementation feasibility.

Based on the feedback received in the CLs, the ministry refrained from submitting the proposal to increase the audit exemption thresholds to the Finnish parliament (Haapamäki 2022). To clarify, the majority of the CLs were against the proposal to increase the audit exemption thresholds. However, in the CLs, several interest groups were in favor of investigating whether a lighter form of auditing could be introduced for small companies. Some European countries (i.e., Estonia and Denmark) have adopted a review process for small companies, and others are considering implementing it in the near future (i.e., Cyprus) (Accountancy Europe 2021). For instance, reviews have been successful in Estonia because the business community and auditors have accepted the review process well (Arengu 2019).

To investigate the features of reviews in Finland, the Finnish Ministry of Economic Affairs and Employment set up a broad-based working group[7] with the objective of examining the adoption of reviews and their suitability for the Finnish audit market. The working group's term of office was March 1, 2019–February 29, 2020, and this was extended until May 31, 2020. During this term of office, the working group held 15 meetings. After conducting its examination, it released a new memorandum that contained

[4] See the Appendix 1 for the audit exemption thresholds variation in the EU.

[5] The act also mandates regulatory bodies to authorize and supervise the members of the profession. An audit covers the accounting records, financial statements and the administration of a corporation or a foundation. After having conducted an audit, the auditor issues an auditor's report. More detailed provisions on the content of an audit and the obligations of an auditor are contained in the Finnish Accounting Act. To conclude, the Ministry of Economic Affairs and Employment is responsible for developing auditing legislation in Finland.

[6] The memorandum (in Finnish) available at: http://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/160475/TEMjul_1_2018_Tilintarkastus.pdf?sequence=1&isAllowed=y.

[7] The working group comprised experts from different fields. There were representatives from various ministries (the Ministry of Justice, the Ministry of Interior, and the Ministry of Finance), a member of the national body overseeing audits, a representative from the tax administration, an expert from Finland's largest community of business owners, an executive director from the Finnish Association of Authorized Public Accountants, an agent of the national trade association of authorized accounting firms, two representatives of certified auditors and an academic professor. Collectively, these experts brought diverse skills and experience to the proposal to introduce reviews in the Finnish context.

a draft regulation model concerning a lighter form of auditing for small and micro companies. The memorandum[8] concerning the lighter review was released in June 2020. The outcome of the working group's demanding work was a report that contained a draft regulatory model in the form of a government proposal. Moreover, nine additional statements were added to the proposal. These nine additional statements were discussing the possibilities and challenges of the reform.

According to the draft, companies (limited liability companies, limited partnerships and general partnerships) and cooperative associations that met the criteria of a micro-undertaking laid down in the Finnish Accounting Act could, under certain conditions, decide to carry out a review that was lighter than a traditional financial statement audit. The amendment would not affect the obligation to appoint an auditor, but it would create an alternative form of statutory verification alongside the audit. The review would be based on ISRE 2400 and would, as an additional national requirement, include the verification of the equivalence of certain tax information. The purpose of the planned reform was to bring clarity and proportion to the provisions regarding audits, and to provide the end-users of audit reports with more information about the method of verification.

After the publication of the memorandum that proposed the adoption of reviews, it was sent to different official quarters for comment. The proposal was open for public comments from September 9, 2020, to November 9, 2020. The CLs submitted to the Ministry of Economic Affairs and Employment are publicly available, so there is an opportunity to examine, analyze, and review their content.

Theoretical context

Public interest theory, theory of incentives and auditing regulation

Public interest theory explains in general terms that regulation seeks the protection and benefit of the public at large. For instance, prior literature has suggested that the public interest theory can explain the demand for accounting and auditing regulation (e.g., Stewart 2006). According to public interest theory, regulation can be explained by the need to prevent or correct undesirable market results. Public interest theory is usually applied to explain regulation as an aim for economic efficiency (den Hertog 1999). In practice, it is suggested that a certain level of control could be useful to avoid business failures and therefore that the control level (a review in the current case) is for the public good. Audits and assurance have been referred to as "primary public goods," which form a foundation for other goods—for instance, financial markets (Stewart 2006). However, while setting auditing or assurance regulations using the public interest model is not without complications, it is hard to know what auditing regulations unambiguously maximize social welfare (Gipper et al. 2013). For instance, in the current case, it can be interpreted that the adoption of a review practice is planned to "make things better." It should decrease the administrative burden and costs and give micro companies an opportunity to focus on their core competencies. As a research concept, the public interest is problematic because it is a complex term involving practical difficulties in establishing both its nature and magnitude (Parker 1994).

Theory of incentives acknowledges the information asymmetry between regulator and interest groups (Gros and Worret 2016; Haapamäki 2022). According to the theory of incentives, a lobbyist can act as an information transmitter for the regulator, providing relevant information about the applicability and performance of a new regulatory project (Laffont and Martimort 2009). This theory considers the paradigm of a benevolent constitution that maximizes social welfare under incomplete information, and the rule-making body is viewed as an informed actor (Laffont 1999). To summarize, the interest groups may collect information and transfer it to the regulator with the aim of influencing the regulatory outcome.

Research questions

The economic consequences of the accounting and auditing regulation makes the standard-setting process highly political. It has long been recognized that the promotion of accounting regulation comes about through a political process. For instance, McLeay et al. (2000, p. 79) also stated that "the political nature of accounting rule development naturally raises questions concerning both the responsiveness of policy makers to constituent pressure and the distribution of power among competing interest groups." Political participation in the rule-making process is necessary to ensure the "legitimacy" of the rule making. A large body of accounting literature highlights that having a proper due process—characterized by widespread participation of the constituents and with consideration for the plurality of their viewpoints — is fundamental for the legitimacy of accounting regulation (Bisogno et al. 2022). Prior research has suggested that the examination of CLs is useful and informative for national regulators (Gros and Worret 2016; Hoffmann and Zülch 2014). Typically, national regulators collect CLs within a public consultation process. Public consultation

[8] The memorandum concerning a lighter form of auditing and nine additional statements are available at: https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/162331/TEM_2020_38_J.pdf?sequence=1&isAllowed=y.

processes are well known in the field of accounting, and are part of the due process of standard setters, such as the International Accounting Standards Board (IASB) (Reuter and Messner 2015). In addition, it has been suggested that the submission of CLs is one of the most accessible methods and the most obvious action for participation in the regulatory process (Reuter and Messner 2015). Prior studies have emphasized the importance of inspecting the content of CLs (Bamber and McMeeking 2016; Hoffmann and Zülch 2014; Reuter and Messner 2015; Stenka and Taylor 2010). Comment letters constitute a rich repository of stakeholder perspectives and detailed argumentation that provides substantial research material. Furthermore, this study incorporates nine supplementary statements that were appended to the original memorandum, thereby expanding the empirical foundation and enhancing the comprehensiveness of the data corpus. This paper aims to conduct qualitative research by examining the following issues:

(1) How did the interest groups react to the proposal concerning the lighter form of auditing that could be introduced for small companies?
(2) What reasons do interest groups give for their support for or opposition to the suggested regulatory change?
(3) What can be learned from the failed regulatory reform?

Research design

Data collection and sample description

In total, 42 CLs were received. They were published on the website of the Ministry of Economic Affairs and Employment. The CLs were categorized to reflect the type of respondent[9] that they represented, using the following categories: professional accounting services (Big 4 and mid-tier audit firms), professional bodies, governmental institutions, individuals (academics and auditors) and others (associations, lobbying organizations, and supervisory authorities). Table 1 lists the respondents included in the analysis. In addition, this paper analyzes nine supplementary statements that were included to the governmental proposal when it was released. Appendix 2 presents the quarters that compiled the supplementary statements.

Content analysis and general remarks

Given the exploratory nature of the research questions, this study employed qualitative content analysis following methodological guidance from Gioia et al. (2013) and Reuter and Messner (2015). The Finnish Ministry of Economic Affairs and Employment solicited comment letters (CLs) from various stakeholder groups as part of the consultation process, providing a rich data source for understanding both the substance of review engagement proposals and the underlying motivations driving stakeholder responses.

The Gioia method has recently been utilized in many accounting and auditing studies (see, for instance, Biygautane et al. 2020; Masum and Parker 2020). The use of the Gioia method has become a common way to provide a structured, and thus credible, analysis in qualitative accounting research (Hoque et al. 2017), because it introduces a highly disciplined coding and analysis process, and presents the output using a triple-order hierarchical data structure.

The qualitative data were analyzed to collect together similar meanings with the aim of generating the first-order concepts. This phase of the analysis was equally iterative, moving back and forth between the first-order descriptive concepts and the evolving patterns in the data until conceptual patterns were developed for the second-order themes (Gioia et al. 2013). Once a set of second-order themes had been uncovered, the final phase was to investigate whether it was possible to distill the emergent second-order themes even further into third-order "aggregate dimensions" (Gioia et al. 2013). Gioia (2020) suggested that the relevant interpretive study should generate a plausible, defensible explanation of some phenomena of interest. Therefore, in this paper, the aggregate dimensions explain the wider picture behind the public interest discussion related to reviews in Finland. It should be employed as a systematic approach to trustworthy and rigorous qualitative data analysis that allows for creative theoretical development (Gioia et al. 2022).

The findings section employs representative quotations from comment letters and additional statements to exemplify stakeholder arguments both supporting and opposing review engagements, as well as public interest discourse. These quotations enhance credibility and authenticity in qualitative research, fulfilling essential quality criteria (Hoque et al. 2017). Following Gioia's (2020) guidance for faithful evidence presentation, the findings section is deliberately dominated by direct quotations selected across participants to properly represent the dataset.

[9] The consultation process suffered from notably limited participation by key stakeholders. Only one comment letter represented the small business sector—from the Federation of Finnish Entrepreneurs—who opposed the reform, arguing that reviews would not genuinely reduce administrative burdens. More significantly, no banks submitted comment letters despite their critical role as primary external financiers for small Finnish firms (Niemi and Sundgren 2012). Given banks' reliance on reliable financial information and audited accounts for lending decisions, their absence represents a substantial gap in stakeholder input on this reform proposal.

Table 1 Comment letters included in the analysis

Comment letters that saw potential in the reform (13 CLs in total, 31%)	Comment letters that opposed the reform (26 CLs in total, 61.9%)	Comment letters that did not take a direct stance on the issue (3 in total 7.1%)
Additional national requirements should not be included (6 CLs, 14.3 %)	**Public authorities**	**Public authorities**
Public authorities	Ministry of the Interior	Ministry of Transport and Communications
Financial Supervisory Authority	Ministry of Justice	Ministry of Education and Culture
Finnish Patent and Registration Office, Auditor Oversight	National Police Board of Finland	Ministry of Environment
Finnish Patent and Registration Office, Tilintarkastuslautakunta	National Prosecution Authority	
Accounting and auditing profession	**Accounting and auditing profession**	
Big 4 firms:	*Big 4 firms*:	
KPMG Oy Ab	PWC Oy	
Mid-tier audit firms:	*Mid-tier audit firms*:	
Revico Grant Thornton Oy	Nexia	
Recognized supervisory bodies:	Oy Tuokko Ltd	
Finnish Association of Auditors	Tilintarkastustoimisto Selinheimo Oy	
Additional national requirements should be included (7 CLs, 16.7%)	Tilintarkastus T. Virkilä Oy	
Public authorities		
Ministry of Finance	*Recognized supervisory bodies*:	
Finnish Tax Administration	Association of Professional Auditors	
Others	Association of Local Authority Auditors	
Finance Finland	**Others**	
Finnish Bar Association	Confederation of Finnish Industries	
Association of Finnish Foundations	Chambers of Commerce	
Finnvera Oyj	Pellervo Coop Center	
Individuals	Finnish Real Estate Federation	
Auditor*	Federation of Finnish Financial Administration	
	Association of Tax Consultants	
	Federation of Finnish Entrepreneurs	
	Individuals	
	Auditor*	
	Auditor*	
	Joint submission from two auditors*	
	Auditor*	
	Academia	
	Professor	
	Professor	
	Two specialists from academia	
	One private person	

All quotations were translated from Finnish to English with careful attention to preserving original meaning[10]. While qualitative scholars emphasize verbatim presentation, translation from non-English sources presents unique challenges. The quotations have been thoughtfully edited to improve readability without altering substantive meaning, balancing the authenticity principle with accessibility requirements. To summarize, the data structure portrays a static picture of very dynamic phenomena. Table 2 presents the descriptive information about the CLs and data structure.

[10] Translation inevitably involves interpretation, but every effort was made to maintain the original intent and tone of participant responses.

Table 2 Data structure

First-order concepts	Second-order concepts	Aggregate dimensions
Arguments from the submissions that were against the reform		
The prepared proposal does not decrease the statutory burden and administrative costs for micro companies. Reviews are inappropriate and problematic. The two different levels of assurance may cause confusion and uncertainty. The review decreases the quality of financial information and hence weakens the position of stakeholders. The assurance that a review offers is not enough for creditors and lenders. The examination of reviews has been important but the outcome is not the preferred one. Other possibilities should now be contemplated. A moderate increase in audit exemption thresholds would be an even better solution than the adoption of reviews. Finland should follow the IAASB and its development work concerning the new standard for audits of LCEs	The reform would not achieve its objectives	Appreciation of the current audit system
The reform would jeopardize tax revenues. The growing risk of an increase in the gray economy is emphasized. Under a review engagement, the assurance of the audit trail is not examined. When investigating financial crime, observations are usually made when checking receipts.	The reform would increase the expectation gap even more	
The adoption of reviews could increase the opportunity to participate in money laundering, and money laundering is usually linked to organized crime. Under a review engagement, the assurance is insufficient and might lead to a situation where there is no certainty that the firm has taken care of its public debts. The examination of review engagements should not be continued because the disadvantages related to the reform are so significant	The reform would compromise the quality of financial statements of micro companies	Uncertainty avoidance
Reviews would only cause confusion and increase/deepen the expectation gap among stakeholders The expectation gap already exists in the current situation and there is no need to increase it The term "moderate level of assurance" is ambiguous and is easily associated with weak assurance The reform does not include a management audit, which leads to a situation in which there is no outside control for management decision-making	Standardization of practices	
Arguments from the submissions that saw potential in the reform		
Arguments from the group "no additional national requirements" The objective of the reform was to lighten regulation and not to tighten it. Additional national requirements might significantly increase the costs of assurance services for small companies	The existing international service (review engagement) should not be modified	Cutting red tape is essential for micro companies; however, it should not be achieved at any cost
The internationally recognized way to decrease the administrative burden should be carefully considered in Finland; therefore, ISRE 2400 should be the basis for reform and there is no need to add special national characteristics (auditing of tax information) There is no need to confuse the fundamental character of a review engagement. The additional requirements would not decrease the administrative burden; instead, they would cause more work for auditors and more expense for firms. A review engagement does not correspond to statutory auditing; it is a totally different form of assurance. Arguments from the group "additional national requirements are needed" Additional requirements are needed to ensure the accuracy of financial statements. The certified bookkeeper should be required to perform the bookkeeping if the firm is choosing a review instead of a statutory audit.	The importance of the reliability of financial information should not be underestimated.	

Findings

Overview of support and opposition of the CLs

In summary, the majority of the CLs (61.9%) were against the planned reform. One third (31.0%) of the CLs saw potential in the reform, and the analysis revealed a few respondents (7.1%) who did not comment on the issue. Table 2 also presents the distribution of the support and opposition.

Overview of the interest groups

Based on the function and the legal status of the authors of the CLs, it was possible to segregate the respondents into different groups. It is important to present the distribution of the respondents to understand their incentives for participating in the process. In summary, the accounting and auditing profession includes Big 4 firms, mid-tier audit firms, recognized supervisory bodies and individual auditors. The

public authorities include national ministries, government institutions and auditor oversight bodies. The interest group of academics comprises researchers and individuals from academia. The interest group "others" contains respondents who could not be classified into one of the other interest groups.

An overview of the participating interest groups (Table 1) shows that the group submitting the most CLs was the accounting and auditing profession (15 of 42 lobbying participants in the sample, or 36%). This finding is consistent with the prior literature (e.g., Gros and Worret 2016). The active involvement of the accounting and auditing profession is reasonable because this group might have an informational advantage and be most affected by future changes in audit regulation. Hence, some inside information may be passed on to the regulator by the audit profession. Furthermore, Clacher et al. (2019) have suggested that accounting and audit firms lobby to protect the profession; thus, it could be expected that they would actively engage in discussions on the current auditing regulation process. Moreover, Table 1 reveals that the majority of the accounting and auditing profession did not support the adoption of the review[11]. While some accounting and audit profession were more supportive towards it. Audit profession can, for instance, be worried that audit fees might decrease as more assurance options have become available in markets. Prior studies have proposed that accounting professionals will promote reforms that increase disclosure requirements, one reason being that increased disclosure requirements can increase the fees that these professional firms charge their clients (Stenka and Taylor 2010; Monsen 2022). For instance, Monsen (2022) found that Big 4 firms' lobbying positions reflect profit motives through support for regulation that will generate more fees or are supported by their clients. In the current case, Big-4 motives to lobby are not that self-evident. Review engagement considers small and micro firms, which are not typically clients of Big 4 firms. In Finland small and micro firms are not typically audited by Big 4 firms.

Public authorities had the second-highest participation rate. These respondents are mostly national authorities and national auditor oversight bodies (12 of 42 lobbying participants in the sample, or 29%). The public authorities might have extensive knowledge of national peculiarities related to micro companies and their audit services that they would like to highlight and emphasize. For instance, the tax authorities highlighted the interface between assurance of financial statements and taxation, and the police authorities emphasized the association between the auditing of financial statements and financial crime. Public authorities might also have some preconceptions regarding the public consequences of the adoption of the review, and might therefore want to take part in the regulatory process.

In the current case, a comparatively low level of participation was exhibited by academics (four of 42 lobbying participants, or 10%), and these findings are partly consistent with those of prior studies (i.e., Larson and Herz 2011). The incentives for academics to share their thoughts and contribute to lobbying seem to be limited, and academics may think that the cost of participation, such as the time and effort involved in preparing a CL, is too high (Tandy and Wilburn 1996). However, Larson and Herz (2011) stated that academics are viewed as a group that has the potential to have a strong positive influence in the shaping of accounting regulation.

To summarize, the accounting and auditing profession was more involved in the current audit regulation process than other interest groups. This suggests that the auditing profession was aiming to transfer valuable information to the regulators. Prior studies support this view (i.e., Hansen 2011; Gros and Worret 2016). Furthermore, the auditing profession might use public interest arguments to make its voice heard. In relation to this, the prior literature has suggested that auditors are expected to use their influence to protect their own interests, according to their inclination toward conservatism (Mora and Walker 2015). The reasons for the participation of accounting and auditing professionals may include, for instance, the feeling of professional involvement, but also self-interest incentives. Critics argue that accounting profession functions primarily as self-interested groups pursuing enhanced status and market recognition. From this perspective, public interest rhetoric serve merely as legitimizing mechanisms—strategic public relations tools designed to advance private professional interests rather than genuine societal welfare (Davenport and Dellaportas 2009).

Arguments emphasized by the supporters of the reform

A minority of the CLs supported the new form of reviews (31% of the CLs). Within this group of CLs from those who felt that the reform had potential, it was positively highlighted that organizations would eventually be able to choose the form of assurance that benefited them the most. By adopting the review, it would, in the view of those in favour, improve the proportionality of regulation and create flexibility. The adoption of the review could be an

[11] It can be seen that the Big 4 firms have different views. KPMG was more optimistic and saw some potential in the reform. PwC was more skeptical towards the reform. Particularly, PWC stated that "PwC's primary view is that the draft regulatory model set out should be abandoned. However, if it is decided to proceed with the preparation of the reform, PwC shares the views expressed by the Association of Finnish Auditors in its opinion and comments."

entrepreneur-friendly settlement. Over-regulation is not appropriate because when ownership, management, and operations are concentrated in the same person, statutory auditing does not serve the purpose of providing independent third-party verification for the owner. Society should trust companies and entrepreneurs to perform their responsibilities. The following quotes represent these points:

> The Finnish business structure suggests that Finland is a country of small businesses and, for these small companies, the review could fit their needs better than an financial statement audit. (CL7, public authorities)

> It is warmly welcomed that firms could choose according to their own interest whether they need a review or a traditional audit; then, the different circumstances of firms could be considered when deciding on the form of assurance. (CL26, others)

The respondents who did support the reform but not the additional national requirements highlighted the fact that the objective of the reform was to lighten the regulation and not to tighten it. Their submissions (6 CLs of 42, 14.2%) highlighted the fact that these national requirements might increase the costs of assurance services for small companies. Moreover, if national characteristics were added, the harmonization of regulation would be hindered. It was stated that an internationally recognized way to decrease the administrative burden should be carefully considered in Finland. The respondents noted that ISRE 2400 should be the basis for the reform, and that there was no need to add special national characteristics. The following quotes representing the respondents' views in the CLs shed light on this:

> A review is a functioning and practical assurance service. The International Auditing and Assurance Standards Board (IAASB) has developed International Standard on Review Engagements 2400 (ISRE 2400). ISRE 2400 is used internationally and, therefore, it should work in Finland as well. Due to these arguments, the adoption of the ISRE 2400 standard and reviews is justified in Finland instead of the statutory audit for smaller companies. (CL10, public authority)

> The national special characteristics suggested (the verification of the equivalence of certain tax information) are not supported. These are not decreasing the administrative burden; instead, they are causing more work for auditors and more expense for firms. (CL28, accounting and auditing profession)

There were also CLs who supported the reform but contended that even more national characteristics[12] should be included if reviews were adopted. These submissions (7 CLs of 42, 16.6%) stated that additional requirements were needed to ensure the accuracy of financial statements. It was argued that, without these additional national characteristics, the assurance would be perfunctory and useless. The following quotes illustrate this:

> The supplementary confirmations related to the properties and security values, owners' and management's personal liabilities, bank balances and inventory valuations, and the highest receivables should be verified. In addition, the loan arrangements and loan terms between the shareholders should be checked. These are needed to achieve the necessary reliability level. (CL14, others)

> The certified bookkeeper should be required to perform the bookkeeping if the firm is choosing a review instead of a statutory audit. (CL14, others)

Due to the concerns related to the expectation gap, the CLs also emphasized that the meaning of a review engagement and the procedures that it contains should be clearly articulated. The following quote indicates these thoughts:

> Clients and users of the review report have to have a crystal-clear picture that a review engagement does not correspond to statutory auditing; it is a totally different form of assurance. (CL10, public authorities)

Arguments highlighted by the interest groups that opposed the adoption of reviews

The majority of the submissions (26 CLs of 42, 61.9%) did not support the adoption of reviews. The CLs argued that the prepared proposal would not decrease the statutory burden and administrative costs for small and micro companies. It was emphasized that the implementation of reviews would decrease the quality of financial information and weaken the position of stakeholders, and that this is not acceptable. However, the submissions were fragmented regarding the development of the reform. It was stated that the examination of reviews had been important but that the outcome was

[12] The CLs stated that entity would not be able to carry out a review if, during the current or previous financial year, it has been entered in the tax debtors' register for tax debts or failure to declare taxes. In addition, the CLs stated that ISRE 2400 is better suited to auditing small subsidiaries of large companies and the application of the standard to small entrepreneurial "hands on" entrepreneurs would not add any value to the current situation. Therefore, more national characteristics were demanded.

not the preferred one. To exemplify this, the following quote represent the respondents' views in the CLs:

> The reform could even weaken the current situation. It is useless for stakeholders that "the financial statements give maybe an adequate picture about the company." (CL20, recognized supervisory bodies).

If the reform were to come into effect, it would mean that there would be two different levels of assurance services: review and audit. The CLs highlighted that these two different levels of assurance might cause confusion and uncertainty. It would demand special understanding from owners (and stakeholders); for instance, they would need to decide which level of assurance was preferable in different situations. An expectation gap already exists in the current situation, and there is no need to increase it. The following quotes represent the arguments in the CLs:

> The term "moderate level of assurance" is ambiguous and is easily associated with weak assurance. This leads to a situation in which the review process is meaningless because it does not provide any benefits for decision-making. (CL29, accounting and auditing profession)

The CLs emphasized that one problem associated with review engagements is the growing risk of an increase in the gray economy. It was suggested that review engagements would lead to a situation in which the general trust regarding the accuracy of financial information and the conformity of operations with the law would decrease. These findings are consistent with Downing and Langli (2019). The concerns were raised in CLs that stated that the assurance level associated with a review would be inadequate. Moreover, it was suggested that the reform would jeopardize tax revenues.

> The risk related to the reform is that the auditor might not be able to perform the duty to report money laundering to the authorities. (CL12, public authorities)

> The auditing of small firm is important to prevent a gray economy and financial offences. (CL9, public authorities)

Finally, one might consider other possible explanations for the behavior of the interest groups in objecting to the proposal to adopt reviews. As the analysis of the key arguments against the proposal indicates, there is considerable uncertainty associated with the potential negative consequences. Giddens (1984) suggested that avoidance of uncertainty is the most general impulse that drives behavior. Interest groups that operate under conditions of high uncertainty will therefore often focus their energy on fighting the perceived causes of uncertainty rather than considering the long-term opportunities available. The desire to avoid uncertainty could motivate interest groups to act against the proposal because the suggestion of adopting reviews is perceived as generating uncertainty.

Public interest discourse

This section presents the results concerning the public interest discourse in the CLs. Overall, the results reveal that many interest groups considered public interest arguments in their reasoning. The interest groups underlined that public interest objectives should be at the heart of the regulation process. In particular, those that opposed the reform suggested that the Finnish regulators should keep the public interest in mind when assessing the proper assurance level for financial information of small firms. The following quotes from the accounting and auditing profession highlight the public interest in their argumentation:

> The auditing of micro companies also has an important guiding effect. After auditing the accounts, the auditor typically gives instructions to management, for instance, how the tax compliance should be handled. The auditing reduces the risks that are possible because of the ignorance of the persons in charge. Therefore, auditing has considerable importance for checking the legality of the activities of the companies. In addition, the auditing is meaningful for the public interest perspective, because the auditors can notice mistakes related to bookkeeping and governance and these mistakes can be corrected thanks to auditors' observations. Hence, these significant benefits could be lost if the review is adopted. This is due to the different methods for carrying out the review and scope of the review. (CL34, accounting and auditing profession)

> If the review is adopted, the entrepreneur who is not a professional in economic affairs but a specialist in his/her own field would not be able to get the value-added information that the auditor could offer. This would decrease the quality of financial decision-making of the entrepreneurs. (CL34, accounting and auditing profession)

> The reform includes only disadvantages for society. The stakeholders are interested in the accuracy of the financial information of a small company. When a review is conducted, the assurance level is too low.

> The consequence is that no quarter can trust the outcome of the review, so there is no point in conducting it. (CL29, accounting and auditing profession)

> The only quarter that could benefit from the reform is the gray economy. Firms that are associated with the gray economy are usually run by owner-managers and when this kind of owner-manager chooses the review and starts up many businesses, it can lead to business chains with unhealthy purposes. The owner-manager is not taking care of the duties, for instance, is not paying taxes, the firm is going bankrupt and then the company is indigent. Therefore, by adopting the review nothing is getting better. In contrast, the adoption of the review would give opportunities to the gray economy and micro companies can avoid their duties (CL29, accounting and auditing profession).

In the first quote above, the argumentation emphasizes the technical competence of the auditing profession and the professional status of auditors. It can be interpreted that the auditing profession emphasizes their know-how and how important that, for instance, is for entrepreneurs. To summarize, the auditing profession wants to underline that they have tacit knowledge and this knowledge should be shared. The third quote indicates that the reform cannot be supported, because the consequences are not beneficial to society at large. The fourth quote states that "nothing is getting better," which indicates that only a wide range of negative consequences are stemming from the reform and, therefore, it cannot be supported. To promote public welfare, the regulation should hinder the gray economy and not the opposite. The following quotes below highlight the importance of social balance and provide reasoning as to why the reform was not supported.

> To prevent a gray economy is not only proactive action. A large number of cases related to the financial offences in courts are tax fraud. It is important that tax fraud, debtor's offences and accounting offences are punished by penal sanctions. These penal sanctions are important to society and they can tackle the gray economy. Tax revenues in the proper amount and time are important for the social balance. The prevention of financial offenses is also important for social balance, therefore, the suggested changes might affect the prevention of financial offences. (CL9, public authorities)

> Auditing has an important task in verification of financial information. Reliable financial information benefits not only companies and their owners and investors, but also Finnish society in the wider picture. (CL8, public authorities)

However, elements of self-interest argumentation in the CLs of public authorities are also present. For instance, the economic crime authority predicted that the reform would increase economic crime and their workload considerably and, therefore, they were against the adoption of the review. However, the argumentation was intertwined with the public interest perspective. The argumentation pinpointed that if their workload increased, it would also raise public expenditure, which is definitely not in the public interest because government funds should be used more efficiently. The following quote demonstrates this argumentation strategy:

> When investigating financial crime, the observations are usually made when checking the accounting receipts. Without checking the receipts, it is almost impossible to notice the mistakes and the posting errors and under the review the receipts are not audited. If the micro company has used the review and it is noticed that the firm is associated with financial crime, the pre-trial investigation of the police needs more resources to conduct the audit related to the receipts. Hence, the authorities need more resources and this increases public costs if the review is adopted (CL8, public authorities).

Other interest groups were also concerned about public funds and how the reform would affect the gathering of public funds. For instance, the accounting and auditing profession was concerned that the reform would release a comprehensive amount of micro and small companies from the statutory audit requirement. It was argued that this amount could be too comprehensive. Further, it was emphasized that this release could have significant negative consequences for the collection of taxes and other fees. The collection of taxes and fees is a key development priority in society (Besley and Persson 2014). It is essential to finance investments in human capital, infrastructure and the provision of services for citizens and businesses (Roel et al. 2022). These are undoubtedly in the public interest. Because the reform could imperil the gathering of public funds, the usefulness of the review was challenged. The following quotes illustrate these views:

> The reform would remove the requirement to conduct an audit from 40 000 companies. This would decrease the general trust related to the accuracy of financial information and the conformity of operations to the law. The reform would also jeopardize the tax

> revenues and other public fees of two billion euros. (CL23, accounting and auditing profession)

> The reform would allow more than half of the companies that are currently under the statutory audit requirement to switch over to the review. This amount is significant from the societal perspective. (CL14, others)

> The reform should not be continued and wasting the public resources on this redundant project should be stopped. (CL3, recognized supervisory body)

Ensuring the reliability of financial information emerged as a central public interest concern in stakeholder comment letters. Interest groups emphasized that the proposed reform inadequately addresses how quality and reliability of small company financial information would be maintained for key stakeholders under a review-based system. For instance, it must be noted that in addition to trade credit, loans from banks and other financial institutions are the most common source of external finance for small Finnish firms (Niemi and Sundgren 2012). Reliable financial information and audited accounts are vital to banks' lending decisions. The institutional characteristics in Finland should be considered. Finland is classified as a Continental European country (Niemi and Sundgren 2012), and these countries typically have a code law system and a bank-based finance system (LaPorta et al. 1998). Finland is therefore a bank-dominated code law country. The following quotes discuss the interests of the stakeholders:

> Credible and audited financial information is very relevant to the decision-making of stakeholders. However, the review engagement provides only a moderate level of assurance that the information subject to review is free from material misstatement. This would be a clear weakening of the current situation (to obtain reasonable assurance on the financial statements). (CL18, others)

> The review would only cause confusion and increase/deepen the expectation gap among stakeholders. This is not optimal for the public interest. (CL33, accounting and auditing profession)

> Banks need to have reliable information about the current financial situation of companies because there is also encouragement to increase lending to small companies. However, the current suggestion of a review does not give enough assurance about the reliability of firms' financial information. (CL14, others)

Academics raised concerns regarding how the transition to a lighter audit system is conducted in practice. The costs of learning, educating, and implementing the new system were mentioned. It was stated that these costs can be high. These costs can be viewed as higher education costs, but also as reputational costs to the profession. The accounting and auditing profession complained that the adoption of a review can shake the appreciation of the profession from the societal point of view. This was because a review can be seen as offering lower quality compared to the traditional audit. The arguments concerning the reputational disadvantages can be seen through the abolitionist public interest perspective (Dellaportas and Davenport 2008). Here the auditing profession is mainly concerned with the possible negative consequences to the profession itself, which indicates that they are pursuing their own private interests. This could provide the rationale for the accounting and auditing profession's advocacy regarding the current regulatory reform. The following arguments support the above discussion.

> The learning and implementation costs related to the transfer to the lighter audit system can be considerable. (CL40, academia)

> When the review offers only a moderate level of assurance and it is conducted by an auditor, the meaning of the auditor's work could diminish, it could also lead to a situation where the general appreciation toward the auditing profession could decline and the importance of the auditor institution could decrease. (CL36, academia)

> Auditing is a legality check in which high trustworthiness is demanded. If auditors conducted the review, it could mean that the auditor institution could lose its importance in society. (CL37, accounting and auditing profession)

Finally, after a careful consideration of the reform and its pros and cons, the interest groups suggested that a moderate increase in audit exemption thresholds would be a better solution than the adoption of reviews. The interest groups argued that the preferred solution from the public interest perspective could be the moderate increase in the audit exemption thresholds. They stated that the increase could be an optimal choice when considering the public interest. This argumentation can be viewed through process theories. In line with this, the theorists are less concerned with interests and focus on the processes by which conflicts are transformed into policies or practices that could enhance the public interest (Dellaportas and Davenport 2008). To summarize, the public interest is determined through political

compromise (Baudot et al. 2017) and in the current case the political compromise would be to increase the current audit exemption thresholds. CLs stated that a moderated increase in the audit exemption thresholds should be considered, even though this had not previously been supported. The following quotes support the argumentation above.

> The examination of the review engagement should not be continued. To decrease the administrative burden, other possibilities should now be considered. For instance, the moderated increase in the audit exemption thresholds is supported even though I have been previously against it. (CL6, academia)

> The moderate increase in audit exemption thresholds would be a better solution. And after the suggested increase, the audit exemption thresholds would be still relatively at a low level in Finland compared to other EU countries. (CL21, others)

Insights from the additional statements

The additional statements on reform raised important considerations for the adoption of the review. For instance, the consequences to external financing and business-to-business agreements were emphasized. The documents emphasized that the adoption of the general review is also likely to affect access to external funding and contracts between companies. An external funder or even a contractor may require an audit as part of its funding decision even if a general review had been carried out on the company. These additional statements suggested that the costs for small businesses are expected to rise for financial and insurance costs if a general review is adopted. Business insurance is important for small businesses because it helps to insure continuity and profitability. Moreover, it was stated that the lack of an audit can be taken into account when assessing the credit rating of the company. The effects on the credit rating are in turn reflected in higher interest rates, limited access to credit, and/or the requirement for additional collateral. The needs of financial institutions, investors, contractors and other stakeholders should be carefully go through when considering the adoption of the general review.

It was stated that in the current form of audit, small companies and micro-enterprises and their management and shareholders benefit the physical presence of the auditor as a means of discussion and consultation. It is important to recognize the fact that when considering the adoption of review, this benefit might be reduced. Hence, the market would primarily direct the demand for assurance to situations where the entity itself would see the audit as added value, or there was a stakeholder that would require it in practice. The additional statements underlined that for businesses seeking to take advantage of exemption from audit and adopting the general review, careful consideration and planning will be needed before making the decision not to continue with audit. To summarize, small firms need to reconsider the possible positive consequences continuing with an annual audit and these positive consequences should be highlighted more. Prior studies support these considerations. For instance, Lennox and Pittman (2011) stated that when a company voluntarily chooses to remain audited, their credit ratings rise for these companies. They interpret this evidence as implying that these companies enjoy ratings upgrades because their decision to remain audited conveys an incrementally positive signal about their credit risk. Relatedly, Dedman and Kausar (2012) revealed that companies that retain voluntary audits enjoy significantly higher credit scores than those that opt out of audits.

Finally, the interest groups that were against the reform also emphasized that the examination of review engagements should not be continued. They clearly demonstrated that the examination had been important because it had evaluated the applicability and the costs of reviews to firms. To decrease the administrative burden, other possibilities should be contemplated. The following quotes present these thoughts:

> Even though we think that the review is not a functional solution, the memorandum and the opinions in it work as a comprehensive impact assessment, and they give valuable information. In the future, other ways to decrease the administrative burden should be investigated, for instance exempting companies from the statutory audit if there is no need for outside financing or to expand the ownership base in the near future. (CL13, recognized supervisory bodies)

Other possibilities for future examination could be a less complex entities standard (LCE standard) because it is under international investigation. (CL36, academia)

Insights of political decision-making in the current case

Political decision-making in accounting regulation is inherently complex, particularly when seeking socially acceptable outcomes (McLeay et al. 2000). The comment letters in this case revealed overwhelming opposition to adopting

review engagements, with arguments so comprehensive that the Finnish government abandoned the proposed reform entirely. This rejection demonstrates democratic responsiveness to stakeholder concerns. To summarize, there is value in actively participating in regulatory discussions, as comment letters (CLs) influenced the outcome in the Finnish case. Prior literature has suggested that the public interest theory can explain the demand for accounting and auditing regulation (e.g., Posner 1974). The CLs emphasized the negative public consequences (i.e., that the reform could jeopardize tax revenues and increase the risk of financial crime). Finally, the rejection decision was not conditional, and the Finnish government did not consider a later adoption or the continued examination of suitability to adopt reviews later. Prior research emphasizes trust as foundational to jurisdictional stability, with societal trust positively correlating with economic growth and social efficiency (La Porta et al. 1997; Kanagaretnam et al. 2018). The reform's rejection thus demonstrates how deeply embedded cultural values regarding financial information quality can override administrative efficiency arguments in policy decisions.

Discussion and conclusions

This study will add further evidence to the ongoing discussion of the critical factors and public interest perspective in lightening the regulation for micro companies. By utilizing public interest theory, this study examined the case of the adoption of a review assurance suggested by the Finnish Ministry of Economic Affairs and Employment.

The analysis revealed one general theme that emerged from the analysis: a tension between seeing SME-related issues from the perspective of the economic burden of regulation, and a conservative preference to not allow SMEs to gravitate too far from the accepted definitions of financial reporting quality. When investigating the public interest arguments, it was emphasized that the adoption of the review was not seen as advantageous because it was not serving the public interest. It has been argued that public interest has to be at the center of the accounting and auditing standard setting process (Giner and Mora 2021). The submissions emphasized that one problem associated with review engagements is the growing risk of an increase in the gray economy. It was suggested that review engagements would lead to a situation in which the general trust regarding the accuracy of financial information and the conformity of operations with the law would decrease. The CLs highlighted that the reform would weaken the quality of financial reporting. Opponents raised several interconnected concerns about the proposed reform. The introduction of two distinct assurance levels would create stakeholder confusion and widen the expectation gap regarding assurance services. Given these significant disadvantages, stakeholders argued that review engagement adoption should be discontinued. The most important concern centered on public revenue implications. The accounting profession warned that the reform would exempt an excessive number of micro and small companies from statutory audit requirements, significantly undermining tax and fee collection. Since effective public revenue collection finances essential societal investments in human capital, infrastructure, and public services—all fundamental public interest priorities—the reform's potential to jeopardize these revenues fundamentally challenged its utility. This risk of expanding the gray economy through weakened financial oversight was deemed incompatible with broader societal needs.

The opposition to the reform stemmed from the perspective that regulators should make socially efficient decisions, and accounting regulators should be genuinely interested in improving financial reporting quality (Sunder 1988). The results of this study support the view that relaxing the disclosure requirements for small companies could be a threat to the quality of financial information.

Other jurisdictions might benefit from the results. Prior studies suggest the benefit of mandatory auditing for SMEs can be uncertain (Vanstraelen and Schelleman 2017). Because by lightening the mandatory auditing it can have advantages—for example, there is a general thought that it can potentially reduce the administrative burden that smaller firms face. However, prior studies suggest that there might be significant costs if the mandatory auditing is lightened. For instance, Downing and Langli (2019) indicate that audit exemptions could have a negative impact on small firms' compliance with accounting and tax legislation in the relevant country. It could be useful for policy-makers to take into account such costs when deciding whether to implement the review. This study suggests that policymakers and regulators in Finland see the benefits of mandatory auditing and value it.

This case offers several policy insights for other member states considering similar regulatory reforms. First, administrative burden reduction must deliver substantial, demonstrable benefits rather than marginal improvements to justify disrupting established audit systems. Second, comprehensive stakeholder engagement proves crucial—the decisive influence of comment letters in Finland demonstrates the importance of inclusive consultation processes.

Appendix 1 obtained from Accountancy Europe (2021)

EU member state	Balance sheet total (EUR)	Net turnover (EUR)	Number of employees
Austria	5,000,000	10,000,000	50
Belgiuma	4,500,000	9,000,000	50
Bulgaria	1,000,000	2,000,000	50
Croatia	2,000,000	4,000,000	25
Cyprus	0	0	0
Czech Republic	1,500,000	3,000,000	50
Denmark			
a[b]	537,000	1,075,000	12
b[c]	6,000,000	12,000,000	50
Estonia			
a[d]	800,000	1,600,000	24
b[e]	2,000,000	4,000,000	50
Finland	100,000	200,000	3
France[f]	4,000,000	8,000,000	50
Germany	6,000,000	12,000,000	50
Greece	4,000,000	8,000,000	50
Hungary	not applicable	965,000	50
Ireland	6,000,000	12,000,000	50
Italy	4,000,000	4,000,000	20
Latvia	800,000	1,600,000	50
Lithuania	1,800,000	3,500,000	50
Luxembourg	4,400,000	8,800,000	50
Malta	46,600	93,000	2
Netherlands	6,000,000	12,000,000	50
Poland[g]	2,500,000	5,000,000	50
Portugal	1,500,000	3,000,000	50
Romania	3,500,000	7,000,000	50
Slovakia	2,000,000	4,000,000	30
Slovenia	4,000,000	8,000,000	50
Spain	2,850,000	5,700,000	50
Sweden	150,000	300,000	3

[a]Thresholds are determined on a consolidated basis for groups, which leads to mandatory audit for smaller firms in the group although individually they fall under the thresholds

[b]Above these thresholds, there is a choice between extended review or audit

[c]Above these thresholds, statutory audit is mandatory

[d]Thresholds applicable for statutory review

[e]Thresholds applicable for statutory audit

[f]Only the companies that are above two of the three thresholds are now subject to statutory audit. However, if a company is the head of a group, and the group is above one of the current thresholds, it is subject to a statutory audit. Furthermore, significant subsidiaries of such groups which are above two of the three following thresholds (a) € 2,000,000 and b) € 4,000,000) are subject to a statutory audit

[g]Exemptions do not apply if a firm prepares its financial statements under IFRS

Appendix 2

Public authorities
Ministry of the Interior
Ministry of Finance
Finnish Tax Administration
Ministry of Justice
Others
Join submission from the Chambers of Commerce and Federation of Finnish Entrepreneurs
Federation of Finnish Financial Administration
Finance Finland
Individuals
Joint submission from two auditors*
Professor

Acknowledgements The author appreciates the helpful suggestions on earlier draft provided by participants of the 44th Annual Congress of the European Accounting Association 2022, Bergen, Norway, Bothnia Accounting & Auditing Seminar 2022, Helsinki, Finland and the 17th Workshop on European Financial Reporting 2022, Lisboa, Portugal, the 14th IAAER World Congress of Accounting Educators and Researchers 2022, Paris, France, the 9th Workshop on Accounting and Regulation 2023, Siena, Italy and the 18th Workshop on European Financial Reporting 2023, Piraeus, Greece. The Author gratefully acknowledges the financial support received from the Evald and Hilda Nissi Foundation and the Foundation for Economic Education.

Funding Open Access funding provided by University of Vaasa.

Declarations

Conflict of interest The authors declared that they have no conflict of interest.

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