

These notes refer to the Companies (Audit, Investigations and Community Enterprise) Act 2004 (c.27) which received Royal Assent on 28 October 2004

COMPANIES (AUDIT, INVESTIGATIONS AND COMMUNITY ENTERPRISE) ACT 2004

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 1: Auditors, Accounts, Directors' Liabilities and Investigations

Chapter 2: Accounts and Reports

Supervision of accounts and reports

Section 14 – Supervision of periodic accounts and reports of issuers of listed securities

80. *Section 14* provides the Secretary of State with the power to appoint a body (intended to be the Review Panel of the FRRP) to monitor compliance by issuers of listed securities, or certain classes of these issuers, with accounting requirements of the Listing Rules.
81. These rules are made and enforced by the Financial Services Authority (FSA). Under section 74(1) of the Financial Services and Markets Act 2000 (FSMA), the FSA is required to maintain an official list. Under sections 74(4) and 96 of that Act, the FSA may make Listing Rules governing the admission of securities to the official list and specifying the requirements on companies and other entities which list securities.
82. The section will allow the Government to create a role for the Review Panel in checking the financial information contained in some of the documents which are required to be produced periodically under Listing Rules: namely, the half yearly (interim) report and the annual report. Currently, the FRRP checks the annual reports of Companies Act companies only (it performs a similar function under Northern Ireland companies legislation). The section thus allows the Secretary of State to extend the scope of the FRRP's activities in two directions:
- she may appoint the Review Panel to look at interim reports and any other periodic reports required by Listing Rules, in addition to annual reports;
 - she may appoint the Review Panel to look at annual and interim reports of entities which are on the official list but are not Companies Act companies; this covers entities whose securities are listed in the UK but which are not UK companies, such as some UK building societies, as well as overseas companies and other entities. By virtue of *subsection (5)*, the body may be appointed in respect of certain classes of issuer only, and in respect of certain types of reports and accounts. For example, the power could be used to extend the Review Panel's remit to cover the accounts of overseas companies which have a primary listing in the UK, and the accounts of UK issuers which are not companies but which issue equities or domestic debt.
83. The section also allows the FSA to refer individual cases which may not fall within the Review Panel's remit (for example issuers of specialist debt) to the Review Panel

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for it to review. The FSA would conduct their own assessments and refer cases to the Review Panel only where they identified a risk in respect of the reports and accounts.

84. The section is drafted to allow maximum flexibility in these regards: negotiations in Europe (for example in the Committee of European Securities Regulators, and on the Transparency Directive) and internationally (on international accounting standards) may have an impact on the precise remit which will be set out in the order.
85. The Review Panel's function under this section will be to check that the accounting information contained in the accounts and reports complies with the accounting requirements of the Listing Rules, and to inform the FSA of any conclusions it reaches. The FSA will then decide what further action should be taken, and has a range of sanctions available to it under FiSMA 2000.
86. This will be in addition to the FRRP's existing activities in respect of annual accounts under section 245C of the Companies Act 1985, where the enforcement route is through an application to the court for an order requiring revised accounts.