

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

SUMMARY AND BACKGROUND

4. The Companies (Audit, Investigations and Community Enterprise) Act 2004 forms part of the Government's strategy to help restore investor confidence in companies and financial markets following major corporate failures. The Act amends relevant provisions of the Companies Acts 1985 and 1989. The legislative changes complement a package of non-legislative measures designed to strengthen corporate governance and audit practice: for example, changes to the Combined Code on Corporate Governance in July 2003 following a review by Sir Derek Higgs on the role and effectiveness of non-executive directors and Sir Robert Smith's guidance on audit committees in January 2003; and the Financial Reporting Council taking over the functions of the former Accountancy Foundation. In addition, the Act is intended to assist social enterprise by creating a new type of company, the "community interest company" (CIC).
5. The measures in the Act emerged from a number of consultation documents and reports. These include: the *Final Report of the Co-ordinating Group on Audit and Accounting Issues* to the Secretary of State for Trade and Industry and the Chancellor of the Exchequer (January 2003); *Review of the Regulatory Regime of the Accountancy Profession: Legislative Proposals* (March 2003) and the *Report on the public consultation and the Government's conclusions* (February 2004); *Company Investigations: Powers for the 21st Century* (consultation document, October 2001); *Enterprise for Communities: proposals for a Community Interest Company* (consultation document, March 2003); followed by a *Report on the public consultation and the Government's intentions* (October 2003); and *Director and Auditor Liability* (consultation document, December 2003).