

Company Regime Tightens

The Companies (Audit, Investigations and Community Enterprise) Bill has now received Royal Assent.

The new Act is designed to make the compliance regime for UK companies the tightest in the world and to reduce the likelihood of Enron type (or in the UK Polly Peck, BCCI or Maxwell type) scandals happening in the future.

Amongst other changes, the Act will:

- require companies to confirm in the directors' report that relevant information has been disclosed to auditors;
- require the accountancy profession watchdogs to agree to more stringent auditor independence standards;
- give the Government the power to require large companies to disclose the level of non-audit fees paid to the firms that audit them;
- allow the Inland Revenue to pass information to the Financial Reporting Review Panel; and
- improve the right of access to information by investigators.

The Act also permits companies to indemnify directors against personal liability and to pay the legal costs of directors when action is taken against them in relation to the company's affairs. This indemnification will have to be disclosed in the directors' report of the company and shareholders will have the right to inspect the indemnification terms.

It is likely that those provisions of the Act which relate to auditors, company investigations and directors' indemnities will come into force in April 2005.