
STATUTORY INSTRUMENTS

2008 No. 1140

The Friendly Societies Act 1992 (Accounts,
Audit and EEA State Amendments) Order 2008

PART 2

ACCOUNTS AND AUDIT

Disclosures relating to off-balance-sheet arrangements

3. After section 69K(1) of the 1992 Act, insert—

“Disclosures relating to off-balance-sheet arrangements

69L.—(1) If in any financial year—

- (a) a friendly society or registered branch has been party to arrangements that are not reflected in its balance sheet, and
- (b) at the balance sheet date the risks or benefits arising from those arrangements are material,

the information required by this section must be given in notes to the society’s or branch’s annual accounts.

(2) The information required is—

- (a) the nature and business purpose of the arrangements, and
- (b) the financial impact of the arrangements on the society or branch.

(3) The information need only be given to the extent necessary for enabling the financial position of the society or branch to be assessed.

(4) Where a friendly society is required to prepare consolidated group accounts, this section applies in relation to those accounts as if the undertakings included in the consolidation were a single friendly society.”

Disclosure of auditor remuneration

4.—(1) After section 69L of the 1992 Act (inserted by article 3), insert—

“Disclosure of auditor remuneration

69M.—(1) The information specified in Schedule 13F must be given in notes to a friendly society’s or a registered branch’s annual accounts.

- (2) The Treasury may, by order, modify the provisions of Schedule 13F.
- (3) An order under this section may—

- (a) make consequential amendments or repeals of other provisions of this Act;
 - (b) make such transitional or saving provisions as appear to the Treasury to be necessary or expedient, or
 - (c) make different provision for different cases.”.
- (2) Schedule 1, which inserts Schedule 13F into the 1992 Act, has effect.
- (3) In Schedule 13D to the 1992 Act⁽²⁾ (disclosures about members of the committee of management and employees) omit paragraph 12.
- (4) In Schedule 14 to the 1992 Act (auditors: appointment etc)⁽³⁾—
- (a) in paragraph 16—
 - (i) omit sub-paragraphs (3) and (6);
 - (ii) in sub-paragraph (5), omit the words from “and in relation to any such benefit” to the end;
 - (b) omit paragraph 17.

Signature of auditor’s report

- 5.—(1) For section 74 of the 1992 Act (signature of auditors’ report), substitute—

“Signature of auditor’s report

- 74.—(1) The auditor’s report to the members of a friendly society or registered branch must state the name of the auditor and be signed and dated.
- (2) Where the auditor is an individual, the report must be signed by him.
- (3) Where the auditor is a firm, the report must be signed—
- (a) in the case of a friendly society to which the Audit Directive applies, by the senior statutory auditor in his own name, for and on behalf of the firm;
 - (b) in any other case—
 - (i) in the name of the firm by a person authorised to sign on its behalf, or
 - (ii) if the firm has identified a senior statutory auditor in relation to the audit, by that person, in his own name, for and on behalf of the firm.

Senior statutory auditor

- 74A.—(1) The senior statutory auditor means the individual identified by the firm as senior statutory auditor in relation to the audit in accordance with the standards or guidance mentioned in section 504(1) of the Companies Act 2006.
- (2) The person identified as senior statutory auditor must be eligible for appointment as auditor of the society in question in accordance with—
- (a) in the case of a friendly society to which the Audit Directive applies, Chapter 2 of Part 42 of the Companies Act 2006;
 - (b) in any other case, Schedule 14 to this Act.
- (3) The senior statutory auditor is not, by reason of being named or identified as senior statutory auditor or by reason of his having signed the auditor’s report, subject to any civil liability to which he would not otherwise be subject.

⁽²⁾ Schedule 13D was inserted by [S.I. 2005/2211](#).

⁽³⁾ Schedule 14 was amended by [S.I. 2008/948](#).

Names to be stated in copies of auditor’s report filed or published

74B.—(1) The copies of the auditor’s report sent to the Authority under section 78(1) or (2) below, and every copy of the auditor’s report that is published by or on behalf of the friendly society or registered branch, must—

- (a) state the name of the auditor and (where the auditor is a firm and the report is signed by a senior statutory auditor) the name of the person who signed it as senior statutory auditor, or
- (b) if the conditions in section 74C (circumstances in which names may be omitted) are met, state that a resolution has been passed and notified to the Authority in accordance with that section.

(2) For the purposes of this section a society or branch is regarded as publishing the report if it publishes, issues or circulates it or otherwise makes it available for public inspection in a manner calculated to invite members of the public generally, or any class of members of the public, to read it.

(3) If a copy of the auditor’s report is sent to the Authority or published without the statement required by this section, an offence is committed by—

- (a) the society or branch, and
- (b) every officer of the society or branch who is in default.

(4) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale.

Circumstances in which names may be omitted

74C.—(1) The auditor’s name, and (where applicable) the name of the person who signed the report as senior statutory auditor, may be omitted from—

- (a) the copies of the report sent to the Authority under section 78(1) or (2) below, and
- (b) published copies of the report,

if the following conditions are met.

(2) The conditions are that the friendly society or registered branch—

- (a) considering on reasonable grounds that statement of the name would create or be likely to create a serious risk that the auditor or senior statutory auditor, or any other person, would be subject to violence or intimidation, has resolved in general meeting that the name should not be stated, and
- (b) has given notice of the resolution to the Authority, stating—
 - (i) the name of the society or branch,
 - (ii) the financial year of the society to which the report relates, and
 - (iii) the name of the auditor and (where applicable) the name of the person who signed the report as senior statutory auditor.”.

Removal or resignation of auditor

6.—(1) In Schedule 14 to the 1992 Act (auditors: appointment etc), after paragraph 10, insert—

“Removal of auditor on improper grounds

10A.—(1) Where an auditor of a friendly society to which the Audit Directive applies is removed from office an application may be made to the High Court under this paragraph.

- (2) The persons who may make such an application are—
 - (a) any member of the society who was also a member at the time of the removal;
 - (b) the Authority.
- (3) If the court is satisfied that the removal was—
 - (a) on grounds of divergence of opinion on accounting treatments or audit procedures, or
 - (b) on any other improper grounds,
 it may make such order as it thinks fit for giving relief in respect of the removal.

- (4) The court may, in particular—
 - (a) declare that any resolution of the society removing an auditor, or appointing a new auditor in his place, is void;
 - (b) require the directors of the society to re-appoint the auditor until the next general meeting of the society;
 - (c) give directions as to the conduct of the society’s affairs in the future.
- (5) In the application of this paragraph to a friendly society whose registered office is in Scotland or Northern Ireland, references to the High Court shall be read as references to the Court of Session or, as the case may be, the High Court in Northern Ireland.”
- (2) In that Schedule, after paragraph 15 insert—

“Duty of auditor to notify appropriate audit authority

- 15A.**—(1) Where an auditor of a friendly society or registered branch ceases for any reason to hold office, he must notify the appropriate audit authority.
- (2) The notice must—
 - (a) inform the appropriate audit authority that he has ceased to hold office, and
 - (b) be accompanied by a copy of the statement deposited by him at the registered office of the society or branch in accordance with paragraph 14.
 - (3) If the statement so deposited is to the effect that he considers that there are no circumstances in connection with his ceasing to hold office that need to be brought to the attention of the members or creditors of the society or branch, the notice must also be accompanied by a statement of the reasons for his ceasing to hold office.
 - (4) The auditor must comply with this paragraph at the same time as he deposits a statement at the registered office of the society or branch in accordance with paragraph 14.
 - (5) If a person ceasing to hold office as auditor fails to comply with this paragraph, he is guilty of an offence and liable—
 - (a) on conviction on indictment, to a fine, and
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.

Duty of friendly society or registered branch to notify appropriate audit authority

- 15B.**—(1) Where an auditor of a friendly society or registered branch ceases to hold office before the end of his term of office, the society or branch must notify the appropriate audit authority.
- (2) The notice must—
 - (a) inform the appropriate audit authority that the auditor has ceased to hold office, and

- (b) be accompanied by—
 - (i) a statement by the society or branch of the reasons for his ceasing to hold office, or
 - (ii) if the copy of the statement deposited by the auditor at the registered office of the society or branch in accordance with paragraph 14(1) contains a statement of circumstances connected with his ceasing to hold office which he considers should be brought to the attention of the members or creditors of the society or branch, a copy of that statement.
- (3) The society or branch must give notice under this paragraph—
 - (a) if the auditor resigns, not later than the end of the period of 14 days beginning with the date on which the auditor’s notice of resignation is deposited at the society’s or branch’s registered office;
 - (b) in any other case, not later than the end of the period of 14 days beginning with the date on which the auditor ceases to hold office.
- (4) If a friendly society or registered branch fails to comply with this paragraph, it is guilty of an offence and liable—
 - (a) on conviction on indictment, to a fine, and
 - (b) on summary conviction, to a fine not exceeding the statutory maximum.

Meaning of “appropriate audit authority”

- 15C.** In paragraphs 15A and 15B above “appropriate audit authority” means—
- (a) the Secretary of State, or
 - (b) if the Secretary of State has delegated functions under section 1252 of the Companies Act 2006 to a body whose functions include receiving the equivalent notice under section 522 or 523 of that Act, that body.”.

Interpretation

7.—(1) In section 78A(1) of the 1992 Act (interpretation of Part 6: accounts and audit)(4), at the appropriate places insert—

- ““firm” means any entity, whether or not a legal person, that is not an individual and includes a body corporate, a corporation sole, and a partnership or other unincorporated association;”;
- ““senior statutory auditor” has meaning given by section 74A(1) above;”.

(2) In paragraph 4(3) of Schedule 14 to the 1992 Act, omit the definition of “firm”.

Parliamentary procedure for certain orders

8. In section 121(2) of the 1992 Act (orders and regulations)(5), for “section 5, 69J or 69K” substitute “section 5”.

Consequential amendments

9. Schedule 2, which contains consequential amendments of the 1992 Act, has effect.

(4) Section 78A was inserted by [S.I. 2005/2211](#) and amended by [S.I. 2008/948](#).

(5) Section 121(2) was amended by [S.I. 2005/2211](#).

Status: *This is the original version (as it was originally made).*
