

SCHEDULE 2

Regulation 4

Amendments to the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008

1. The Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008(1) are amended in accordance with this Schedule.

2. In regulation 2 (interpretation)—

(a) in paragraph (1), in the definition of “registered society”, for paragraph (b) substitute—

“(b) a registered society within the meaning given by section 1A(1) of the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969(2).”;

(b) in paragraph (4), after “Article” insert “ 4,”;

(c) in paragraph (5), after “annual accounts, ” insert “the strategic report, ”.

3. In regulation 3 (preparation of accounts by insurance undertakings)—

(a) in paragraph (1)(a), after “annual accounts” insert “, strategic report”;

(b) in paragraph (3)—

(i) for sub-paragraphs (a) to (d), substitute—

“(da) Chapters 4, 4A(3) (apart from sections 414CA and 414CB) and 5 of Part 15 (accounts and reports) and Chapter 1 of Part 16 (requirement for audited accounts) of the Companies Act 2006,”;

(ii) in sub-paragraph (i), before “6” insert “1A(4), ”.

4. In regulation 4 (publication of accounts), in paragraph (2)—

(a) for “section 39(5) of the Industrial and Provident Societies Act 1965(5)” substitute “section 90(1) of the Co-operative and Community Benefit Societies Act 2014(6)”;

(b) for “the Industrial and Provident Societies Act (Northern Ireland) 1969” substitute “the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969”.

5. In regulation 5 (penalties for non-compliance (accounts))—

(a) in paragraph (5), for “section” substitute “regulation”;

(b) omit paragraph (7).

6. In regulation 6 (appointment of auditors)—

(a) for paragraph (1) substitute—

“(1) The sections of the Companies Act 2006 listed in paragraph (1A) apply in relation to the appointment of auditors of an insurance undertaking as if the undertaking was a private company which is also a public interest entity, subject—

(a) where the undertaking concerned is unincorporated, to any necessary modifications to take account of that fact, and

(b) to the modifications made by paragraph (2).

(1A) The sections of the Companies Act 2006 are—

(1) S.I. 2008/565, amended by S.I. 2013/472, 2014/1815 and 2015/575.

(2) 1969 c. 24 (N.I.). Section 1A was inserted into the Industrial and Provident Societies Act (Northern Ireland) 1969 (c. 24), and that Act was renamed, by section 8 of the Credit Unions and Co-operative and Community Benefit Societies Act (Northern Ireland) 2016 (c. 16 (N.I.)).

(3) Chapter 4A was inserted by S.I. 2013/1970 and amended by S.I. 2015/980 and 2016/1245.

(4) Paragraph 1A of Schedule 7 to S.I. 2008/410 was inserted by S.I. 2013/1970.

(5) 1965 c. 12. The Act was repealed by the Co-operative and Community Benefit Societies Act 2014 (c. 14).

(6) 2014 c. 14.

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- (a) 485 (appointment of auditors of private company: general),
 - (b) 485A (appointment of auditors of private company: additional requirements for public interest entities with audit committees),
 - (c) 485B (appointment of auditors of private company: additional requirements for public interest entities without audit committees),
 - (d) 485C (restriction on appointment of auditor of private company which is a public interest entity),
 - (e) 486 (appointment of auditors of private company: default power of Secretary of State)(7),
 - (f) 486A (defective appointments: default power of Secretary of State),
 - (g) 487 (term of office of auditors of private company)(8),
 - (h) 488 (prevention by members of deemed re-appointment of auditor), and
 - (i) 494ZA (the maximum engagement period)(9).”;
- (b) in paragraph (2), after sub-paragraph (b) insert—
- “(ba) in section 485A(4), the words after “Audit Regulation” are omitted;
 - (bb) in section 485B(4), the words after “must be drawn” are omitted;”;
- (c) omit paragraphs (3) and (4).
7. In regulation 7 (functions of auditor)—
- (a) in paragraph (1)—
 - (i) in the introductory words, before “company” insert “private”;
 - (ii) after sub-paragraph (a) insert—
 - “(aa) section 496 (auditor’s report on strategic report and directors’ report)(10);”;
 - (iii) omit sub-paragraph (c);
 - (b) omit paragraph (3).
8. In regulation 8 (signature of auditor’s report), omit paragraph (3).
9. After regulation 8 insert—

“Offences in connection with auditor’s report and guidance

8A. Sections 507 to 509 of the Companies Act 2006(11) apply in relation to an auditor’s report on an insurance undertaking’s annual accounts as they apply to an auditor’s report on a private company’s annual accounts, subject to the modification that references in those sections to provisions of the Companies Act 2006 are to be construed as references to those provisions as applied by these Regulations.”.

10. After regulation 9 insert—

(7) Section 486 was amended by [S.I. 2016/649](#) and [2017/516](#).
(8) Section 487 was amended by [S.I. 2016/649](#) and [2017/516](#).
(9) Section 494ZA was inserted by [S.I. 2017/516](#).
(10) Section 496 was substituted by [S.I. 2015/980](#) and amended by [S.I. 2016/649](#).
(11) [2006 c. 46](#). Sections 508 and 509 were amended by [S.I. 2016/649](#).

“Application to court to remove auditor from office

9A.—(1) The Financial Reporting Council Limited⁽¹²⁾ may apply to the High Court for an order removing an auditor of an insurance undertaking from office if the Council considers that there are proper grounds for removing the auditor from office.

(2) The members of an insurance undertaking may apply to the High Court for an order removing an auditor of the undertaking from office if the applicant or applicants consider that there are proper grounds for removing the auditor from office.

(3) If the court is satisfied, on hearing an application under paragraph (1), that there are proper grounds for removing the auditor from office, it may make an order removing the auditor from office.

(4) If the court is satisfied, on hearing an application under paragraph (2), that—

(a) the applicants represent in total—

(i) not less than 5% of the voting rights of all the members for the time being entitled to vote at a general meeting of the insurance undertaking, or

(ii) not less than 5% in nominal value of any share capital of the insurance undertaking as shown by the latest balance sheet, and

(b) there are proper grounds for removing the auditor from office,

the court may make an order removing the auditor from office.

(5) For the purposes of this regulation, divergence of opinions on accounting treatments or audit procedures are not to be taken to be proper grounds for removing an auditor from office.

(6) In the application of this regulation to an insurance undertaking whose principal place of business is in Scotland or Northern Ireland, references to the High Court are to be read as references to the Court of Session or, as the case may be, the High Court in Northern Ireland.”

11. In regulation 12 (penalties for non-compliance (notification of appropriate audit authority))—

(a) after paragraph (2) insert—

“(2A) In relation to an offence by a body under paragraph (1)—

(a) any person who purports to act as director, manager or secretary of the body is treated as an officer of the body, and

(b) if the body is a company, any shadow director is treated as an officer of the company.”;

(b) omit paragraphs (3) and (6).

12. For regulation 13 (summary proceedings: venue and time limit) substitute—

“**13.** The following provisions of the Companies Act 2006 apply in relation to an offence under these Regulations (or under a provision of the Act as applied by these Regulations) as they apply to offences under that Act—

(a) section 1121 (liability of officer in default);

(b) section 1122 (liability of company as officer in default);

(c) section 1123 (application to bodies other than companies);

(d) section 1125 (meaning of “daily default fine”);

(e) section 1127 (summary proceedings: venue);

⁽¹²⁾ A company registered in England and Wales with number 02486368.

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- (f) section 1128 (summary proceedings: time limit for proceedings);
- (g) section 1130 (proceedings against unincorporated bodies).”.

13. In regulation 14 (registered societies)—

- (a) in paragraph (1), for “the Friendly and Industrial and Provident Societies Act 1968**(13)**” substitute “the Co-operative and Community Benefit Societies Act 2014”;
- (b) in paragraph (2), for “the Industrial and Provident Societies (Northern Ireland) Act 1969” substitute “the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969”.

14. After regulation 16 insert—

“Review

17.—(1) The Secretary of State must from time to time—

- (a) carry out a review of the regulatory provision contained in these Regulations to which amendments have been made by Schedule 2 to the Statutory Auditors Regulations 2017, and
 - (b) publish a report setting out the conclusions of the review.
- (2) The first report must be published before 1st January 2023.
- (3) Subsequent reports must be published at intervals not exceeding 5 years.
- (4) Section 30(3) of the Small Business, Enterprise and Employment Act 2015**(14)** requires that a review carried out under this regulation must, so far as is reasonable, have regard to how—
- (a) Articles 28 and 38 of [Directive 2006/43/EC](#) of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives [78/660/EEC](#) and [83/349/EEC](#) and repealing Council [Directive 84/253/EEC](#)**(15)**, and
 - (b) Articles 16, 17 and 41 of Regulation (EU) No 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities and repealing Commission [Decision 2005/909/EC](#)**(16)**,
- are implemented in other member States.
- (5) Section 30(4) of the Small Business, Enterprise and Employment Act 2015 requires that a report published under this regulation must, in particular—
- (a) set out the objectives intended to be achieved by the regulatory provision referred to in paragraph (1)(a),
 - (b) assess the extent to which those objectives are achieved,
 - (c) assess whether those objectives remain appropriate, and
 - (d) if those objectives remain appropriate, assess the extent to which they could be achieved in another way which involves less onerous regulatory provision.
- (6) In this regulation, “regulatory provision” has the same meaning as in sections 28 to 32 of the Small Business, Enterprise and Employment Act 2015 (see section 32 of that Act).”.

15. For Schedule 1 substitute—

(13) [1968 c. 55](#). The Act was partially repealed by the Friendly Societies Act [1974 \(c. 46\)](#) and [S.I. 2001/2617](#), and was wholly repealed by the Co-operative and Community Benefit Societies Act [2014 \(c. 14\)](#).

(14) [2015 c. 26](#). Section 30(3) was amended by section 19 of the Enterprise Act [2016 \(c. 12\)](#).

(15) OJ No L 157, 09.06.06, p.87, last amended by [Directive 2014/56/EU](#) (OJ No L 158, 27.05.14, p. 196).

(16) OJ No L 158, 27.05.14, p. 77.

“SCHEDULE 1

Regulation 14(1)

Modification of the Co-operative and Community Benefit Societies Act 2014

1. In its application to registered societies that are insurance undertakings for the purposes of these Regulations, the Co-operative and Community Benefit Societies Act 2014 has effect subject to the following modifications.

2. Omit sections 79 (duty to prepare revenue accounts) and 80 (accounts and balance sheets to give a true and fair view).

3. For section 82 (restrictions on publication of accounts and balance sheets) substitute—

“82 Restrictions on publication of accounts and balance sheets

(1) A registered society must not publish—

- (a) a profit and loss account prepared under section 396 of the Companies Act 2006⁽¹⁷⁾ as applied by regulation 3 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008, or
- (b) a balance sheet,

unless the account or balance sheet is signed by the society’s secretary and is signed by two members of its committee acting on behalf of the committee.

(2) If a society publishes any of its statutory accounts, they must be accompanied by the relevant auditor’s report.

(3) A society which is required to prepare group accounts for a financial year must not publish its statutory individual accounts for that year without also publishing with them its statutory group accounts.

(4) If a society publishes non-statutory accounts, it must publish with them a statement indicating—

- (a) that they are not the society’s statutory accounts,
- (b) whether statutory accounts dealing with any financial year with which the non-statutory accounts purport to deal have been delivered to the FCA,
- (c) whether the society’s auditor has made a relevant auditor’s report,
- (d) whether any such auditor’s report—
 - (i) was qualified or unqualified, or included a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report, or
 - (ii) contained a statement under section 498(2) or (3) of the Companies Act 2006 as applied by regulation 7 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008⁽¹⁸⁾ (accounting records or returns inadequate, accounts not agreeing with records and returns or failure to obtain necessary information and explanations),

and it must not publish with the non-statutory accounts any auditor’s report required by sections 496 and 497 of the Companies Act 2006 as applied by regulation 7 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008.

⁽¹⁷⁾ 2006 c. 46. Section 396 was amended by S.I. 2013/3008 and 2015/980.

⁽¹⁸⁾ S.I. 2008/565, amended by S.I. 2013/472, 2014/1815 and 2015/575.

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(5) For the purposes of this section a society is regarded as publishing a document if it publishes, issues or circulates it or otherwise generally 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.

(6) In this section—

(a) references to a society's statutory accounts are to its individual or group accounts for a financial year as required to be prepared by regulation 3 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008;

(b) references to the relevant auditor's report are to the report required to be prepared by sections 495 and 496 of the Companies Act 2006 as applied by regulation 7 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 in relation to the statutory accounts concerned;

(c) references to the publication by a society of "non-statutory accounts" are to the publication of—

(i) any balance sheet or profit and loss account relating to, or purporting to deal with, a financial year of the society, or

(ii) an account in any form purporting to be a balance sheet or profit and loss account for the group consisting of the society and its subsidiary undertakings relating to, or purporting to deal with, a financial year of the society,

otherwise than as part of the society's statutory accounts."

4. Omit sections 83 to 88 (matters relating to appointment of an auditor and the auditor's report).

5. In section 89 (annual returns)—

(a) in subsection (2)(a), for "the society's revenue account" to "section 79" substitute "the profit and loss account required to be prepared by section 396 of the Companies Act 2006 as applied by regulation 3 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008";

(b) for subsection (2)(b) substitute—

"(b) must not contain any other accounts.";

(c) for subsection (3) substitute—

"(3) "Relevant auditor's report" means the report required to be prepared by sections 495 and 496 of the Companies Act 2006 as applied by regulation 7 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008."

6. In section 90 (duty to provide copy of annual return on demand), omit subsection (2)(a)(ii) and the preceding "or".

7. For section 91 (meaning of "qualified auditor") substitute—

"91 Meaning of "qualified auditor"

References in this Part to a qualified auditor, in relation to a society, are to a person who—

(a) is eligible for appointment as a statutory auditor under Part 42 of the Companies Act 2006, and

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- (b) is not prohibited from acting as statutory auditor of the society by virtue of section 1214 of that Act (independence requirement).”.
8. Omit section 92 (persons ineligible for appointment as auditors etc).
9. In section 93 (re-appointment and removal of qualified auditors)—
- (a) in subsection (2)—
- (i) at the end of paragraph (a) insert “or”;
- (ii) omit paragraph (c) and the “or” preceding it;
- (b) in subsection (3)—
- (i) in the introductory words, omit “the auditor”;
- (ii) at the beginning of each of paragraphs (a) and (c), insert “the auditor”;
- (iii) for paragraph (b) substitute—
- “(b) the auditor is ineligible for appointment for the current year of account.”;
- (iv) after paragraph (c) insert—
- “(d) the auditor was appointed by the committee,
- (e) the society’s rules require actual re-appointment, or
- (f) the re-appointment is prevented by the members under section 93A.”;
- (c) in subsection (4)(b)(ii), for “ineligible for appointment” substitute “not a qualified auditor”;
- (d) omit subsection (5);
- (e) at the end insert—
- “(6) A person who is not automatically re-appointed as auditor by virtue of subsection (3)(d) of this section may be re-appointed by the committee for the current year of account and for any subsequent year of account commencing before the next general meeting of the society. However, he may only be re-appointed for any year of account commencing on or after the date of that general meeting by a resolution of the society at that meeting.”.
10. After section 93 insert—

“93A Prevention by members of automatic re-appointment of auditor

- (1) An auditor of a society is not automatically re-appointed under section 93 of this Act if the society has received notices under this section from members representing at least the requisite percentage of the total voting rights of all members who would be entitled to vote on a resolution that the auditor should not be re-appointed.
- (2) The “requisite percentage” is 5%, or such lower percentage as is specified for this purpose in the society’s rules.
- (3) A notice under this section—
- (a) may be in hard copy or electronic form,
- (b) must be authenticated by the person or persons giving it, and
- (c) must be received by the society before the end of the year of account immediately preceding the year of account for which the automatic re-appointment would have effect.”.
11. In section 97 (remuneration of qualified auditors)—

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- (a) omit subsection (1)(b);
 - (b) in subsection (3) omit—
 - (i) “or person appointed to make a relevant report”, and
 - (ii) “or person’s”.
- 12.** In section 98 (group accounts), omit all subsections other than subsections (1) and (8).
- 13.** Omit sections 99 to 101 (exceptions to section 98 and interpretation).
- 14.** In section 102 (interpretation of Part 7)—
- (a) after the definition of “equity share capital” insert—

““group accounts” means the accounts required by regulation 3 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008 to be prepared in accordance with section 404 of the Companies Act 2006⁽¹⁹⁾”;
 - (b) omit the definitions of—
 - (i) “small society”;
 - (ii) “subsidiary”.
- 15.** In section 127 (general offences)—
- (a) subsection (1) were omitted;
 - (b) in subsection (2)—
 - (i) in paragraph (a), after “Part 7” insert “as modified by the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008,”;
 - (ii) omit paragraph (b) and the “or” preceding it.”.
- 16.** In Schedule 2 (modification of the Industrial and Provident Societies Act (Northern Ireland) 1969⁽²⁰⁾)—
- (a) in the heading to the Schedule, for “THE INDUSTRIAL AND PROVIDENT SOCIETIES ACT (NORTHERN IRELAND) 1969” substitute “THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT (NORTHERN IRELAND) 1969”;
 - (b) in paragraph 1, for “the Industrial and Provident Societies Act (Northern Ireland) 1969” substitute “the Co-operative and Community Benefit Societies Act (Northern Ireland) 1969”;
 - (c) in paragraph 15, for sub-paragraphs (a) and (b) substitute—
 - “(a) for subsection (1A), substitute—

“(1A) “Relevant auditor’s report” means—

 - (a) the auditor’s report required to be prepared by sections 495 and 496 of the Companies Act 2006 as applied by regulation 7 of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 2008, and
 - (b) any auditor’s report on a balance sheet made during the year;””

⁽¹⁹⁾ Section 404 was amended by S.I. 2015/980.

⁽²⁰⁾ 1969 c. 24 (N.I.).