



# Friendly and Industrial and Provident Societies Act 1968 (repealed)

## 1968 CHAPTER 55

*Societies: accounts and audit, etc.*

### **1 Books of account, etc.**

- (1) Every society shall—
- (a) cause to be kept proper books of account with respect to its transactions and its assets and liabilities, and
  - (b) establish and maintain a satisfactory system of control of its books of account, its cash holdings and all its receipts and remittances.
- (2) For the purposes of paragraph (a) of the preceding subsection proper books of account shall not be taken to be kept with respect to the matters mentioned in that paragraph if there are not kept such books as are necessary to give a true and fair view of the state of the affairs of the society and to explain its transactions.

### **2 Form in which books of account may be kept.**

- (1) Any book of account to be kept by a society may be kept either by making entries in bound books or by recording the matters in question in any other manner.
- (2) Where any such book of account is not kept by making entries in a bound book but by some other means, the society shall take adequate precautions for guarding against falsification and facilitating its discovery.

### **3 General provisions as to accounts and balance sheets of societies.**

- (1) Every revenue account of a society shall give a true and fair view—
- (a) if it deals with the affairs of the society as a whole, of the income and expenditure of the society as a whole, or
  - (b) if it deals with a particular business conducted by the society, of the income and expenditure of the society in respect of that business,

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for the period to which the account relates.

- (2) Every society shall, in respect of each year of account, cause to be prepared either—
- (a) a revenue account which deals with the affairs of the society as a whole for that year, or
  - (b) two or more revenue accounts for that year which deal separately with particular businesses conducted by the society.
- (3) In a case falling within paragraph (b) of the last preceding subsection, without prejudice to the application of subsection (1)(b) of this section to each revenue account dealing with a particular business conducted by the society, the revenue accounts in question, when considered together, shall give a true and fair view of the income and expenditure of the society as a whole for the year of account to which they relate.
- (4) Every balance sheet of a society shall give a true and fair view as at the date of the balance sheet—
- ..... <sup>F1</sup> of the state of the affairs of the society.
- (5) ..... <sup>F2</sup>
- (6) ..... <sup>F3</sup>
- (7) If in relation to any revenue account, revenue accounts or balance sheet of a society a member of the committee of the society fails to take all reasonable steps to secure compliance—
- (a) with the provision of subsection (1) or subsection (4) of this section which is applicable in that case, or
  - (b) in a case falling within subsection (2)(b) of this section, with subsection (3) of this section,
- he shall be guilty of an offence . . . <sup>F4</sup>, unless he proves that he had reasonable grounds to believe, and did believe, that a competent and reliable person was charged with the duty of seeing that the relevant provision was complied with and was in a position to discharge that duty [<sup>F5</sup>and a person guilty of an offence under this section shall be liable on summary conviction to a fine not exceeding [<sup>F6</sup>level 5 on the standard scale].]
- (8) In the case of a society to which this subsection applies, the preceding provisions of this section shall not have effect in relation to—
- (a) any revenue account of that society for a period ending before the last day of the year of account in respect of which the provisions of section 4(1) or section 4(5) of this Act (as the case may be) first apply to that society; and
  - (b) any balance sheet of that society relating to its affairs as at a date before that day.
- (9) The last preceding subsection applies in the case of any society which is registered . . . <sup>F1</sup> under the Act of 1965 . . . <sup>F1</sup> at the date of the commencement of this Act, or which is first registered . . . <sup>F1</sup> on or after that date but before 1st January 1969.

#### Textual Amendments

**F1** Words repealed by [Friendly Societies Act 1974 \(c. 46\)](#), [Sch. 11](#)

**F2** [S. 3\(5\)](#) repealed (1.9.1996) by [S.I. 1996/1738](#), [arts. 1, 9\(3\)](#)

**F3** [Ss. 3\(6\), 4\(3\), 9\(8\), 11\(4\)\(6\)-\(8\), 16, 17\(4\)](#), [Sch. 1 paras. 1-8](#), [Schs. 2, 3 paras. 5, 6](#) repealed by [Friendly Societies Act 1974 \(c.46\)](#), [Sch. 11](#)

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- F4** Words repealed by [Friendly Societies Act 1971 \(c. 66\), s. 11\(5\)\(6\)](#) and S.I. 1971/1899, but not so as to affect the amount of the fine which may be imposed on conviction of an offence committed before 31.12.1971
- F5** Words substituted by [Friendly Societies Act 1971 \(c. 66\), s. 11\(5\)\(6\)](#) and S.I. 1971/1899, but not so as to affect the amount of the fine which may be imposed on conviction of an offence committed before 31.12.1971
- F6** Words substituted (E.W.S) by virtue of (E.W.) [Criminal Justice Act 1982 \(c. 48, SIF 39:1\), ss. 38, 46](#) and (S.) [Criminal Procedure \(Scotland\) Act 1975 \(c. 21, SIF 39:1\), ss. 289F, 289G](#)

### [<sup>F7</sup>3A] **Publication of accounts and balance sheets of societies.**

- (1) A society shall not publish any revenue account or balance sheet unless it has been signed by the secretary of the society and by two members of the committee of the society acting on behalf of that committee.
- (2) Where at the end of a society's year of account no disapplication under section 4A(1) of this Act is in force in relation to the year, the society shall not publish a year end revenue account or balance sheet unless—
  - (a) it has been previously audited by the auditor or auditors last appointed to audit the accounts and balance sheet of the society, and
  - (b) it incorporates a report by the auditor or auditors stating whether in their opinion it complies with subsection (1) or, as the case may be, subsection (4) of section 3 of this Act.
- (3) Where at the end of a society's year of account a disapplication under section 4A(1) of this Act is in force in relation to the year and the society's turnover in the preceding year of account exceeded £90,000, the society shall not publish a year end revenue account or balance sheet unless—
  - (a) it is one on which the society has obtained from a person appointed under subsection (2) of section 9A of this Act a report which meets the requirements of subsection (3) of that section, and
  - (b) it incorporates so much of the report as relates to it.
- (4) Where at the beginning of a year of account (in this subsection referred to as "the current year of account") a society is subject to subsection (2) of this section in relation to the publication of a year end revenue account or balance sheet for the preceding year of account, it shall not publish any interim revenue account or balance sheet for the current year of account—
  - (a) if a disapplication under section 4A(1) of this Act is in force in relation to that year, unless it incorporates a report by an appropriate person stating whether in his opinion it complies with subsection (1) or (4), as the case may be, of section 3 of this Act, and
  - (b) if no disapplication under section 4A(1) of this Act is in force in relation to that year, unless paragraphs (a) and (b) of subsection (2) of this section are met in relation to it.
- (5) Where at the beginning of a year of account (in this subsection referred to as "the current year of account") a society is subject to subsection (3) of this section in relation to the publication of a year end revenue account or balance sheet for the preceding year of account, it shall not publish any interim revenue account or balance sheet for the current year of account unless it incorporates a report by an appropriate person stating—

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- (a) whether, in his opinion, the revenue account or, as the case may be, the balance sheet, is in agreement with the books of account kept by the society under section 1 of this Act, and
  - (b) whether, in his opinion, on the basis of the information contained in those books of account, the revenue account or, as the case may be, the balance sheet complies with the requirements of this Act and the appropriate registration Act.
- (6) Where a society's year of account is one in relation to which a direction under section 9C of this Act has effect, the society shall not publish any year end or interim revenue account or balance sheet, unless it incorporates a report by the auditor or auditors appointed in pursuance of the direction stating whether in their opinion it complies with subsection (1) or (4), as the case may be, of section 3 of this Act.
- (7) Subsection (3) of this section shall cease to apply in relation to a year of account if a direction under section 9C of this Act is made in relation to it.
- (8) Section 9B of this Act shall apply in relation to a person appointed for the purposes of subsection (4) or (5) of this section as it applies in relation to a person appointed under section 9A(2) of this Act.
- (9) In subsection (4) of this section, references to a disapplication under section 4A(1) of this Act being in force in relation to a year of account shall, where the year of account has ended, be construed as references to a disapplication under that provision being in force at the end of the year.
- (10) Subject to subsection (11) of this section, in subsections (4) and (5) of this section, references to an appropriate person are to a person who is—
- (a) a qualified auditor for the purposes of this Act, and
  - (b) not ineligible by virtue of section 8(1) of this Act to be appointed as auditor of the society.
- (11) In relation to the application of subsection (4) of this section to a society which—
- (a) was an exempt society in respect of the preceding year of account, and
  - (b) appointed persons who were not qualified auditors to audit its accounts and balance sheet for that year,
- subsection (10) of this section shall, if the year is not one in relation to which the [<sup>F8</sup>Authority] has given a direction under section 4(7)(a) of this Act, have effect with the omission of paragraph (a).
- (12) In this section—
- “interim balance sheet”, in relation to a year of account, means a balance sheet relating to the position at a time in the year other than the end;
- “interim revenue account”, in relation to a year of account, means a revenue account for any period falling within the year of account, other than one ending at the end of the year;
- “turnover” has the same meaning as in section 4A of this Act;
- “year end balance sheet”, in relation to a year of account, means a balance sheet relating to the position at the end of the year; and

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“year end revenue account”, in relation to a year of account, means a revenue account for the year or for any period falling within the year of account and ending at the end of the year.]

#### Textual Amendments

- F7** S. 3A inserted (1.9.1996) by S.I. 1996/1738, arts. 1, 9(3)
- F8** Word in s. 3A(11) substituted (1.12.2001) by S.I. 2001/2617, arts. 2(b), 13(1), Sch. 3 Pt. III para. 247 (subject to savings and transitional provisions in art. 13(3)); S.I. 2001/3538, art. 2(1)

#### 4 Obligation to appoint auditors.

- (1) Subject to the following provisions of this section [<sup>F9</sup>and section 4A(1) of this Act], every society shall in each year of account beginning on or after 1st January 1969 appoint a qualified auditor or qualified auditors to audit its accounts and balance sheet for that year.
- (2) Subsection (1) of this section shall not apply to any society . . . <sup>F10</sup> if—
  - (a) the receipts and payments of that society in respect of the preceding year of account did not in the aggregate exceed £5,000;
  - (b) the number of its members at the end of that year did not exceed five hundred; and
  - (c) the value of its assets at the end of that year did not in the aggregate exceed £5,000.
- (3) . . . . . <sup>F11</sup>
- (4) A society to which by virtue of subsection (2) . . . <sup>F10</sup> of this section subsection (1) of this section does not apply in respect of any year of account is in this Act referred to as an exempt society in respect of that year of account.
- (5) Subject to any direction given by the [<sup>F12</sup>Authority] under the next following subsection, every society which is an exempt society in respect of the current year of account shall in that year appoint at its option either—
  - (a) a qualified auditor or qualified auditors, or
  - (b) two or more persons who are not qualified auditors,to audit its accounts and balance sheet for that year.
- (6) The [<sup>F12</sup>Authority] may give a direction in the case of any particular society which is an exempt society in respect of the current year of account requiring it to appoint a qualified auditor to audit its accounts and balance sheet for that year.
- (7) The [<sup>F12</sup>Authority] may give a direction in the case of any particular society which was an exempt society in respect of any year of account before the year of account in which that direction is given and did not appoint a qualified auditor or qualified auditors to audit its accounts and balance sheet for that year—
  - (a) requiring it to appoint a qualified auditor to audit those accounts and that balance sheet, and
  - (b) in a case where that society has sent to [<sup>F13</sup>the Authority] its annual return for that year before the date of the direction, requiring it after its accounts and balance sheet have been audited by a qualified auditor to send to [<sup>F13</sup>the Authority] within three months from receipt of the direction a further annual

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return complying with the requirements of this Act and . . . <sup>F10</sup> of section 39 of the Act of 1965 (other than that as to time of sending).

- (8) Regulations made by the <sup>F14</sup> . . . Treasury may—
- (a) substitute for any sum or number for the time being specified in subsection (2) of this section . . . <sup>F10</sup> such sum, number . . . <sup>F10</sup> as may be specified in the regulations; and
  - (b) prescribe what receipts and payments of a society shall be taken into account for the purposes of those subsections.

#### Textual Amendments

- F9** S. 4(1) words inserted (1.9.1996) by S.I. 1996/1738, arts. 1, 9(5)
- F10** Words repealed by Friendly Societies Act 1974 (c. 46), Sch. 11
- F11** Ss. 3(6), 4(3), 9(8), 11(4)(6)-(8), 16, 17(4), Sch. 1 paras. 1-8, Schs. 2, 3 paras. 5, 6 repealed by Friendly Societies Act 1974 (c.46), Sch. 11
- F12** Words in s. 4(5)(6)(7) substituted (1.12.2001) by S.I. 2001/2617, arts. 2(b), 13(1), Sch. 3 Pt. III para. 248(a) (subject to savings and transitional provisions in art. 13(3)); S.I. 2001/3538, art. 2(1)
- F13** Words in s. 4(7)(b) substituted (1.12.2001) by S.I. 2001/2617, arts. 2(b), 13(1), Sch. 3 Pt. III para. 248(b) (subject to savings and transitional provisions in art. 13(3)); S.I. 2001/3538, art. 2(1)
- F14** Words in s. 4(8) repealed (1.12.2001) by S.I. 2001/2617, arts. 2(b), 13(1)(2), Sch. 3 Pt. III para. 248(c), Sch. 4 (subject to savings and transitional provisions in art. 13(3)); S.I. 2001/3538, art. 2(1)

#### Modifications etc. (not altering text)

- C1** S. 4 extended (1.10.1996) by 1996 c. 52 s. 7, Sch. 1 Pt. III para. 17; S.I. 1996/2402, art. 3  
S. 4 applied (1.11.2001) by 2001 asp 10, s. 63, Sch. 7 para. 14; S.S.I. 2001/336, art. 2(3), Sch. Pt. II (subject to transitional provisions in art. 3)
- C2** S. 4(1) extended by Housing Associations Act 1985 (c. 69, SIF 61), s. 25
- C3** S. 4(8): transfer of functions (1.12.2001) by virtue of S.I. 2001/2617, arts. 2(b), 4(1), Sch. 1 Pt. I (with art. 5); S.I. 2001/3538, art. 2(1)

#### [<sup>F15</sup>4A Power of societies to disapply section 4.

- (1) Subject to subsections (3) and (4) of this section, a society may disapply section 4 of this Act in relation to any year of account beginning on or after the day on which the Deregulation (Industrial and Provident Societies) Order 1996 comes into force if—
  - (a) the value of its assets at the end of the preceding year of account did not in the aggregate exceed [<sup>F16</sup>£2,800,000,] and
  - (b) its turnover for that year did not exceed [<sup>F17</sup>£5,600,000]
- (2) The power conferred by subsection (1) of this section shall be exercisable by resolution passed at a general meeting at which—
  - (a) less than 20 per cent. of the total votes cast are cast against the resolution, and
  - (b) less than 10 per cent. of the members of the society for the time being entitled under the society's rules to vote cast their votes against the resolution.
- (3) Subsection (1) of this section shall not apply to a society which—
  - (a) is a credit union within the meaning of the Credit Unions Act 1979,
  - <sup>F18</sup>(b) . . . . .
  - [<sup>F19</sup>(ba) is registered in the register of social landlords maintained under section 57 of the Housing (Scotland) Act 2001 (asp 10),]

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- (c) is, or has, a subsidiary,
  - (d) prepares accounts under the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993 <sup>F20</sup>, or
  - (e) holds, or has, at any time since the end of the preceding year of account, held, a deposit <sup>F21</sup> . . . , other than a deposit in form of withdrawable share capital.
- (4) The [<sup>F22</sup>Authority] may by notice to a society disapply subsection (1) of this section in relation to the year of account of the society in which the notice is given.
- (5) Where a society exercises the power conferred by subsection (1) of this section, the disapplication shall cease to have effect if, at any time before the end of the year of account to which it relates—
- (a) the society becomes one to which subsection (3) of this section applies, or
  - (b) the [<sup>F22</sup>Authority] gives the society notice under subsection (4) of this section.
- (6) In the case of a society which is a charity within the meaning of the Charities Act 1993 <sup>F23</sup>, or a recognised body as defined by section 1(7) of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990 <sup>F24</sup>, subsection (1) of this section shall have effect with the substitution for paragraph (b) of—
- (b) its gross income for that year did not exceed £250,000."
- (7) For a period which is a society's year of account, but not in fact a year, the maximum figure in subsection (1)(b) of this section (including that provision as it has effect by virtue of subsection (6) of this section) shall be proportionately adjusted.
- (8) In this section, "turnover", in relation to a society, means the amounts derived from the provision of goods and services falling within the society's activities, after deduction of—
- (a) trade discounts,
  - (b) value added tax, and
  - (c) any other taxes based on the amounts so derived.]
- [<sup>F25</sup>(9) In subsection (3), the reference to a deposit must be read with—
- (a) section 22 of the Financial Services and Markets Act 2000;
  - (b) any relevant order under that section;
  - (c) Schedule 2 to that Act.]

#### Textual Amendments

- F15** S. 4A inserted (1.9.1996) by S.I. 1996/1738 arts. 1, 8(1)
- F16** Words in S. 4A(1)(a) substituted (6.4.2006) by Friendly and Industrial and Provident Societies Act 1968 (Audit Exemption) (Amendment) Order 2006 (S.I. 2006/265), arts. 1, **2(2)** (with art. 3)
- F17** Words in S. 4A(1)(b) substituted (6.4.2006) by Friendly and Industrial and Provident Societies Act 1968 (Audit Exemption) (Amendment) Order 2006 (S.I. 2006/265), arts. 1, **2(3)** (with art. 3)
- F18** S. 4A(3)(b) repealed (6.4.2006 for E., 16.6.2006 for W.) by Housing Act 2004 (c. 34), s. 270(4)(5)(f), **Sch. 16**; S.I. 2006/1060, art. 2(1)(e) (with Sch.); S.I. 2006/1535, art. 2(c) (with Sch.)
- F19** S. 4A(3)(ba) inserted (1.11.2001) by 2001 asp 10, s. 112, **Sch. 10 para. 2(b)**; S.S.I. 2001/336, art. 2(3), **Sch. Pt. II** Table (subject to transitional provisions in art. 3)
- F20** S.I. 1993/3245.
- F21** Words in s. 4A(3)(e) repealed (1.12.2001) by S.I. 2001/3649, **arts. 1, 184(2)**
- F22** Words in s. 4A(4)(5)(b) substituted (1.12.2001) by S.I. 2001/2617, arts. 2(b), 13(1), **Sch. 3 Pt. III para. 249** (subject to savings and transitional provisions in art. 13(3)); S.I. 2001/3538, **art. 2(1)**
- F23** 1993 c. 10.

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## 5 Re-appointment and removal of qualified auditors.

- (1) A qualified auditor appointed to audit the accounts and balance sheet of a society for the preceding year of account shall be re-appointed as auditor of the society for the current year of account unless—
- a resolution has been passed at a general meeting of the society appointing somebody instead of him or providing expressly that he shall not be re-appointed, or [<sup>F26</sup>or disapplying section 4 of this Act in relation to the current year of account]
  - he has given to the society notice in writing of his unwillingness to be re-appointed, or
  - he is ineligible for appointment as auditor of the society for the current year of account, or
  - he has ceased to act as auditor of the society by reason of incapacity:

Provided that, where notice is given of an intended resolution to appoint some person or persons in place of a retiring auditor and the resolution cannot be proceeded with at the meeting because of the death or incapacity of that person or persons, or because he or they are ineligible for appointment as auditor or auditors of the society for the current year of account (as the case may be), the retiring auditor shall not be automatically re-appointed by virtue of this subsection.

- (2) For the purposes of the last preceding subsection, a person is ineligible for appointment as auditor of a society for the current year of account if, but only if—
- his appointment in relation to the society is prohibited by section 8 of this Act, or
  - (in the case of a society which is not an exempt society in respect of that year of account) he is not a qualified auditor at the time when the question of his appointment falls to be considered.

### Textual Amendments

**F26** S. 5(1)(a) inserted (1.9.1996) by S.I. 1996/1738, arts. 1, 9(6)

## 6 Provisions as to resolutions relating to appointment and removal of auditors.

- (1) .....<sup>F27</sup>, a resolution at a general meeting of a society—
- appointing another person as auditor in place of a retiring qualified auditor, or
  - providing expressly that a retiring qualified auditor shall not be re-appointed,
- shall not be effective unless notice of the intention to move it has been given to the society not less than twenty-eight days before the meeting at which it is moved.
- (2) Where notice of the intention to move any such resolution has been given under subsection (1) of this section to a society which is required by its rules to give notice to its members of the meeting at which the resolution is to be moved, the society shall if it is practicable to do so give them notice of the resolution at the same time and in the same manner as it gives notice of the meeting.



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- (3) Where notice of the intention to move any such resolution has been given to any society under subsection (1) of this section, and that society does not give notice of the resolution under the last preceding subsection, it shall give notice of the resolution to its members not less than fourteen days before the meeting at which the resolution is to be moved, either by advertisement in a newspaper having an appropriate circulation or in any other way allowed by the rules of the society.
- (4) Where—
- (a) for any of the reasons mentioned in the proviso to subsection (1) of the last preceding section an intended resolution to appoint some person or persons in place of a retiring qualified auditor cannot be proceeded with at the meeting, and
  - (b) by the rules of the society an auditor can only be appointed by a resolution passed at a general meeting after notice of the intended resolution has been given to the society before the meeting,
- a resolution passed at that meeting re-appointing the retiring auditor or appointing an auditor in place of the retiring auditor shall be effective notwithstanding that no notice of that resolution has been given to the society under its rules.
- (5) On receipt by a society of notice given under subsection (1) of this section of an intended resolution, it shall forthwith send a copy of the notice to the retiring auditor.
- (6) On receipt of a copy of such a notice, the retiring auditor may at any time before the date of the general meeting make representations in writing to the society (not exceeding a reasonable length) with respect to the intended resolution, and, without prejudice to the preceding provision, the retiring auditor may—
- (a) notify the society that he intends to make such representations, and
  - (b) request that notice of his intention, or of any such representations made by him and received by the society before notice of the intended resolution is given to its members, shall be given to members of the society.
- (7) Subject to the next following subsection, a society which receives representations or a notification of intended representations under the last preceding subsection before the date when notice of the intended resolution is required by subsection (2) or subsection (3) of this section (as the case may be) to be given to its members shall—
- (a) in any notice of the resolution given to its members, state that it has received those representations or that notification (as the case may be),
  - (b) in any such notice, state that any members may receive on demand made before the date of the general meeting a copy of any representations which have been or may be received by the society before that date, and
  - (c) send a copy of any representations received by the society before the date of the meeting to any member on demand made before that date;
- but without prejudice either to the preceding provisions of this subsection or to his right to be heard orally, the retiring auditor may also require that any representations made by him before the date of the general meeting shall be read out at the meeting.
- (8) Copies of any such representations need not be sent out, and the representations need not be read out at the meeting, if, on the application either of the society or of any other person, the High Court is satisfied that the rights conferred by this section are being abused to secure needless publicity for defamatory matter; and the Court may order the costs of the society on an application under this section to be paid, in whole or in part, by the auditor, notwithstanding that he is not a party to the application.

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- (9) In the application of subsection (8) of this section to a Scottish society, for the reference to the High Court there shall be substituted a reference to the Court of Session and for the reference to costs there shall be substituted a reference to expenses.
- (10) Any provision in this section which requires notice to be given to the members of a society or confers any right upon a member (as the case may be) shall be construed in the case of a meeting of delegates appointed by members as requiring the notice to be given to the delegates so appointed or conferring the right upon a delegate (as the case may be).

**Textual Amendments****F27** Words repealed by [Friendly Societies Act 1971 \(c. 66\)](#), **Sch. 3****7 Qualified auditors.**

- (1) <sup>F28</sup> . . . no person shall be a qualified auditor for the purposes of this Act unless [<sup>F29</sup>he is eligible for appointment as a company auditor under section 25 of the Companies Act 1989.]

<sup>F30</sup>(2) . . . . .<sup>F30</sup>(3) . . . . .**Textual Amendments****F28** Words in s. 7(1) repealed (1.12.2001) by [S.I. 2001/2617](#), arts. 2(b), 13(1)(2), [Sch. 3 Pt. III para. 250\(a\)](#), **Sch. 4** (subject to savings and transitional provisions in [art. 13\(3\)](#)); [S.I. 2001/3538](#), **art. 2(1)****F29** Words in s. 7(1) substituted by [S.I. 1991/1997](#), [reg. 2](#), **Sch. para. 20(2)** (with [reg. 4](#))**F30** S. 7(2)(3) repealed (1.12.2001) by [S.I. 2001/2617](#), arts. 2(b), 13(1)(2), [Sch. 3 Pt. III para. 250\(b\)](#), **Sch. 4** (subject to savings and transitional provisions in [art. 13\(3\)](#)); [S.I. 2001/3538](#), **art. 2(1)****8 Restrictions on appointment of auditors.**

- (1) None of the following persons shall be appointed as auditor of a society—
- (a) an officer or servant of the society;
  - (b) a person who is a partner of or in the employment of, or who employs, an officer or servant of the society; or
  - <sup>F31</sup>(c) . . . . .
- (2) A person shall also not be appointed as auditor of an industrial and provident society if—
- (a) his appointment as auditor of any other industrial and provident society—
    - (i) which is a subsidiary of that society, or
    - (ii) of which that society is a subsidiary, or
    - (iii) which is a subsidiary of the society of which that society is a subsidiary,
 is prohibited by virtue of the last preceding subsection; or
  - <sup>F32</sup>(b) he is by virtue of section 27 of the Companies Act 1989 ineligible for appointment as auditor of a company which is a subsidiary of that society.]

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*Changes to legislation: There are currently no known outstanding effects for the Friendly and Industrial and Provident Societies Act 1968 (repealed), Cross Heading: Societies: accounts and audit, etc.. (See end of Document for details)*

<sup>F31</sup>(3) .....

- (4) Any appointment made by a society in contravention of any of those provisions shall not be an effective appointment for the purposes of this Act.
- (5) In this section “company” has the same meaning as in section 15 of this Act and references to an officer or servant shall be construed as not including an auditor.

#### Textual Amendments

- F31** S. 8(1)(c) and (3) deleted (1.10.1991) by S.I. 1991/1997, reg. 2, **Sch. para. 20(3)(a)**(with reg. 4)  
**F32** S. 8(2)(b) substituted (1.10.1991) by S.I. 1991/1997, reg. 2, **Sch. para. 20(3)(b)**(with reg. 4)

### 9 Auditors’ report and right of access to books and to attend and be heard at meetings.

- (1) The auditors of a society shall make a report to the society on the accounts examined by them, and on the revenue account or accounts and the balance sheet of the society for the year of account in respect of which they are appointed.
- (2) The report shall state whether the revenue account or accounts and the balance sheet for that year comply with the requirements of this Act and the appropriate registration Act and whether, in the opinion of the auditors—
  - (a) the revenue account or accounts give a true and fair view in accordance with section 3 of this Act of the income and expenditure of the society as a whole for that year of account and, in the case of each such account which deals with a particular business conducted by the society, a true and fair view in accordance with that section of the income and expenditure of the society in respect of that business for that year, and
  - (b) the balance sheet gives a true and fair view in accordance with that section either of the assets and current liabilities of the society and the resulting balances of its funds or of the state of the affairs of the society (as the case may require) as at the end of that year of account.
- (3) Without prejudice to the provisions of the last preceding subsection, where the report of the auditors relates to any accounts other than the revenue account or accounts for the year of account in respect of which they are appointed that report shall state whether those accounts give a true and fair view of any matter to which they relate.
- (4) It shall be the duty of the auditors of a society, in preparing their report under this section, to carry out such investigations as will enable them to form an opinion as to the following matters, that is to say—
  - (a) whether the society has kept proper books of account in accordance with the requirements of section 1(1)(a) of this Act;
  - (b) whether the society has maintained a satisfactory system of control over its transactions in accordance with the requirements of section 1(1)(b) of this Act; and
  - (c) whether the revenue account or accounts, the other accounts (if any) to which the report relates, and the balance sheet are in agreement with the books of account of the society;

and if the auditors are of opinion that the society has failed to comply with section 1(1) (a) or (b) of this Act, or if the revenue account or accounts, the other accounts (if any)

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and the balance sheet are not in agreement with the books of account of the society, the auditors shall state that fact in their report.

- (5) Every auditor of a society—
- (a) shall have a right of access at all times to the books, deeds and accounts of the society, and to all other documents relating to its affairs, and
  - (b) shall be entitled to require from the officers of the society such information and explanations as he thinks necessary for the performance of the duties of the auditors.
- (6) If the auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their audit, they shall state that fact in their report.
- (7) The auditors of a society shall be entitled—
- (a) to attend any general meeting of the society, and to receive all notices of and other communications relating to any general meeting which any member of the society is entitled to receive, and
  - (b) to be heard at any meeting which they attend on any part of the business of the meeting which concerns them as auditors.
- (8) . . . . . <sup>F33</sup>

#### Textual Amendments

**F33** Ss. 3(6), 4(3), 9(8), 11(4)(6)-(8), 16, 17(4), Sch. 1 paras. 1-8, Schs. 2, 3 paras. 5, 6 repealed by Friendly Societies Act 1974 (c.46), Sch. 11

#### [<sup>F34</sup> 9A Duty to obtain accountant's reports where section 4 applied.

- (1) Subsection (2) of this section applies where—
- (a) at the end of a society's year of account a disapplication under section 4A(1) of this Act is in force in relation to the year, and
  - (b) the society's turnover in the preceding year of account exceeded £90,000.
- (2) The society shall, before the end of the period of 28 days beginning immediately after the end of the year of account, appoint an appropriate person to make—
- (a) a report on the society's accounts and balance sheet for the year which meets the requirements of subsection (3) of this section, and
  - (b) a report relating to the preceding year of account which meets the requirement of subsection (4) of this section.
- (3) A report for the purposes of subsection (2)(a) of this section shall—
- (a) state whether, in the opinion of the person making the report, the revenue account or accounts, the other accounts (if any) to which the report relates, and the balance sheet are in agreement with the books of account kept by the society under section 1 of this Act, and
  - (b) state whether, in that person's opinion, on the basis of the information contained in those books of account, the revenue account or accounts and the balance sheet comply with the requirements of this Act and the appropriate registration Act.

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- (4) A report for the purposes of subsection (2)(b) of this section shall state whether in the opinion of the person making the report the financial criteria for the exercise of the power conferred by section 4A(1) of this Act were met in relation to the year.
- (5) In subsection (2) of this section, the reference to an appropriate person is to a person who is—
  - (a) a qualified auditor for the purposes of this Act, and
  - (b) not ineligible by virtue of section 8(1) of this Act to be appointed as auditor of the society.
- (6) In this section, “turnover” has the same meaning as in section 4A of this Act.]

#### Textual Amendments

**F34** S. 9A inserted (1.9.1996) by [S.I. 1996/1738](#), [arts. 1, 8\(2\)](#)

#### Modifications etc. (not altering text)

**C4** S. 9A modified by 1996 c. 52, Sch. 1 para. 17(2) (as inserted) (18.1.2005) by [Housing Act 2004](#) (c. 34), s. 270(3)(c), [Sch. 11 para. 19](#)

## **9B** <sup>F35</sup>**Rights of person appointed under section 9A(2).**

- (1) A person appointed under section 9A(2) of this Act shall, for the purposes of his appointment—
  - (a) have a right of access at all times to the books, deeds and accounts of the relevant society, and to all other documents relating to its affairs, and
  - (b) be entitled to require from the officers of the relevant society such information and explanations as he thinks necessary.
- (2) If a person appointed under section 9A(2) of this Act fails to obtain all the information and explanations which, to the best of that person’s knowledge and belief, are necessary for the purposes of doing what he has been appointed to do, that fact shall be stated in his report.
- (3) A person appointed under section 9A(2) of this Act shall be entitled—
  - (a) to receive notice of, and attend, any general meeting of the relevant society at which any relevant matter is discussed, and
  - (b) to be heard at any such general meeting which he attends on any part of the business of the meeting which relates to any relevant matter.
- (4) For the purposes of subsection (3) of this section, the following are relevant matters, namely—
  - (a) any report of the person appointed under subsection (2) of section 9A of this Act, and
  - (b) any matter which is relevant to what that person has been appointed under that subsection to do.
- (5) In this section, references to the relevant society, in relation to a person appointed under section 9A(2) of this Act, are to the society responsible for his appointment under that provision.

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- (1) The [<sup>F37</sup>Authority] may give a direction to a society in respect of any relevant year of account of the society preceding that in which the direction is given—
- (a) requiring it to appoint a qualified auditor or qualified auditors to audit its accounts and balance sheet for that year, and
  - (b) where it has sent to [<sup>F38</sup>the Authority] its annual return for that year before the date of the direction, requiring it after its accounts and balance sheet have been audited by a qualified auditor or qualified auditors to send to [<sup>F38</sup>the Authority] within three months from receipt of the direction a further annual return complying with the requirements of this Act and section 39 of the Act of 1965 (other than that as to time of sending).
- (2) For the purposes of this section, a year of account of a society is a relevant year of account if it is one at the end of which there is in force in relation to it a disapplication under section 4A(1) of this Act.

**Textual Amendments****F36** S. 9C inserted (1.9.1996) by S.I. 1996/1738, arts. 1, 8(2)**F37** Word in s. 9C(1) substituted (1.12.2001) by S.I. 2001/2617, arts. 2(b), 13(1), **Sch. 3 Pt. III para. 251(a)** (subject to savings and transitional provisions in art. 13(3)); S.I. 2001/3538, art. 2(1)**F38** Words in s. 9C(1)(b) substituted (1.12.2001) by S.I. 2001/2617, arts. 2(b), 13(1), **Sch. 3 Pt. III para. 251(b)** (subject to savings and transitional provisions in art. 13(3)); S.I. 2001/3538, art. 2(1)**10 Remuneration of qualified auditors.**

- (1) Regulations made by the <sup>F39</sup>. . . Treasury may prescribe the maximum rates of remuneration to be paid by societies for the audit of their accounts and balance sheets by qualified auditors [<sup>F40</sup>or for the making of a report for the purposes of section 3A(4) (a) or (5) or 9A(2)(a) or (b) of this Act].
- (2) No auditor [<sup>F41</sup>or reporting accountant] shall ask for, receive or be entitled to receive remuneration in excess of the rate prescribed in respect of his services by regulations made under this section.
- [<sup>F42</sup>(3) In this section, "reporting accountant" means a person appointed to make a report for the purposes of section 3A(4)(a) or (5) or 9A(2)(a) or (b) of this Act.]

**Textual Amendments****F39** Words in s. 10(1) repealed (1.12.2001) by S.I. 2001/2617, arts. 2(b), 13(1)(2), **Sch. 3 Pt. III para. 252** (subject to savings and transitional provisions in art. 13(3)); S.I. 2001/3538, art. 2(1)**F40** S. 10(1) words inserted (1.9.1996) by S.I. 1996/1738, arts. 1, 9(7)**F41** S. 10(2) words inserted (1.9.1996) by S.I. 1996/1738, arts. 1, 9(8)**F42** S. 10(3) added (1.9.1996) by S.I. 1996/1738, arts. 1, 9(9)

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**Modifications etc. (not altering text)**

- C5 S. 10(1): transfer of functions (1.12.2001) by virtue of S.I. 2001/2617, arts. 2(b), 4(1), **Sch. 1 Pt. I** (with art. 5); S.I. 2001/3538, **art. 2(1)**
- C6 S. 10 amended by **Friendly Societies Act 1974 (c. 46), s. 40**

**11 Amendments relating to annual returns of societies.**

(1) The annual return which a society is required to send . . . <sup>F43</sup> to the [<sup>F44</sup>Authority] by section 39(1) of the Act of 1965 . . . <sup>F43</sup> shall be a return relating to the affairs of the society, and accordingly—

(a) . . . . . <sup>F45</sup>

(b) for the words from “of the income” to “audited” in section 39(1) of the Act of 1965,

there shall be substituted the words “relating to its affairs for the period required by this section to be included in the return”; . . . <sup>F43</sup>

(2) The annual return sent by a society under . . . <sup>F43</sup> the provisions mentioned in the preceding subsection—

(a) shall contain the revenue account or accounts of the society prepared in accordance with section 3(2) of this Act in respect of the year of account to which the return relates, and a balance sheet as at the end of that year, and

[<sup>F46</sup>(b) shall not contain any other accounts [<sup>F47</sup>or been the subject of a report for the purposes of section 9A(2)(a) of this Act].]

(3) The power of the [<sup>F44</sup>Authority] . . . <sup>F43</sup> under section 72(1) of the Act of 1965 . . . <sup>F43</sup> to determine the form of an annual return and the particulars to be contained in such a return shall be without prejudice to the provisions of the last preceding subsection.

(4) . . . . . <sup>F48</sup>

(5) Every society shall provide, together with—

(a) every copy of its last annual return supplied on demand to a member or person interested in the funds of the society, in accordance with the requirements of . . . <sup>F43</sup> section 39(5) of the Act of 1965 . . . <sup>F43</sup>

(b) . . . . . <sup>F49</sup>

a copy of the report of the auditors on the accounts and balance sheet contained in the return . . . <sup>F43</sup>

[<sup>F50</sup>(5A) Where the year of account to which an annual return relates is one at the end of which there is in force in relation to the year a disapplication under section 4A(1) of this Act, subsection (5) of this section shall have effect as if for the reference to the report of the auditors on the accounts and balance sheet contained in the return there were substituted a reference to any report which the society is required, because of the disapplication, to obtain under section 9A(2)(a) of this Act.]

(6) . . . . . <sup>F48</sup>

**Textual Amendments**

- F43** Words repealed by **Friendly Societies Act 1974 (c. 46), Sch. 11**
- F44** Words in s. 11(1)(3) substituted (1.12.2001) by S.I. 2001/2617, arts. 2(b), 13(1), **Sch. 3 Pt. III para. 253** (subject to savings and transitional provisions in art. 13(3)); S.I. 2001/3538, **art. 2(1)**

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- F45** S. 11(1)(a) repealed by Friendly Societies Act 1974 (c. 46), **Sch. 11**
- F46** S. 11(2)(b) substituted (19.12.1993) by S.I. 1993/3245, reg. 7(1), **Sch. para. 4(2)**.
- F47** S. 11(2)(b) words added (1.9.1996) by S.I. 1996/1738, **arts. 1, 9(10)**
- F48** Ss. 3(6), 4(3), 9(8), 11(4)(6)-(8), 16, 17(4), Sch. 1 paras. 1-8, Schs. 2, 3 paras. 5, 6 repealed by Friendly Societies Act 1974 (c.46), **Sch. 11**
- F49** S. 11(5)(b) repealed by Friendly Societies Act 1974 (c. 46), **Sch. 11**
- F50** S. 11(5A) added (1.9.1996) by S.I. 1996/1738, **arts. 1, 9(11)**

**Modifications etc. (not altering text)**

- C7** S. 11(2)(a) amended (19.12.1993) by S.I. 1993/3245, reg. 7(1), **Sch. para. 4(1)**.

## 12 Consequential amendments of rules by societies.

- (1) Notwithstanding anything in the rules of any society, the committee of a society may by resolution passed during the appropriate period after the commencement of this Act [<sup>F51</sup>or of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993] make such amendments of the rules of the society as may be consequential on the provisions of this Act [<sup>F51</sup>or of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993].
- (2) For the purposes of the preceding subsection the appropriate period after the commencement of this Act, in relation to any society, shall be whichever is the longer of the following two periods, that is to say—
- the period of one year beginning with the date of the commencement of this Act, and
  - the period beginning with the date of the commencement of this Act and ending with the date on which an amendment of the rules of that society is first registered after that date . . . <sup>F52</sup> under section 10 of the Act of 1965.
- [<sup>F53</sup>(2A) For the purposes of subsection (1) the appropriate period after the commencement of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993 shall be the period of one year beginning with the date of coming into force of those Regulations.]
- (3) Notwithstanding anything . . . <sup>F52</sup> in section 10 of the Act of 1965, . . . <sup>F52</sup> the <sup>F54</sup> . . . <sup>F52</sup> shall not be required to register any amendment of a society's rules unless such consequential amendments of the rules of that society as are mentioned in subsection (1) of this section either have been made before the application for registration of that amendment or are to be effected by that amendment.

**Textual Amendments**

- F51** Words in s. 12(2) inserted (19.12.1993) by S.I. 1993/3245, reg. 7(1), **Sch. para. 5(1)**.
- F52** Words repealed by Friendly Societies Act 1974 (c. 46), **Sch. 11**
- F53** S. 12(2A) inserted (19.12.1993) by S.I. 1993/3245, reg. 7(1), **Sch. para. 5(2)**.
- F54** Words in s. 12(3) substituted (1.12.2001) by S.I. 2001/2617, arts. 2(b), 13(1), **Sch. 3 Pt. III para. 254** (subject to savings and transitional provisions in art. 13(3)); S.I. 2001/3538, **art. 2(1)**

**Modifications etc. (not altering text)**

- C8** S. 12 saved by Friendly Societies Act 1974 (c. 46), **Sch. 10 para. 14(b)**



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