
STATUTORY INSTRUMENTS

1996 No. 1738

DEREGULATION

**The Deregulation (Industrial and
Provident Societies) Order 1996**

Made - - - - - *3rd July 1996*

Coming into force - - - - - *1st September 1996*

Whereas:

- (a) the Treasury are of the opinion that certain provisions of the Industrial and Provident Societies Act 1965⁽¹⁾ the Industrial and Provident Societies Act 1967⁽²⁾ the Friendly and Industrial and Provident Societies Act 1968⁽³⁾ and the Friendly Societies Act 1974⁽⁴⁾ impose burdens affecting persons in the carrying on of a trade, business, profession or otherwise and that by amending or repealing the provisions concerned and by making certain other provisions it is possible to remove or reduce the burdens without removing any necessary protection;
- (b) the Treasury have consulted such organisations as appear to them to be representative of interests substantially affected by their proposals and such other persons as they consider appropriate;
- (c) it appears to the Treasury that it is appropriate following that consultation to proceed with the making of the Order;
- (d) a document setting out the Treasury's proposals has been laid before Parliament in accordance with Section 3 of the Deregulation and Contracting Out Act 1994⁽⁵⁾ and the period for Parliamentary consideration under section 4 of that Act has expired;
- (e) the Treasury have had regard to the representations made during that period;
- (f) a draft of this Order has been laid before Parliament with a statement giving details of such representations and the changes to the Treasury's proposals in the light of those representations; and
- (g) a draft of this Order has been approved by resolution of each House of Parliament.

Now, therefore, the Treasury in exercise of the powers conferred on them by Section 1 of the Deregulation and Contracting Out Act 1994, hereby make the following Order:—

(1) 1965 c. 12.
(2) 1967 c. 48.
(3) 1968 c. 55.
(4) 1974 c. 46.
(5) 1994 c. 40.

Title and Commencement

1. This Order may be cited as the Deregulation (Industrial and Provident Societies) Order 1996 and shall come into force on 1 September 1996.

Interpretation

2. In this Order—

- “the 1965 Act” means the Industrial and Provident Societies Act 1965,
- “the 1967 Act” means the Industrial and Provident Societies Act 1967,
- “the 1968 Act” means the Friendly and Industrial and Provident Societies Act 1968,
- “the 1974 Act” means the Friendly Societies Act 1974,
- “the 1979 Act” means the Credit Unions Act 1979(6).

Easier Registration

3.—(1) In section 2(1) of the 1965 Act (registration of society) in paragraphs (a) (minimum number of members for registration) and (b) (minimum number of members to sign application for registration) for “seven” there shall be substituted “three”.

(2) In consequence of paragraph (1) of this Article—

- (a) in section 16(1)(a)(i) of the 1965 Act (cancellation of registration of a society when the number of members falls below the specified minimum), and
- (b) in section 6(1) of the 1979 Act (minimum number of members of a credit union), for “seven” there shall be substituted “three”.

(3) In section 53(2) of the 1965 Act (conversion of company into registered society) for “seven” there shall be substituted “three”.

Registration of rules of federal societies

4.—(1) In section 2(2) of the 1965 Act (which requires an application for registration of a society of registered societies to be signed by two members of the committee and the secretary of each of the constituent societies, or, where there are more than three such societies, of any three of them, and to be accompanied by certain copy documents)—

- (a) the words “two members of the committee and” are hereby repealed,
- (b) for “(or, if more than three, of each of any three)” there shall be substituted “(or, if more than two, of each of any two)”, and
- (c) the words “of the registered rules of each of the constituent societies as well as” are hereby repealed.

(2) In section 10(1)(a) of that Act (which requires an amendment of the rules of a society consisting of registered societies to be signed by, inter alios, two members of the committee and the secretary of each of the constituent societies, or, where there are more than three such societies, of any three of them)—

- (a) the words “two members of the committee and” are hereby repealed, and
- (b) for “(or, if more than three, of each of any three)” there shall be substituted “(or, if more than two, of each of any two)”.

Time for submission of annual returns: industrial and provident societies

- 5.—(1) Section 39 of the 1965 Act (annual returns) shall be amended as follows.
- (2) In subsection (1) (duty to send return to the appropriate registrar)—
- (a) for “, not later than 31st March in each year,” there shall be substituted “within the period of 7 months beginning immediately after the end of the period required by this section to be included in the return”, and
 - (b) for “relating to its affairs for the period required by this section to be included in the return” there shall be substituted “relating to its affairs for that period”.
- (3) In subsection (3) (under which returns made up to a date later than the usual date must be sent to the appropriate registrar within three months) the words from “and in that case” to the end are hereby repealed.

Time for submission of annual returns: friendly societies

6. In section 43(1) of the 1974 Act (duty to send annual return to the Registrar) for “31st May” there shall be substituted “31st July”.

Extending the time limit of submitting charges

- 7.—(1) The 1967 Act shall be amended as follows.
- (2) In section 1 (charges on assets of English and Welsh societies)—
- (a) in subsection (2) (application for registration of charge) for “fourteen days” there shall be substituted “twenty-one days”, and
 - (b) in subsection (5) (late registration)—
 - (i) for “High Court” there shall be substituted “Chief Registrar”,
 - (ii) for “fourteen days” there shall be substituted “twenty-one days”, and
 - (iii) for “Court may, on such terms as it thinks fit, order” there shall be substituted “Chief Registrar may, on such terms as he thinks fit, direct”.
- (3) In section 4(2) (late registration of charge in relation to Scottish society)—
- (a) for “Court of Session” there shall be substituted “Chief Registrar”, and
 - (b) for “Court may, on such terms as it thinks fit, order” there shall be substituted “Chief Registrar may, on such terms as he thinks fit, direct”.
- (4) This Article shall apply to instruments executed on or after the day on which this Order comes into force.

Power to opt out of duty to have accounts audited: industrial and provident societies

- 8.—(1) After section 4 of the 1968 Act there shall be inserted—

“Power of societies to disapply section 4.

4A.—(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 £1,400,000, and
- (b) its turnover for that year did not exceed £350,000

(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,
- (b) is registered in the register of housing associations maintained by the Housing Corporation, Housing for Wales or Scottish Homes,
- (c) is, or has, a subsidiary,
- (d) prepares accounts under the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993(7), or
- (e) holds, or has, at any time since the end of the preceding year of account, held, a deposit within the meaning of the Banking Act 1987(8), other than a deposit in form of withdrawable share capital.

(4) The registrar 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 registrar 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(9), or a recognised body as defined by section 1(7) of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990(10), 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.”

(2) After section 9 of that Act there shall be inserted—

“Duty to obtain accountant's reports where section 4 applied.

9A.—(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

(7) S.I.1993/3245.

(8) 1987 c. 22.

(9) 1993 c. 10.

(10) 1990 c. 40.

- (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.
- (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.

Rights of person appointed under section 9A(2).

- 9B.**—(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.

Registrar’s power to require accounts for past years to be audited.

9C.—(1) The registrar 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 him 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 him 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.”

Article 8: consequential amendments

9.—(1) In section 39(1) of the 1965 Act (annual returns) after “with—” there shall be inserted—

- “(a) where the period required to be included in the return is one at the end of which there is in force in relation to the period a disapplication under section 4A(1) of the Friendly and Industrial and Provident Societies Act 1968 (power to disapply the obligation under section 4 of that Act to have accounts audited), the documents mentioned in subsection (1A) of this section, and
- (b) where it is not, the documents mentioned in subsection (1B) of this section.
 - (1A) The documents referred to in subsection (1)(a) of this section are—
 - (a) copies of the reports, if any, which the society is required, because of the disapplication, to obtain under section 9A of the Friendly and Industrial and Provident Societies Act 1968 (duty to obtain accountant’s reports where section 4 of that Act disappplied); and
 - (b) a copy of each balance sheet made during the period included in the return.
 - (1B) The documents referred to in subsection (1)(b) of this section are—”.

(2) In section 40 of that Act (display of latest balance sheet) the words “, together with the report thereon of the auditor or auditors,” are hereby repealed.

(3) In section 3 of the 1968 Act (general provisions as to accounts and balance sheets of societies) subsection (5) (which restricts the circumstances in which a society can publish a revenue account or balance sheet) is hereby repealed.

(4) After that section there shall be inserted—

“Publication of accounts and balance sheets of societies.

3A.—(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—

- (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 registrar 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

“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.”

(5) In section 4(1) of that Act (obligation to appoint qualified auditor in each year of account) after “Subject to the following provisions of this section” there shall be inserted “and section 4A(1) of this Act”.

(6) In section 5(1)(a) of that Act (resolutions of a society which displace automatic re-appointment of qualified auditor) there shall be inserted at the end “or disapplying section 4 of this Act in relation to the current year of account”.

(7) In section 10 (remuneration of qualified auditors) in subsection (1), there shall be inserted at the end “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”.

(8) In that section, in subsection (2), after “auditor” there shall be inserted “or reporting accountant”.

(9) In that section, after subsection (2) there shall be inserted—

“(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.”

(10) In section 11 of that Act, in subsection (2)(b) (non-revenue accounts only to be included in annual return if examined by auditors) there shall be inserted at the end “or been the subject of a report for the purposes of section 9A(2)(a) of this Act”.

(11) In that section, after subsection (5) there shall be inserted—

“(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.”

(12) In section 18 of that Act (offences) after “section 4” there shall be inserted “or 9C(1)”.

(13) In section 24(2) of the 1979 Act (disapplication of requirements relating to audits) for the words from the beginning to “audit” there shall be substituted “Section 3A(4) of the Friendly and Industrial and Provident Societies Act 1968 (restriction on publication of interim revenue accounts and balance sheets)”.

Power to opt out of duty to have accounts audited: friendly societies

10.—(1) After section 32 of the 1974 Act there shall be inserted—

“Power of societies to disapply section 31.

32A.—(1) Subject to subsections (3) and (4) below, a registered society or branch may disapply section 31 above in relation to a 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 £1,400,000, and
- (b) its turnover for that year did not exceed £350,000.

(2) The power conferred by subsection (1) above shall be exercisable by resolution passed at a general meeting of the society or branch 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 or branch for the time being entitled under the body’s rules to vote cast their votes against the resolution.

(3) Subsection (1) above shall not apply to a society or branch which holds, or has, at any time since the end of the preceding year of account, held, a deposit within the meaning of the Banking Act 1987.

(4) The registrar may by notice to a society or branch disapply subsection (1) above in relation to the year of account of the society or branch in which the notice is given.

(5) Where a society or branch exercises the power conferred by subsection (1) above, 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 or branch becomes one to which subsection (3) above applies, or
- (b) the registrar gives to the society or branch notice under subsection (4) above.

(6) In the case of a society or branch which is a charity within the meaning of the Charities Act 1993, a recognised body as defined by section 1(7) of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990 or a charity within the meaning of the Charities Act (Northern Ireland) 1964⁽¹¹⁾ subsection (1) above 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 or branch’s year of account, but not in fact a year, the maximum figure in subsection (1)(b) above (including that provision as it has effect by virtue of subsection(6) above) shall be proportionately adjusted.

(11) 1964 c. 33 (N.I.).

(8) In this section, “turnover”, in relation to a society or branch, means the amounts derived from the provision of goods and services falling within the society’s or branch’s activities, after deduction of—

- (a) trade discounts,
- (b) value added tax, and
- (c) any other taxes based on the amounts so derived.”

(2) After section 39 of that Act there shall be inserted—

“Duty to obtain accountant’s report where section 31 disapplied.

39A.—(1) Subsection (2) below applies where—

- (a) at the end of a registered society’s or branch’s year of account a disapplication under section 32A(1) above is in force in relation to the year, and
- (b) the society’s or branch’s turnover in the preceding year of account exceeded £90,000.

(2) The society or branch 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 its accounts and balance sheet for the year which meets the requirements of subsection (3) below, and
- (b) a report relating to the preceding year of account which meets the requirement of subsection (4) below.

(3) A report for the purposes of subsection (2)(a) above 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 or branch under section 29 above, 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.

(4) A report for the purposes of subsection (2)(b) above shall state whether in the opinion of the person making the report the financial criteria for the exercise of the power conferred by section 32A(1) above were met in relation to the year.

(5) In subsection (2) above, 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 37(1) above to be appointed as auditor of the society or branch.

(6) In this section, “turnover” has the same meaning as in section 32A above.

Rights of person appointed under section 39A(2).

39B.—(1) A person appointed under section 39A(2) above 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 or branch, and to all other documents relating to its affairs, and
- (b) be entitled to require from the officers of the relevant society or branch such information and explanations as that person thinks necessary.

(2) If a person appointed under section 39A(2) above fails to obtain all the information and explanations which, to the best of that person's knowledge and belief, are necessary for purposes of doing what he has been appointed to do, that fact shall be stated in his report.

(3) A person appointed under section 39A(2) above shall be entitled—

- (a) to receive notice of, and attend, any general meeting of the relevant society or branch 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) above, the following are relevant matters, namely—

- (a) any report of the person appointed under subsection (2) of section 39A above, 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 or branch, in relation to a person appointed under section 39A(2) above, are to the society or branch responsible for his appointment under that provision.

Registrar's power to require accounts of past years to be audited.

39C.—(1) The registrar may give a direction to a registered society or branch in respect of any relevant year of account of the society or branch before the year of account 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 him 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 him within three months from receipt of the direction a further annual return complying with the requirements of this Act (other than that as to time of sending).

(2) A failure by a registered society or branch to comply with any direction given by the registrar under subsection (1) above shall be an offence under this Act.

(3) For the purposes of subsection (1) above, a year of account of a registered society or branch is 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 32A(1) above.”

Article 10: consequential amendments

11.—(1) The 1974 Act shall be amended as follows.

(2) In section 30 (general provisions as to accounts and balance sheets of a registered society or branch) subsection (6) (which restricts the circumstances in which a registered society or branch can publish a revenue account or balance sheet) is hereby repealed.

(3) After that section there shall be inserted—

“Publication of accounts and balance sheets.

30A.—(1) A registered society or branch shall not publish any revenue account or balance sheet unless it has been signed by the secretary of the society or branch and by two members of its committee acting on the committee's behalf.

(2) Where at the end of a registered society's or branch's year of account no disapplication under section 32A(1) below is in force in relation to the year, the society or branch 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 or branch, and
- (b) it incorporates a report by the auditor or auditors stating whether in their opinion it complies with subsection (1), (4) or, as the case may be, (5) of section 30 above.

(3) Where at the end of a registered society's or branch's year of account a disapplication under section 32A(1) below is in force in relation to the year and the society's or branch's turnover in the preceding year of account exceeded £90,000, the society or branch shall not publish a year end revenue account or balance sheet unless—

- (a) it is one on which the society or branch has obtained from a person appointed under subsection (2) of section 39A below 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 registered society or branch is subject to subsection (2) above 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 32A(1) below 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), (3) or, as the case may be, (5) of section 30 above, and
- (b) if no disapplication under section 32A(1) below is in force in relation to that year, unless paragraphs (a) and (b) of subsection (2) above 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 registered society or branch is subject to subsection (3) above 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—

- (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 or branch under section 29 above, 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.

(6) Where a registered society's or branch's year of account is one in relation to which a direction under section 39C below has effect, the society or branch 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), (3) or, as the case may be, (5) of section 30 above.

(7) Subsection (3) above shall cease to apply in relation to a year of account if a direction under section 39C below is made in relation to it.

(8) Section 39B below shall apply in relation to a person appointed for the purposes of subsection (4) or (5) above as it applies in relation to a person appointed under section 39A(2) below.

(9) In subsection (4) above, references to a disapplication under section 32A(1) below 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) below, in subsections (4) and (5) above, 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 37(1) below to be appointed as auditor of the society or branch.

(11) In relation to the application of subsection (4) above to a registered society or branch which—

- (a) was an exempt society or an exempt branch 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) above shall, if the year is not one in relation to which the registrar has given a direction under section 32(2) below, 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 32A below;

“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

“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.”

(4) In section 31(1) (obligation to appoint qualified auditor in each year of account) after “Subject to the following provisions of this section” there shall be inserted “and section 32A(1) below”.

(5) In section 33(1)(a) (resolutions of a registered society or branch which displace automatic re-appointment of qualified auditor) there shall be inserted at the end “or disapplying section 31 above in relation to the current year of account”.

(6) In section 40 (remuneration of qualified auditors) in subsection (1), there shall be inserted at the end “or for the making of a report for the purposes of section 30A(4)(a) or (5) or 39A(2)(a) or (b) above”.

(7) In that section, in subsection (2), after “auditor” there shall be inserted “or reporting accountant”.

(8) In that section, after subsection (3) there shall be inserted—

“(4) In this section, “reporting accountant” means a person appointed to make a report for the purposes of section 30A(4)(a) or (5) or 39A(2)(a) or (b) above”.

(9) In section 43 (annual return) in subsection (3)(c) (non-revenue accounts only to be included in return if examined by auditors) there shall be inserted at the end “or been the subject of a report under section 39A(2)(a) above”.

(10) In that section, in subsection (4) (documents to be sent with annual return) after “send” there shall be inserted—

- “(a) where the year of account is one at the end of which there is in force in relation to the year a disapplication under section 32A(1) above, copies of the reports, if any, which the society or branch is required, because of the disapplication, to obtain under section 39A above; and
- (b) where it is not.”
- (11) In section 44 (copies of annual return to be supplied on demand) there shall be inserted at the end—
- “(3) Where the last annual return of a registered society or branch relates to a year of account at the end of which there is in force in relation to the year a disapplication under section 32A(1) above, this section shall have effect with the following modifications—
- (a) in subsection (1)(b), the words “duly audited” shall be omitted, and
- (b) in subsection (2), for the words from “the report” to the end there shall be substituted “any report which the society or branch is required, because of the disapplication, to obtain under section 39A(2)(a) above.””
- (12) In section 45(a) (display of last annual balance sheet) the words “together with the report of the auditors thereon” are hereby repealed.

Removal of the requirement to apply annually for exemption from producing group accounts

- 12.** After section 14(3) of the 1968 Act (exemption from requirements in respect of group accounts) there shall be inserted the following subsection—
- “(3A) In relation to any year of account of an industrial and provident society, a subsidiary of the society shall be disregarded for the purposes of section 13 of this Act if—
- (a) the society’s previous year of account was one in relation to which the subsidiary was not required to be dealt with in group accounts of the society for that year,
- (b) the reason for that was subsection (2) or (3) of this section or this subsection, and
- (c) the auditors of the society include in the appropriate report a certificate to the effect that they agree with the committee of the society that—
- (i) the reason given by the committee in their last opinion in respect of the subsidiary to have been approved by the Chief Registrar under subsection (2) or (3) of this section, and
- (ii) the grounds so given by them for that reason, continued to apply throughout the year of account.
- (3B) For the purposes of subsection (3A)(c) of this section, the appropriate report is—
- (a) where the year of account is one in relation to which the society is subject to the obligation under subsection (1) of section 13 of this Act, the report required to be made under subsection (5) of that section by the society’s auditors, and
- (b) where it is not, the report required to be made by them under section 9(1) of this Act.
- (3C) A certificate shall be disregarded for the purposes of subsection (3A)(c) of this section if contained in a report made after the date which, in relation to the year to which the certificate relates, is the last date for making the return required by section 39(1) of the Act of 1965 (annual return).”

3rd July 1996

Michael Bates
Liam Fox
Two of the Lords Commissioners of Her
Majesty's Treasury

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EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the Industrial and Provident Societies Acts 1965 and 1967, the Friendly and Industrial and Provident Societies Act 1968 and the Friendly Societies Act 1974.

Industrial and Provident Societies Act 1965 (the 1965 Act)

Article 3 amends section 2(1) of the 1965 Act to reduce the minimum number of members required to form a society from seven to three, where the applicants are not solely corporate bodies;

Article 4(1) amends section 2(2) of the 1965 Act to make it easier for federal societies to make application for registration. Currently up to nine signatures are required when a federal society applies for registration. In future only the secretary of each of two corporate members will be required to sign the application; also, societies which are founder members of a federal society need no longer send copies of their own rules to the Registrar— only the rules of the proposed federal society need be submitted;

Article 4(2) amends section 10(1)(a) of the 1965 Act to make it easier for federal societies to register a change to their rules. Currently up to nine signatures are required when a federal society changes its rules. In future only the secretary of each of two corporate members will be required to sign the application;

Article 5 amends section 39 of the 1965 Act to relax the requirement relating to the period for submission of the annual return so that all societies will have up to seven months for submitting their return;

Article 6 amends section 43(1) of the 1974 Act by extending the date for submission by two months to 31 July so that all societies will have up to seven months for submitting their return;

Industrial and Provident societies Act 1967 (the 1967 Act)

Article 7 amends section 1(2) of the 1967 Act by extending the time limit for recording a charge against a society's assets from 14 to 21 days and allows societies to submit late charges without a court order, subject to the protection of third parties;

Friendly and Industrial and Provident Societies Act 1968 (the 1968 Act) and Friendly Societies Act 1974 (the 1974 Act)

Articles 8 and 9 amend section 4 of the 1968 Act and section 39 of the 1965 Act and

Articles 10 and 11 amend sections 30-33 and 40 of the 1974 Act to increase the audit thresholds for non-deposit taking industrial and provident societies and societies other than friendly societies registered under the 1974 Act to bring those societies into line with the provisions for private companies so that many more societies than at present will not be required to have a professional audit;

Article 12 amends section 14 of the 1968 Act to remove the need for societies with subsidiaries, whose circumstances have not changed, to apply annually for exemption from the preparation of group accounts.

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