



Building Societies Act 1986

1986 CHAPTER 53

PART VIII

ACCOUNTS AND AUDIT

Modifications etc. (not altering text)

C1 Pt. VIII (ss. 71–82) excluded by [S.I. 1986/2168, art. 12\(1\)\(a\)](#)

C2 Pt. VIII (ss. 71–82) modified (*temp.* until 1.1.1993) by [S.I. 1990/1392, art. 6\(3\)](#)

Accounting records and systems of business control, etc.

71 Accounting records and systems of business control, etc.

- (1) Every building society shall—
- (a) cause accounting records to be kept, and
 - (b) establish and maintain systems of control of its business and records and of inspection and report,

in accordance with this section.

- (2) The accounting records of a society must be such as to—
- (a) explain its transactions;
 - (b) disclose, with reasonable accuracy and promptness, the state of the business of the society at any time;
 - (c) enable the directors properly to discharge the duties imposed on them by or under this Act and their functions of direction of the affairs of the society; and
 - (d) enable the society properly to discharge the duties imposed on it by or under this Act;

and must be kept in an orderly manner.

- (3) The accounting records shall in particular contain—

Status: Point in time view as at 01/12/1997.

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- (a) entries from day to day of all sums received and paid by the society and the matters in respect of which they are received or paid;
 - (b) entries from day to day of every transaction entered into by the society which will or there is reasonable ground for expecting may give rise to liabilities or assets of the society other than insignificant assets or liabilities in respect of the management of the society; and
 - (c) a record of the assets and liabilities of the society and in particular of assets and liabilities of any class specifically regulated by or under ^{F1}section 6 or 7].
- (4) The system of control which is to be established and maintained by a society is a system for the control of the conduct of its business in accordance with this Act and the decisions of the board of directors and for the control of the accounting and other records of its business.
- (5) The system of inspection and report which is to be established and maintained by a society is a system of inspection on behalf of and report to the board of directors on the operation of the system of control of the society's business and records required by subsection (1)(b) above.
- (6) The systems of control and of inspection and report must be such as to—
- (a) enable the directors properly to discharge the duties imposed on them by or under this Act and their functions of direction of the affairs of the society; and
 - (b) enable the society properly to discharge the duties imposed on it by or under this Act;
- and no such system of control shall be treated as established or maintained unless there is kept available to the board a detailed ^{F2}record] of the system as in operation for the time being.
- (7) Without prejudice to the generality of subsection (6) above the systems of control and of inspection and report must be such as to secure that the society's business is so conducted and its records so kept that—
- (a) the information necessary to enable the directors and the society to discharge their duties and functions is sufficiently accurate, and is available with sufficient regularity or at need and with sufficient promptness, for those purposes; and
 - (b) the information regularly obtained by or furnished to the Commission under or for the purposes of this Act is sufficiently accurate for the purpose for which it is obtained or furnished and is regularly furnished;
- and in this subsection, in its application in relation to the Commission, "regularly" includes that regularity requested by or agreed with the Commission.
- (8) The accounting records shall be kept at the society's principal office or at such other place or places as the directors think fit, and shall at all times be open to inspection by the directors.
- (9) Accounting records shall be preserved for six years from the date on which they were made.
- (10) Where a building society has ^{F3}connected undertakings], the society shall also secure that such accounting records are kept and such systems of control and of inspection and report are established and maintained by the society and the ^{F3}connected undertakings] as will enable the society to comply with the requirements of this section in relation to the business of the society and those ^{F3}connected undertakings].

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[^{F4}(10A) The Commission may, for the purpose of implementing the Council Directive on the supervision of credit institutions on a consolidated basis (No.92/30/EEC) ^{F5}, direct that subsection (10) above shall have effect in relation to any building society specified in the direction as if any associated body of the society so specified were linked to it by resolution.]

(11) The directors and chief executive of every building society shall, within the period of three months beginning with the end of each financial year, make and send to the Commission a statement of their opinion whether the requirements of this section have been compiled with in respect of that year; and the statement shall be signed by the chairman on behalf of the board of directors and by the chief executive.

Textual Amendments

- F1** Words in s. 71(3)(c) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 29(1)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xvi)**
- F2** Word in s. 71(6) substituted (9.6.1997) by 1997 c. 32, s. 43, **Sch. 7 para. 29(2)**; S.I. 1997/1427, art. 2(k)(n)(vii)
- F3** Words in s. 71(10) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 29(3)(a)-(c)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xvi)**
- F4** S. 71(10A) repealed (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 46(2), 47(3), **Sch. 7 para. 29(4)**, **Sch. 9**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xvi)(cc)(x)**
- F5** OJ No. L110, 28.4.92, p.52.

Modifications etc. (not altering text)

- C3** S. 71 modified (*temp.*) by S.I. 1986/2168, art. 12(2)(d)
- C4** S. 71(1)–(10) excluded (*temp.*) by S.I. 1986/2168, art. 12(2)(a)
- C5** S. 71(11) modified (*temp.*) by S.I. 1986/2168, art. 12(2)(d)

Accounts

72 Duty of directors to prepare annual accounts.

- (1) Subject to subsection (4) below, the directors of every building society shall prepare with respect to each financial year of the society—
- an income and expenditure account showing the income and expenditure for that year,
 - a balance sheet showing the state of its affairs as at the end of that year, and
 - a statement of the source and application of the funds during that year.
- (2) ^{F6} . . . , if, at the end of its financial year, a building society has [^{F7}subsidiary undertakings], the directors shall also prepare, with respect to that year, group accounts dealing respectively with the income and expenditure, the state of the affairs and the source and application of the funds, of the society and the [^{F7}subsidiary undertakings].
- (3) The directors of a building society which has [^{F7}subsidiary undertakings] shall secure that, except where in their opinion there are good reasons against it, the financial year

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of each of its [^{F7}subsidiary undertakings] coincides with the society’s own financial year.

(4) Where the directors prepare a statement of the source and application of the funds of the society and its [^{F7}subsidiary undertakings] under subsection (2) above they need not also prepare such a statement as to the society’s funds under subsection (1) above.

^{F8}(5)

^{F8}(6)

(7) The Commission may by regulations made with the consent of the Treasury—

- (a) add to the classes of documents to be comprised in a society’s accounts to be prepared for each financial year under subsection (1) or (2) above;
- (b) make provision as to the matters to be included in any document so added;
- (c) modify the requirements of this Part as to the matters to be stated in any document comprised in the society’s accounts; and
- (d) reduce the classes of documents to be comprised in a society’s accounts.

(8) Regulations under subsection (7) above may make different provision for different descriptions of society, and may include incidental and supplementary provisions.

(9) The power to make regulations under subsection (7) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.

(10) The accounts prepared with respect to a society’s financial year under this section (whether as individual accounts or group accounts), with the notes to them, are referred to in this Part as “the annual accounts”.

Textual Amendments

- F6** Words in s. 72(2) omitted by virtue of S.I. 1991/1729, art. 4(1).
F7 Words in ss. 71-82 (Pt. VIII) substituted by S.I. 1991/1729, art.3.
F8 S. 72(5)(6) omitted by virtue of S.I. 1991/1729, art. 4(2).

73 Contents and form of annual accounts.

(1) The annual accounts of a building society shall conform to the requirements of this section and regulations made under it.

(2) Every income and expenditure account shall give a true and fair view of the income and expenditure of the society for the financial year.

(3) Every balance sheet shall give a true and fair view of the state of the affairs of the society as at the end of the financial year.

(4) Every statement of the source and application of funds shall give a true and fair view of the manner in which the business of the society has been financed and in which its financial resources have been used during the financial year.

(5) Subsections (2), (3) and (4) above, in their application to the group accounts of a society, are to be read as referring to the society and (so far as it concerns the members of the society) the [^{F9}subsidiary undertakings] dealt with in the group accounts.

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- (6) The annual accounts shall also contain, whether in the form of notes or otherwise, such supplementary information as is prescribed.
- (7) The Commission shall, by regulations made with the consent of the Treasury, make provision with respect to the contents and the form of the annual accounts.
- (8) Without prejudice to the generality of subsections (6) and (7) above, the regulations may—
- (a) prescribe accounting principles and rules;
 - (b) require corresponding information for a preceding financial year;
 - (c) require the accounts of societies to deal also with [^{F10}their associated undertakings];
 - (d) make different provision for different descriptions of society;
 - (e) require the accounts to give particulars of the emoluments, pensions, compensation for loss of office and financial interests of directors, other officers and employees of prescribed descriptions of the society;
- and may permit group accounts to be prepared in other than consolidated form.
- (9) Where compliance with regulations under this section would not secure compliance with the requirements of subsection (2), (3) or (4) above the directors shall take such steps with regard to the contents or form of the accounts, in addition to or, if additions do not suffice, in derogation of the provisions of the regulations, as they think necessary to secure compliance with those subsections and record, in the notes to the accounts, what they have done, the reasons for it and its effects.
- (10) The power to make regulations under this section is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (11) It is the duty of every director, other officer and employee of a building society as respects whom prescribed particulars are by virtue of subsection (8)(e) above required to be given in the accounts to give notice of such matters as may be necessary to enable the society to give those particulars in the accounts.
- (12) In this section “prescribed” means prescribed in regulations under it.

Textual Amendments

F9 Words in ss. 71-82 (Pt. VIII) substituted by S.I. 1991/1729, art. 3

F10 Words in s. 73(8)(c) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), Sch. 7 para. 30; S.I. 1997/2668, art. 2, Sch. Pt. II(w)(z)(xvii)

74 Duty of directors to prepare annual business statement.

- (1) The directors of every building society shall, by reference to the annual accounts and other records and information at their disposal, prepare with respect to each financial year of the society a statement (referred to in this Act as “the annual business statement”) relating to prescribed aspects of the business of the society during the year.

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- (2) Where the society has [^{F11}connected undertakings] the annual business statement shall deal also with prescribed aspects of the business of the [^{F11}connected undertakings] during the year to which it relates.
- (3) The annual business statement shall contain such information relating to such aspects of the business of the society and shall be in such form as the Commission prescribes by regulations made with the consent of the Treasury; and in this section “prescribed” means prescribed by regulations under this subsection.
- (4) Without prejudice to the generality of subsections (1) to (3) above the regulations may require the annual business statements of building societies to include prescribed information about directors and past directors and persons connected with them and other officers and past officers and persons connected with them and their financial interests.
- (5) The information comprising the annual business statement shall give a true representation of the matters in respect of which it is given.
- (6) To such extent as may be prescribed matters contained in the society’s annual business statement shall not be the subject of report by the auditors under section 78.
- (7) The power to make regulations under subsection (3) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (8) It is the duty of every director or other officer of a building society to give notice to the society of such matters relating to himself or his financial interests as may be necessary for the purposes of compliance with the preceding provisions of this section.
- (9) Any person who fails to comply with subsection (8) above shall be liable on summary conviction to a fine not exceeding level 5 on the standard scale.
- (10) Any director who fails to comply with subsection (1) above shall be liable on conviction on indictment or on summary conviction to a fine not exceeding, on summary conviction, the statutory maximum.

Textual Amendments

F11 Words in s. 74(2) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 31**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xviii)**

75 Directors’ report.

- (1) The directors of a building society shall prepare for submission to the annual general meeting a report on the business of the society containing—
 - (a) a fair review of the development of its business during the financial year and of its position at the end of it, and
 - (b) such information relating to such aspects of the business of the society or the society and any [^{F12}connected undertakings] as may be prescribed by regulations made by the Commission with the consent of the Treasury, and
 - [^{F13}(c) a statement as to the matters mentioned in subsection (1A) below.]

[^{F14}(1A) The said matters are—

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- (a) whether the society has acquired or established, or allowed a subsidiary undertaking to acquire or establish, a business to which subsection (3) and subsection (4) or, as the case may be, subsection (5) of section 92A applied;
 - (b) if the society has acquired or established, or allowed such an undertaking to acquire or establish, such a business, what the business is and whether the society complied with the requirements of subsection (1) of that section; and
 - (c) if the society did not comply with those requirements, why the society nevertheless proceeded, or allowed the undertaking to proceed, with the acquisition or establishment.]
- (2) Where the society has [^{F15}connected undertakings] the report shall, in addition to containing the information prescribed in relation to them under subsection (1)(b) above, review the development of the business of the society and its [^{F16}connected undertakings] during the year and their position at the end of it.
- (3) The power to make regulations under subsection (1) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (4) If a directors' report does not contain [^{F17}the review, information and statement required by subsection (1) above and, where applicable, the review required by subsection (2) above], each director shall be liable on conviction on indictment or on summary conviction to a fine not exceeding, on summary conviction, the statutory maximum.

Textual Amendments

- F12** Words in s. 75(1)(b) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 32(1)(a)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xix)**
- F13** S. 75(1)(c) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 32(1)(b)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xix)**
- F14** S. 75(1A) inserted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 32(2)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xix)**
- F15** Words in s. 75(2) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 32(3)(a)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xix)**
- F16** Words in s. 75(2) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 32(3)(b)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xix)**
- F17** Words in s. 75(4) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 32(4)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xix)**

76 Summary financial statement for members and depositors.

- (1) The directors of a building society shall, with respect to each financial year, prepare for members and depositors a summary financial statement for that year, that is to say, a statement derived from the annual accounts, annual business statement and director's

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- report, giving a summary account of the society's financial development during and financial position at the end of the year.
- (2) Where the society has [^{F18}connected undertakings] the statement shall (so far as they are dealt with in the group accounts) give an account of the financial development and position of the society and its [^{F19}connected undertakings].
 - (3) The Commission may, by regulations made with the consent of the Treasury, make provision with respect to—
 - (a) the form of the summary financial statement, and
 - (b) the information which must be included in it.
 - (4) Every summary financial statement shall also include in the prescribed form statements to the effect that—
 - (a) it is only a summary of information in the accounts, business statement and directors' report;
 - (b) in so far as it summarises the information in the accounts, those accounts have been audited;
 - (c) the accounts, business statement and director's report will be available to members and depositors free of charge on demand at every office of the society after a specified date.
 - (5) Every summary financial statement shall include a statement of the auditors' opinion as to its consistency with the accounts, business statement and directors' report and its conformity with the requirements of this section and regulations made under it.
 - (6) The power to make regulations under subsection (3) above is exercisable by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
 - (7) The summary financial statement shall be signed by two directors on behalf of the board of directors and by the chief executive of the society.
 - (8) A copy of the summary financial statement and, where this subsection extends under section 78(6) to the auditors' report also, of the auditors' report shall be sent by the society, not later than 21 days before the date of the annual general meeting at which the accounts and reports are to be considered, to—
 - (a) every member of the society who is entitled to receive notice of the meeting,
 - (b) the Commission, and
 - (c) the central office.
 - (9) A copy of the summary financial statement and, where this subsection extends under section 78(6) to the auditors' report also, of the auditors' report shall be given or sent by the society free of charge, at any time during the period ending with the publication of the next summary financial statement, to—
 - [^{F20}(a) any individual who for the first time subscribes for shares in the society, on his first subscribing for the shares, and]
 - (b) any member of the society who was not sent a copy under subsection (8)(a) above, within seven days of his making a demand for a copy.
 - (10) If default is made by a building society in complying with subsection (8) above, the society shall be liable on summary conviction—
 - (a) to a fine not exceeding level 5 on the standard scale; and

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- (b) in the case of a continuing offence, to an additional fine not exceeding £200 for every day during which the offence continues, and so shall any officer who is also guilty of the offence.
- (11) If default is made by a building society in complying with subsection (9) above, the society shall be liable on summary conviction—
 - (a) to a fine not exceeding level 3 on the standard scale; and
 - (b) in the case of a continuing offence, to an additional fine not exceeding £40 for every day during which the offence continues, and so shall any officer who is also guilty of the offence.
- (12) The central office shall keep the copy of the summary financial statement received by it under subsection (8) above in the public file of the society.

Textual Amendments

- F18** Words in s. 76(2) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 33(1)(a)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xx)**
- F19** Words in s. 76(2) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 33(1)(b)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xx)**
- F20** S. 76(9)(a) substituted (9.6.1997) by 1997 c. 32, s. 43, **Sch. 7 para. 33(2)**; S.I. 1997/1427, art. 2(k)(n) (viii)

Auditors and audit of accounts

77 Auditors: appointment, tenure, qualifications, etc.

- (1) Every building society shall at each annual general meeting appoint an auditor or auditors to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting.
- (2) Schedule 11 to this Act has effect as regards—
 - (a) the appointment of auditors;
 - (b) their qualifications and grounds of disqualification, and
 - (c) the resignation and removal of auditors.

78 Auditors' report.

- (1) The auditors of a building society shall make a report to the members on the annual accounts which are to be laid before the society at the annual general meeting during their tenure of office.
- (2) The auditors' report shall ^{F21} . . . be open to inspection by any member [^{F22}at the annual general meeting of the building society].
- (3) The auditors shall, in their report under subsection (1) above, also make a report to the members on—
 - (a) the annual business statement, and
 - (b) the directors' report,

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in so far as subsection (7) below requires them to do so.

- (4) The auditors' report shall state whether the annual accounts have been prepared so as to conform to the requirements of this

Part and the regulations made under it and whether, in the opinion of the auditors, they give a true and fair view—

- (a) in the case of the income and expenditure account, of the income and expenditure of the society for the financial year,
 - (b) in the case of the balance sheet, of the state of the affairs of the society as at the end of the financial year, and
 - (c) in the case of the statement of the source and application of funds, of the manner in which the business of the society has been financed and in which its financial resources have been used during the year.
- (5) Subsection (4) above, in its application to the group accounts of a society, is to be read as referring to the society and (so far as it concerns the members of the society) the [F²³subsidiary undertakings] dealt with in the group accounts.
- (6) If the auditors' report includes a qualification of their opinion that the annual accounts give a true and fair view of the matters specified in subsection (4) above, subsections (8) and (9) of section 76 extend also to the auditors' report.
- (7) The auditors' report, in so far as it deals with the documents specified in subsection (3) above, shall state whether they have been prepared so as to conform to the requirements of sections 74 and 75 respectively and the regulations thereunder and whether, in the opinion of the auditors—
- (a) the information given in the annual business statement gives a true representation of the matters in respect of which it is given, and
 - (b) the information given in the directors' report is consistent with the accounting records and the annual accounts for the year.
- (8) The auditors' report on the annual business statement shall not deal with any matters which, by virtue of section 74(6), are not to be the subject of report under this section.
- (9) The auditors of a building society shall, as regards the statement of particulars of transactions falling within section 65 which the society is to make available for "inspection by members under section 68(3), examine the statement before it is made available to members and make a report to the members on it; and the report shall be annexed to the statement before it is so made available.
- (10) The auditors' report under subsection (9) above shall state whether in their opinion the statement contains the particulars required by section 68; and where their opinion is that it does not, they shall include in their report, so far as they are reasonably able to do so, a statement giving the requisite particulars.

Textual Amendments

F21 Words in s. 78(2) repealed (11.1.1996) by S.I. 1995/3233, art. 6(a)

F22 Words in s. 78(2) inserted (11.1.1996) by S.I. 1995/3233, art. 6(b)

F23 Words in ss. 71-82 (Pt. VIII) substituted (1.1.1993) by S.I. 1991/1729, art. 3.

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Modifications etc. (not altering text)

C6 S. 78 restricted (1. 1. 1993) by S.I. 1992/359, reg. 9(4) (with reg. 2(2))

79 Auditors' duties and powers.

- (1) It is the duty of the auditors of a building society in preparing their report to the members under section 78, to carry out such investigations as will enable them to form an opinion as to the following matters—
 - (a) whether proper accounting records have been kept under section 71,
 - (b) whether the society has maintained satisfactory systems of control of its business and records and of inspection and report under that section, and
 - (c) whether the annual accounts are in agreement with the accounting records.
- (2) If the auditors are of the opinion that the annual accounts are not in agreement with the accounting records they shall state that fact in their report.
- (3) Every auditor of a building society has—
 - (a) a right of access at all times to the accounting and other records of the society and all other documents relating to its business, and
 - (b) a right 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.
- (4) Where a building society has a [^{F24}connected undertaking], then—
 - (a) if the [^{F24}connected undertaking] is a body corporate incorporated in any part of the United Kingdom, it is the duty of the [^{F24}connected undertaking] and its auditors to give to the society's auditors such information and explanation, and such access to documents, as those auditors may reasonably require for the purposes of their duties as auditors of the society;
 - (b) in any other case, it is the duty of the society, if required by its auditors to do so, to take all such steps as are reasonably open to it to obtain from the [^{F24}connected undertaking] such information and explanation and such access as are mentioned above.
- ^{F25}(5) Subsection (4) above applied as regards any body associated with the society which is not a [^{F26}subsidiary undertaking]] as it applies as regards a [^{F26}subsidiary undertaking] of the society.
- (6) If the auditors fail to obtain all the information and explanations and the access to documents 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 building society have the right—
 - (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) If a building society or other body corporate fails to comply with subsection (4) above, the society or other body shall be liable on summary conviction to a fine not exceeding level 3 on the standard scale and so shall any officer of the society or, as the case may

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be, of the other body who is also guilty of the offence; and if an auditor fails without reasonable excuse to comply with paragraph (a) of that subsection he shall be liable, on summary conviction, to such a fine.

- (9) If a person who is an officer of a building society or of a body which is a ^{F27}connected undertaking of] the society knowingly or recklessly makes to the auditors of that or another society or body a statement which—
- (a) conveys or purports to convey any information or explanation which the auditors require, or are entitled to require, as auditors of the society or other body, as the case may be, and
 - (b) is false or misleading in a material particular,
- that person shall be liable—
- (i) on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine, or both; and
 - (ii) on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum, or both.

Textual Amendments

- F24** Words in s. 79(4) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 34(1)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xxi)**
- F25** S. 79(5) repealed (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 46(2), 47(3), **Sch. 7 para. 34(2)**, **Sch. 9**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(y)(z)(xxi)(cc)(xi)**
- F26** Words in ss. 71-82 (Pt. VIII) substituted by S.I. 1991/1729, **art. 3**.
- F27** Words in s. 79(9) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 34(3)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xxi)**

Modifications etc. (not altering text)

- C7** S. 79(1)(2) modified (*temp.*) by S.I. 1986/2168, **art. 12(2)(e)**

Procedure on completion of accounts

80 Signing of balance sheet: documents to be annexed.

- (1) Every balance sheet of a building society shall be signed by two directors on behalf of the board of directors and by the chief executive of the society.
- (2) The income and expenditure account, the statement of the source and application of the funds and the annual business statement shall be annexed to the balance sheet, and so shall any group accounts; and the auditor's report shall be attached to it.
- (3) The income and expenditure account, the statement of the source and application of the funds and the annual business statement shall be approved by the board of directors before the balance sheet is signed on their behalf, and so shall any group accounts; and the date of their approval of those documents shall be endorsed on the balance sheet.
- (4) The directors' report shall be attached to the balance sheet.

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- (5) If a balance sheet has not been signed as required by subsection (1) above, and a copy of it is issued, circulated or published, the building society shall be liable on summary conviction to a fine not exceeding level 3 on the standard scale and so shall any officer who is also guilty of the offence.
- (6) If any copy of a balance sheet is issued, circulated or published—
- (a) without having annexed to it a copy of the income and expenditure account, or
 - (b) without having annexed to it a copy of the source and application of funds statement, or
 - (c) without having annexed to it a copy of the annual business statement, or
 - (d) without having attached to it a copy of the auditors' report, or
 - (e) without having attached to it a copy of the directors' report,
- the building society shall be liable on summary conviction to a fine not exceeding level 3 on the standard scale and so shall any officer who is also guilty of the offence.

81 Laying and furnishing accounts, etc., to members, Commission and central office.

- (1) The directors of every building society shall lay before the society at the annual general meeting the annual accounts for the last financial year.
- (2) The directors of every building society shall send a copy of the annual accounts for the last financial year to the Commission and to the central office not later than 14 days before the annual general meeting at which the accounts are to be considered.
- (3) Every building society shall, as from the date by which at the latest its directors are required to send them to the Commission, make copies of the annual accounts available free of charge to members of and depositors with the society at every office of the society and, free of charge, shall send copies of those documents to any member or depositor who demands it.
- (4) If default is made in complying with subsection (1) or (2) above, every person who was a director at any time during the relevant period shall be liable on summary conviction—
- (a) to a fine not exceeding level 5 on the standard scale; and
 - (b) in the case of a continuing offence, to an additional fine not exceeding £200 for every day during which the offence continues.
- (5) If, on demand made of it under subsection (3) above, a building society fails, in accordance with that subsection, to make available or, as the case may be, within seven days of the demand, to send, to a person a copy of the annual accounts the society shall be liable on summary conviction—
- (a) to a fine not exceeding level 3 on the standard scale; and
 - (b) in the case of a continuing offence, to an additional fine not exceeding £40 for every day during which the offence continues,
- and so shall any officer who is also guilty of the offence.
- (6) In subsection (4) above “the relevant period” means the period beginning at the end of the last financial year and ending with the date which falls 14 days before the annual general meeting following the end of that year.

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- (7) The central office shall keep the copy of the annual accounts of a building society received by it under subsection (2) above in the public file of the society.
- (8) In this section any reference to the annual accounts includes a reference to the documents annexed or attached to them under section 80.

82 Auditors' duties to Commission and related rights.

- (1) The auditors of a building society shall, with respect to each financial year of the society, make to the Commission in accordance with subsection (5) below a report on the conduct of the business of the society during that year in the respects specified in subsection (2) below.
- (2) The auditor's report shall deal with—
 - (a) the accounting records kept by the society under section 71, [^{F28}and]
 - (b) the systems of control of its business and records and of inspection and report maintained under that section, [^{F29}and
 - (c) the system of safe custody of documents maintained under section 12(12)]
- (3) The report shall state the auditors' opinion as respects the matters specified in subsection (2) above as follows, that is to say—
 - (a) as regards the accounting records of the society, whether or not they comply with the requirements of section 71 and, if not, specifying each requirement not complied with and the respects in which it was not complied with;
 - (b) as regards the system of control of its business and records, whether or not the system complies with the requirements of section 71 and, if not, specifying each requirement not complied with and the respects in which it was not complied with;
 - (c) as regards the system of inspection and report, whether or not the system complies with the requirements of section 71 and, if not, specifying each requirement not complied with and the respects in which it was not complied with;
 - [^{F30}(d) as regards the system of safe custody of documents, whether or not the system complies with the requirement of section 12(12) and, if not, specifying the respects in which it was not complied with]
- (4) Where the society had, at any time during the year to which the report relates, [^{F31}connected undertakings], the auditors' report shall deal also with and contain corresponding statements of their opinion as to compliance with the requirements of section 71 in its application to building societies having [^{F31}connected undertakings].
- (5) The auditors of a building society shall send their report under this section to the society and, subject to subsection (6) below, shall do so within the period of 72 days beginning with the end of the financial year to which it relates, and the society shall, within the period of 90 days so beginning, send the report to the Commission together with such comments as the board of directors think fit to make.
- (6) A building society may allow its auditors a longer period in which to send their report than that specified in subsection (5) above, but not so as to prevent the society from complying with the duty imposed on it by that subsection as regards the Commission.
- (7) If the board of directors of a building society make any comments to the Commission under subsection (5) above they shall cause a copy of the comments to be sent to

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the auditors before they send them to the Commission with the report under that subsection.

- (8) [^{F32}The following, namely—
- (a) the auditors of a building society;
 - (b) an accountant appointed by a building society to make a report under section 52(5)(d) above; and
 - (c) the auditors of a body with which a building society is closely linked by control where either—
 - (i) they are also the auditors of the society; or
 - (ii) one of them is an accountant appointed by the society to make a report under section 52(5)(d) above,]

if they are satisfied that it is expedient to do so in order to protect the investments of shareholders or depositors or if they are requested to do so by the Commission on its being so satisfied, shall be entitled, notwithstanding any obligation of confidence incumbent on them and whether or not to do so would be contrary to the interests of the society, to furnish information to the Commission relating to the conduct of the society's business or the business of any of its [^{F33}connected undertakings].

- (9) The Treasury may by order impose on [^{F34}such persons as are mentioned in paragraph (a), (b) or (c) of subsection (8) above] an obligation to furnish to the Commission, in such circumstances as may be prescribed in the order, relevant information available to them of such descriptions as may be prescribed in the order; and it shall be the duty of [^{F35}any such person] to furnish information to which the obligation extends notwithstanding any obligation of confidence incumbent on him.
- (10) The power to make an order under subsection (9) above is exercisable by statutory instrument but no such instrument shall be made unless a draft of it has been laid before and approved by a resolution of each House of Parliament.
- (11) In subsection (9) above “relevant information” means information relating to the conduct of the business of building societies or their [^{F36}subsidiary undertakings] or associated bodies.

Textual Amendments

- F28** Word after s. 82(2)(a) inserted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 35(1)(a)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xxii)**
- F29** S. 82(2)(c) and word immediately preceding it repealed (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 46(2), 47(3), **Sch. 7 para. 35(1)(b)**, **Sch. 9**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(y)(z)(xxii)(cc)(xii)**
- F30** S. 82(3)(d) repealed (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 46(2), 47(3), **Sch. 7 para. 35(2)**, **Sch. 9**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xxii)(cc)(xii)**
- F31** Words in s. 82(4) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 35(3)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xxii)(cc)(xii)**
- F32** Words in s. 82(8) substituted (18.7.1996) by S.I. 1996/1669, **reg. 8(1)**
- F33** Words in s. 82(8) substituted (1.12.1997 in specified cases and for specified purposes and otherwise in accordance with art. 2(2)(3)(5) of S.I. 1997/2668) by 1997 c. 32, ss. 43, 47(3), **Sch. 7 para. 35(4)**; S.I. 1997/2668, art. 2, **Sch. Pt. II(w)(z)(xxii)**

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F34 Words in s. 82(9) substituted (18.7.1996) by S.I. 1996/1669, **reg. 8(2)(a)**

F35 Words in s. 82(9) substituted (18.7.1996) by S.I. 1996/1669, **reg. 8(2)(b)**

F36 Words in s. 82(11) substituted by S.I. 1991/1729, **art. 3**

Modifications etc. (not altering text)

C8 S. 82(1)–(4) modified (*temp.*) by S.I. 1986/2168, **art. 12(2)(f)**

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