

## SCHEDULE 4

### SUBORDINATE LEGISLATION RELATING TO AUDITORS AND ACCOUNTANTS

#### Building Societies (Auditors) Order 1994

2.—(1) In relation to any time before it is varied or revoked by an order made under subsection (9) of section 82 of the Building Societies Act, the Building Societies (Auditors) Order 1994(1) shall have effect as if it were amended as follows.

(2) In article 2—

(a) for the definition of “auditor” there shall be substituted the following definition—

“‘auditor’ means—

- (a) an auditor of a building society; or
- (b) an auditor of a body with which a building society is closely linked by control where he is also either an auditor of the society or an accountant appointed by the society to make a report under section 52(5)(d) of the Act.”

(b) after that definition there shall be inserted the following definitions—

“‘contravention’, in relation to any provision of the Act, includes any failure to comply with that provision;

‘of material significance’ means of material significance for the exercise of the Commission’s functions under the Act or under the Regulations;”

(c) for the definition of “the Regulations” there shall be substituted the following definition—

“‘reporting accountant’ means an accountant appointed to make a report under section 52(5)(d) of the Act;”

(d) for the word “and” immediately following the definition of “society” there shall be substituted the following definition—

“‘the society concerned’ means—

- (a) in relation to an auditor of a society, that society;
- (b) in relation to an auditor of a body with which a society is closely linked by control, that society;
- (c) in relation to a reporting accountant, the society in relation to which his report is made;”

(3) In paragraph (1) of article 3, after the words “the auditor” there shall be inserted the words “or reporting accountant”.

(4) For paragraph (2) of that article there shall be substituted the following paragraph—

“(2) The circumstances referred to in paragraph (1) above are circumstances in which the information of the description prescribed by paragraph (3) below is such as—

- (a) to give the auditor or reporting accountant reasonable cause to believe, as regards the society concerned—
  - (i) that its authorisation could be revoked under section 43 of the Act otherwise than by virtue of section 45 of the Act;
  - (ii) that there is or has been, or may be or may have been, a failure to satisfy any of the criteria of prudent management in section 45(3) of the Act and that the failure is likely to be of material significance;

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- (iii) that there is or has been, or may be or may have been, a contravention of any provision of the Act and that the contravention is likely to be of material significance; or
    - (iv) that its continuous functioning may be affected; or
  - (b) in the case of the auditor of the society concerned, to preclude him from stating in his report that its annual accounts have been prepared—
    - (i) so as to conform with the requirements of Part VIII of the Act and regulations made under it; or
    - (ii) so as to give a true and fair view of the matters specified in section 78(4) of the Act.”
- (5) In paragraph (3) of that article—
  - (a) after the words “the auditor”, in the first place where they occur, there shall be inserted the words “or reporting accountant”; and
  - (b) for the words “the society of which he is the auditor” there shall be substituted the words “the society concerned”.