

## SCHEDULE 4

### SUBORDINATE LEGISLATION RELATING TO AUDITORS AND ACCOUNTANTS

#### Friendly Societies (Auditors) Order 1994

4.—(1) In relation to any time before it is varied or revoked by an order made under subsection (9) of section 79 of the Friendly Societies Act, the Friendly 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 society; or
- (b) an auditor of a body with which a society to which section 37(2) or (3) of the Act applies 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 62(3)(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;”

(c) after the definition of “relevant information” there shall be inserted the following definition—

“‘reporting accountant’ means an accountant appointed to make a report under section 62(3)(d) of the Act by a friendly society to which section 37(2) or (3) of the Act applies;”

(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 to which section 37(2) or (3) of the Act applies 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—

(a) after the words “The auditor” there shall be inserted the words “or reporting accountant”; and

(b) for the words “paragraph (2) below” there shall be substituted the words “paragraph (1A) or (2) below”.

(4) After that paragraph there shall be inserted the following paragraph—

“(1A) Where the society concerned is one to which section 37(2) or (3) of the Act applies, the circumstances referred to in paragraph (1) above are circumstances in which the information of the description prescribed in paragraph (3) below is such as—

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- (a) to give the auditor or reporting accountant reasonable cause to believe, as regards the society concerned—
    - (i) that its authorisation could be withdrawn under section 40(3) 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 50(3) of the Act and that the failure is likely to be of material significance;
    - (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 VI 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 73(5) of the Act.”
- (5) In paragraph (2) of that article—
- (a) there shall be inserted at the beginning the words “Where the institution concerned is not one to which section 37(2) or (3) of the Act applies,”;
  - (b) for the words “an auditor” there shall be substituted the words “the auditor”;
  - (c) in sub-paragraph (a), for the words “the society of which he is the auditor” there shall be substituted the words “the society concerned”; and
  - (d) in sub-paragraph (b), the words from “for the exercise” to the end shall be omitted.
- (6) 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”.