
STATUTORY INSTRUMENTS

2004 No. 3380

The Building Societies Act 1986 (International Accounting Standards and Other Accounting Amendments) Order 2004

PART 3

**Other modifications of provisions relating to
accounts, directors' reports and auditors' reports**

Duty to prepare directors' report

- 3.**—(1) Section 75 of the 1986 Act (directors' report) is amended as follows.
- (2) In subsection (1) for paragraph (a) substitute—
- “**(a)** a fair review of the business of the society and its connected undertakings (if any), complying with section 75A,
- (aa)** a description of the principal risks and uncertainties facing the society and its connected undertakings (if any),”
- (3) After subsection (1A)**(1)** insert—
- “**(1B)** If the building society has subsidiary undertakings, the report may, where appropriate, give greater emphasis to those matters which are significant to the society and its subsidiary undertakings taken as a whole.”
- (4) Omit subsection (2).

Business review

- 4.** After section 75 of the 1986 Act insert—
- “ **Business review**
- 75A.**—(1) The review required for the purposes of section 75(1) is a balanced and comprehensive analysis of—
- (a)** the development and performance of the business of the building society and its connected undertakings (if any) during the financial year, and
- (b)** the position of the building society and its connected undertakings (if any) at the end of that year,
- consistent with the size and complexity of the business.
- (2) The review must, to the extent necessary for an understanding of the development, performance or position of the business of the society and its connected undertakings (if any), include—

- (a) analysis using financial key performance indicators, and
- (b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.
- (3) The review must, where appropriate, include references to and additional explanations of amounts included in the annual accounts of the society.
- (4) In this section “key performance indicators” means factors by reference to which the development, performance or position of the business of the society and any connected undertakings it has can be measured most effectively.”.

Content of auditors' report

5.—(1) Section 78 of the 1986 Act (auditors' report) is amended as follows.

(2) For subsections (4) and (5) substitute—

“(3A) The auditors' report must include—

- (a) an introduction identifying the annual accounts that are the subject of the audit and the financial reporting framework that has been applied in their preparation;
- (b) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted.

(3B) The report must state clearly whether in the auditors' opinion the annual accounts have been properly prepared in accordance with the requirements of this Act (and, where applicable, Article 4 of the IAS Regulation).

(4) The report must state in particular whether the annual accounts give a true and fair view in accordance with the relevant financial reporting framework—

- (a) in the case of an individual balance sheet, of the state of affairs of the society as at the end of the financial year,
- (b) in the case of an individual income and expenditure account, of the income and expenditure of the society for the financial year,
- (c) in the case of group accounts, of the state of affairs as at the end of the financial year and the income and expenditure for the financial year of the society and the subsidiary undertakings dealt with in the group accounts, so far as concerns members of the society.

(4A) The auditors' report—

- (a) must be either unqualified or qualified, and
- (b) must include a reference to any matters to which the statutory auditors wish to draw attention by way of emphasis without qualifying the report.”.

Auditors' report to be signed and dated

6. After section 78 of the 1986 Act insert—

“ Signature of auditors' report

78A.—(1) The auditors' report must state the names of the auditors and be signed and dated by them.

(2) Every copy of the auditors' report which is laid before the building society at the annual general meeting or which is otherwise circulated, published or issued, must state the names of the auditors.

(3) If a copy of the auditors' report is laid before the society or otherwise circulated, published or issued without the required statement of the auditors' names, the society and every officer of it who is in default is guilty of an offence and liable on summary conviction to a fine not exceeding level 3 on the standard scale.

(4) References in this section to signature by the auditors are, where the office of auditor is held by a body corporate or partnership, to signature in the name of the body corporate or partnership by a person authorised to sign on its behalf.”.

Auditors' report and publication of accounts

7. After section 81 of the 1986 Act insert—

“ Requirements in connection with publication of accounts

81A.—(1) If a building society publishes any of its statutory accounts, they must be accompanied by the relevant auditors' report under section 78.

(2) A building society that is required to prepare group accounts for a financial year must not publish its statutory individual accounts for that year without also publishing with them its statutory group accounts.

(3) If a building society publishes non-statutory accounts, it must publish with them a statement indicating—

- (a) that they are not the society's statutory accounts,
- (b) whether statutory accounts dealing with any financial year with which the non-statutory accounts purport to deal have been prepared,
- (c) whether the society's auditors have made a report under section 78 on the statutory accounts for any financial year, and
- (d) whether any such auditors' report—
 - (i) was qualified or unqualified, or included a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report, or
 - (ii) contained a statement under section 79(6) (failure to obtain necessary information and explanations);

and it must not publish with any non-statutory accounts any auditors' report made under section 78.

(4) For the purposes of this section a building society is regarded as publishing a document if it publishes, issues or circulates it or otherwise makes it available for public inspection in a manner calculated to invite members of the public generally, or any class of members of the public, to read it.

(5) References in this section to a building society's statutory accounts are to its annual accounts as required to be laid before the society under section 81; and references to the publication by a society of “non-statutory accounts” are to the publication of—

- (a) any balance sheet or income and expenditure account relating to, or purporting to deal with, a financial year or part of a financial year of the society, or
- (b) an account in any form purporting to be a balance sheet or income and expenditure account for the group consisting of the society and its subsidiary undertakings relating to, or purporting to deal with, a financial year or part of a financial year of the society,

otherwise than as part of the society's statutory accounts or summary financial statement prepared under section 76.

(6) A building society which contravenes any provision of this section, and any officer of it who is in default, is guilty of an offence and liable on summary conviction to a fine not exceeding level 3 on the standard scale.”.

Consequential amendments

8. The Schedule to this Order (consequential amendments to the 1986 Act) has effect.