
STATUTORY INSTRUMENTS

2017 No. 516

**The Statutory Auditors and Third
Country Auditors Regulations 2017**

PART 2

Amendments to Part 8 of the Building Societies Act 1986

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- 2.—(1) Part 8 of the Building Societies Act 1986 is amended as follows.
- (2) In section 78 (auditor’s report)(1)—
- (a) for subsection (4) substitute—
- “(4) The report must clearly state the opinion of the auditor as to whether the accounts—
- (a) give a true and fair view—
- (i) in the case of an individual balance sheet, of the state of affairs of the society as at the end of the financial year,
- (ii) in the case of an individual income and expenditure account, of the income and expenditure of the society for the financial year, and
- (iii) 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,
- (b) have been properly prepared in accordance with the relevant financial reporting framework, and
- (c) have been prepared in accordance with the requirements of this Act (and, where applicable, Article 4 of the IAS Regulation).”;
- (b) in subsection (4A)—
- (i) for the first occurrence of “opinion” substitute “report”;
- (ii) in paragraph (b), for “audit opinion” substitute “report”;
- (iii) in paragraph (c) for “as a going concern” substitute “to adopt the going concern basis of accounting”;
- (c) in subsection (6), for “(4)(b)” substitute “(4)(a)”.
- (3) In section 78A (signature of auditor’s report)(2)—
- (a) omit subsection (2A);
- (b) after subsection (3) insert—

(1) Section 78 was amended by [S.I. 1995/3233](#), [2004/3380](#), [2008/1519](#) and [2016/649](#); there are other amendments but none is relevant.

(2) Section 78A was inserted by [S.I. 2004/3380](#) and then substituted by [S.I. 2008/1519](#). It was amended by [S.I. 2016/649](#).

“(4) Where more than one person is appointed as auditor, the report must be signed by all those appointed.”

(4) In section 78C (names to be stated in copies of auditor’s report filed or published)(3), in subsection (1A), for “individual” substitute “person”.

(5) In section 79 (auditor’s duties and powers)(4), in subsections (1)(a) and (2)(a) for “proper” substitute “adequate”.

(6) In Schedule 11 (auditors: appointment, tenure)(5)—

(a) omit paragraph 3A;

(b) in paragraph 3B—

(i) in sub-paragraph (2)(b), omit from “, including the following” to the end;

(ii) in sub-paragraph (3), omit “or directors”;

(iii) in sub-paragraph (4)(a), at the end insert “drawn from those auditors who have participated in a selection procedure under sub-paragraph (3),”;

(iv) in sub-paragraph (4)(c), for “paragraph 3A” substitute “Article 16(6) of the Audit Regulation”;

(v) for sub-paragraphs (5) to (7) substitute—

“(5) The directors must include in their proposal—

(a) the recommendation made by the audit committee in connection with the appointment, and

(b) if the proposal of the directors departs from the preference of the audit committee—

(i) a recommendation for a candidate or candidates for appointment drawn from those auditors who have participated in a selection procedure under sub-paragraph (3), and

(ii) the reasons for not following the audit committee’s recommendation.

(6) Where the audit committee recommends re-appointment of the society’s existing auditor or auditors, and the directors are in agreement, sub-paragraphs (3) and (4)(a) and (b) do not apply.”;

(c) in paragraph 3C—

(i) in sub-paragraph (3), at the end insert “, from which their proposed auditor or auditors must be drawn”;

(ii) for sub-paragraphs (4) to (6) substitute—

“(4) Sub-paragraph (3) does not apply in relation to a proposal to re-appoint the society’s existing auditor or auditors.”;

(d) after paragraph 3C insert—

“**3D.**—(1) A person who has been, or will have been, auditor of a building society in respect of every financial year comprised in the maximum engagement period may not be appointed as auditor of the society in respect of any financial year which begins within the period of 4 years beginning with the day after the last day of the last financial year of the maximum engagement period.

(3) Section 78C was inserted by S.I. 2008/1519, and amended by S.I. 2013/496 and 2016/649.

(4) Section 79 was amended by S.I. 2001/2617, 2008/1519 and 2016/649; there are other amendments but none is relevant.

(5) Paragraphs 3A to 3C, 5A and 5B of Schedule 11 were inserted by S.I. 2016/649; there are other amendments to Schedule 11 but none is relevant.

(2) A person who is a member of the same network as the auditor mentioned in sub-paragraph (1) may not be appointed as auditor of the society in respect of any financial year which begins within the period of 4 years mentioned in that sub-paragraph.

(3) In this paragraph “network” means an association of persons, other than a firm, co-operating in audit work by way of—

- (a) profit-sharing;
- (b) cost-sharing;
- (c) common ownership, control or management;
- (d) common quality control policies and procedures;
- (e) common business strategy; or
- (f) use of a common name.

3E.—(1) Where a person is auditor of a building society in respect of consecutive financial years, the maximum engagement period of the person as auditor of the society—

- (a) begins with the first of those years (see the appropriate entry in the first column of the following Table), and
- (b) ends with the financial year specified in the corresponding entry in the second column of the Table:

| First financial year of the maximum engagement period | Last financial year of the maximum engagement period |
|---|---|
| A financial year of the society beginning before 17 June 1994 | The last financial year of the society to begin before 17 June 2020. |
| A financial year of the society beginning— | The last financial year of the society to begin before 17 June 2023. |
| (a) on or after 17 June 1994, and | |
| (b) before 17 June 2003 | |
| A financial year of the society beginning— | <i>No qualifying selection procedure</i> |
| (a) on or after 17 June 2003, and | Where neither the first financial year of the maximum engagement period nor any subsequent financial year is one in respect of which the auditor has been appointed following the carrying out of a qualifying selection procedure, the later of- |
| (b) before 17 June 2016 | (a) the last financial year of the society to begin before 17 June 2016, and |
| | (b) the last financial year of the society to begin within the period of 10 years beginning with the first day of the first financial year of the maximum engagement period. |

First financial year of the maximum engagement period

Last financial year of the maximum engagement period

No qualifying selection procedure within 10 years

Where the last day of the last financial year of the society to begin within the period of 10 years beginning with the first day of the last financial year of the society in respect of which the auditor was appointed following a qualifying selection procedure is before 17 June 2016—

(a) the last financial year of the society to begin before 17 June 2016, unless

(b) the auditor is appointed following a qualifying selection procedure for the first financial year of the society to begin on or after 17 June 2016, in which case it is the last financial year of the society to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.

Qualifying selection procedure within 10 years

In any other case, the earlier of-

(a) the last financial year of the society to begin within the period of 10 years beginning with the first day of the last financial year of the society in respect of which the auditor was appointed following a qualifying selection procedure, and

(b) the last financial year of the society to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period.

A financial year of the society beginning on or after 17 June 2016

The earlier of—

(a) the last financial year of the society to begin within the period of 10 years beginning with the first day of the last financial year of the society in respect

| First financial year of the maximum engagement period | Last financial year of the maximum engagement period |
|--|--|
| | of which the auditor was appointed following a qualifying selection procedure, and |
| | (b) the last financial year of the society to begin within the period of 20 years beginning with the first day of the first financial year of the maximum engagement period. |

(2) Where the first financial year of the maximum engagement period begins on or after 17 June 2003, the maximum engagement period may be extended by a period of no more than 2 years with the approval of the competent authority.

(3) Such approval may be given by the competent authority only if it is satisfied that exceptional circumstances exist.

(4) Where the competent authority gives its approval as mentioned in sub-paragraph (2)

- (a) the second column of the Table in sub-paragraph (1) has effect with the necessary modifications, and
- (b) the first appointment to be made after the end of the period as so extended must be made following a qualifying selection procedure.

(5) In this paragraph “qualifying selection procedure” means—

- (a) in the case of an appointment in respect of a financial year beginning on or after 17 June 2016 made after the Statutory Auditors and Third Country Auditors Regulations 2017 come into force—
 - (i) if the society has an audit committee, a selection procedure that complies with the requirements of paragraph 3B(3) and (4)(a) and (b), and
 - (ii) if the society does not have an audit committee, a selection procedure that complies with the requirements of Article 16(3) of the Audit Regulation;
- (b) in any other case, a selection procedure that substantially meets the requirements of Article 16(2) to (5) of the Audit Regulation, having regard to the circumstances at the time (including whether the society had an audit committee).”;

(e) omit paragraphs 5A and 5B;

(f) in paragraph 8C—

- (i) the existing text becomes sub-paragraph (1);
- (ii) after sub-paragraph (1) insert—

“(2) For the purposes of this Schedule, a person is auditor of a building society in respect of a financial year if the auditor is required to report on the accounts of the society for that financial year.”.