



Friendly and Industrial and Provident Societies Act 1968

1968 CHAPTER 55

Societies : accounts and audit, etc.

1 Books of account, etc.

- (1) Every society shall—
- (a) cause to be kept proper books of account with respect to its transactions and its assets and liabilities, and
 - (b) establish and maintain a satisfactory system of control of its books of account, its cash holdings and all its receipts and remittances.
- (2) For the purposes of paragraph (a) of the preceding subsection proper books of account shall not be taken to be kept with respect to the matters mentioned in that paragraph if there are not kept such books as are necessary to give a true and fair view of the state of the affairs of the society and to explain its transactions.

2 Form in which books of account may be kept

- (1) Any book of account to be kept by a society may be kept either by making entries in bound books or by recording the matters in question in any other manner.
- (2) Where any such book of account is not kept by making entries in a bound book but by some other means, the society shall take adequate precautions for guarding against falsification and facilitating its discovery.

3 General provisions ,as to accounts and balance sheets of societies

- (1) Every revenue account of a society shall give a true and fair view—
- (a) if it deals with the affairs of the society as a whole, of the income and expenditure of the society as a whole, or
 - (b) if it deals with a particular business conducted by the society, of the income and expenditure of the society in respect of that business,

for the period to which the account relates.

- (2) Every society shall, in respect of each year of account, cause to be prepared either—
 - (a) a revenue account which deals with the affairs of the society as a whole for that year, or
 - (b) two or more revenue accounts for that year which deal separately with particular businesses conducted by the society.
- (3) In a case falling within paragraph (b) of the last preceding subsection, without prejudice to the application of subsection (1)(b) of this section to each revenue account dealing with a particular business conducted by the society, the revenue accounts in question, when considered together, shall give a true and fair view of the income and expenditure of the society as a whole for the year of account to which they relate.
- (4) Every balance sheet of a society shall give a true and fair view as at the date of the balance sheet—
 - (a) in the case of a society to which section 28 of the Act of 1896 (quinquennial valuations) applies, of the assets and current liabilities of the society and the resulting balances of its funds, and
 - (b) in the case of any other society, of the state of the affairs of the society.
- (5) A society shall not publish any revenue account or balance sheet unless—
 - (a) it has been previously audited by the auditor or auditors last appointed to audit the accounts and balance sheet of the society,
 - (b) it incorporates a report by the auditor or auditors stating whether in their opinion it complies with the provision of subsection (1) or subsection (4) of this section which is applicable in that case, and
 - (c) it has been signed by the secretary of the society and by two members of the committee of the society acting on behalf of that committee.
- (6) Without prejudice to the provisions of subsection (5) of this section a society to which section 28 of the Act of 1896 applies shall not publish any balance sheet which does not include a statement containing the same particulars as the statement required to be included in the annual return of that society by section 11(6) of this Act.
- (7) If in relation to any revenue account, revenue accounts or balance sheet of a society a member of the committee of the society fails to take all reasonable steps to secure compliance—
 - (a) with the provision of subsection (1) or subsection (4) of this section which is applicable in that case, or
 - (b) in a case falling within subsection (2)(b) of this section, with subsection (3) of this section,he shall be guilty of an offence under the appropriate registration Act, unless he proves that he had reasonable grounds to believe, and did believe, that a competent and reliable person was charged with the duty of seeing that the relevant provision was complied with and was in a position to discharge that duty.
- (8) In the case of a society to which this subsection applies, the preceding provisions of this section shall not have effect in relation to—
 - (a) any revenue account of that society for a period ending before the last day of the year of account in respect of which the provisions of section 4(1) or section 4(5) of this Act (as the case may be) first apply to that society; and

- (b) any balance sheet of that society relating to its affairs as at a date before that day.
- (9) The last preceding subsection applies in the case of any society which is registered under the Act of 1896 or under the Act of 1965 (as the case may be) at the date of the commencement of this Act, or which is first registered under either of those Acts on or after that date but before 1st January 1969.

4 Obligation to appoint auditors

- (1) Subject to the following provisions of this section, every society shall in each year of account beginning on or after 1st January 1969 appoint a qualified auditor or qualified auditors to audit its accounts and balance sheet for that year.
- (2) Subsection (1) of this section shall not apply to any society (not being a collecting society) if—
 - (a) the receipts and payments of that society in respect of the preceding year of account did not in the aggregate exceed £5,000;
 - (b) the number of its members at the end of that year did not exceed five hundred; and
 - (c) the value of its assets at the end of that year did not in the aggregate exceed £5,000.
- (3) Without prejudice to the provisions of the last preceding subsection, subsection (1) of this section shall not apply to a registered branch if—
 - (a) the conditions specified in paragraphs (a) and (b) of the last preceding subsection are satisfied in respect of that branch, and
 - (b) at the end of the preceding year of account at least seventy-five per cent of its assets had been transferred to the society of which it is a branch or to another registered branch of that society for the purpose of being invested, in accordance with section 44(2) of the Act of 1896, by that society or that other branch, and the value of its assets not so transferred did not in the aggregate exceed £5,000:

Provided that this subsection shall not have effect so as to exempt a registered branch from the requirements of subsection (1) of this section in any year of account in respect of which that subsection does not apply to the society or branch to which the assets have been transferred.
- (4) A society to which by virtue of subsection (2) or (3) of this section subsection (1) of this section does not apply in respect of any year of account is in this Act referred to as an exempt society in respect of that year of account.
- (5) Subject to any direction given by the registrar under the next following subsection, every society which is an exempt society in respect of the current year of account shall in that year appoint at its option either—
 - (a) a qualified auditor or qualified auditors, or
 - (b) two or more persons who are not qualified auditors,to audit its accounts and balance sheet for that year.
- (6) The registrar may give a direction in the case of any particular society which is an exempt society in respect of the current year of account requiring it to appoint a qualified auditor to audit its accounts and balance sheet for that year.

- (7) The registrar may give a direction in the case of any particular society which was an exempt society in respect of any year of account before the year of account in which that direction is given and did not appoint a qualified auditor or qualified auditors to audit its accounts and balance sheet for that year—
- (a) requiring it to appoint a qualified auditor to audit those accounts and that balance sheet, and
 - (b) in a case where that society has sent to him its annual return for that year before the date of the direction, requiring it after its accounts and balance sheet have been audited by a qualified auditor to send to him within three months from receipt of the direction a further annual return complying with the requirements of this Act and of section 27 of the Act of 1896 or, as the case may be, of section 39 of the Act of 1965 (other than that as to time of sending).
- (8) Regulations made by the Chief Registrar with the consent of the Treasury may—
- (a) substitute for any sum or number for the time being specified in subsection (2) of this section or for any sum or percentage for the time being specified in subsection (3) of this section such sum, number or percentage as may be specified in the regulations; and
 - (b) prescribe what receipts and payments of a society shall be taken into account for the purposes of those subsections.

5 Re-appointment and removal of qualified auditors

- (1) A qualified auditor appointed to audit the accounts and balance sheet of a society for the preceding year of account shall be re-appointed as auditor of the society for the current year of account unless—
- (a) a resolution has been passed at a general meeting of the society appointing somebody instead of him or providing expressly that he shall not be re-appointed, or
 - (b) he has given to the society notice in writing of his unwillingness to be re-appointed, or
 - (c) he is ineligible for appointment as auditor of the society for the current year of account, or
 - (d) he has ceased to act as auditor of the society by reason of incapacity:

Provided that, where notice is given of an intended resolution to appoint some person or persons in place of a retiring auditor and the resolution cannot be proceeded with at the meeting because of the death or incapacity of that person or persons, or because he or they are ineligible for appointment as auditor or auditors of the society for the current year of account (as the case may be), the retiring auditor shall not be automatically reappointed by virtue of this subsection.

- (2) For the purposes of the last preceding subsection, a person is ineligible for appointment as auditor of a society for the current year of account if, but only if—
- (a) his appointment in relation to the society is prohibited by section 8 of this Act, or
 - (b) (in the case of a society which is not an exempt society in respect of that year of account) he is not a qualified auditor at the time when the question of his appointment falls to be considered.

6 Provisions as to resolutions relating to appointment and removal of auditors

- (1) Subject to subsection (5) of this section, a resolution at a general meeting of a society—
 - (a) appointing another person as auditor in place of a retiring qualified auditor, or
 - (b) providing expressly that a retiring qualified auditor shall not be re-appointed,shall not be effective unless notice of the intention to move it has been given to the society not less than twenty-eight days before the meeting at which it is moved.
- (2) Where notice of the intention to move any such resolution has been given under subsection (1) of this section to a society which is required by its rules to give notice to its members of the meeting at which the resolution is to be moved, the society shall if it is practicable to do so give them notice of the resolution at the same time and in the same manner as it gives notice of the meeting.
- (3) Where notice of the intention to move any such resolution has been given to any society under subsection (1) of this section, and that society does not give notice of the resolution under the last preceding subsection, it shall give notice of the resolution to its members not less than fourteen days before the meeting at which the resolution is to be moved, either by advertisement in a newspaper having an appropriate circulation or in any other way allowed by the rules of the society.
- (4) Where—
 - (a) for any of the reasons mentioned in the proviso to subsection (1) of the last preceding section an intended resolution to appoint some person or persons in place of a retiring qualified auditor cannot be proceeded with at the meeting, and
 - (b) by the rules of the society an auditor can only be appointed by a resolution passed at a general meeting after notice of the intended resolution has been given to the society before the meeting,a resolution passed at the meeting re-appointing the retiring auditor or appointing an auditor in place of the retiring auditor shall be effective notwithstanding that no notice of that resolution has been given to the society under its rules.
- (5) On receipt by a society of notice given under subsection (1) of this section of an intended resolution, it shall forthwith send a copy of the notice to the retiring auditor.
- (6) On receipt of a copy of such a notice, the retiring auditor may at any time before the date of the general meeting make representations in writing to the society (not exceeding a reasonable length) with respect to the intended resolution, and, without prejudice to the preceding provision, the retiring auditor may—
 - (a) notify the society that he intends to make such representations, and
 - (b) request that notice of his intention, or of any such representations made by him and received by the society before notice of the intended resolution is given to its members, shall be given to members of the society.
- (7) Subject to the next following subsection, a society which receives representations or a notification of intended representations under the last preceding subsection before the date when notice of the intended resolution is required by subsection (2) or subsection (3) of this section (as the case may be) to be given to its members shall—
 - (a) in any notice of the resolution given to its members, state that it has received those representations or that notification (as the case may be),

- (b) in any such notice, state that any member may receive on demand made before the date of the general meeting a copy of any representations which have been or may be received by the society before that date, and
- (c) send a copy of any representations received by the society before the date of the meeting to any member on demand made before that date;

but without prejudice either to the preceding provisions of this subsection or to his right to be heard orally, the retiring auditor may also require that any representations made by him before the date of the general meeting shall be read out at the meeting.

- (8) Copies of any such representations need not be sent out, and the representations need not be read out at the meeting, if, on the application either of the society or of any other person, the High Court is satisfied that the rights conferred by this section are being abused to secure needless publicity for defamatory matter; and the Court may order the costs of the society on an application under this section to be paid, in whole or in part, by the auditor, notwithstanding that he is not a party to the application.
- (9) In the application of subsection (8) of this section to a Scottish society, for the reference to the High Court there shall be substituted a reference to the Court of Session and for the reference to costs there shall be substituted a reference to expenses.
- (10) Any provision in this section which requires notice to be given to the members of a society or confers any right upon a member (as the case may be) shall be construed in the case of a meeting of delegates appointed by members as requiring the notice to be given to the delegates so appointed or conferring the right upon a delegate (as the case may be).

7 Qualified auditors

- (1) Subject to the next following subsection, no person shall be a qualified auditor for the purposes of this Act unless he is either a member of one or more of the following bodies—
 - (a) the Institute of Chartered Accountants in England and Wales;
 - (b) the Institute of Chartered Accountants of Scotland;
 - (c) the Association of Certified and Corporate Accountants;
 - (d) the Institute of Chartered Accountants in Ireland;
 - (e) any other body of accountants established in the United Kingdom and for the time being recognised for the purposes of section 161(1)(a) of the Companies Act 1948 by the Board of Trade,

or a person who is for the time being authorised by the Board of Trade under section 161(1)(b) of that Act as being a person with similar qualifications obtained outside the United Kingdom.

- (2) Subject to subsection (3) of this section, for the purposes of any provision (except subsections (6) and (7) of section 4) of this Act a person who is not a qualified auditor under subsection (1) of this section shall nevertheless be a qualified auditor in relation to any particular society if—
 - (a) he is at the passing of this Act an approved auditor appointed by the Treasury under section 30 of the Act of 1896 or under section 38 of the Act of 1965, and
 - (b) he audited the accounts and balance sheet of that society for the year of account immediately preceding the year of account in which this Act is passed and for every year of account (if any) since the first-mentioned year until the current year of account.

- (3) The Chief Registrar may at any time direct that a person who is a qualified auditor in relation to a particular society or particular societies by virtue of the last preceding subsection shall cease to be so qualified from the date of that direction.

8 Restrictions on appointment of auditors

- (1) None of the following persons shall be appointed as auditor of a society—
- (a) an officer or servant of the society;
 - (b) a person who is a partner of or in the employment of, or who employs, an officer or servant of the society; or
 - (c) a body corporate.
- (2) A person shall also not be appointed as auditor of an industrial and provident society if—
- (a) his appointment as auditor of any other industrial and provident society—
 - (i) which is a subsidiary of that society, or
 - (ii) of which that society is a subsidiary, or
 - (iii) which is a subsidiary of the society of which that society is a subsidiary,is prohibited by virtue of the last preceding subsection; or
 - (b) he is by virtue of section 161(2) of the Companies Act 1948 disqualified for appointment as auditor of a company which is a subsidiary of that society.
- (3) Nothing in this section shall prevent the appointment as auditor of a society of a Scottish firm if none of the partners of the firm is ineligible for appointment as auditor of the society by virtue of any of the provisions of this section.
- (4) Any appointment made by a society in contravention of any of those provisions shall not be an effective appointment for the purposes of this Act.
- (5) In this section "company" has the same meaning as in section 15 of this Act and references to an officer or servant shall be construed as not including an auditor.

9 Auditors' report and right of access to books and to attend and be heard at meetings

- (1) The auditors of a society shall make a report to the society on the accounts examined by them, and on the revenue account or accounts and the balance sheet of the society for the year of account in respect of which they are appointed.
- (2) The report shall state whether the revenue account or accounts and the balance sheet for that year comply with the requirements of this Act and the appropriate registration Act and whether, in the opinion of the auditors—
- (a) the revenue account or accounts give a true and fair view in accordance with section 3 of this Act of the income and expenditure of the society as a whole for that year of account and, in the case of each such account which deals with a particular business conducted by the society, a true and fair view in accordance with that section of the income and expenditure of the society in respect of that business for that year, and
 - (b) the balance sheet gives a true and fair view in accordance with that section either of the assets and current liabilities of the society and the resulting

balances of its funds or of the state of the affairs of the society (as the case may require) as at the end of that year of account.

- (3) Without prejudice to the provisions of the last preceding subsection, where the report of the auditors relates to any accounts other than the revenue account or accounts for the year of account in respect of which they are appointed that report shall state whether those accounts give a true and fair view of any matter to which they relate.
- (4) It shall be the duty of the auditors of a society, in preparing their report under this section, to carry out such investigations as will enable them to form an opinion as to the following matters, that is to say—
- (a) whether the society has kept proper books of account in accordance with the requirements of section 1(1)(a) of this Act;
 - (b) whether the society has maintained a satisfactory system of control over its transactions in accordance with the requirements of section 1(1)(b) of this Act; and
 - (c) whether the revenue account or accounts, the other accounts (if any) to which the report relates, and the balance sheet are in agreement with the books of account of the society;

and if the auditors are of opinion that the society has failed to comply with section 1(1) (a) or (b) of this Act, or if the revenue account or accounts, the other accounts (if any) and the balance sheet are not in agreement with the books of account of the society, the auditors shall state that fact in their report.

- (5) Every auditor of a society—
- (a) shall have a right of access at all times to the books, deeds and accounts of the society, and to all other documents relating to its affairs, and
 - (b) shall be entitled 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.
- (6) If the auditors fail to obtain all the information and explanations 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 society shall be entitled—
- (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) The preceding provisions of this section shall not have effect so as to impose any duties or confer any rights upon auditors appointed in respect of any year of account of a society beginning before 1st January 1969.

10 Remuneration of qualified auditors

- (1) Regulations made by the Chief Registrar with the consent of the Treasury may prescribe the maximum rates of remuneration to be paid by societies for the audit of their accounts and balance sheets by qualified auditors.
- (2) No auditor shall ask for, receive or be entitled to receive remuneration in excess of the rate prescribed in respect of his services by regulations made under this section.

11 Amendments relating to annual returns of societies

- (1) The annual return which a society is required to send to the registrar by section 27(1) of the Act of 1896 or to the appropriate registrar by section 39(1) of the Act of 1965 (as the case may be) shall be a return relating to the affairs of the society, and accordingly—
 - (a) for the words from "of the receipts" in section 27(1) of the Act of 1896 to the end of the subsection, and
 - (b) for the words from "of the income" to "audited" in section 39(1) of the Act of 1965,
there shall be substituted the words " relating to its affairs for the period required by this section to be included in the return "; and in section 27(2)(b) of the Act of 1896 for the words "out to" there shall be substituted the words " up for the period beginning with the date of registration of the society or branch under this Act or with the first day of January of the year preceding the year in which the return is required to be sent, whichever is the later, and ending with ".
- (2) The annual return sent by a society under either of the provisions mentioned in the preceding subsection—
 - (a) shall contain the revenue account or accounts of the society prepared in accordance with section 3(2) of this Act in respect of the year of account to which the return relates, and a balance sheet as at the end of that year, and
 - (b) shall not contain any accounts other than the revenue account or accounts for that year unless those other accounts have been examined by the auditors of the society under section 9 of this Act.
- (3) The power of the chief registrar under section 98(3) of the Act of 1896 or under section 72(1) of the Act of 1965 (as the case may be) to determine the form of an annual return and the particulars to be contained in such a return shall be without prejudice to the provisions of the last preceding subsection.
- (4) A society which is required to send an annual return to the registrar by section 27(1) of the Act of 1896 shall send together with that return a copy of the report of the auditors on the accounts and balance sheet contained in the return, and accordingly, in section 27(3) of the Act of 1896, for the words "any special report of the auditors" there shall be substituted the words " the report of the auditors on the accounts and balance sheet contained in the return ".
- (5) Every society shall provide, together with—
 - (a) every copy of its last annual return supplied on demand to a member or person interested in the funds of the society, in accordance with the requirements of section 39(a) of the Act of 1896 or section 39(5) of the Act of 1965 (as the case may be), and
 - (b) every balance sheet or other document so supplied in accordance with the requirements of section 39(b) of the Act of 1896,
a copy of the report of the auditors on the accounts and balance sheet contained in the return or on that balance sheet or document so supplied, as the case may require.
- (6) The annual return sent to the registrar under section 27 of the Act of 1896 by a society to which section 28 of that Act applies shall include a statement specifying either—
 - (a) in the case of a society on which no exemption from the provisions of section 28 of that Act has been conferred either under subsection (5) of that section or under section 16(3) of this Act, the date of the last report under that section on the condition of the society or the dates respectively of the last

- reports under that section on the assets and liabilities of the society in respect of particular businesses conducted by the society, and a place where a copy of that report or copies of those reports (as the case may be) may be inspected; or
- (b) in the case of a society on which a complete exemption from the provisions of that section has been conferred under subsection (5) of that section, the reason for that exemption; or
 - (c) in the case of a society on which a partial exemption from the provisions of that section has been conferred under section 16(3) of this Act—
 - (i) the date of the last report or the dates respectively of the last reports under that section on the assets and liabilities of the society in respect of any business or businesses conducted by the society, and a place where a copy of that report or copies of those reports (as the case may be) may be inspected; and
 - (ii) the reason for that partial exemption.
- (7) The preceding provisions of this section shall not have effect in any case where the annual return or the balance sheet or other document relating to the affairs of a society (as the case may be) relates to a year of account beginning before 1st January 1969.
- (8) Section 21(2)(a) and (c) of the Act of 1896 and section 39(2)(a) and (b) of the Act of 1965 shall cease to have effect.

12 Consequential amendments of rules by societies

- (1) Notwithstanding anything in the rules of any society, the committee of a society may by resolution passed during the appropriate period after the commencement of this Act make such amendments of the rules of the society as may be consequential on the provisions of this Act.
- (2) For the purposes of the preceding subsection the appropriate period after the commencement of this Act, in relation to any society, shall be whichever is the longer of the following two periods, that is to say—
 - (a) the period of one year beginning with the date of the commencement of this Act, and
 - (b) the period beginning with the date of the commencement of this Act and ending with the date on which an amendment of the rules of that society is first registered after that date under section 13 of the Act of 1896 or under section 10 of the Act of 1965.
- (3) Notwithstanding anything in section 13 of the Act of 1896 or in section 10 of the Act of 1965, after the end of one year beginning with the date of the commencement of this Act the registrar or the appropriate registrar (as the case may be) shall not be required to register any amendment of a society's rules unless such consequential amendments of the rules of that society as are mentioned in subsection (1) of this section either have been made before the application for registration of that amendment or are to be effected by that amendment.