
STATUTORY INSTRUMENTS

2005 No. 2211

The Friendly Societies Act 1992 (International Accounting Standards and Other Accounting Amendments) Order 2005

PART 3

Other modifications of Friendly Societies Act provisions relating to accounts

Contents of the committee of management's annual report

3.—(1) Section 71 of the 1992 Act (report on a friendly society's affairs by the committee of management) is amended as follows.

(2) In subsection (1) for paragraph (a) substitute—

“(a) a fair review of the business of the society, its subsidiary undertakings and bodies that it jointly controls (if any) complying with section 71A;

(aa) a description of the principal risks and uncertainties facing the society, its subsidiary undertakings and bodies that it jointly controls (if any);”.

(3) After subsection (1) insert –

“(1A) If the friendly 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)(b).

Business review

4. After section 71 of the 1992 Act insert—

“ **Business review**

71A.—(1) The review required for the purposes of section 71(1)(a) is a balanced and comprehensive analysis of—

(a) the development and performance of the business of the friendly society, its subsidiary undertakings and bodies that it jointly controls (if any) during the financial year, and

(b) the position of the friendly society, its subsidiary undertakings and bodies that it jointly controls (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, its subsidiary undertakings and bodies that it jointly controls (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 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, any subsidiary undertakings it has and any bodies that it jointly controls, can be measured effectively.”

Content of the auditors' report

5.—(1) Section 73 of the 1992 Act (auditors' report) is amended as follows.

(2) For subsection (4) substitute—

“(4A) The auditors shall, in their report,—

- (a) state whether in their opinion the information given in the report of the committee of management for the financial year for which the annual accounts are prepared is consistent with those accounts; and
- (b) state whether in their opinion that report has been prepared in accordance with this Act and the regulations made under it.”

(3) For subsection (5) substitute—

“(5A) The auditors shall, in their report, 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.

(5B) The auditors shall, in their report, 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).

(5C) The auditors shall, in their report, 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 or branch 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 or branch for the financial year;
- (c) in the case of the group accounts of an incorporated friendly society, of the state of affairs as at the end of the financial year and of 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.

(5D) The auditors' report—

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

(4) Omit subsections (6) and (7).

Dating of the auditors' report

6. In subsection (1) of section 74 of the 1992 Act (signature of auditors' report), after “signed” insert “and dated”.

Consequential amendments

7. The Schedule to this Order (consequential amendments to the 1992 Act) has effect.