

Chapter 7

Accounting and audit requirements



7.1 Accounting requirements

7.1 The Act sets out accounting, auditing and reporting requirements for a society's financial accounts. We explain these requirements in this chapter.

7.1.1 **G** Every society must keep proper books of account giving a true and fair view of the state of the society's affairs and explaining its transactions. Societies are also required to maintain satisfactory systems of control of their books, cash holdings and receipts, and payments.

7.1.2 **G** Accounts must be produced to at least the minimum standards required by the legislation and the society's own rules. This means either a revenue account dealing with the affairs of the society as a whole, or two or more revenue accounts covering the whole year that deal separately with different businesses of the society. These, together with any balance sheet, must give a true and fair view of the society's income and expenditure and of its affairs at the date of the balance sheet.

7.1.3 **G** The principles in the applicable Financial Reporting Standards published by the Financial Reporting Council (available at <https://www.frc.org.uk/>) generally apply to societies (but see also 'Group Accounts' at 7.10). Some societies are affiliated to sponsoring bodies or are regulated by other organisations which may have more demanding accounting requirements. Societies in this position should comply with these additional standards, as long as they do not conflict with or fail to meet the requirements of the Act.

Publication and display

7.1.4 **G** Every society must display its latest balance sheet in a clearly visible position at its registered office.

7.1.5 **G** In addition, a society must give a copy of its latest annual return, including the accounts and auditor's report (where required), free of charge to any member or other person interested in its funds who asks for it. With the member's agreement, that can be done through the society's website.

7.1.6 **G** As a general rule, every published revenue account or balance sheet must be signed by the secretary and two members of the society's committee and be audited or include a report on the accounts. We deal with this in more detail under 'Audit requirements' at ■ RFCCBS 7.2.

7.1.7 G A society can publish an unaudited interim revenue account or balance sheet as long as it is published with the latest audited year-end revenue account or balance sheet and is marked clearly and prominently with the words 'UNAUDITED REVENUE ACCOUNT' or, as the case may be, 'UNAUDITED BALANCE SHEET'.

7.1.8 G A society must send us their annual return and accounts within seven months of the society's financial year-end. Annual return forms can be found here. We make the society's annual return available for public inspection on the Mutuels Public Register (<http://mutuals.fsa.gov.uk/>).
[Note: <http://www.fca.org.uk/your-fca/documents/forms/annual-return-ar30-industrial-and-provident-societies-act-1965-forms>]

Group accounts

7.1.9 G A society with one or more subsidiaries at the end of its year of account must produce audited group accounts for that year. They must give a true and fair view of the income, expenditure and state of affairs of the society and its subsidiaries. Societies must submit the group accounts to us with the auditor's report in their Annual Returns.

7.1.10 G The group information (for the society and its subsidiaries) can be presented alongside the society figures in one set of accounts or separately in a further set of accounts.

7.1.11 G If a society that has to submit group accounts does not include that information in its Annual Return, we will send the documents back to be completed fully.

7.1.12 G If a parent society is a wholly owned subsidiary of another corporate body then it is exempt from the group accounts requirement.

7.1.13 G Group accounts do not have to include a specific subsidiary if we approve the parent society board's opinion that this:

- (1) is impracticable, or would be of no real value to the society's members, given the insignificant amounts involved; or
- (2) would involve expense or delay out of proportion to the value to those members; or
- (3) would give a result that would be misleading, or harmful to the business of the society or any of its subsidiaries; or
- (4) is inappropriate because the business of the society and that of the subsidiary are so different that they cannot reasonably be treated as a single undertaking.

7.1.14 G The parent society needs to contact us setting out its opinion as to which reason(s) applies.

7.1.15 **G** If at least one of these reasons covers all the subsidiaries, then no group accounts have to be filed at all. If we grant an exemption, the parent company does not have to apply to us again and can use it for those subsidiaries in following years, as long as the auditors certify their agreement that the board's opinion and the reasons for it are the same throughout these later years.

7.1.16 **G** The Financial Reporting Council has published The Financial Reporting Standard, which applies in the UK and Republic of Ireland (FRS102). FRS102 does not override the provisions of the Act. So societies should comply with the FRS requirements unless they are contrary to the Act.