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14 December 2022

Dear *Auditor Name/Accounting Professional*

We write in our capacity as registering authority for societies registered under the Co-operative and Community Benefit Societies Act 2014 (2014 Act). We maintain arrangements designed to enable us to determine whether people are complying with the 2014 Act. We have recently reviewed compliance with the accounting and audit requirements of the 2014 Act.

We are writing to you as a chartered accountancy body to share the results of our work.

We carried out a review of over 400 accounts submitted to us from a representative sample of societies. From that review, we note the following points.

Audit

- Where societies have provided audited accounts, in 9% of the reports, the accountant did not appear on the Register of Statutory Auditors.
- Societies can, subject to certain thresholds, disapply the requirement to appoint a qualified auditor to audit their accounts. There are however additional requirements set out at s85 requiring a qualified auditor to be appointed to produce a "report on the accounts". In 14% of the submissions that should have been accompanied by this report, such a report was not included.
- All societies who have, or are, a subsidiary must provide audited accounts. In 8% of returns reviewed, the accounts were not audited.
- Section 87 of the 2014 Act determines the content of the auditor's report. In 10% of returns reviewed, the statements required by s87 were not provided.

Other matters

- All societies are limited by shares. In 16% of accounts reviewed, no share capital was shown in the accounts.
- All published accounts must be signed by two members of the society's board, and the secretary. There were missing signatures in 9% of the returns reviewed.
- Societies are not companies, with the Companies Act 2006 having no application (save for it being used to leverage the definition of 'qualified auditor'). Of the accounts or audit

reports reviewed, 26% incorrectly referenced compliance with the Companies Act 2006 rather than the Co-operative and Community Benefit Societies Act 2014 alone.

- The financial year-end dates of societies are set by the 2014 Act. These can be modified by notice to us, which is recorded on the Mutuels Public Register. In 6% of the accounts reviewed, they were made up to an incorrect financial year-end date.

We recognise that the drivers of these results vary, with some lying directly with individual societies. We are considering different ways in which we can increase compliance with the accounting and audit requirements of the 2014 Act. We would however welcome a discussion with you to explore any ways in which you could assist.

I'd be grateful if you could liaise with Kayleigh Weedon in my team to take this forward:

We look forward to hearing from you and to working with you on this.

Yours faithfully

Andy Freeman
Head of Department