Society Annual Return and Accounts

In-depth guide

CO-OPERATIVES UK

Society Annual Return and Accounts

Unlike a limited company, a society must prepare and file its annual return and accounts with the Financial Conduct Authority (FCA) within seven months of the society's financial year end. This is a key process in a society's financial year and it is good governance practice for a society to map out the actions necessary to meet this date.

This guide sets out the accounting, auditing and reporting requirements for societies registered under the Co-operative and Community Benefit Societies Act 2014 ('the Act').

What is an annual return?

All societies must submit an annual return form, more commonly referred to as the AR30, with the society's accounts to the FCA within seven months of the society's financial year end. The annual return provides a snapshot of general information about the society, including details of the governing body, including its officers (chairperson, treasurer and the secretary), the registered office, turnover of the society's membership, key accounts details and type of audit (if any) used for the accounts.

Importantly, the annual return asks for key information as to how the society has met the condition for registration[1] during the preceding year of account. The form, once complete, should be signed and dated by the society secretary. Unlike a limited company, a fee is not required to be paid when filing the annual return with the FCA. Instead, societies pay an annual fee (referred to as a periodic fee) to the FCA to remain on the Mutuals Register.[2]

1 All societies must be able to demonstrate and explain how it has operated as a co-operative or as a community benefit society during the preceding year of account. The answers provided to this section of the form will depend on each individual society. However, societies may find chapters four and five of the FCA's registration guidance useful when completing these questions. See: http://www.fca.org.uk/your-fca/documents/finalised-guidance/fg15-12

2 See: https://www.handbook.fca.org.uk/handbook/FEES/App/1/Annex1.html#DES54

What are the accounting requirements for a society?

- Every society must keep proper accounts that give a true and fair view of the society's affairs and maintain satisfactory controls over books, cash, receipts and payments
- A society's accounts must be produced to meet the minimum requirements set out in the Act. This means either the production of 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. A balance sheet must also be produced showing the society's assets, liabilities and members' shareholding at a specific point in time. Societies should also be aware that the Financial Reporting Standards also apply and its requirements must be complied with – unless they are contrary to the Act
- A society must display a copy of its latest balance sheet in a clearly visible position at its registered office
- Every published revenue account and balance sheet must be signed by the secretary and two members of the society's governing body
- A society may choose to publish an unaudited interim revenue account or balance sheet. If so, it must be published with the latest audited revenue account or balance sheet and clearly marked as 'unaudited'

What are the accounting requirements for a society with subsidiary limited companies?

Some societies establish subsidiary limited companies to separate out certain activities from the main business of the society. Unless sanctioned by the FCA, a society with a subsidiary company or companies must produce audited accounts which give a true and fair view of the income and expenditure and state of the affairs of the society and its subsidiaries.

A society may produce one set of accounts showing the combined figures of the society and its subsidiaries or separate accounts can be produced for each subsidiary.

What are the audit requirements for a society?

An audit independently scrutinises the financial accounts of an organisation. Depending on the nature, size and type of society, a full audit, or independent examination or accountants' report may be required.

The audit requirements for societies are different to those of limited companies so it is important that any appointed auditor or accountant is aware of the requirements under the Act.

The Act requires 'specific societies' to carry out a full audit. These are:
- Housing Associations registered with the Homes and Communities Agency, Welsh Ministers or Scottish Housing Regulator
- A subsidiary of another society
- A society with one or more subsidiaries (regardless of whether those subsidiaries are limited companies or societies)
- A society that must prepare accounts under the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993
- A society which takes deposits, or has taken in the past and continues to hold deposits, within the provisions of the Financial Services and Markets Act 2000 other than a deposit in the form of withdrawable share capital

When is a society required to carry out a full audit?

Even if your society is not a 'specific society', a full audit will need to be carried out if in the preceding year of account the society had a turnover in excess of £5,600,000 (£250,000 if charitable) and total assets in excess of £2,800,000.

Societies subject to a full audit must appoint a qualified auditor which means someone eligible for appointment as a statutory auditor under Part 42 of the Companies Act 2006. They must be a member of a recognised supervisory body (such as the Institute of Chartered Accountants in England and Wales or Association of Chartered Certified Accountants) and eligible for appointment under the rules of that body.

What if a society does not require a full audit?

If a society is not a 'specific society' or does not fall under the financial thresholds required for a full audit, it may fit into one of the following categories:

Accountant's Report

A society meeting the following three criteria may substitute an accountant's report for a full audit:
1. The society's rules allow it to disapply the requirement to undertake a full audit
2. At a general meeting the society's membership has passed a resolution[3] allowing the society to disapply the requirement to undertake a full professional audit for the year of account in question
3. In the preceding year of account its turnover exceeded £90,000 and its total assets were below £5.6m

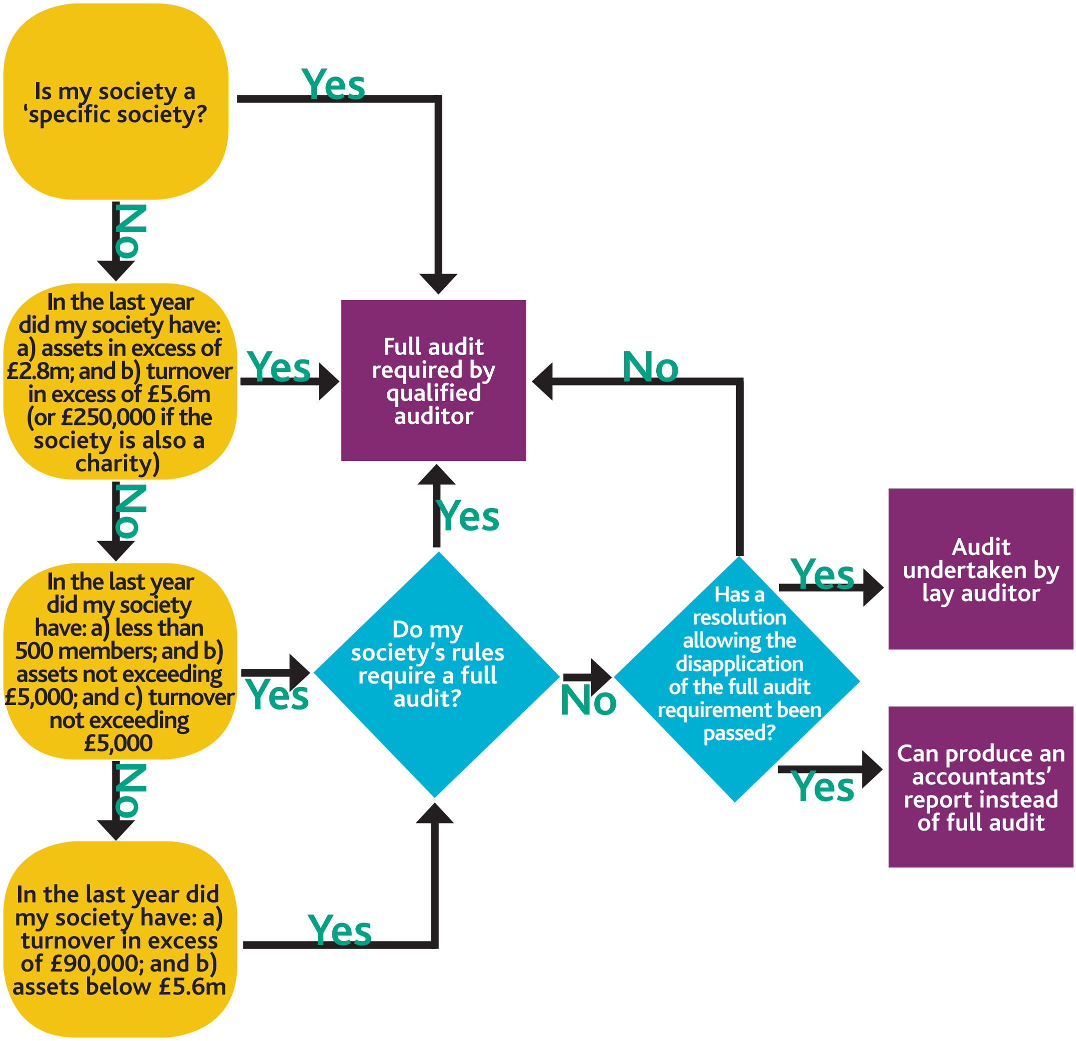
3 For the resolution to be valid it must be passed at a general meeting, with less than 20% of total votes cast against the resolution and less than 10% of eligible members casting their vote against the resolution.

Lay Audit

A society may appoint a lay auditor[4] to audit the accounts if the society meets points one and two (under accountants report, previous page) and:

- In the preceding year of account, its turnover was below £5,000 its total assets did not exceed £5,000 and the total number of members at that year end was below 500.[5]

The diagram below is a handy tool to determine audit requirements:



4 A person may be a lay auditor if he/she is not an officer or servant of a society and is not a partner of or in the employment of, or does not employ, an officer or servant of the society. A society might use lay auditors if it wishes people other than its committee to check the accounts.

5 Societies with a turnover and total assets falling in between the Lay Audit and Accountants' Report requirements should, if they rules permit and the members have passed resolution allowing the society to disapply the requirement, appoint a lay auditor to audit the accounts.

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