

EGM November 2023 - Guidance Notes for agenda item 6

This resolution relates to not performing a full audit of the accounts this year and going forwards. Part 1 comprises a change to the Club's rules to permit this; and Part 2 is a resolution to disapply the audit for the 2023 financial year.

The Co-operative and Community Benefit Societies Act 2014 (and subsequent change made in the amendments to audit requirements, 2018) allow for societies with a turnover below a certain threshold, and assets below a certain threshold, to be exempted from the audit provisions of section 83 of the act.

This enables Danehill and Chelwood Gate Social Club Ltd to vote annually to disapply the need for the audit at a General Meeting. Such a vote must pass with less than 20% of the total votes cast against the resolution; and less than 10% of the Club's membership casting their votes against the resolution.

The reason for wanting to disapply the audit is financial. Our current auditors, DMC Partnership, indicated to us earlier in the year that they were no longer prepared to carry out our financial audit as the amount they are charging us (£2000 +vat) does not cover their time spent performing the audit.

They have recommended that we take advantage of the exemption of audit requirement for the 2023 financial year, and for future financial years.

The Club committee believes that spending a significant sum on a full audit is not the best use of funds at this time, and we agree with DMC Partnership's recommendation to exercise the exception of the audit.

This does not mean that our annual financial statements will not be properly reviewed by the accountants – they will be reviewed more in line with a small business which can claim exemption from audit.

There are two items to vote on:

1. To amend the Club's rules as follows, adding s17 (4) after s17 (3):

17 (4) A full audit of the Club's accounts as stated in paragraph (1) above shall not be required for a financial year if an exemption to the audit requirements stated in section 83 of the Co-Operative and Community Benefit Societies Act 2014, in accordance with section 84 of the same Act, is voted on and approved by a General Meeting of the company before the end of the financial year in question. In such circumstances, unaudited accounts for the financial year shall still be prepared by an independent person qualified to do so under paragraph (1) above.

2. To disapply the requirements for an audit in 2023:

To disapply the need for a full audit of The Club's accounts in 2023 as permitted by section 84 of the Co-Operative and Community Benefit Societies Act 2014.

Current Club rule 17:

17. Audit

(1).

(a) There shall be appointed in each year of account a qualified auditor to audit the Club's accounts and balance sheet for that year. In this rule "Qualified auditor" means a person who is a qualified auditor under section 7 of the Friendly and Industrial and Provident Societies Act 1968.

(b) None of the following persons shall be appointed as auditor of the Club:

(i) an officer or servant of the Club

(ii) a person who is partner of or in the employment of or who employs an officer or servant of the Club

(iii) or a body corporate,

(c) Save as provided in paragraph (d) of this rule every appointment of an auditor shall be made by resolution of a general meeting of the Club,

(d) The first appointment of an auditor shall be made within three months of the registration of the Club and shall be made by Committee if no general meeting of the Club is held within that time. The Committee may appoint an auditor to fill any casual vacancy occurring between general meetings of the Club.

(e) An auditor appointed to audit the accounts and balance sheet of the Club for the preceding year of account (whether or not any resolution expressly re-appointing him has been passed) unless

(i) a resolution has been passed at a general meeting of the Club appointing somebody instead of him or providing expressly that he shall not be re-appointed or

(ii) he has given the Club notice in writing of his unwillingness to be re-appointed or

(iii) he is not a qualified auditor or is a person mentioned in a paragraph (b) of this rule or

(iv) he has ceased to act as auditor of the Club by reason of incapacity.

Provided that a retiring auditor shall not be automatically re-appointed if notice of an intended resolution to appoint another person in his place has been given in accordance with paragraph (f) of this rule and the resolution cannot be proceeded with because of the death or incapacity of that other person or because that other person is not a qualified auditor or is a person mentioned in paragraph (b) of this rule

(f) A resolution at a general meeting of the Club:

(i) appointing another person as auditor in place of retiring auditor or

(ii) providing expressly that a retiring auditor shall not be re-appointed

shall not be effective unless notice of the intention to move it has been given to the Club not less than twenty-eight days before the meeting at which it is to be moved.

On receipt by the Club of notice of such an intended resolution the Club shall forthwith send a copy of the notice to the retiring auditor. If it is practicable to do so the Club shall give notice to its members of the intended resolution at the same time and in the same manner as it gives notice in accordance with these rules of the meeting at which the resolution is to be moved or, if that is not practicable, by advertisement not less than fourteen days before the said meeting in a newspaper circulating in the area in which the Club conducts its business. Where the retiring auditor makes any representations in writing to the Club with respect to the intended resolution or notifies the Club that he intends to make such representations, the Club shall notify the members accordingly as required by section 6 of the Friendly and Industrial and Provident Societies Act 1968.

(2). The auditor shall in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968 make a report to the Club on the accounts examined by him and on the revenue account or accounts and the balance sheet of the Club for the year of account in respect of which he is appointed.

(3). The Club shall keep a copy of the last balance sheet for the time being, together with the report of the auditor, always hung up in a conspicuous place at the registered office.

One of the approved auditors, appointed under the Industrial and Provident Societies Act, 1893, shall be elected and may be removed by a General Meeting. Any casual vacancy in the office of Auditor may be filled by the Committee, and the person appointed by them shall have full power to act until the next General Meeting, when the appointment shall be submitted for confirmation. He shall audit all the accounts of the Club, and for that purpose shall have access to all the books, deeds, documents, and accounts of the Club; and shall examine the accounts and annual return of the receipts and expenditure, funds and effects of the Club; and verify them with the books, deeds, documents, accounts, and vouchers relating thereto: and shall either sign them as found by him to be correct, duly vouched, and in accordance with law, or shall specially report to the Club in what respects he finds them incorrect, unvouched, or not in accordance with law. A copy of the last balance sheet for the time being, with the report of the Auditor if any, shall be posted in the Registered Office at least two days before the said General Meeting, and shall be kept always hung up in a conspicuous place at the said office. The Auditor shall not hold any office in connection with the Club.

Co-Operating and Community Benefit Societies Act 2014 (this replaces the now repealed Friendly and Industrial and Provident Societies Act 1968) – The Club is regulated under its provisions.

Sections 83 and 84 relate to auditing and exemption from audit.

83 Duty to appoint auditors

(1) In each year of account, a registered society must (subject to subsection (2)) appoint one or more qualified auditors to audit its accounts and balance sheet for that year.

(2) If the society is a small society for the year of account, it must—

(a) make an appointment under subsection (1) for that year, or

(b) appoint two or more persons who are not qualified auditors to audit its accounts and balance sheet for that year.

(3) The FCA may give a direction to a society that is a small society for the current year of account, requiring it to make an appointment under subsection (1) for that year.

(4) For the purposes of this Part a registered society is a “small society” for a year of account if—

(a) the total amount of its receipts and payments in respect of the preceding year of account did not exceed £5,000,

(b) it had no more than 500 members at the end of that year, and

(c) the total value of its assets at the end of that year did not exceed £5,000.

(5) The Treasury may by regulations—

(a) substitute for any sum or number for the time being specified in subsection (4) such other sum or number as the Treasury consider appropriate;

(b) prescribe what receipts and payments of a society are to be taken into account for the purposes of that subsection.

The regulations may make different provision for different cases or circumstances.

(6) This section is subject to section 84 (power of certain societies to disapply this section).

84 Power of certain societies to disapply section 83

(1) A registered society may by resolution disapply section 83 (duty to appoint auditors) in respect of a year of account if—

- (a) the total value of its assets at the end of the preceding year of account did not exceed £5,100,000, and
- (b) its turnover for that preceding year did not exceed £10,200,000.

(2) The resolution must be passed at a general meeting at which—

- (a) less than 20% of the total votes cast are cast against the resolution, and
- (b) less than 10% of the society's members for the time being entitled under its rules to vote cast their votes against the resolution.

(3) Subsection (1) does not apply to a society that—

- (a) is a credit union,
- (b) is a subsidiary,
- (c) has a subsidiary,
- (d) holds a deposit or has at any time since the end of the preceding year of account held a deposit (other than a deposit in the form of withdrawable share capital), or
- (e) is registered in the register of social landlords maintained under section 20(1) of the Housing (Scotland) Act 2010 (asp 17).

(4) The FCA may by notice to a society disapply subsection (1) in relation to the year of account in which the notice is given.

(5) A resolution under subsection (1) has no effect if, at any time before the end of the year of account to which it relates—

- (a) the society is within a paragraph of subsection (3), or
- (b) the society is given a notice under subsection (4).

(6) Subsection (1) applies in relation to a registered society that is a charity or recognised body as if for paragraph (b) there were substituted—

“(b) its gross income for that preceding year did not exceed £250,000.”

(7) In subsection (6) “recognised body” has the meaning given by article 3(6)(c) of the Charities and Trustee Investment (Scotland) Act 2005 (Consequential Provisions and Modifications) Order 2006 (SI 2006/242).

(8) Where a society's year of account is for a period other than a calendar year, the figure in subsection (1)(b) (including that provision as it has effect by virtue of subsection (6)) is to be proportionately adjusted.