FRIENDLY SOCIETY – ACCOUNTANT'S REPORT

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountants and advisors with regard to the production of the society's financial statements and issuing an accountant's report thereon, and to clarify our respective responsibilities in respect of that work. (Please note that an accountant's report, which is voluntary, is different from a reporting accountant's report which is a legal requirement.)

1 Your responsibilities as officers of the club/society

1.1 Our work will be conducted on the basis that you acknowledge and understand that you have responsibility:

(a) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the society and of the surplus or deficit of the society for that period;

(b) in preparing those financial statements, to:

(i) select suitable accounting policies and then apply them consistently;

(ii) make judgments and accounting estimates that are reasonable and prudent; and

(iii) prepare the financial statements on the going concern basis, considering in particular the society's ability to continue in business for at least twelve months from the date when the financial statements are expected to be approved, unless it is inappropriate to presume that the society will continue in business;

(c) for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the society and to enable them to ensure that the financial statements comply with the *Friendly Societies Act* 1974 (FSA 1974) and applicable accounting standards. You are also responsible for such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error; and

(d) for safeguarding the assets of the society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

1.2 You have agreed that your staff will maintain all accounting records, except as detailed in paragraph 2.3 below.

1.3 You are also responsible for determining whether, in respect of the year, the society is entitled to disapply the statutory audit requirement of the financial statements pursuant to FSA 1974, s. 32A, namely that:

(a) a resolution not to have an audit has been passed at a general meeting at which:

(i) less than 20 per cent of the total votes cast were cast against the resolution; and

(ii) less than 10 per cent of the members of the society, for the time being entitled to vote under the society's rules, cast their votes against the resolution; and

(b) no notice has been received from the Financial Conduct Authority requiring an audit; and

(c) the society's total turnover in the preceding year was less than £90,000; and

(d) the society's balance sheet total (gross assets) at the end of the preceding year was not more than £1.4 million.

1.4 You are also responsible for determining, in respect of the year, that the society is not disqualified from disapplying the audit requirement for any of the reasons set out in FSA 1974, s. 32A(3); namely that at no time during the year was the club/association/society a society or branch which holds, or has at any time since the end of the preceding year of account held, a deposit within the meaning of the *Financial Services and Markets Act* 2000.

1.5 If, in respect of the year, the society satisfies the criteria above, the availability of the exemption from an audit of the financial statements is conditional upon your causing an independent reporting accountant's report to be prepared in respect of the financial statements in accordance with FSA 1974, s. 39A(3–4). You are responsible for deciding whether that report shall be made and for appointing us as reporting accountants to make that report to the members of the society.

1.6 If the turnover however falls to £90,000 or less for the preceding year, then, provided the other exemption criteria set out above are met, the society will need neither an audit nor a reporting accountant's report.

1.7 You have undertaken to make available to us, as and when required, all the society's accounting records and related financial information, including minutes of management and members meetings, necessary to carry out our examination. You have agreed to make full disclosure to us of all relevant information.

1.8 You will approve and sign the financial statements thereby acknowledging responsibility for them.

2 Our responsibilities as accountants

2.1 Where the society requires neither an audit nor a reporting accountant's report, then we have no statutory responsibilities to the society at all. Our only responsibilities arise from those specifically agreed upon between us in respect of other professional services. You have asked us to assist you in the preparation of financial statements in accordance with the requirements of FSA 1974, and to issue an accountant's report on those financial statements. We will compile the financial statements for your approval based on the accounting records maintained by you and the information and explanations that you give us.

2.2 As agreed with you, we shall carry out the following bookkeeping services:

(a) write up the accounting records insofar as they are incomplete when presented to us; and

(b) complete the postings to the nominal ledger.

2.3 We will write to you on or around your year-end date to request the information and records we will need to prepare the financial statements.

2.4 Should our work indicate that the society is not entitled to exemption from an audit of the financial statements then we will inform you. In these circumstances, if appropriate, we will discuss with you the need to appoint us as auditors.

2.5 We have a professional duty to prepare financial statements that conform with generally accepted accounting principles. Furthermore, the financial statements of a society are required to comply with FSA 1974 and applicable accounting standards. Where we consider that the financial statements do not conform to generally accepted accounting principles or where the accounting policies adopted are not immediately apparent, this will be made clear in our report, if it is not clear in the financial statements.

2.6 We will not specifically check the adequacy of your records; however, where any issues arise during the course of our work, we will advise you on whether your records are adequate for preparation of the financial statements and recommend improvements.

2.7 We shall plan our work on the basis that no report is required by statute or regulation for the year, unless you inform us in writing to the contrary. In carrying out our engagement we will make enquiries of management and undertake any procedures that we judge appropriate but

are under no obligation to perform procedures that may be required for assurance engagements, such as audits or reporting accountants.

2.8 Our work will not be an audit of the financial statements in accordance with International Standards on Auditing (UK). Accordingly, we will not obtain any evidence relating to entries in the accounting records, or to the amounts or to the disclosures in the financial statements. Nor will we make any assessment of the estimates and judgments made by you in the preparation of the financial statements. Consequently, our work will not provide any assurance that the accounting records or the financial statements are free from material misstatement, whether caused by fraud, or other irregularities or error. In addition, we have no responsibility to determine whether you have maintained proper accounting records in accordance with FSA 1974, s. 29, and we will not address this point unless you specifically request us, in writing, to do so.

2.9 Since we have not carried out an audit, nor confirmed in any way the accuracy or reasonableness of the accounting records maintained by the society, we are unable to provide any assurance as to whether the financial statements that we prepare from those records and on which we are reporting present a true and fair view.

2.10 We have a professional responsibility not to allow our name to be associated with financial statements we believe may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial statements may be misleading, we will discuss the matter with you with a view to agreeing appropriate adjustments and/or disclosures in the financial statements. In circumstances where adjustments and/or disclosures that we consider appropriate are not made or where we are not provided with appropriate information, and as a result we consider that the financial statements are misleading, we will withdraw from the engagement. In these circumstances you agree that we have a right to invoice you for our time spent preparing and discussing the financial statements with you and for time spent on any other work that is not completed as a result of our resignation.

2.11 As part of our normal procedures we may request you to provide written confirmation of any information or explanations given to us orally during the course of our work.

2.12 We will report to the officers, as appropriate, that in accordance with this engagement schedule and to assist you to fulfil your responsibilities, we have not carried out an audit or a reporting accountant's report but have compiled the financial statements from the accounting records and from the information and explanations supplied to us.

2.13 To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's officers for our work or this report. If you wish, or are asked, to provide a copy of the financial statements to a third party you must seek our consent before you do this. You are not entitled to disclose our work to a third party without our express permission. We may grant consent subject to certain conditions; however, in every situation where we grant consent, then the accountant's report must remain attached to the financial statements shown to the third party.