CHARTERED ACCOUNTANTS,
TAX & BUSINESS ADVISERS

Lamont Pridmore

CO-OPERATIVE OR COMMUNITY BENEFIT SOCIETY – REPORTING 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 reporting accountants to the society and to clarify our respective responsibilities in respect of that work.

Our firm will act as reporting accountants with the person listed acting as the independent reporting accountant.

1 Your responsibilities as officers of the society

1.1 Our engagement as reporting accountants 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 its surplus of income over expenditure or of its deficit 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 you to ensure that the financial statements comply with the *Co-operative and Community Benefit Societies Act* 2014 (CCBSA 2014) 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) you are also responsible 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 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 CCBSA 2014, s. 84, 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 (FCA) requiring an audit; and

(c) the society's total turnover in the preceding year was more than £90,000, but not more than £10.2 million (£250,000 in the case of a charitable society); and

(d) the society's balance sheet total (gross assets) at the end of the preceding year was not more than £5.1 million.

1.3 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 CCBSA 2014, s. 84(3); namely that at no time during the year was the society:

(a) a credit union within the meaning of the *Credit Unions Act* 1979;

(b) registered in the register of social landlords maintained under s. 20(1) of the *Housing (Scotland) Act* 2010;

(c) a society which is, or has, a subsidiary; or

(d) a society 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, other than a deposit in form of withdrawable share capital.

1.4 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 CCBSA 2014, s. 85. 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.

1.5 If the turnover 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.

1.6 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 work. You will make full disclosure to us of all relevant information.

2 Our responsibilities as reporting accountants

2.1 We shall plan our work on the basis that an accountant's report is required for the year, unless you inform us in writing that either:

(a) the society requires an audit of the financial statements; or

(b) the society does not require an audit or an accountant's report.

2.2 Should you instruct us to carry out an audit, then the terms of that assignment will be dealt with in a separate engagement letter.

2.3 Should you inform us that the society requires neither an audit nor a reporting accountant's report, then we shall have no responsibilities to the society, except those specifically agreed upon between us in respect of other professional services.

2.4 As reporting accountants, we have a statutory responsibility to report to the members of the society whether, in our opinion:

(a) the financial statements are in agreement with those accounting records kept by the society under CCBSA 2014, s. 75;

(b) having regard only to, and on the basis of, the information contained in those accounting records, the financial statements have been drawn up in a manner consistent with the accounting requirements of CCBSA 2014 and applicable accounting standards; and

(c) the required financial criteria enabling the society to forego an audit have been met.

2.5 We have a professional responsibility not to allow our name to be associated with financial statements which are or 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, unless the matter can be addressed by amending the financial statements, by qualifying our opinion, or by other appropriate modifications of the report, we will not issue any report and will withdraw from the engagement and notify you in writing of the reasons. In these circumstances you agree that we have a right to invoice you for our time spent examining the financial statements and for time spent on any other work that is not completed as a result of our resignation.

2.6 Our work will be carried out in accordance with the professional standards for such engagements issued by the Financial Reporting Council. It will involve comparing the financial statements with the accounting records kept by the society, and making such limited enquiries of the officers and staff of the society as we may consider necessary for the purpose of our report.

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

2.8 Our work as reporting accountants will not be an audit of the financial statements in accordance with International Standards on Auditing (UK). Accordingly, we will not obtain any independent evidence relating to entries in the accounting records, or to the amounts or disclosures in the financial statements. Consequently our work as reporting accountants will not provide any assurance that the accounting records or the financial statements are free from material misstatement, whether caused by fraud, other irregularities or error. Furthermore, we have no responsibility to determine whether you have maintained proper accounting records in accordance with CCBSA 2014, s. 75, and we will not address this point unless you specifically request us, in writing, to do so.

2.9 Because we will not carry out an audit, nor otherwise confirm the accuracy or reasonableness of the accounting records maintained by the society, we will be unable to provide any assurance as to whether the financial statements that we prepare from those records give a true and fair view.