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## EXPLANATORY NOTE

*(This note is not part of the Order )*

This Order amends the Friendly Societies Act 1992 (“the 1992 Act”) to implement, in relation to friendly societies:

- (a) Parts of Directive [2006/43/EC](#) of the European Parliament and of the Council on statutory audits of annual accounts (amending Directives [78/660/EEC](#), [83/349/EEC](#), [86/635/EEC](#) and [91/674/EEC](#)) (O.J. L 157, 9.6.2006, p.87), and
- (b) Parts of Directive [2006/46/EC](#) of the European Parliament and of the Council amending Directives [78/660/EEC](#), [83/349/EEC](#), [86/635/EEC](#) and [91/674/EEC](#) on the annual and consolidated accounts of certain types of companies, banks and other financial institutions (O.J. L 224, 16.8.2006, p.7).

The Order also makes an amendment to the definition of “EEA State” in section 119 of the 1992 Act. The existing definition of “EEA State” excludes Bulgaria and Romania, which became Community member States on 1st January 2007. The new definition refers to the definition of “EEA State” in the Interpretation Act [1978 \(c.30\)](#), which was inserted into that Act by the Legislative and Regulatory Reform Act [2006 \(c.51\)](#). It therefore includes all Community member States.

Article 3 of the Order inserts a new section 69L into the 1992 Act, requiring friendly societies to give certain information relating to off-balance-sheet arrangements in the notes to their annual accounts. Article 4, and Schedule 1, amend the requirements in the 1992 Act on the disclosure of auditors’ remuneration.

Article 5 substitutes new sections 74 to 74C for section 74 of the 1992 Act. The new provisions relate to the signature of the auditor’s report, the publication of auditors’ names in the report and the circumstances in which they may be omitted.

Article 6 amends Schedule 14 to the 1986 Act. New paragraph 10A gives members of the society, and the Financial Services Authority, the right to apply to the High Court (or in Scotland, the Court of Session) for an order giving relief in respect of the removal of an auditor on improper grounds. New paragraphs 15A to 15C require the auditor and the friendly society to notify the appropriate audit authority where an auditor ceases to hold office.

Article 8 corrects a defect in the 1992 Act made by the Friendly Societies Act 1992 (International Accounting Standards and Other Accounting Amendments) Order 2005 ([S.I. 2005/2211](#)). This relates to the parliamentary procedure applicable to the order-making powers in sections 69J and 69K. As the correction is made in an instrument making other amendments, this Order is not made available free of charge to those who bought the defective instrument.

Schedule 2 changes various references to “auditors” in the 1992 Act from plural to singular. This ensures consistency with the amendments made by this Order and with the Companies Act [2006 \(c.46\)](#), in particular with Part 42 of that Act, which applies to friendly societies which are insurers within the meaning of Council Directive [1991/674/EEC](#) (O.J. L 374, 31.12.1991, p.7).

Articles 3 to 5, 6(2), 7 to 9 and the Schedules are made under section 102 of the Friendly Societies Act 1992 (power to amend etc to assimilate to company law). Articles 6(1) and 10 are made under section 2(2) of the European Communities Act [1972 \(c.68\)](#) as they do not assimilate company law.

This Order only implements the parts of Directives [2006/43/EC](#) and [2006/46/EC](#) which require amendments to the 1992 Act.

**Status:** This is the original version (as it was originally made).

A full transposition note showing how the main provisions of the Audit and Accounts Directives (as they apply to friendly societies) will be transposed into UK law is available from HM Treasury. Copies may be obtained from the Savings and Investment Team, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ.

A full regulatory impact assessment of the effect that this instrument will have on the costs of business is also available from HM Treasury at the above address.

Both documents are annexed to the Explanatory Memorandum which is available alongside the instrument on the OPSI website ([www.opsi.gov.uk](http://www.opsi.gov.uk)), and are available on the Treasury website ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)).