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STATUTORY INSTRUMENTS

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**2008 No. 1140**

**FRIENDLY SOCIETIES**

**The Friendly Societies Act 1992 (Accounts,  
Audit and EEA State Amendments) Order 2008**

<i>Made</i>	- - - -	<i>21st April 2008</i>
<i>Laid before Parliament</i>		<i>21st April 2008</i>
<i>Coming into force</i>	- -	<i>29th June 2008</i>

The Treasury is a department designated<sup>(1)</sup> in relation to the conduct of insurance business carried on by friendly societies, and the authorisation and regulation of the carrying on of such business by friendly societies, and in relation to auditors and the audit of accounts.

The Treasury, in exercise of the powers conferred by section 102(1), (3) and (4) of the Friendly Societies Act 1992<sup>(2)</sup> and section 2(2) of the European Communities Act 1972<sup>(3)</sup>, make the following Order:

**PART 1**

**INTRODUCTORY**

**Citation, commencement and application**

1.—(1) This Order may be cited as the Friendly Societies Act 1992 (Accounts, Audit and EEA State Amendments) Order 2008.

(2) This Order comes into force on 29th June 2008.

(3) The modifications to the 1992 Act made by articles 3 to 7 and Schedules 1 and 2 apply only in relation to—

- (a) financial years beginning on or after 29th June 2008, and
- (b) auditors appointed for those financial years;

and the 1992 Act shall have effect in relation to previous financial years, and auditors appointed for them, as if those modifications had not been made.

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(1) [S.I. 2001/3495](#) and [S.I. 2007/1679](#).  
(2) [1992 c.40](#).  
(3) [1972 c.68](#).

## Interpretation

2. In this Order “the 1992 Act” means the Friendly Societies Act 1992.

## PART 2 ACCOUNTS AND AUDIT

### Disclosures relating to off-balance-sheet arrangements

3. After section 69K(4) of the 1992 Act, insert—

#### “Disclosures relating to off-balance-sheet arrangements

**69L.**—(1) If in any financial year—

- (a) a friendly society or registered branch has been party to arrangements that are not reflected in its balance sheet, and
- (b) at the balance sheet date the risks or benefits arising from those arrangements are material,

the information required by this section must be given in notes to the society’s or branch’s annual accounts.

(2) The information required is—

- (a) the nature and business purpose of the arrangements, and
- (b) the financial impact of the arrangements on the society or branch.

(3) The information need only be given to the extent necessary for enabling the financial position of the society or branch to be assessed.

(4) Where a friendly society is required to prepare consolidated group accounts, this section applies in relation to those accounts as if the undertakings included in the consolidation were a single friendly society.”

### Disclosure of auditor remuneration

- 4.—(1) After section 69L of the 1992 Act (inserted by article 3), insert—

#### “Disclosure of auditor remuneration

**69M.**—(1) The information specified in Schedule 13F must be given in notes to a friendly society’s or a registered branch’s annual accounts.

(2) The Treasury may, by order, modify the provisions of Schedule 13F.

(3) An order under this section may—

- (a) make consequential amendments or repeals of other provisions of this Act;
- (b) make such transitional or saving provisions as appear to the Treasury to be necessary or expedient, or
- (c) make different provision for different cases.”

(2) Schedule 1, which inserts Schedule 13F into the 1992 Act, has effect.

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(4) Section 69K was inserted by [S.I. 2005/2211](#).

(3) In Schedule 13D to the 1992 Act<sup>(5)</sup> (disclosures about members of the committee of management and employees) omit paragraph 12.

(4) In Schedule 14 to the 1992 Act (auditors: appointment etc)<sup>(6)</sup>—

(a) in paragraph 16—

(i) omit sub-paragraphs (3) and (6);

(ii) in sub-paragraph (5), omit the words from “and in relation to any such benefit” to the end;

(b) omit paragraph 17.

### **Signature of auditor’s report**

5.—(1) For section 74 of the 1992 Act (signature of auditors’ report), substitute—

#### **“Signature of auditor’s report**

74.—(1) The auditor’s report to the members of a friendly society or registered branch must state the name of the auditor and be signed and dated.

(2) Where the auditor is an individual, the report must be signed by him.

(3) Where the auditor is a firm, the report must be signed—

(a) in the case of a friendly society to which the Audit Directive applies, by the senior statutory auditor in his own name, for and on behalf of the firm;

(b) in any other case—

(i) in the name of the firm by a person authorised to sign on its behalf, or

(ii) if the firm has identified a senior statutory auditor in relation to the audit, by that person, in his own name, for and on behalf of the firm.

### **Senior statutory auditor**

74A.—(1) The senior statutory auditor means the individual identified by the firm as senior statutory auditor in relation to the audit in accordance with the standards or guidance mentioned in section 504(1) of the Companies Act 2006.

(2) The person identified as senior statutory auditor must be eligible for appointment as auditor of the society in question in accordance with—

(a) in the case of a friendly society to which the Audit Directive applies, Chapter 2 of Part 42 of the Companies Act 2006;

(b) in any other case, Schedule 14 to this Act.

(3) The senior statutory auditor is not, by reason of being named or identified as senior statutory auditor or by reason of his having signed the auditor’s report, subject to any civil liability to which he would not otherwise be subject.

### **Names to be stated in copies of auditor’s report filed or published**

74B.—(1) The copies of the auditor’s report sent to the Authority under section 78(1) or (2) below, and every copy of the auditor’s report that is published by or on behalf of the friendly society or registered branch, must—

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(5) Schedule 13D was inserted by [S.I. 2005/2211](#).

(6) Schedule 14 was amended by [S.I. 2008/948](#).

- (a) state the name of the auditor and (where the auditor is a firm and the report is signed by a senior statutory auditor) the name of the person who signed it as senior statutory auditor, or
- (b) if the conditions in section 74C (circumstances in which names may be omitted) are met, state that a resolution has been passed and notified to the Authority in accordance with that section.

(2) For the purposes of this section a society or branch is regarded as publishing the report if it publishes, issues or circulates it or otherwise makes it available for public inspection in a manner calculated to invite members of the public generally, or any class of members of the public, to read it.

(3) If a copy of the auditor's report is sent to the Authority or published without the statement required by this section, an offence is committed by—

- (a) the society or branch, and
- (b) every officer of the society or branch who is in default.

(4) A person guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale.

#### **Circumstances in which names may be omitted**

**74C.**—(1) The auditor's name, and (where applicable) the name of the person who signed the report as senior statutory auditor, may be omitted from—

- (a) the copies of the report sent to the Authority under section 78(1) or (2) below, and
- (b) published copies of the report,

if the following conditions are met.

(2) The conditions are that the friendly society or registered branch—

- (a) considering on reasonable grounds that statement of the name would create or be likely to create a serious risk that the auditor or senior statutory auditor, or any other person, would be subject to violence or intimidation, has resolved in general meeting that the name should not be stated, and
- (b) has given notice of the resolution to the Authority, stating—
  - (i) the name of the society or branch,
  - (ii) the financial year of the society to which the report relates, and
  - (iii) the name of the auditor and (where applicable) the name of the person who signed the report as senior statutory auditor.”.

#### **Removal or resignation of auditor**

**6.**—(1) In Schedule 14 to the 1992 Act (auditors: appointment etc), after paragraph 10, insert—

*“Removal of auditor on improper grounds*

**10A.**—(1) Where an auditor of a friendly society to which the Audit Directive applies is removed from office an application may be made to the High Court under this paragraph.

(2) The persons who may make such an application are—

- (a) any member of the society who was also a member at the time of the removal;
- (b) the Authority.

- (3) If the court is satisfied that the removal was—
- (a) on grounds of divergence of opinion on accounting treatments or audit procedures, or
  - (b) on any other improper grounds,
- it may make such order as it thinks fit for giving relief in respect of the removal.
- (4) The court may, in particular—
- (a) declare that any resolution of the society removing an auditor, or appointing a new auditor in his place, is void;
  - (b) require the directors of the society to re-appoint the auditor until the next general meeting of the society;
  - (c) give directions as to the conduct of the society's affairs in the future.
- (5) In the application of this paragraph to a friendly society whose registered office is in Scotland or Northern Ireland, references to the High Court shall be read as references to the Court of Session or, as the case may be, the High Court in Northern Ireland.”
- (2) In that Schedule, after paragraph 15 insert—

*“Duty of auditor to notify appropriate audit authority*

**15A.**—(1) Where an auditor of a friendly society or registered branch ceases for any reason to hold office, he must notify the appropriate audit authority.

- (2) The notice must—
- (a) inform the appropriate audit authority that he has ceased to hold office, and
  - (b) be accompanied by a copy of the statement deposited by him at the registered office of the society or branch in accordance with paragraph 14.
- (3) If the statement so deposited is to the effect that he considers that there are no circumstances in connection with his ceasing to hold office that need to be brought to the attention of the members or creditors of the society or branch, the notice must also be accompanied by a statement of the reasons for his ceasing to hold office.
- (4) The auditor must comply with this paragraph at the same time as he deposits a statement at the registered office of the society or branch in accordance with paragraph 14.
- (5) If a person ceasing to hold office as auditor fails to comply with this paragraph, he is guilty of an offence and liable—
- (a) on conviction on indictment, to a fine, and
  - (b) on summary conviction, to a fine not exceeding the statutory maximum.

*Duty of friendly society or registered branch to notify appropriate audit authority*

**15B.**—(1) Where an auditor of a friendly society or registered branch ceases to hold office before the end of his term of office, the society or branch must notify the appropriate audit authority.

- (2) The notice must—
- (a) inform the appropriate audit authority that the auditor has ceased to hold office, and
  - (b) be accompanied by—
    - (i) a statement by the society or branch of the reasons for his ceasing to hold office, or

- (ii) if the copy of the statement deposited by the auditor at the registered office of the society or branch in accordance with paragraph 14(1) contains a statement of circumstances connected with his ceasing to hold office which he considers should be brought to the attention of the members or creditors of the society or branch, a copy of that statement.
- (3) The society or branch must give notice under this paragraph—
  - (a) if the auditor resigns, not later than the end of the period of 14 days beginning with the date on which the auditor's notice of resignation is deposited at the society's or branch's registered office;
  - (b) in any other case, not later than the end of the period of 14 days beginning with the date on which the auditor ceases to hold office.
- (4) If a friendly society or registered branch fails to comply with this paragraph, it is guilty of an offence and liable—
  - (a) on conviction on indictment, to a fine, and
  - (b) on summary conviction, to a fine not exceeding the statutory maximum.

*Meaning of "appropriate audit authority"*

**15C.** In paragraphs 15A and 15B above "appropriate audit authority" means—

- (a) the Secretary of State, or
- (b) if the Secretary of State has delegated functions under section 1252 of the Companies Act 2006 to a body whose functions include receiving the equivalent notice under section 522 or 523 of that Act, that body."

**Interpretation**

**7.—(1)** In section 78A(1) of the 1992 Act (interpretation of Part 6: accounts and audit)(7), at the appropriate places insert—

““firm” means any entity, whether or not a legal person, that is not an individual and includes a body corporate, a corporation sole, and a partnership or other unincorporated association;”;

““senior statutory auditor” has meaning given by section 74A(1) above;”.

- (2) In paragraph 4(3) of Schedule 14 to the 1992 Act, omit the definition of “firm”.

**Parliamentary procedure for certain orders**

**8.** In section 121(2) of the 1992 Act (orders and regulations)(8), for “section 5, 69J or 69K” substitute “section 5”.

**Consequential amendments**

- 9.** Schedule 2, which contains consequential amendments of the 1992 Act, has effect.

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(7) Section 78A was inserted by S.I. 2005/2211 and amended by S.I. 2008/948.

(8) Section 121(2) was amended by S.I. 2005/2211.

## PART 3

### EEA STATES

#### Amendment of definition of “EEA State”

**10.** In section 119(1) of the 1992 Act<sup>(9)</sup>—

(a) omit the definition of “EEA Agreement”;

(b) for the definition of “EEA State”, substitute—

““EEA State” has the meaning given by Schedule 1 to the Interpretation Act 1978  
(c. 30);”<sup>(10)</sup>.

21st April 2008

*Dave Watts*  
*Steve McCabe*  
Two of the Lords Commissioners of Her  
Majesty’s Treasury

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<sup>(9)</sup> The definitions of “EEA Agreement” and “EEA State” were inserted into section 119(1) by [S.I. 1994/1984](#).  
<sup>(10)</sup> The definition of “EEA state” was inserted into Schedule 1 to the Interpretation Act 1978 by section 26 of the Legislative and Regulatory Reform Act 2006 (c. 51).

SCHEDULE 1

Article 4(2)

Disclosure of auditor remuneration

1. After Schedule 13E to the 1992 Act (disclosures about related undertakings)(11), insert—

“SCHEDULE 13F

Section 69M

Disclosure of auditor remuneration etc

*Disclosure required*

1.—(1) The following must be shown—

- (a) the amount of any remuneration receivable by the society’s auditor for the auditing of the annual accounts, and
- (b) the amount of any remuneration receivable in respect of the financial year by—
  - (i) the society’s auditor, or
  - (ii) any person who was, at any time during that financial year, an associate of the society’s auditor,

for the supply of other services to the society or branch or any associate of the society or branch.

(2) Where the remuneration includes benefits in kind, the nature and estimated money-value of those benefits must also be shown.

(3) Separate disclosure is required in respect of the auditing of the accounts in question and of each type of service specified in paragraph 2, but not in respect of each service falling within a type of service.

(4) Separate disclosure is required in respect of services supplied to the society and its subsidiaries on the one hand and to associated pension schemes on the other.

(5) Where more than one person has been appointed as a society’s auditor in respect of the financial year, separate disclosure is required in respect of the remuneration of each such person and his associates.

(6) Where a friendly society is required to prepare consolidated group accounts—

- (a) those accounts must comply with sub-paragraph (1)(b) as if the undertakings included in the consolidation were a single friendly society, and
- (b) notes to the society’s individual accounts do not have to disclose the information required by that provision if the notes state that the group accounts are so required.

*Types of service*

2. The types of service in respect of which disclosure is required are—

- (a) the auditing of accounts of associates of the society pursuant to legislation (including that of countries and territories outside the United Kingdom);
- (b) other services supplied pursuant to such legislation;
- (c) other services relating to taxation;
- (d) services relating to information technology;

(11) Schedule 13E was inserted by [S.I. 2005/2211](#).

- (e) internal audit services;
- (f) valuation and actuarial services;
- (g) services relating to litigation;
- (h) services relating to recruitment and remuneration;
- (i) services relating to corporate finance transactions entered into or proposed to be entered into on behalf of the society or any of its associates;
- (j) all other services.

*Disclosure not required of remuneration for certain services provided by distant associate*

3.—(1) Disclosure is not required of remuneration receivable for the supply of services falling within paragraph 2(j) supplied by a distant associate of the society's auditor where the total remuneration receivable for all of those services supplied by that associate does not exceed—

- (a) £10,000, or
  - (b) 1% of the total audit remuneration received by the society's auditor in the most recent financial year of the auditor which ended no later than the end of the financial year of the society to which the accounts relate.
- (2) In sub-paragraph (1)(b)—
- (a) "financial year of the auditor" means—
    - (i) the period of not more than 18 months in respect of which the auditor's profit and loss account is required to be made up (whether by law or by or in accordance with the auditor's constitution (if any)), or
    - (ii) failing any such requirement, the period of 12 months beginning with 1st April;
  - (b) "total audit remuneration received" means the total remuneration received for the auditing pursuant to legislation (including that of countries and territories outside the United Kingdom) of any accounts of any person.

*Duty of auditor to supply information*

4. The auditor of a friendly society must supply the directors of the society with such information as is necessary to enable the disclosure required by paragraph 1(1)(b) to be made.

*Meaning of "associate" and "distant associate" of auditor*

5.—(1) This paragraph defines what is meant in this Schedule by an "associate" or a "distant associate" of a friendly society's auditor.

- (2) The following are associates of a society's auditor—
- (a) any person controlled by the society's auditor or by any associate of the society's auditor (whether alone or through two or more persons acting together to secure or exercise control), but only if that control does not arise solely by virtue of the society's auditor or any associate of the society's auditor acting—
    - (i) as an insolvency practitioner in relation to any person,
    - (ii) in the capacity of a receiver, or a receiver or manager, of the property of a society or other body corporate, or
    - (iii) as a judicial factor on the estate of any person;

- (b) any person who, or group of persons acting together which, has control of the society's auditor;
  - (c) any person using a trading name which is the same as or similar to a trading name used by the society's auditor, but only if the society's auditor use that trading name with the intention of creating the impression of a connection between the auditor and that other person;
  - (d) any person who is party to an arrangement with the society's auditor, with or without any other person, under which costs, profits, quality control, business strategy or significant professional resources are shared.
- (3) Where the society's auditor is a partnership, the following are also associates of the auditor—
- (a) any partner in the society's auditor;
  - (b) any body corporate which is in the same group as a body corporate which is a partner in the society's auditor;
  - (c) any body corporate of which a partner in the society's auditor is a director;
  - (d) any partnership which has a partner in common with the society's auditor;
  - (e) any body corporate which is in the same group as a body corporate which is a partner in a partnership which has a partner in common with the society's auditor.
- (4) Where a society's auditor is a body corporate (other than one which is also a partnership as defined in sub-paragraph (6)(d)), the following are also associates of the auditor—
- (a) any director of the society's auditor;
  - (b) any body corporate which is in the same group as a body corporate which is a director of the society's auditor;
  - (c) any body corporate which is in the same group as the society's auditor;
  - (d) any partnership in which any such body corporate which is in the same group as the society's auditor is a partner;
  - (e) any partnership in which a director of the society's auditor is a partner;
  - (f) any body corporate which has a director in common with the society's auditor;
  - (g) any body corporate which is in the same group as a body corporate which has a director in common with the society's auditor.
- (5) A distant associate of a society's auditor is a person who is an associate of that auditor by reason only that that person is an associate within one or more of—
- (a) sub-paragraph (2)(a) where the person in question is controlled by a distant associate of the society's auditor but not by the auditor or by an associate who is not a distant associate;
  - (b) sub-paragraph (3)(c), (d) or (e);
  - (c) sub-paragraph (4)(e), (f) or (g).
- (6) For the purposes of this paragraph—
- (a) "acting as an insolvency practitioner" shall be construed in accordance with section 388 of the Insolvency Act 1986 or Article 3 of the Insolvency (Northern Ireland) Order 1989;
  - (b) "director" includes any person occupying the position of director, by whatever name called;
  - (c) "partner" includes a member of a limited liability partnership;

- (d) “partnership” includes a limited liability partnership and a partnership constituted under the law of a country or a territory outside the United Kingdom;
- (e) a reference to “a receiver, or a receiver or manager, of the property of a society or other body corporate” includes a receiver, or (as the case may be) a receiver or manager, of part only of that property;
- (f) a person able, directly or indirectly to control or materially to influence the operating and financial policy of another person shall be treated as having control of that other person; and
- (g) a body corporate is in the same group as another body corporate if one is a subsidiary of the other.

#### *Interpretation*

#### 6. In this Schedule—

“associate of the society” means—

- (a) any subsidiary of the society, other than a subsidiary in respect of which severe long-term restrictions substantially hinder the exercise of rights of the society over the assets or management of that subsidiary; or
- (b) any associated pension scheme;

“associated pension scheme”, in relation to a friendly society, means a scheme for the provision of benefits for or in respect of committee members or employees (or former committee members or employees) of the society or any subsidiary of the society where—

- (a) the benefits consist of or include any pension, lump sum, gratuity or other like benefit given or to be given on retirement or on death or in anticipation of retirement or, in connection with past service, after retirement or death; and
- (b) either—
  - (i) a majority of the trustees are appointed by, or by a person acting on behalf of the society or a subsidiary of the society; or
  - (ii) the society, or a subsidiary of the society, exercises a dominant influence over the appointment of the auditor (if any) of the scheme;

“remuneration” includes payments in respect of expenses and benefits in kind;

“subsidiary” means a subsidiary undertaking that is a body corporate.

#### *Application to registered branches*

#### 7. This Schedule applies to a registered branch as it applies to a friendly society.”.

## SCHEDULE 2

Article 9

### Consequential amendments of the 1992 Act

1. The 1992 Act is amended as follows.
2. In section 73 (auditors’ report)(12)—
  - (a) in subsection (1)—

(12) Section 73, subsections (4A) to (5D), were substituted for subsections (4) and (5), as originally enacted, by [S.I. 2005/2211](#).

- (i) for “auditors” substitute “auditor”;
- (ii) for “their” substitute “his”;
- (b) in subsection (2)—
  - (i) in the opening words—
    - (aa) for “auditors” substitute “auditor”;
    - (bb) for “their” substitute “his”;
    - (cc) for “them” substitute “him”;
  - (ii) in the closing words—
    - (aa) for “auditors are” substitute “auditor is”;
    - (bb) for “they” substitute “he”;
    - (cc) for “their” substitute “his”;
- (c) in subsection (3)—
  - (i) for “auditors fail” substitute “auditor fails”;
  - (ii) for “their” substitute “his”, in each place where it occurs;
  - (iii) for “they” substitute “he”;
- (d) in subsection (4A)—
  - (i) in the opening words, for “auditors shall, in their” substitute “auditor shall, in his”;
  - (ii) in paragraphs (a) and (b), for “their opinion” substitute “his opinion” in each place where it occurs;
- (e) in subsection (5A), for “auditors shall, in their” substitute “auditor shall, in his”;
- (f) in subsection (5B)—
  - (i) for “auditors shall, in their” substitute “auditor shall, in his”;
  - (ii) for “auditors’ opinion” substitute “auditor’s opinion”;
- (g) in subsection (5C), for “auditors shall, in their” substitute “auditor shall, in his”;
- (h) in subsection (5D)—
  - (i) for “auditors’ report” substitute “auditor’s report”;
  - (ii) in paragraph (b), for “auditors wish” substitute “auditor wishes”;
- (i) in the heading, for “Auditors’ report” substitute “Auditor’s report”.
- 3. In section 75 (auditors’ rights to information and to attend meetings)—**
  - (a) in subsection (1)—
    - (i) in the opening words, for “auditors of a friendly society are” substitute “auditor of a friendly society is”;
    - (ii) in paragraph (b), for the words from “as they” to the end substitute “as he thinks necessary for the performance of his duties as auditor”;
    - (iii) in paragraph (d), for “them as auditors” substitute “him as auditor”;
    - (iv) in the closing words, for “auditors of a registered branch have” substitute “auditor of a registered branch has”;
  - (b) in subsection (3)—
    - (i) in the opening words, for “auditors” substitute “auditor”;
    - (ii) in paragraph (a), for “auditors require, or are entitled to require, as auditors” substitute “auditor requires, or is entitled to require, as auditor”;

- (c) in subsection (4)—
    - (i) in the opening words, for “auditors” substitute “auditor”;
    - (ii) in paragraph (a), for “auditors require, or are entitled to require, as auditors”, substitute “auditor requires, or is entitled to require, as auditor”;
  - (d) in subsection (6), in the closing words—
    - (i) for “the auditors” substitute “the auditor”, in both places where it occurs;
    - (ii) for “those auditors” substitute “that auditor”;
    - (iii) for “their duties as auditors” substitute “his duties as auditor”;
  - (e) in subsection (8)—
    - (i) for “its auditors” substitute “its auditor”;
    - (ii) for “they” substitute “he”;
    - (iii) for “their duties of auditors” substitute “his duties as auditor”;
  - (f) in the heading, for “Auditors’ rights” substitute “Auditor’s rights”.
4. In section 78 (laying and furnishing of accounts and reports)(**13**), in subsections (1)(a), (2)(a), (3)(a) and (4)(a), for “auditors’ report” substitute “auditor’s report”, in each place where it occurs.
5. In Schedule 14 (auditors: appointment etc)—
- (a) in paragraph 1(1)—
    - (i) for “first auditors” substitute “first auditor”;
    - (ii) for “and auditors” substitute “and an auditor”;
  - (b) in paragraph 3(1), for “auditors are” substitute “auditor is”;
  - (c) in paragraph 16, in sub-paragraphs (1) and (2), for “auditors” substitute “auditor”, in both places where it occurs.

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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

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(13) Section 78, subsections (1) and (2), were substituted by [S.I. 2001/2167](#).

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.

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)).