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## EXPLANATORY NOTE

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

This Order amends the Building Societies Act 1986 (“the 1986 Act”) to implement, in relation to building 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 97 of the 1986 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 72L into the 1986 Act, requiring building 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 1986 Act on the disclosure of auditor remuneration.

Article 5 substitutes new sections 78A to 78D for section 78A of the 1986 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 11 to the 1986 Act. New paragraph 6A 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 8A to 8C require the auditor and the building society to notify the appropriate audit authority where an auditor ceases to hold office.

Schedule 2 changes various references to “auditors” in the 1986 Act from plural to singular. This ensures consistency with the earlier provisions of the Order and with the [Companies Act 2006 \(c.46\)](#), in particular with Part 42 of that Act, which applies to building societies.

Articles 3 to 5, 6(2) and 7 of the Order, and the Schedules, are made under section 104(5) of the 1986 Act (power to amend, etc to assimilate to company law). Articles 6(1) and 8 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 1986 Act.

A full transposition note showing how the main provisions of the Audit and Accounts Directives (as they apply to building 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.

**Changes to legislation:** *There are outstanding changes not yet made by the [legislation.gov.uk](https://www.legislation.gov.uk) editorial team to The Building Societies Act 1986 (Accounts, Audit and EEA State Amendments) Order 2008. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details) [View outstanding changes](#)*

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

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**Changes and effects yet to be applied to the whole Instrument associated Parts and Chapters:**

- Order power to modify conferred by [2023 c. 29 s. 3 Sch. 1 Pt. 2](#)
- Order revoked by [2023 c. 29 Sch. 1 Pt. 2](#)