

Developments in Corporate Governance Affecting the Responsibilities of Auditors of UK Companies

2009

December

2009/4

This Bulletin provides guidance relating to:

- the Listing Rule requirement for the auditor to review the directors' going concern statement;
- the requirements, affecting the auditor, of the Disclosure Rules and Transparency Rules and the Companies Act 2006, with respect to Corporate Governance Statements; and
- reporting on standard listed companies under the new Listing Regime.

The Auditing Practices
Board

THE AUDITING PRACTICES BOARD LIMITED

The Auditing Practices Board (APB), which is part of the Financial Reporting Council (FRC), prepares for use within the United Kingdom and the Republic of Ireland:

- Standards and guidance for auditing;
- Standards and guidance for reviews of interim financial information performed by the auditor of the entity;
- Standards and guidance for the work of a reporting accountant in connection with an investment circular; and
- Standards and guidance for auditor's and reporting accountant's integrity, objectivity and independence

with the objective of enhancing public confidence in the audit process and the quality and relevance of audit services in the public interest.

The APB comprises individuals who are not eligible for appointment as company auditors, as well as those who are so eligible. Those who are eligible for appointment as company auditors may not exceed 40% of the APB by number.

Neither the APB nor the FRC accepts any liability to any party for any loss, damage or costs howsoever arising, whether directly or indirectly, whether in contract, tort or otherwise from any action or decision taken (or not taken) as a result of any person relying on or otherwise using this document or arising from any omission from it.

The purpose of Bulletins issued by the APB is to provide auditors and, where relevant, reporting accountants with timely guidance on new and emerging issues. They are persuasive rather than prescriptive. However, they are indicative of good practice, even though they may be developed without the full process of consultation and exposure used for auditing standards.

For accounting periods ending on or after 31 December 2009, the guidance in paragraphs 2 to 12 of this Bulletin supersedes the guidance in paragraphs 68 to 72 of Bulletin 2006/5.

THE AUDITING PRACTICES BOARD

DEVELOPMENTS IN CORPORATE GOVERNANCE AFFECTING THE RESPONSIBILITIES OF AUDITORS OF UK COMPANIES

Contents	Paragraphs
Introduction	1
Directors' statement on going concern required by the Listing Rules	2 – 12
The Corporate Governance Statement required by the "Disclosure Rules and Transparency Rules"	13 – 34
Changes to the structure of the Listing Regime effective October 2009	35 – 40
<i>Appendices</i>	
1. <i>Illustrative auditor's report from Bulletin 2009/2 showing the additional wording that is required when a Separate Corporate Governance Statement is issued by the company either in its annual report or in a separate document</i>	
2. <i>Illustrative auditor's report from Bulletin 2009/2 showing the changes necessary for it to apply to a standard listed company</i>	

INTRODUCTION

1. This Bulletin:
 - (a) updates and supersedes the guidance in paragraphs 68 to 72 of Bulletin 2006/5¹ issued by the Auditing Practices Board (APB) relating to the requirement in the Listing Rules for the auditor to review the directors' going concern statement. The need for the update arises from the issuance by the Financial Reporting Council of "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" (FRC Guidance) which supersedes the guidance for directors to which the relevant guidance for auditors in Bulletin 2006/5 relates. The updated guidance for auditors is set out in paragraphs 2 to 12 of this Bulletin;
 - (b) provides guidance for the auditor with respect to its responsibilities under the Companies Act 2006 (CA 2006) regarding Corporate Governance Statements that the Disclosure Rules and Transparency Rules of the Financial Services Authority (FSA) require certain companies to make. This guidance is set out in paragraphs 13 to 34 and Appendix 1 of this Bulletin; and
 - (c) provides an illustration of how the example auditor's reports in Bulletin 2009/2 are amended to apply to "standard listed companies"² that are incorporated in the UK. The Listing Regime was changed with effect from 6 October 2009 to permit UK companies a choice of being either a "standard listed company" or a "premium listed company". Previously, all UK listed companies were subject to the regime that will apply to "premium listed companies". Guidance is set out in paragraphs 35 to 40 and Appendix 2 of this Bulletin.

DIRECTORS' STATEMENT ON GOING CONCERN REQUIRED BY THE LISTING RULES

Auditor's review of compliance

2. The Listing Rules require the directors of certain listed companies³ to include in the annual financial report a statement that:

1 APB Bulletin 2006/5, "The Combined Code on Corporate Governance: Requirements of Auditors under the Listing Rules of the Financial Services Authority and the Irish Stock Exchange" published in September 2006.

2 From 6 October 2009 to 6 April 2010, such companies will be described as "secondary listed companies". The change of name to "standard listed company" will be effective from 6 April 2010.

3 FSA LR 9.8.6R (3); ISE LR 6.8.3 (3). These Listing Rules apply to companies that have a primary listing of equity shares, preference shares or securities convertible into equity shares. The FSA's Listing Rule applies to such companies incorporated in the United Kingdom and the ISE's Listing Rule applies to such companies incorporated in the Republic of Ireland. From 6 April 2010, a primary listing will be described as a premium listing.

“the business is a going concern, together with supporting assumptions or qualification as necessary, that has been prepared in accordance with Going Concern and Liquidity Risk: Guidance for directors of UK companies 2009, published by the Financial Reporting Council in October 2009”.

3. The FRC Guidance provides a framework to assist directors in determining whether it is appropriate to adopt the going concern basis for preparing financial statements and in making balanced, proportionate and understandable disclosures. It encourages directors to focus on the three principles set out in the FRC Guidance and to apply them in a manner proportionate to the nature of their businesses.
4. The Listing Rules⁴ also require a listed company to ensure that the auditor reviews the directors’ going concern statement prior to the publication of the annual financial report. The auditor’s review responsibility with respect to the directors’ going concern statement includes:
 - (a) reviewing the documentation prepared by or for the directors which explains the basis of the directors’ conclusion with respect to going concern. If the going concern assessment has been prepared for the directors, the FRC Guidance recommends that the directors review and approve the documented assessment at the Board meeting at which the Board approves the financial statements;

Principle 1 of the FRC Guidance

Assessing Going Concern

Directors should make and document a rigorous assessment of whether the company is a going concern when preparing annual and half-yearly financial statements. The process carried out by the directors should be proportionate in nature and depth depending upon the size, level of financial risk and complexity of the company and its operations.

- (b) evaluating the consistency of the directors’ going concern statement with the auditor’s knowledge obtained in the course of the audit of the financial statements. This knowledge will primarily have been obtained in meeting the requirements of International Standard on Auditing (ISA) (UK and Ireland) 570 “Going Concern”; and

4 FSA LR 9.8.10R(1); ISE LR 6.8.6(1).

Principle 2 of the FRC Guidance

The Review Period

Directors should consider all available information about the future when concluding whether the company is a going concern at the date they approve the financial statements. Their review should usually cover a period of at least twelve months from the date of approval of annual and half-yearly financial statements.

- (c) whether the directors' statement meets the disclosure requirements of the FRC Guidance.

Principle 3 of the FRC Guidance

Disclosures

Directors should make balanced, proportionate and clear disclosures about going concern for the financial statements to give a true and fair view. Directors should disclose if the period that they have reviewed is less than twelve months from the date of approval of annual and half-yearly financial statements and explain their justification for limiting their review period.

Consistency with auditor's knowledge obtained in the course of the audit

5. ISA (UK and Ireland) 570 requires the auditor, based on the audit evidence obtained, to determine if, in its judgment, a material uncertainty exists related to events or conditions that alone or in aggregate may cast significant doubt on the company's ability to continue as a going concern⁵. The FRC Guidance requires the directors to make the same assessment.

No material uncertainties

6. If the directors conclude that there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern, the Listing Rules require that a statement be made by the directors that the business is a going concern together with their supporting assumptions as necessary.
7. If the auditor also determines that there are no material uncertainties related to events or conditions that may cast doubt about the ability of the company to continue as a going concern, the auditor will be able to issue an unmodified opinion on the financial statements (i.e. there is no need for a going concern emphasis of matter paragraph).

5 ISA (UK and Ireland) 570 "Going concern" paragraph 30.

8. However if, in the auditor's opinion, the directors' disclosures in their going concern statement are not balanced, proportionate or clear, the auditor considers whether it is necessary to communicate this fact in the auditor's report. If the auditor considers this to be necessary, paragraph 55 of ISA (UK and Ireland) 700 (Revised) requires the auditor to communicate this matter in an "other matter" paragraph in the auditor's report.

Material uncertainties but going concern basis appropriate

9. If the directors conclude that there is a material uncertainty related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern but that the going concern basis remains appropriate, the Listing Rules require that a statement be made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.
10. If the auditor also determines that there is a material uncertainty related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern, but that the going concern basis remains appropriate, the auditor assesses whether adequate disclosure has been made both in the financial statements and in the directors' going concern statement.
11. If adequate disclosure is made in the financial statements, the auditor should express an unqualified opinion on the financial statements but modify the auditor's report by adding an emphasis of matter paragraph. That paragraph highlights the existence of the material uncertainty, relating to the event or condition that may cast significant doubt on the company's ability to continue as a going concern, and draws attention to the note in the financial statements describing the uncertainty.
12. If adequate disclosure is made in the financial statements but in the auditor's opinion the directors' disclosures in their going concern statement are not balanced, proportionate or clear, the auditor considers whether it is necessary to communicate this fact in the auditor's report as described in paragraph 8 above.

**THE CORPORATE GOVERNANCE STATEMENT REQUIRED BY THE
"DISCLOSURE RULES AND TRANSPARENCY RULES"**

13. Directive 2006/46 (the Directive), of the European Parliament and the Council, on Company Reporting requires, among other things, that publicly traded companies⁶ include a Corporate Governance Statement in their annual (directors') report. The requirements of the Directive and the responsibilities of the auditor with respect to Corporate Governance Statements have been implemented in the United Kingdom through:

6 Companies whose securities are admitted to trading on a regulated market within the meaning of Article 4(1), point (14) of Directive 2004/39/EC. This definition includes both standard and premium listed companies (see paragraph 37 of this Bulletin).

- (a) section 7.2 of the Disclosure Rules and Transparency Rules (DTR) of the FSA⁷;
 - (b) section 496 of CA 2006; and
 - (c) Statutory Instrument 2009, No. 1581, “The Companies Act 2006 (Accounts, Reports and Audit) Regulations 2009” (the Regulations).
14. The FSA requirements for the preparation of a Corporate Governance Statement came into force on 29 June 2008 for financial years beginning on or after that date. The amendments to CA 2006 made by the Regulations came into force on 27 June 2009 and are effective for financial years beginning on or after 29 June 2008 which had not ended by 27 June 2009.

Section 7.2 of the Disclosure Rules and Transparency Rules

15. Section 7.2 of the DTR requires disclosure of certain matters in the Corporate Governance Statement⁸ many of which have, for some time, been required (by either company law or the Listing Rules) to be disclosed by UK listed companies in their annual reports (typically in the directors’ report).
16. The requirements regarding the content of the Corporate Governance Statement are set out in the following DTRs.

DTR	Synopsis of requirement and comments
7.2.2R and 7.2.3R	The Corporate Governance Code to which the issuer is subject Requirements satisfied by compliance with LR 9.8.6R (3) (the “comply or explain” rule in the Combined Code) (see DTR 7.2.4G).
7.2.5R	Description of the main features of the issuer’s internal control and risk management systems in relation to the financial reporting process A new requirement (see paragraph 17 below).
7.2.6R	Takeover Directive disclosures about share capital Required by paragraph 13(2)(c), (d), (f), (h) and (i) of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. ⁹ These requirements are not new, having been in force for financial years beginning on or after 20 May 2006.

7 Section 7.2 was inserted by the Disclosure Rules and Transparency Rules Sourcebook (Corporate Governance Rules) Instrument 2008 (FSA 2008/32).

8 The detailed requirements regarding the content of the Corporate Governance Statement are set out in DTRs 7.2.2R to 7.2.8G and 7.2.10R.

9 Statutory Instrument (SI) 2008/410.

DTR	Synopsis of requirement and comments
7.2.7R	<p>Description of the composition and operation of the issuer's administrative, management and supervisory bodies and their committees</p> <p>In the FSA's view, the information specified in provisions A.1.1, A.1.2, A.4.6, B.2.1 and C.3.3 of the Combined Code satisfy this requirement (see DTR 7.2.8G).</p>

17. Although the requirement in 7.2.5R is new, the Government has stated: "We do not believe that these regulations should add to the costs of audit because the test for consistency should not be onerous, and in a number of companies, the audited financial statements may not contain information on internal control and risk management systems".
18. Section 7.2 of the DTR requires those companies to which it applies to include a Corporate Governance Statement, either:
- (a) as a specific section of the directors' report (DTR 7.2.1R); or
 - (b) in a separate report which is either:
 - (i) published together with, and in the same manner as, its annual report (DTR 7.2.9 (1)R); or
 - (ii) by means of a cross reference in its directors' report to where such document is publicly available on the company's website (DTR 7.2.9. (2) R).

Consistency of the Corporate Governance Statement with the financial statements

19. The auditor's responsibility with respect to assessing the consistency of the Corporate Governance Statement with the financial statements will differ dependent on whether the Statement:
- (a) is included in the directors' report or is a separate Statement; and
 - (b) is included in a document containing audited financial statements (if it does so the requirements of ISA (UK and Ireland) 720 Section A are applicable).
20. The following table sets out, with respect to the various possible locations of the Corporate Governance Statement, what the appropriate requirements are and the relevant paragraphs of this Bulletin that provide guidance.

Location of Corporate Governance Statement	CA 2006			ISA (UK & I) 720	Paragraphs in Bulletin
	S 496	S 497A	S 498A		
In directors' report¹⁰	✓	n/a	n/a	✓ Sections A and B	21 – 28
Separate: in a document containing audited financial statements	n/a	✓	✓	✓ Section A	21 – 25 29 – 34
Separate: not in a document containing audited financial statements	n/a	✓	✓	n/a	21 – 24 29 – 32
No statement made by directors	n/a	n/a	✓	n/a	31 – 32

21. Regardless of whether the Corporate Governance Statement is included in the directors' report or is a separate Statement, the auditor is required to form an opinion as to whether the information given in the Statement for the financial year in relation to the requirements of DTR 7.2.5R and 7.2.6R is consistent with the financial statements for that year.
22. An inconsistency arises when information in the Corporate Governance Statement contradicts information contained in the financial statements. If the auditor identifies an inconsistency, the auditor needs to determine whether the audited financial statements or the Corporate Governance Statement need to be revised.
23. Where there are no inconsistencies and the Corporate Governance Statement forms part of the directors' report, no additional words are required to be included in the auditor's report (see paragraphs 26 to 28 below). However, with respect to a Separate Corporate Governance Statement, the auditor is required to report (in the auditor's report on the financial statements) on the consistency of the information relating to DTRs 7.2.5R and 7.2.6R in the Statement with the financial statements (see paragraphs 29 to 30 below and Appendix 1).
24. In either case, if the auditor considers that revision of the audited financial statements is necessary, and the directors refuse to make the revision, the auditor is required to modify

10 Directors may need to take legal advice to determine whether including a reference in a Directors' Report to "incorporating the Corporate Governance Statement by cross reference" is effective in determining that a Corporate Governance Statement is included in the Directors' Report.

its opinion on the financial statements in accordance with the requirements of ISA (UK and Ireland) 700 (Revised) “The auditor’s report on financial statements”.

Apparent material misstatement of fact

25. If the Corporate Governance Statement is included in a document containing audited financial statements, the auditor, in meeting the requirements of ISA (UK and Ireland) 720 (Revised) Section A “Other information in documents containing audited financial statements”, may become aware of apparent material misstatements of fact. A material misstatement of fact in the Statement exists when information in the Statement, which is not related to matters appearing in the audited financial statements, is incorrectly stated or presented. A material misstatement of fact would potentially include an inconsistency between information obtained by the auditor during the audit and information included in the Statement.

Corporate Governance Statement included in the directors’ report

26. Where the Corporate Governance Statement is included in the directors’ report, section 496 of CA 2006 requires:

Section 496 of CA 2006

The auditor must state in his report on the company’s annual accounts whether in his opinion the information given in the directors’ report for the financial year for which the accounts are prepared is consistent with those accounts.

27. Sections A and B of ISA (UK and Ireland) 720 (Revised) set out standards and guidance with respect to the auditor’s statutory reporting responsibility with respect to a Corporate Governance Statement included in a directors’ report.
28. Where the Corporate Governance Statement is included in the directors’ report and the auditor has not identified any inconsistencies, the illustrative unmodified auditor’s reports set out in Appendices 1 to 4 of Bulletin 2009/2 “Auditor’s Reports on Financial Statements in the United Kingdom” do not need amendment. If the auditor does identify an inconsistency, Appendix 10 of Bulletin 2009/2 illustrates the way in which this would be done.

Separate Corporate Governance Statement

29. Where a Separate Corporate Governance Statement is issued, the Regulations insert a new section 497A into CA 2006 which requires:

Section 497A of CA 2006

(1) Where the company prepares a separate corporate governance statement in respect of a financial year the auditor must state in his report on the company's annual accounts for that year whether in his opinion the information given in the statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook issued by the Financial Service Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures) is consistent with those accounts.

30. Where there is a Separate Corporate Governance Statement, the auditor is required, therefore, to consider whether the information included in that statement in respect of DTR Rules 7.2.5 and 7.2.6 is consistent with the financial statements and report as required by section 497A of CA 2006.
31. The Regulations also insert into CA 2006 new section 498A which requires:

Section 498A of CA 2006

Where the company is required to prepare a corporate governance statement in respect of a financial year and no such statement is included in the directors' report:

- (a) the company's auditor, in preparing his report on the company's annual accounts for that year, must ascertain whether a corporate governance statement has been prepared; and
- (b) if it appears to the auditor that no such statement has been prepared, he must state that fact in his report.

32. Section 498A of CA 2006 merely requires the auditor to ascertain whether or not a Corporate Governance Statement has been prepared by the directors. It does not require the auditor to take steps additional to the requirements of sections 496 and 497A of CA 2006. In particular, section 498A of CA 2006 does not require the auditor to evaluate whether a Separate Corporate Governance Statement has been properly prepared by the directors in accordance with the Disclosure Rules and Transparency Rules.
33. However, if the Corporate Governance Statement forms part of a document that includes the audited financial statements, the requirements of ISA (UK and Ireland) 720 (Revised) Section A apply.

Amending the APB's illustrative auditor's reports when a Separate Corporate Governance Statement is issued

34. Where a company issues a Separate Corporate Governance Statement, the illustrative examples of auditor's reports of publicly traded companies and groups in Bulletin 2009/2

will need to be amended. In Appendix 1 to this Bulletin, example 4 from Bulletin 2009/2 is reproduced and marked up to illustrate the necessary changes. The other example auditor's reports in Bulletin 2009/2 relating to publicly traded companies and groups should be similarly amended where a separate corporate governance statement is issued.

CHANGES TO THE STRUCTURE OF THE LISTING REGIME EFFECTIVE OCTOBER 2009

35. In its Consultation Paper CP 09/24 "Listing Regime Review", the Financial Services Authority announced changes to the Listing Regime (and the detailed Listing Rules) which have the objective of providing more clarity about the Regime for market participants.
36. Most of the changes to the regime are effective from 6 April 2010. However, the Listing Rules have been changed with effect from 6 October 2009 to enable UK companies to join the Standard Listing Segment¹¹. Prior to that date, this segment was only available to overseas companies.
37. The principal changes which are effective from 6 April 2010 are:
 - re-structuring the regime into two segments, Premium and Standard – the former denoting the more stringent super-equivalent standards (such as those relating to going concern and Corporate Governance Statements) and the latter, European Union minimum standards;
 - requiring overseas premium listed companies to "comply or explain" against the UK Combined Code;
 - requiring overseas standard listed companies to provide a Corporate Governance Statement which, among other things, describes the main features of their internal control and risk management systems;
38. If a UK company joins the Standard Listing Segment, or migrates to it from the Premium Listing Segment, there are implications for the content of its auditor's report. From 6 October 2009, secondary listed companies¹¹ incorporated in the UK are no longer required to make either the going concern statement required by Listing Rule 9.8.6(R) (3) or the corporate governance statement required by Listing Rule 9.8.6(R) (6) and, therefore, the auditors of such companies are no longer required to review such statements.

11 The Listing Rules have been changed with effect from 6 October 2009 to enable UK companies to be secondary listed companies. With effect from 6 April 2010, the category "secondary listed company" will be known as "standard listed company".

39. Appendix 2 of this Bulletin sets out how the section of the auditor's report relating to "Matters on which we are required to report by exception", as illustrated in the example illustrative auditor's reports in Bulletin 2009/2, is amended.
40. As the APB does not provide guidance for auditors of overseas listed companies, this Bulletin does not address the wording of auditor's reports for such companies.

APPENDIX 1

**ILLUSTRATIVE AUDITOR'S REPORT FROM BULLETIN 2009/2
SHOWING THE ADDITIONAL WORDING THAT IS REQUIRED WHEN A
SEPARATE CORPORATE GOVERNANCE STATEMENT IS ISSUED BY
THE COMPANY EITHER IN ITS ANNUAL REPORT OR IN A SEPARATE
DOCUMENT¹²**

- *Illustration based on Example 4 of Appendix 1 of Bulletin 2009/2*

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XYZ PLC

We have audited the financial statements of (name of entity) for the year ended ... which comprise [specify the titles of the primary statements such as the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statement of Changes in Equity] and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement [set out [on page ...]], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's [(APB's)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

Either:

A description of the scope of an audit of financial statements is [provided on the APB's website at www.frc.org.uk/apb/scope/UKP] / [set out [on page ...] of the Annual Report].

¹² The additional wording shown in this illustration is not required in an unmodified auditor's report where the Corporate Governance Statement is included in the Directors' Report.

Or:

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at ... and of its profit [loss] for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

[Separate opinion in relation to IFRSs as issued by the IASB

As explained in note [x] to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the financial statements comply with IFRSs as issued by the IASB.]

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; ~~and~~
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; ~~and~~
- ~~the information given in the Corporate Governance Statement set out [on pages] [in describe document] [at include web-address¹³] with respect to internal control and~~

13 Care should be taken to ensure that the web address is to the page on the website where the Corporate Governance Statement is located. As a website may be difficult to navigate it would be unhelpful if the web address is one, (for example that of the home page of the website), that does not lead directly to the Corporate Governance Statement.

risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements¹².

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; **or**
- **a Corporate Governance Statement has not been prepared by the company¹².**

Under the Listing Rules, we are required to review:

- the directors' statement, [set out [on page...]], in relation to going concern; and
- the part of the Corporate Governance Statement [on pages] [in *describe* document] [at *include web* address] relating to the company's compliance with the nine provisions of the [2006] [June 2008] Combined Code specified for our review.

[Signature]

John Smith (Senior Statutory Auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

ILLUSTRATIVE AUDITOR'S REPORT FROM BULLETIN 2009/2 SHOWING THE CHANGES NECESSARY FOR IT TO APPLY TO A STANDARD LISTED COMPANY¹⁴

- *Illustration based on Example 4 of Appendix 1 of Bulletin 2009/2*

...

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; ~~and~~
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; ~~and~~
- ~~[the information given in the Corporate Governance Statement set out [on pages] [in describe document] [at include web-address¹³] with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements¹²].~~

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit [; or
- a Corporate Governance Statement has not been prepared by the company¹²].

~~Under the Listing Rules we are required to review:~~

- ~~the directors' statement, [set out [on page...]], in relation to going concern; and~~

¹⁴ The UK Listing Regime changed with effect from 6 October 2009 to permit UK companies to be "secondary listed companies". With effect from 6 April 2010 such companies will be described under the Listing Rules as "standard listed companies".

- ~~the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the [2006] [June 2008] Combined Code specified for our review.~~¹⁵

[Signature]

John Smith (Senior Statutory Auditor)

for and on behalf of ABC LLP, Statutory Auditor

Address

Date

15 The struck out words will continue to be included in the auditor's reports of UK "premium listed companies" (such companies are described as "primary listed companies" until 6 April 2010).

NOTICE TO READERS

© The Auditing Practices Board

This document has been obtained from the website of the Financial Reporting Council (FRC) and its subsidiary Boards, which includes the Auditing Practices Board (APB). Use of the website is subject to the WEBSITE TERMS OF USE, which may be viewed in a separate section of the website. Readers should be aware that although the FRC and its subsidiary Boards seek to ensure the accuracy of information on the website, no guarantee or warranty is given or implied that such information is free from error or suitable for any given purpose: the published hard copy alone constitutes the definitive text.

The APB is part of the Financial Reporting Council Limited a company limited by guarantee.
Registered in England number 2486368. Registered Office: 5th Floor, Aldwych House,
71-91 Aldwych, London WC2B 4HN



CODE: UP/APBD-BI9238

Further copies, £6.50, post-free, can be obtained from:

***FRC Publications
145 London Road
Kingston upon Thames
Surrey
KT2 6SR***

Telephone: 020 8247 1264

Fax: 020 8247 1124

E-mail: customerservices@cch.co.uk

or ordered online at: www.frcpublications.com