Financial Reporting Council

March 2020

BULLETIN:

Auditor's Reports On Revised Accounts And Reports In The United Kingdom

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BULLETIN: AUDITOR'S REPORTS ON REVISED ACCOUNTS AND REPORTS IN THE UNITED KINGDOM

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Introduction

Voluntary revision of accounts or reports

1. Section 454 of the Companies Act 2006 (CA 2006) grants company directors the authority to revise annual accounts, directors' remuneration reports, directors' reports or strategic reports which do not comply with CA 2006 (or, where applicable, Article 4 of the IAS Regulation).

2. Section 454(3) of CA 2006 enables the Secretary of State to make provision by regulations as to the application of the provisions of CA 2006 in relation to:

    a. revised annual accounts;
    b. revised directors' remuneration reports and remuneration policy;
    c. revised directors' reports; and
    d. revised strategic reports.

3. Section 454(4) of CA 2006 states that, the regulations may in particular "make provision with respect to the functions of the company's auditor in relation to the revised accounts or report". The regulations referred to in section 454 of CA 2006 are set out in the "Companies (Revision of Defective Accounts and Reports) Regulations 2008" (the SI 2008/373 Regulations).

Application to court in respect of defective accounts or reports

4. Sections 455 and 456 of CA 2006 give the Secretary of State, or a person authorised by him, power to apply to the court for a declaration that the annual accounts, strategic report or directors report of a company do not comply with the requirements of CA 2006 (or, where applicable, Article 4 of the IAS Regulation) and for an order requiring the directors to prepare revised accounts or a revised report.

5. If the court orders the preparation of revised accounts, it may give directions as to:

    a. the auditing of the accounts;
    b. the revision of any directors' remuneration report, directors' report or summary financial statement;
    c. the taking of steps by the directors to bring the making of the order to the notice of persons likely to rely on the previous accounts; and
    d. such other matters as the court thinks fit.

6. Similarly, if the court orders the preparation of a revised directors' report it may give directions as to:

    a. the review of the report by the auditors;
    b. the revision of any summary financial statement;
    c. the taking of steps by the directors to bring the making of the order to the notice of persons likely to rely on the previous report; and
    d. such other matters as the court thinks fit.

Avenues available to an auditor on becoming aware that accounts or reports are defective

7. If the auditor becomes aware of a fact relevant to the audited accounts or reports, of which it was unaware at the date of the auditor's report, which indicates that the annual accounts or reports were defective there are no statutory provisions that require the accounts, or the report, to be revised.

8. Therefore, in such circumstances, the auditor discusses with those charged with governance whether they wish to withdraw the accounts or the report and revise them voluntarily in accordance with the provisions of section 454 of CA 2006. If those charged with governance decide not to do so the auditor may wish to take legal advice. Possible courses of action include the making of a statement by those charged with governance, or the auditor, at the annual general meeting.

Limitation as to extent of revisions permitted by law

9. When accounts are revised care needs to be taken that the extent of the revisions does not exceed those permitted by CA 2006. In particular section 454 (2) of CA 2006 requires that "the revisions must be confined to:

    a. the correction of those respects in which the previous accounts or report did not comply with the requirements of this Act (or, where applicable, of Article 4 of the IAS Regulation), and
    b. the making of any necessary consequential alterations".

Applicable requirements and guidance of ISAs (UK)

10. With respect to revised annual accounts ISA (UK) 560 "Subsequent Events" at paragraph 16 requires that "The new auditor's report should include an emphasis of matter paragraph referring to a note to the financial statements that more extensively discusses the reason for the revision of the previously issued financial statements and to the earlier report issued by the auditor".

Revision by replacement or by supplementary note

11. Under the SI 2008/373 Regulations annual accounts, directors' reports, strategic reports, directors' remuneration reports and director's remuneration policies may be revised either:

    a. by replacement; or
    b. by the issue of a supplementary note.

12. Revision by replacement means revision by the preparation of a replacement set of accounts or reports, in substitution for the original, defective, accounts or reports. Revision by supplementary note means revision by the preparation of a note indicating corrections to be made to the original defective accounts or reports.

13. The SI 2008/373 Regulations do not mandate one approach over the other and, therefore, the directors may use whichever approach appears more appropriate to the circumstances. In both instances, the accounts or report are to be prepared as if prepared and approved by the directors as at the date of the original annual accounts or report.

Dating the auditor's revised report

14. The auditor's report on the revised annual accounts (or report) is dated the day it is signed. From that date it becomes the date of the auditor's report in place of the auditor's report on the original audited accounts (or report). However, this does not imply that the auditor has undertaken a subsequent event review between that date and the previous date.

Auditor's procedures when reporting on revised accounts, directors' reports, strategic reports, directors' remuneration reports and director's remuneration policy

15. The basis of the auditor's opinion on revised annual accounts states: "The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made".

16. Therefore, before issuing a report on revised annual accounts, directors' reports or directors' remuneration reports the auditor:

    a. through discussion with those charged with governance, determines the reasons for the revision and forms a view from available evidence as to whether the reasons are legitimate;
    b. reviews those working papers relating to the audit of the original accounts or report that will enable the auditor to ascertain whether the issue giving rise to the revision had been considered during the audit and if so, how they were resolved. The purpose of this review is to enable the auditor to properly assess the context in which the revision is being made;
    c. considers the integrity of management and those charged with governance. In particular, the auditor re-assesses earlier representations made by management and those charged with governance;
    d. obtains sufficient appropriate audit evidence to support the changes being made to the original accounts or report; and
    e. considers whether the auditor has become aware of events that have occurred since it signed the original auditor's report which are of such significance that the auditor may be unwilling to sign a report on the revised accounts or report.

Requirements of the SI 2008/373 Regulations that establish requirements with respect to auditor's reports

17. The following paragraphs provide a summary of certain of the requirements of the SI 2008/373 Regulations insofar as they establish requirements with respect to the various auditor's reports set out in the appendix to this document. Appendix 1 provides a summary of those requirements of the SI 2008/373 Regulations that establish requirements with respect to various statements that the directors are required to make with respect to revised accounts and reports. This Bulletin is not intended to be an authoritative guide to all of the requirements of CA 2006 and the SI 2008/373 Regulations with respect to revising annual accounts and reports. For complete and authoritative guidance, reference should always be made to CA 2006 and the SI 2008/373 Regulations themselves.

Revised annual accounts

18. A company's current auditor is required to make a report to the company's members on any revised annual accounts prepared under section 454 of CA 2006. However, where the auditor's report on the original defective accounts was not made by the company's current auditor, the directors of the company may resolve that the report is to be made by the auditor that made the original report provided that, that auditor agrees to do so and remains qualified for appointment as auditor of the company.

19. Where the company requests the current auditor to report to the company's members on revised annual accounts, on which the current auditor has not previously reported, the responsibility of the current auditor is to express its opinion on the revised accounts as a whole. Consequently, it informs the company of the need for it to both:

a. audit the proposed revisions; and
b. obtain sufficient appropriate audit evidence as to the truth and fairness of the annual accounts in question.

20. An auditor's report on revised annual accounts is required to state whether in the auditor's opinion the revised annual accounts have been properly prepared in accordance with the requirements of CA 2006 and, where applicable, Article 4 of the IAS Regulation, as they have effect under the Regulations. In particular the auditor is required to state whether a true and fair view, seen as at the date the original defective annual accounts were approved, is given by the revised annual accounts with respect to the matters set out in section 495(3)(a) to (c) of CA 2006.

21. The report is also required to state whether in the auditor's opinion the original defective annual accounts failed to comply with the requirements of CA 2006 and, where applicable, Article 4 of the IAS Regulation in the respects identified by the directors:

a. (in the case of revision by replacement) in the statement required by Regulation 4(2)(a)(iv);
b. or (in the case of revision by supplementary note) in the supplementary note.

22. The auditor is also required to state whether the information contained in the directors' report for the financial year for which the annual accounts are prepared (or the revised report if the directors' report has been revised under the Regulations) is consistent with those financial statements.

23. Sections 503 (signature of auditor's report) and 505 (names to be stated in published copies of auditor's reports) of CA 2006 apply to an auditor's report made under the SI 2008/373 Regulations as they apply to an auditor's report under section 495(1) of CA 2006, with any necessary modifications.

24. Appendix 2 is an illustrative example of an auditor's report on annual accounts that have been revised by replacement showing changes from a standard auditor's report as shaded text. Appendix 3 is an illustrative example of an auditor's report on annual accounts that have been revised by supplementary note.

Auditor's report where company ceases to be exempt from audit

25. Where, as a result of revisions to the accounts, the company is no longer entitled to exemption from audit, Regulation 8 of the SI 2008/373 Regulations requires the company to cause an auditor's report on the revised accounts to be prepared. The auditor's report is required to be delivered to the Registrar within 28 days after the date of revision of the accounts.

Revised reports

26. A company's current auditor is required to make a report (or further report) to the company's members on <u>any</u> revised directors' report or directors' remuneration report prepared under section 454 of CA 2006 if the relevant annual financial statements have not been revised at the same time. However, where the auditor's report on the annual accounts for the financial year covered by the revised report was not made by the company's current auditor, the directors of the company may resolve that the report is to be made by the auditor that made the original report provided that auditor remains qualified for appointment as auditor of the company.

27. Where the company requests the current auditor to report to the company's members on a revised directors' remuneration report on which the current auditor has not previously reported, the responsibility of the current auditor is to express its opinion on the whole of the auditable part of the directors' remuneration report. Consequently, it informs the company of the need for it to both:

    a. audit the proposed revisions; and
    b. obtain sufficient appropriate audit evidence as to the proper preparation of the Directors Remuneration Report.

28. Where a revised directors' report is prepared, the auditor's report is required to state whether in the auditor's opinion the information given in that revised report is consistent with the annual financial statements for the relevant year.

29. Where a revised directors' remuneration report is prepared, the auditor's report is required to state whether in the auditor's opinion any auditable part of that revised report has been properly prepared.

30. Appendix 4 is an illustrative example of an auditor's report on a directors' report revised by replacement. Appendix 5 is an illustrative auditor's report on a directors' remuneration report revised by replacement.

Strategic report with supplementary material

31. Section 426 of CA 2006 allows for a company, subject to certain conditions, to circulate to those entitled under section 423 to receive a copy of its annual accounts and reports, its strategic report together with supplementary material detailed in Section 426A as an alternative to the annual accounts and reports.

32. The supplementary material must:

    a. contain a statement that the strategic report is only part of the company's annual accounts and reports;
    b. state how a person entitled to them can obtain a full copy of the company's annual accounts and reports;
    c. state whether the auditor's report on the annual accounts was unqualified or qualified and, if it was qualified, set out the report in full together with any further material needed to understand the qualification;
    d. state whether, in that report, the auditor's statement under section 496 (whether strategic report and directors' report consistent with the accounts) was unqualified or qualified and, if it was qualified, set out the qualified statement in full together with any further material needed to understand the qualification;
    e. in the case of a quoted company, or of a traded company (as defined by section 360C) that is not a quoted company, contain a copy of that part of the directors' remuneration report which sets out the single total figure table in respect of the company's directors' remuneration in accordance with the requirements of Schedule 8 to the Large and Medium-sized Companies (Accounts and Reports) Regulations 2008.

33. The SI 2008/373 Regulations do not contain specific provision for the revision of a strategic report provided with supplementary material in accordance with Section 426. However, Section 454 can be interpreted widely enough to allow for this revision, and in doing so, auditors should follow the guidance and sample reports that deal with the revision of a strategic report above. Within this report the auditor should also ensure that the supplementary material appropriately reflects any revision made to the strategic report if necessary.

Summary of requirements of the Companies (Revision of Defective Accounts and Reports) Regulations 2008 (the SI 2008/373 Regulations)

1. This Appendix summarises certain of the requirements of the SI 2008/373 Regulations. Neither this Appendix nor the Bulletin is intended to be an authoritative guide to all of the requirements of CA 2006 and the SI 2008/373 Regulations with respect to revising annual accounts and reports. For complete and authoritative guidance reference should always be made to CA 2006 and the SI 2008/373 Regulations themselves.

Directors' statement relating to revised annual accounts: revision by replacement

2. The directors must include a statement concerning the revision in a prominent position in the revised financial statements. In the case of a revision by replacement, Regulation 4(2)(a) requires this to state:

    a. "that the revised accounts replace the original annual accounts for the financial year (specifying it);
    b. that they are now the statutory accounts of the company for that financial year;
    c. that they have been prepared as at the date of the original annual accounts and not as at the date of revision and accordingly do not deal with events between those dates;
    d. the respects in which the original annual accounts did not comply with the requirements of CA 2006; and
    e. any significant amendments made consequential upon the remedying of those defects."

Directors' statement relating to revised annual accounts: revision by supplementary note

3. When revision is affected by supplementary note, the note itself should provide adequate information concerning the defect in the original financial statements and any consequential amendments, and is required by Regulation 4(2)(b) to include a statement:

    a. "that the note revises in certain respects the original annual accounts of the company and is to be treated as forming part of those accounts; and
    b. that the annual accounts have been revised as at the date of the original annual accounts and not as at the date of revision and accordingly do not deal with events between those dates."

Directors' statement relating to a revised directors' report, a revised directors' remuneration report or a revised directors remuneration policy: revision by replacement

4. Where a directors' report or a directors' remuneration report is to be revised by replacement the directors are required, before approving the revised report, to cause statements as to the following matters to be made in a prominent position in the revised directors' report [or directors' remuneration report]:

a. that the revised directors' report [or directors' remuneration report} replaces the original directors' report [or directors' remuneration report] for the financial year (specifying it);
b. that it has been prepared as at the date of the original directors' report [or directors' remuneration report] and not as at the date of revision and accordingly does not deal with any events between those dates;
c. the respects in which the original directors' report [or directors' remuneration report] did not comply with CA 2006; and
d. any significant amendments made consequential upon the remedying of those defects.

5. Section 422A allows for a company to revise its director's remuneration policy. It also states that Section 454 applies to revisions of the policy as it does to revisions of the director's remuneration report as a whole. As such, any guidance and example reports contained within the appendices which apply to the revision of a director's remuneration report are equally applicable to the revision of a director's remuneration policy.

Directors' statement relating to a revised directors' report, a revised directors' remuneration report or a revised directors remuneration policy: revision by supplementary note

6. Where a directors' report or a directors' remuneration report is to be revised by supplementary note the directors are required, before approving the supplementary note, to cause statements as to the following matters to be made in a prominent position in the supplementary note:

a. that the note revises in certain respects the original directors' report [or directors' remuneration report] and is to be treated as forming part of that report; and
b. that the directors' report [or directors' remuneration report] has been revised as at the date of the original report and not as at the date of the revision and accordingly does not deal with events between those dates.

Companies that are exempt from audit

7. Where a company is exempt from audit:

a. by virtue of section 477(1) (small companies: conditions for exemption from audit) or
b. by virtue of section 480 (dormant companies: conditions for exemption from audit),of CA 2006 the Regulations have effect as if any reference to an auditor's report, or the making of such a report were omitted. In other words, the audit exemptions apply to the revised accounts and reports.

Modifications of Companies Act 2006

8. Where the requirements of CA 2006 regarding the matters to be included in the annual accounts of a company, a directors' report, a strategic report, a directors' remuneration report or a strategic report presented with supplementary material have been amended after the date of the original defective accounts, report or statement references in the Regulations to the requirements of CA 2006 shall be construed as references to the provisions of CA 2006 as in force as at the date of the original defective accounts, report or statement.

Illustrative auditors report on revised annual accounts when the revision is by replacement

Independent auditor’s report to the members of [XYZ Limited]

Opinion

We have audited the revised financial statements of [XYZ Limited] (the ‘company’) for the year ended [*date*] which comprise [*specify the titles of the primary statements*] and notes to the revised financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice). These revised financial statements replace the original financial statements approved by the directors on…

The revised financial statements have been prepared in accordance with The Companies (Revision of Defective Accounts and Reports) Regulations 2008 and as such do not consider events which have taken place after the date on which the original financial statements were approved.

In our opinion, the revised financial statements:

- give a true and fair view of the state of the company’s affairs as at [date] and of its [profit/loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the revised financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the revised financial statements in the UK, including the FRC’s Ethical Standard[, and the provisions available for small entities, in the circumstances set out in note [X]to the revised financial statements], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director’s assessment of the entity’s ability to continue to adopt the going concern basis of accounting included *[Explanation of how the auditor’s evaluated management’s assessment and the key observations arising with respect to that evaluation*].

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the [entity]'s ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Emphasis of matter – Revision of…

We draw attention to note [X] of the revised financial statements, which describes *[brief summary of the matter*]. Our opinion is not modified in this respect.

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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 directors’ report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors’ report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies’ exemptions in preparing the directors’ report and from the requirement to prepare a strategic report.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

[*Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.]*

A further description of our responsibilities is available on the Financial Reporting Council's website at: [website link] This description forms part of our auditor's report.

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[Date]

Illustrative auditors report on revised annual accounts when the revision is by supplementary note

Independent auditor's report to the members of [XYZ Limited]

Opinion

We have audited the revised financial statements of [XYZ Limited] (the 'company') for the year ended [*date*] which comprise [*specify the titles of the primary statements*] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).These financial statements replace the original financial statements approved by the directors on………and consist of the attached supplementary note together with the original financial statements circulated to members on…..The revised financial statements have been prepared in accordance with The Companies (Revision of Defective Accounts and Reports) Regulations 2008 and as such do not consider events which have taken place after the date on which the original financial statements were approved.

In our opinion, the revised financial statements:

- give a true and fair view of the state of the company's affairs as at [date] and of its [profit/loss] for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard[, and the provisions available for small entities, in the circumstances set out in note [X] to the financial statements], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included *[Explanation of how the auditor's evaluated management's assessment and the key observations arising with respect to that evaluation*].

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the [entity]'s ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Emphasis of matter – Revision of…

We draw attention to the supplementary note concerning the need to revise the original financial statements, which *[brief summary of the matter*]. Our opinion is not modified in this respect.

Other Information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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 directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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 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
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as it has effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008, requires us 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 revised financial statements 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
- the directors were not entitled to prepare the revised financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

[Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.]

A further description of our responsibilities is available on the Financial Reporting Council's website at: *[website link]* This description forms part of our auditor's report.

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]

Illustrative auditors report on revised [directors report] [strategic report] [strategic report with supplementary material] when the revision is by replacement or supplementary note

Opinion

We have considered the information given in the revised [directors report] [strategic report] [strategic report with supplementary material] for the year ended……The revised [directors report] [strategic report] [strategic report with supplementary material] replaces the original [directors report] [strategic report] [strategic report with supplementary material] approved on…..[and consists of the supplementary note together with the original report circulated to [members] [shareholders] on…...] The revised [directors report] [strategic report] [strategic report with supplementary material] has been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly does not take account of events which have taken place after the date on which the original [directors report] [strategic report] [strategic report with supplementary material] was approved.

In our opinion the information stated in the revised [directors report] [strategic report] [strategic report with supplementary material] is consistent with the financial statements for the year ended …… which were circulated to the [members] [shareholders] on ….

Basis for opinion

Our opinion is directed solely towards consistency of the [directors report] [strategic report] [strategic report with supplementary material]with the financial statements and not to whether the revised [directors report] [strategic report] [strategic report with supplementary material]complies with the requirements of the Companies Act 2006.

Responsibilities of directors

The directors are responsible for the preparation of the revised [directors report] [strategic report] [strategic report with supplementary material] in accordance with Companies Act 2006 as it has effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008.

Auditor’s responsibilities for revised [directors report] [strategic report] [strategic report with supplementary material]

Our responsibility is to report to you whether the revised [directors report] [strategic report] [strategic report with supplementary material] is consistent with the annual financial statements.

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]

Illustrative auditors report on revised director's remuneration report [directors remuneration policy] when the revision is by replacement or supplementary note

Opinion

We have considered the revised directors' remuneration report [directors remuneration policy] for the year ended…. The revised directors' remuneration report [directors remuneration policy] replaces the original directors' remuneration report [directors remuneration policy] approved by the directors on... [and consists of the attached supplementary note together with the original report which was circulated to [members] [shareholders] on...]. The revised directors' remuneration report [directors remuneration policy] has been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly does not take account of events which have taken place after the date on which the original directors' remuneration report [directors remuneration policy] was approved.

In our opinion the part of the revised directors' remuneration report [directors remuneration policy] to be audited has been properly prepared in accordance with the Companies Act 2006.

Basis for opinion

Our consideration has been directed towards forming an opinion as to whether the part of the revised directors' remuneration report [directors remuneration policy] to be audited has been properly prepared in accordance with the requirements of Part 3 of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Responsibilities of directors

The directors are responsible for the preparation of the revised directors' remuneration report [directors remuneration policy].

Auditor's responsibilities for revised director's remuneration report [directors remuneration policy]

Our responsibility is to report to you whether the part of the revised directors' remuneration report to be audited has been properly prepared.

[*Signature*]

John Smith (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[*Address*]

[*Date*]

Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

+44 (0)20 7492 2300

www.frc.org.uk