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## BULLETIN:

# Illustrative Auditor's Reports On United Kingdom Private Sector Financial Statements

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# BULLETIN: ILLUSTRATIVE AUDITOR'S REPORTS ON UNITED KINGDOM PRIVATE SECTOR FINANCIAL STATEMENTS

Contents	Page (s)
<u><a href="#">Introduction</a></u>	2
<u><a href="#">Opinion</a></u>	2
<u><a href="#">Modifications to the auditor's opinion</a></u>	3
<u><a href="#">Opinion in respect of an additional financial reporting framework</a></u>	4
<u><a href="#">Basis for opinion</a></u>	4
<u><a href="#">Our application of materiality</a></u>	5
<u><a href="#">Conclusions relating to going concern</a></u>	6
<u><a href="#">Emphasis of matter and other matter paragraphs</a></u>	8
<u><a href="#">Other legal and regulatory matters we are required to address</a></u>	8
<u><a href="#">Corporate governance statement</a></u>	9
<u><a href="#">Corporate governance statement included as a separate report</a></u>	11
<u><a href="#">Location of the description of auditor's responsibilities for the audit of the financial statements</a></u>	11
<u><a href="#">Other matters the auditor is required to address</a></u>	13
<u><a href="#">Alternative presentation options for financial statements of a group</a></u>	13
<u><a href="#">References to IFRS as adopted by the European Union post-EU Exit</a></u>	14
<u><a href="#">Appendices 1 – 7B: Illustrative Auditors Reports</a></u>	15 – 43
<u><a href="#">Appendix 8: Auditor's Responsibilities</a></u>	44

## Introduction

1. This compendium of illustrative auditor's reports is applicable to United Kingdom private sector financial statements. The auditor's reports set out in the [Appendices](#) illustrate how the requirements of ISA (UK) 700 (Revised November 2019) and other reporting requirements of the ISAs (UK) could be applied. They also illustrate the requirements of the law and regulations applicable to the particular type of entity to which the illustration applies.
2. The reports included within this compendium are illustrative and other approaches may be adopted provided that the form and content of the auditor's report meets the requirements of ISA (UK) 700 (Revised November 2019), other relevant standards and applicable legal and regulatory requirements. The FRC supports profession-led innovation in auditor reporting which promotes audit quality, transparent and accessible auditor's reports for users of the audited financial statements.
3. The auditor's report is the key deliverable of the audit process for users of the audited financial statements, many of whom are not auditors and who's technical knowledge of the audit standards may be limited. It is therefore important that the auditor's report is written in clear and unambiguous language so that it is understandable for such users.

## Opinion

4. In accordance with ISA (UK) 700 (Revised November 2019), the Opinion section of the auditor's report shall refer to the applicable financial reporting framework used to prepare the financial statements.
5. In the UK, the applicable financial reporting framework is usually one of the following:

International Financial Reporting Standards (IFRSs) as adopted by the European Union	United Kingdom Generally Accepted Accounting Practice (UK GAAP)
International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the national law that is applicable when using IFRSs and, in the case of consolidated financial statements of publicly traded companies, Article 4 of the IAS Regulation (1606/2002/EC).	UK GAAP comprises applicable UK law and includes one of the following UK Accounting Standards as issued by the FRC; FRS 102, FRS 101 (when a qualifying entity has opted to apply) or FRS 105 (when an eligible entity has opted to apply).

6. Section 408 of the Companies Act 2006 allows a company that prepares group accounts to omit the parent company's profit and loss account from the company's financial statements provided that:
  - the parent company's balance sheet shows the parent company's profit or loss for the financial year determined in accordance with the Companies Act 2006; and
  - it is disclosed in the parent company's financial statements that the exemption applies.
7. Where the Section 408 exemption is taken, the opinion wording is amended to address this.

Appendices [2](#) and [5](#) contains examples of this opinion wording.

### *Modifications to the auditor's opinion*

8. In the course of their work, an auditor may:

- conclude that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
- might be unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

9. Where either of these situations arises, the auditor is required to modify their opinion in the auditor's report in accordance with ISA (UK) 705 (Revised June 2016). The table below illustrates the impact on the auditors report where a modification to the auditor's opinion is required:

Scenario	Requirement	ISA (UK) 705 Reference	Relevant Illustrative Report (s)
<p>The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements.</p> <p>OR</p> <p>The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.</p>	<p>The auditor shall express a qualified opinion</p>	<p>Paragraph 7</p>	<p>The Appendix of ISA (UK) 705 (Revised June 2016) contains illustrations of auditor's reports with modifications to the opinion. Whilst these auditor's reports have not been tailored for the UK, they illustrate the requirements of the ISA (UK) where the auditor is required to modify or disclaim their opinion.</p>
<p>The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.</p>	<p>The auditor shall express an adverse opinion</p>	<p>Paragraph 8</p>	
<p>The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.</p> <p>OR</p>	<p>The auditor shall disclaim an opinion</p>	<p>Paragraphs 9 and 10</p>	

<p>in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.</p>			
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10. The auditor also considers the impact of any modified opinion on the financial statements on the auditor's other reporting responsibilities (including those on which they are required to report by exception). For example, if the auditor has been unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement and issues a qualified or disclaimer of opinion arising from that limitation, the auditor considers whether a modified conclusion should be expressed on whether adequate accounting records have been maintained.<sup>1</sup>

### *Opinion in respect of an additional financial reporting framework*

11. The financial statements of some companies may be prepared in accordance with two financial reporting frameworks (for example IFRSs as adopted by the European Union and IFRSs as issued by the IASB).
12. In such circumstances, each framework is considered separately when forming the auditor's opinion on the financial statements and the auditor's opinion refers to both frameworks.
13. These opinions may be expressed separately or in a single sentence.

Appendix 6 illustrates where the opinion in respect of an additional financial reporting framework is expressed separately.

## **Basis for Opinion**

14. In accordance with ISA (UK) 700 (Revised November 2019) a Basis for Opinion section shall directly follow the Opinion section and shall include the following:
- A statement that the audit was conducted in accordance with International Standards on Auditing (UK) and applicable law;
  - A reference to the section of the auditor's report that describes the auditor's responsibilities under the ISAs (UK);

<sup>1</sup> Similarly, paragraph A58-3 of ISA (UK) 700 (Revised June 2016) sets out the circumstances where a modified conclusion in respect of other reporting responsibilities (including those on which they are required to report by exception) leads to a modification of the auditor's opinion on the financial statements.

- Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall identify the jurisdiction of origin of the relevant ethical requirements which in the UK is the FRC's Ethical Standard concerning the integrity, objectivity and independence of the auditor, as well as the ethical pronouncements established by the auditor's relevant professional body; and
- States whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.

## Application of materiality

15. Materiality is a key concept and one which it is important for stakeholders to have a clear understanding of. As such, when key audit matters are communicated in line with ISA (UK) 701 (Revised November 2019), paragraph 16-1 requires that the auditor states the following in respect of materiality and performance materiality:

Item	Requirement	ISA (UK) 701 Reference (s)	Relevant Illustrative Report (s)
Materiality	The threshold used by the auditor as being materiality for the financial statements as a whole and provide an explanation of the significant judgements made by the auditor in determining this threshold	Paragraph 16-1	<a href="#">Appendices 3 – 7B</a>
Performance Materiality	The threshold used by the auditor as being performance materiality for the financial statements as a whole and provide an explanation of the significant judgements made by the auditor in determining this threshold	Paragraph 16-1	<a href="#">Appendices 3 – 7B</a>

16. In meeting the above requirements, the auditor may include, but is not limited to, discussion of the following matters:<sup>2</sup>

- A description of how the concept of materiality was applied in planning and performing the audit;
- The rationale for determining performance materiality;
- Materiality level or levels for those classes of transactions, account balances or disclosures where such materiality levels are lower than materiality for the financial statements as a whole;
- Any significant revisions made to materiality thresholds made during the course of the audit; and
- The threshold used for reporting unadjusted differences to the audit committee.

<sup>2</sup> ISA (UK) 570, Paragraph A59-2

## Conclusions relating to going concern

17. The reporting requirements in respect of going concern are detailed within ISA (UK) 570 (Revised September 2016).

18. ISA (UK) 570 (Revised September 2019) paragraph 17-1 requires that the auditor concludes on:

- If, in the auditors judgement, a material uncertainty relating to going concern exists and;
- The appropriateness of management's use of the going concern basis of accounting.

19. Below is a summary of the requirements contained within ISA (UK) 570 relating to all entities:

Scenario	Impact on auditor's report	ISA (UK) 570 Reference (s)	Relevant Illustrative Report (s)
Financial statements have been prepared on a going concern basis and there is no material uncertainty in relation to going concern	Where the auditor concludes that management's use of the going concern basis of accounting is appropriate in the circumstances and no material uncertainty has been identified, the auditor is required to report on such matters in a section headed " <b>Conclusions relating to Going Concern</b> ".	Paragraph 21-1	Appendices <a href="#">1</a> , <a href="#">2</a> , <a href="#">3</a> , <a href="#">5</a> , <a href="#">6</a> , <a href="#">7A</a> and <a href="#">7B</a>
Financial statements have been prepared on a going concern basis, but a material uncertainty has been identified	Where the auditor concludes that a material uncertainty exists and management has appropriately disclosed that fact in the financial statements, the auditor is required to express an unmodified opinion and include a separate section under the heading " <b>Material Uncertainty Related to Going Concern</b> ".	Paragraph 22	<a href="#">Appendix 4</a>
Financial statements have been prepared on a going concern basis but, in the auditors judgement, the use of the going concern basis of accounts is inappropriate.	The auditor shall express an <b>adverse</b> opinion.	Paragraph 21	N/A

Appropriate disclosure about a material uncertainty relating to going concern is not made in the financial statements.	The auditor shall express a <b>qualified</b> or <b>adverse</b> opinion, as appropriate in accordance with ISA (UK) 705 and in the Basis for Qualified (Adverse) Opinion section of the report state that a material uncertainty exists and that the matter is not appropriately disclosed in the entity's financial statements.	Paragraph 23	N/A
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20. Below is a summary of the requirements contained within ISA (UK) 570 relating to specific entity types:

Scenario	Reporting Requirement	ISA (UK) 570 Reference (s)	Relevant Illustrative Report (s)
Entity is a public interest entity, an other listed entity, an entity that is required, or has chosen voluntarily, to report on how they have applied the UK Corporate Governance Code, or an other entity subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018.	The auditor shall include an explanation of how they evaluated management's assessment of the entity's ability to continue as a going concern and, where relevant, key observations arising with respect to that evaluation.	Paragraph 21-1 (d)	Appendices <a href="#">5</a> , <a href="#">6</a> , <a href="#">7A</a> and <a href="#">7B</a>
Entity applies the UK Corporate Governance Code, voluntarily or otherwise	The auditor reports on whether they have anything material to add or draw attention to in relation to the directors statements in the financial statements about if they consider it appropriate for the entity to adopt the going concern basis of accounting in preparing the financial statements.  The level of detail provided is a matter of professional judgement, but the description should be sufficiently detailed such that users can understand which factors the auditor considered most relevant in their	Paragraph 21-1 (c)  Paragraph 16-1	Appendices <a href="#">6</a> , <a href="#">7A</a> and <a href="#">7B</a>

	assessment, the procedures performed and the outcome of those procedures.		
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## Emphasis of matter and other matter paragraphs

21. ISA (UK) 706 (Revised June 2016) deals with additional communication in the auditor's report when the auditor considers it necessary to:

- Draw users' attention to a matter or matters presented or disclosed in the financial statements that are of such importance that they are fundamental to users' understanding of the financial statements (known as an Emphasis of Matter); or
- Draw users' attention to any matter or matters other than those presented or disclosed in the financial statements that are relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report (known as an Other Matter).

## Other legal and regulatory matters the auditor is required to address

22. In addition to forming an opinion on the financial statements, there are other legal and regulatory matters that the auditor is required to address. These, along with the reporting responsibility of the auditor are described below:

Relevant Section of the Annual Report	Auditor's Reporting Responsibility	Relevant Appendices
Other Information	<p>The auditor's responsibility is to read the other information and, in doing so, consider whether this other information is materially inconsistent with the financial statements or the knowledge obtained in the course of the audit.</p> <p>The opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in the audit report, no assurance conclusion is formed thereon.</p>	<a href="#">Appendices 1 – 7B</a>
Directors & Strategic Reports	<p>For entities which are required to prepare a directors' report and/or a strategic report, the auditor is required to express an opinion on whether the information in the directors report and/or the strategic report is consistent with the financial statements and whether those reports have been prepared in accordance with the applicable legal requirements.</p> <p>The auditor is also required to state whether, in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, the auditor has identified any material misstatements in those reports.</p>	<a href="#">Appendices 1 – 7B</a>

<p>Director's Remuneration Reports</p>	<p>Quoted companies are required to prepare a directors' remuneration report and the auditor has to report on certain aspects of that Report. Companies should describe clearly within the directors' remuneration report which disclosures have been audited.</p> <p>Section 497 of the Companies Act 2006 requires the auditor to report to the company's members on whether the auditable part of the directors' remuneration report has been properly prepared in accordance with the Act.</p> <p>Section 498 of the Companies Act 2006 also requires the auditor to report on whether the auditable part of the directors' remuneration report is not in agreement with the accounting records and returns.</p>	<p>Appendices <a href="#">5.6</a> and <a href="#">7B</a></p>
<p>Other matters on which the auditor is required to report by exception</p>	<p>The auditor is required to report by exception in respect of the following matters in relation to which the Companies Act 2006 requires them to report to if, in their opinion:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>• the financial statements are not in agreement with the accounting records and returns; or</li> <li>• certain disclosures of directors' remuneration specified by law are not made; or</li> <li>• we have not received all the information and explanations we require for our audit; or</li> <li>• 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.</li> </ul>	<p><a href="#">Appendices 1 – 7B</a></p>

## Corporate Governance Statement

23. ISA (UK) 720 (Revised November 2019) paragraphs 22-3 and 22-4 require that, for entities that report on how they have applied the UK corporate governance code, the auditor shall include a separate section headed, "Corporate Governance Statement" under which the

requirements of ISA (UK) 720 should be addressed. This is required even when application of the code is voluntary.

24. Within this section the auditor should include a conclusion on if the following items are materially consistent with the financial statements and the auditor's knowledge obtained during the course of the audit:

- In respect of the Listing Rule requirement for the auditor to review the statement by the directors regarding going concern and longer-term viability:
  - The directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
  - The Board's explanation in the annual report as to how it has assessed the prospects of the entity, over what period it has done so and why it considers that period to be appropriate, and its statement as to whether it has a reasonable expectation that the entity will be able to continue in operation and meets its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions;
- In respect of the Listing Rule requirement for the auditor to review the parts of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for review by the auditor:
  - The statement given by the directors that they consider the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the entity's position, performance, business model and strategy;
  - The Board's confirmation in the annual report that it has carried out a robust assessment of the entity's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
  - The section of the annual report that describes the review of the effectiveness of entity's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls;
  - The section of the annual report that describes the work of the audit committee, including the significant issues that the audit committee considered relating to the financial statements, and how these issues were addressed.

Appendices [6](#), [7A](#) and [7B](#) contain examples of this statement.

25. Where the company is required to prepare a corporate governance statement, Section 498A of the Companies Act 2006 also requires the auditor to report by exception on whether or not the company has prepared such a statement. Appendix [6](#) contains an example of this requirement.

*Corporate governance statement included as a separate report*

26. If the corporate governance statement is not included in the directors' report or included via a cross-reference, the Companies Act 2006 imposes specific reporting responsibilities on the auditor with respect to the corporate governance statement.

27. Section 497A of the Companies Act 2006 requires the auditor to report on the following where the corporate governance statement is included as a separate report:

Section of the auditor's report	Additional Requirement	Relevant Appendices
<b>Opinions on other matters prescribed by the Companies Act 2006</b>	<p>The auditor shall report on, if in their opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>• the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and</li> <li>• information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.</li> </ul>	<a href="#">Appendix 6</a>
<b>Matters on which we are required to report by exception</b>	<p>The auditor shall report on, if, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, the auditor has not identified material misstatements in:</p> <ul style="list-style-type: none"> <li>• the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.</li> </ul>	<a href="#">Appendix 6</a>

**Location of the description of auditor's responsibilities for the audit of the financial statements**

28. A (UK) 700 (Revised November 2019) permits the description of the auditor's responsibilities for the audit of the financial statements to be included either:

- Within the body of the auditor's report;
- Within an appendix to the auditor's report, in which case the auditor's report includes a reference to the location of the appendix; or
- By a specific reference within the auditor's report to the location of such a description on a website of an appropriate authority. This is the approach taken in the appendices to this compendium.

29. Further descriptions of the auditor’s responsibilities are required to be included (either in the auditor’s report, in an appendix or by cross-reference) when they are relevant to the circumstances of the particular audit as follows:

Scenario	Additional Statement Required by the Auditor	Relevant Appendices
Group accounts are prepared or ISA (UK) 600 (Revised November 2019) otherwise applies	<p>The auditor shall include within their responsibilities a statement which explains that it is their responsibility:</p> <ul style="list-style-type: none"> <li>• To obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the[consolidated] financial statements; and</li> <li>• To direct, supervise and monitor the performance of the groups audit; and</li> <li>• That they remain solely responsible for their audit opinion.</li> </ul>	<a href="#">Appendix 8</a>
Key audit matters are communicated in accordance with ISA (UK) 701 (Revised January 2020)	<p>The auditor includes within their responsibilities a statement which explains:</p> <p>From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.</p> <p>That the auditor describes these matters in their auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, they determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.</p>	<a href="#">Appendix 8</a>
Entity is listed <sup>3</sup>	<p>The auditor includes within their responsibilities a statement which explains:</p> <ul style="list-style-type: none"> <li>• That they have provided those charged with governance a statement that they have complied</li> </ul>	<a href="#">Appendix 8</a>

<sup>3</sup> “Listed entity” is defined in paragraph 7(g) of ISA (UK) 220 (Revised June 2016) Quality Control for an Audit of Financial Statements.

	<p>with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on their independence, and where applicable, related safeguards</p> <p>This statement may be included in either the section of the auditor’s report addressing the auditor’s responsibilities, or the section headed “Other Matters the auditor is required to address</p>	
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30. ISA (UK) 700 (Revised November 2019) requires that auditors report on the extent to which the audit was considered capable of detecting irregularities, including fraud. The auditor considers how this is tailored to each entity’s individual circumstances. Paragraphs A39-1 to A39-5 of the ISA contain additional guidance in relation to applying this requirement, including factors which might be considered in preparation of an appropriate statement. The definition of irregularities, including fraud, is deemed to correspond to the definition of non-compliance in paragraph 12 of ISA (UK) 250A (Revised November 2019). This requirement may also be addressed in the “Other matters the auditor is required to address” section of the auditors report.

**Other matters the auditor is required to address**

31. ISA 700 (UK) (Revised November 2019) requires that, for public interest entities, the following is included in the audit report:

- Who, or which body, appointed the auditors;
- The date of the appointment and the total period of uninterrupted consecutive appointments;
- Declare that the non-audit services prohibited by the FRC’s ethical standard were not provided and that the firm remained independent. Where such services were inadvertently provided, additional disclosure is required in relation to the nature of the breach, the auditors assessment that independence has not been breached and the actions taken to address any threat to independence;
- An indication of the services provided in addition to the audit which have not been disclosed in the financial statements.

**Alternative presentation options for financial statements of a group**

32. Group and parent company financial statements may be prepared in accordance with different financial reporting frameworks (for example IFRSs as adopted by the EU used for the group financial statements and UK GAAP used for the parent company financial statements).

33. Where the financial statements of the group and the parent company are presented in accordance with different financial reporting frameworks the financial statements might be presented separately within the annual report and in such circumstances separate auditor’s reports might be provided.

34. Where separate auditor’s reports are provided on the group and parent company financial statements, the requirements of ISA (UK) 701 (Revised November 2019) still apply to each

separate auditor's report. Therefore, key audit matters and other audit planning and scoping matters are required to be communicated in respect of both the group and the parent company audits. The auditor may be able to avoid unnecessary duplication in respect of the auditor's reporting responsibilities by incorporating into the auditor's report by cross-reference the location of where such information can be accessed, so long as that cross-referenced material is readily accessible. However, there is certain information required by law or regulation that must be included in the auditor's report to which the financial statements relate.

35. Appendices [2](#) and [6](#) illustrate an auditor's reports where the report on the group financial statements and the report on the parent company financial statements are presented as a single auditor's report
36. Appendices [7A](#) and [7B](#) illustrates auditor's reports where the group and the parent company financial statements are presented separately. In such cases, the auditor might provide separate auditor's reports on the group financial statements (see [Appendix 7A](#)) and on the parent company financial statements (see [Appendix 7B](#)).
37. Where separate auditor's reports are provided on the group and parent company financial statements the illustrative examples assume that:
  - The auditor's responsibilities with respect to the corporate governance statement are reported on in the auditor's report on the group financial statements;
  - The auditor's responsibilities with respect to the UK Corporate Governance Code are reported on in the auditor's report on the group financial statements; and
  - The directors' remuneration report is reported on in the auditor's report on the parent company financial statements.
38. However, other approaches may be adopted providing they are fully compliant with the relevant standards and applicable legal and regulatory requirements.

## References to IFRS as adopted by the European Union post-EU Exit

39. This compendium has been revised using references from legislation passed by Parliament as part of the EU Exit process. Until the end of the transition period, audit reports should continue to refer to "IFRS as adopted by the European Union" as illustrated in Appendices [6](#) and [7A](#).
40. This is owing to SI 2019/685 The International Accounting Standards and European Public Limited-Liability Company (Amendment etc.) (EU Exit) Regulations 2019, Paragraph 4 which states that those international accounting standards to be adopted for use in the United Kingdom on exit day are those contained within Commission Regulation (EC) No. 1126/2008 adopting international standards in accordance with Regulation (EC) No. 1606/2002. As such a reference to "IFRS as adopted by the European Union" remains appropriate within the transitional period.

## Appendices 1 – 7B: Illustrative Auditors Report

[Appendix 1: Non-publicly traded company preparing financial statements under the small companies regime](#)

[Appendix 2 - Non-publicly traded company preparing group and parent company financial statements under UK GAAP](#)

[Appendix 3 - Publicly traded AIM listed company preparing financial statements under IFRSs](#)

[Appendix 4 - Unlisted public interest entity preparing financial statements under UK GAAP with a material uncertainty related to going concern](#)

[Appendix 5 - Publicly traded standard listed company preparing group financial statements under IFRSs and parent company financial statements under UK GAAP](#)

[Appendix 6 - Publicly traded premium listed company preparing group and parent company financial statements under IFRSs](#)

[Appendix 7A - Publicly traded premium listed company preparing group financial statements under IFRSs \(reported on separately from the parent company financial statements\)](#)

[Appendix 7B - Publicly traded premium listed company preparing parent company financial statements under UK GAAP \(reported on separately from the group financial statements\)](#)

## Appendix 1 - Non-publicly traded company preparing financial statements under the small companies regime

- Company qualifies as a small company and is not a public interest entity
- Financial statements are prepared in accordance with FRSs 100 and 102 (UK GAAP)
- Directors take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report
- Company does not prepare group financial statements or ISA (UK) 600 (Revised June 2016) does not otherwise apply
- Auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (UK) 701 (Revised November 2019)

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

#### Opinion

We have audited the 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 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).

In our opinion, the 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.

#### 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.

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 financial statements are 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.

## **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 group 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 group 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]* [See [Appendix 8](#)] This description forms part of our auditor's report.

*[Signature]*

Michelle Roberts

(Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

*[Address][Date]*

## Appendix 2 - Non-publicly traded company preparing group and parent company financial statements under UK GAAP

- Company either does not qualify as a small company or qualifies as a small company but chooses not to prepare its financial statements under the small companies regime
- Company is not a public-interest entity
- Financial statements are prepared in accordance with FRSs 100 and 102 (UK GAAP)
- Company prepares group financial statements
- Section 408 exemption taken for parent company's own profit and loss account
- Auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA (UK) 701 (Revised November 2019)

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

#### Opinion

We have audited the financial statements of [XYZ Limited] (the 'parent company') and its subsidiaries (the 'group') for the year ended [date] which comprise [*specify the titles of the primary statements*] and notes to the financial statements, including 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at [date] and of the group's [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

#### 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 group 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 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.

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 financial statements are 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.

## **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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or 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.

## **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]* [see [Appendix 8](#)] This description forms part of our auditor's report.

*[Signature]*

Michelle Roberts

(Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

*[Address][Date]*

## Appendix 3 - Publicly traded AIM listed company preparing financial statements under IFRSs

- Company is an AIM-listed company, an unquoted company and not a public-interest entity
- Financial statements are prepared in accordance with IFRSs as adopted by the EU
- Company does not prepare group financial statements or ISA (UK) 600 (Revised June 2016) does not otherwise apply

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

#### Opinion

We have audited the 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 significant accounting policies. 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.

In our opinion, the 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 IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### 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 as applied to listed entities, 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 directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included [*Explanation of how the auditor 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 financial statements are 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

## Our approach to the audit

*[Overview of the scope of the audit]*

<b>Key Audit Matter</b>	<b>How our scope addressed this matter</b>
<i>[Description of each key audit matter in accordance with ISA (UK) 701. (Revised November 2019). The significant judgements made by the engagement team with respect to each key audit matter should be explained. The auditor should include a description of the most significant assessed risks of material misstatement, a summary of their response and any key observations arising in relation to those risks]</i>	<i>[Explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality]</i>

## Our application of materiality

*[Explanation of how the auditor applied the concept of materiality in planning and performing the audit. This is required to include the threshold used by the auditor as being materiality for the financial statements as a whole, as well as the threshold used by the auditor as being performance materiality but may include other relevant disclosures. The significant judgements made by the auditor in determining both of these thresholds should also be explained.]*

## 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or 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;

### **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: [\[website link\]](#) [see [Appendix 8](#)] This description forms part of our auditor's report.

*[Signature]*

Michelle Roberts

(Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

*[Address][Date]*

## Appendix 4 - Unlisted public interest entity preparing financial statements under UK GAAP with a material uncertainty related to going concern

- Company is a public interest entity
- Financial statements are prepared in accordance with FRSs 100 and 102 (UK GAAP)
- Company does not prepare group financial statements or ISA (UK) 600 (Revised June 2016) does not otherwise apply
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. The disclosure of the material uncertainty in the financial statements is adequate.

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

#### Opinion

We have audited the 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### 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 as applied to public interest entities, 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.

#### Material uncertainty related to going concern

We draw attention to note [X] in the financial statements, which indicates that [*brief description of events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern*]. As stated in note [X], these events or conditions, along with the other matters as set forth in note [X], indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included [*Explanation of how the auditor evaluated management's assessment and the key observations arising with respect to that evaluation*].

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

## Our approach to the audit

*[Overview of the scope of the audit]*

<b>Key Audit Matter</b>	<b>How our scope addressed this matter</b>
<i>[Description of each key audit matter in accordance with ISA (UK) 701. (Revised November 2019). The significant judgements made by the engagement team with respect to each key audit matter should be explained. The auditor should include a description of the most significant assessed risks of material misstatement, a summary of their response and any key observations arising in relation to those risks]</i>	<i>[Explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality]</i>

## Our application of materiality

*[Explanation of how the auditor applied the concept of materiality in planning and performing the audit. This is required to include the threshold used by the auditor as being materiality for the group financial statements as a whole, as well as the threshold used by the auditor as being performance materiality but may include other relevant disclosures. The significant judgments made by the auditor in determining both of these thresholds should also be explained.]*

## 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 strategic report or 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.

## **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: [\[website link\]](#) [see [Appendix 8](#)] This description forms part of our auditor's report.

## **Other matters which we are required to address**

We were appointed by [state by whom or which body the auditor(s) was appointed] on [date]. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is [X] years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

[Indicate any services, in addition to the audit, which were provided by the firm to the company that have not been disclosed in the financial statements or elsewhere in the annual report.]

Our audit opinion is consistent with the additional report to the audit committee.

[Signature]

Michelle Roberts (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

[Address][Date]

## Appendix 5 - Publicly traded standard listed company preparing group financial statements under IFRSs and parent company financial statements under UK GAAP

- Company is a standard listed company, a quoted company and a public-interest entity
- Company prepares group financial statements under IFRSs as adopted by the EU and parent company financial statements under UK GAAP (FRSs 100 and 101)
- Section 408 exemption taken in respect of parent company's own profit and loss account
- Corporate governance statement is incorporated into the directors' report either directly or by incorporation by reference

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

#### Opinion

We have audited the financial statements of [XYZ Limited] (the 'parent company') and its subsidiaries (the 'group') for the year ended [date] which comprise [specify the titles of the primary statements] and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at [date] and of the group's [profit/loss] for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

#### 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 group and the parent 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 as applied to listed public interest entities, 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 directors assessment of the entity's ability to continue to adopt the going concern basis of accounting included *[Explanation of how the auditor 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 financial statements are 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

## Our approach to the audit

*[Overview of the scope of the parent company and group audits]*

<b>Key Audit Matter</b>	<b>How our scope addressed this matter</b>
<i>[Description of each key audit matter in accordance with ISA (UK) 701. (Revised November 2019). The significant judgements made by the engagement team with respect to each key audit matter should be explained. The auditor should include a description of the most significant assessed risks of material misstatement, a summary of their response and any key observations arising in relation to those risks]</i>	<i>[Explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality]</i>

## Our application of materiality

*[Explanation of how the auditor applied the concept of materiality in planning and performing both the parent company and group audits. This is required to include the threshold used by the auditor as being materiality for the group financial statements as a whole, as well as the threshold used by the auditor as being performance materiality but may include other relevant disclosures. The significant judgments made by the auditor in determining both of these thresholds should also be explained.]*

## 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 the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

## **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: [\[website link\]](#) [see [Appendix 8](#)] This description forms part of our auditor's report.

### **Other matters which we are required to address**

We were appointed by [state by whom or which body the auditor was appointed] on [date] to audit the financial statements for the period ending [date]. Our total uninterrupted period of engagement is [X] years, covering the periods ending [date] to [date].

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

*[Indicate any services, in addition to the audit, which were provided by the firm to the group that have not been disclosed in the financial statements or elsewhere in the annual report.]*

Our audit opinion is consistent with the additional report to the audit committee.

*[Signature]*

Michelle Roberts (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

*[Address][Date]*

## Appendix 6 - Publicly traded premium listed company preparing group and parent company financial statements under IFRSs

- Company is a premium listed company, a quoted company and a public interest entity
- Financial statements are prepared in accordance with IFRSs as adopted by the EU and are also prepared in accordance with IFRSs as issued by the IAASB
- Company prepares group financial statements
- Section 408 exemption not taken in respect of parent company's own profit and loss account
- Corporate governance statement not incorporated into the strategic report or the directors' report, either directly or by incorporation by cross-reference

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

#### Opinion

We have audited the financial statements of [XYZ Plc] (the 'parent company') and its subsidiaries (the 'group') for the year ended [date] which comprise [*specify the titles of the primary statements*] and notes to the financial statements, including significant accounting policies. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at [date] and of the group's and the parent company's [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 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

As explained in note [X] to the group financial statements, the group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the group financial statements give a true and fair view of the consolidated financial position of the group as at [date] and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

#### 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 group 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 as applied to listed public interest entities, 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 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 financial statements are authorised for issue.

In relation to the entities reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

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

## Our approach to the audit

*[Overview of the scope of the parent company and group audits]*

<b>Key Audit Matter</b>	<b>How our scope addressed this matter</b>
<i>[Description of each key audit matter in accordance with ISA (UK) 701. (Revised November 2019). The significant judgements made by the engagement team with respect to each key audit matter should be explained. The auditor should include a description of the most significant assessed risks of material misstatement, a summary of their response and any key observations arising in relation to those risks]</i>	<i>[Explanation of how the scope addressed each key audit matter and was influenced by the auditor's application of materiality]</i>

## Our application of materiality

*[Explanation of how the auditor applied the concept of materiality in planning and performing the parent company and group audits. This is required to include the threshold used by the auditor as being materiality for the group financial statements as a whole, as well as the threshold used by the auditor as being performance materiality but may include other relevant disclosures. The significant judgments made by the auditor in determining both of these thresholds should also be explained.]*

## 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, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in;

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 parent company.

### **Corporate governance statement**

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the [entity]'s compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified [set out on page ...];
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate [set out on page ...].
- Directors' statement on fair, balanced and understandable [set out on page ...];
- Board's confirmation that it has carried out a robust assessment of the e-merging and principal risks [set out on page ...];

- The section of the annual report that describes the review of effectiveness of risk management and internal control systems [set out on page ...]; and;
- The section describing the work of the audit committee [set out on page ...]

### **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]* [see [Appendix 8](#)] This description forms part of our auditor's report.

### **Other matters which we are required to address**

Following the recommendation of the audit committee, we were appointed by *[state by whom or which body the auditor was appointed]* on *[date]* to audit the financial statements for the year ending *[date]* and subsequent financial periods. The period of total uninterrupted engagement is *[X]* years, covering the years ending *[date]* to *[date]*.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

*[Indicate any services, in addition to the audit, which were provided by the firm to the group that have not been disclosed in the financial statements or elsewhere in the annual report.]*

Our audit opinion is consistent with the additional report to the audit committee.

*[Signature]*

*Michelle Roberts*

*(Senior Statutory Auditor)*

*For and on behalf of ABC LLP, Statutory Auditor*

*[Address] [Date]*

## Appendix 7A - Publicly traded premium listed company preparing group financial statements under IFRSs (reported on separately from the parent company financial statements)

- Company is a premium listed company, a quoted company and a public interest entity
- Company prepares group financial statements
- Corporate governance statement incorporated into the directors' report, either directly or by incorporation by cross-reference and reported on in the auditor's report on the group financial statements
- UK Corporate Governance Code reported on in the auditor's report on the group financial statements
- Directors' Remuneration Report reported on in the auditor's report on the parent company financial statements

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

#### Opinion

We have audited the group financial statements of [XYZ Plc] for the year ended [date] which comprise [*specify the titles of the primary statements*] and notes to the financial statements, including significant accounting policies. 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.

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at [date] 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 and Article 4 of the IAS Regulation.

#### 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 group financial statements section of our report. We are independent of the group 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 as applied to listed public interest entities, 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 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 financial statements are authorised for issue.

In relation to the entity's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

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

### Our approach to the audit

*[Overview of the scope of the group audit]*

Key Audit Matter	How our scope addressed this matter
<p><i>[Description of each key audit matter in accordance with ISA (UK) 701. (Revised November 2019). The significant judgements made by the engagement team with respect to each key audit matter should be explained. The auditor should include a description of the most significant assessed risks of material misstatement, a summary of their response and any key observations arising in relation to those risks]</i></p>	<p><i>[Explanation of how the scope addressed each key audit matter and was influenced by the auditor’s application of materiality]</i></p>

### Our application of materiality

*[Explanation of how the auditor applied the concept of materiality in planning and performing the group audit. This is required to include the threshold used by the auditor as being materiality for the group financial statements as a whole, as well as the threshold used by the auditor as being performance materiality but may include other relevant disclosures. The significant judgments made by the auditor in determining both of these thresholds should also be explained.]*

### 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 strategic report and the directors’ report for the financial year for which the group financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

### **Corporate governance statement**

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the [entity]'s compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified [set out on page ...];
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate [set out on page ...].
- Directors' statement on fair, balanced and understandable [set out on page ...];
- Board's confirmation that it has carried out a robust assessment of the e-merging and principal risks [set out on page ...];
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems [set out on page ...]; and;
- The section describing the work of the audit committee [set out on page ...]

### **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 group 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 group 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]* [see [Appendix 8](#)]. This description forms part of our auditor's report.

### **Other matters which we are required to address**

Following the recommendation of the audit committee, we were appointed by [*state by whom or which body the auditor was appointed*] on [*date*] to audit the financial statements for the year ending [*date*] and subsequent financial periods. The period of total uninterrupted engagement is [X] years, covering the years ending [*date*] to [*date*].

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

*[Indicate any services, in addition to the audit, which were provided by the firm to the group that have not been disclosed in the financial statements or elsewhere in the annual report.]*

Our audit opinion is consistent with the additional report to the audit committee.

We have reported separately on the parent company financial statements of [XYZ Plc] for the year ended [date]. [That report includes details of the parent company key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.] [That report includes a statement on a material uncertainty related to going concern.] [That report includes an emphasis of matter.] [The opinion in that report is [qualified / an adverse opinion / a disclaimer of opinion].]

*[Signature]*

Michelle Roberts (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor

*[Address] [Date]*

## Appendix 7B - Publicly traded premium listed company preparing parent company financial statements under UK GAAP (reported on separately from the group financial statements)

- Company is a premium listed company, a quoted company and a public-interest entity
- Company prepares group financial statements
- Corporate governance statement incorporated into the directors' report, either directly or by incorporation by cross-reference and reported on in the auditor's report on the group financial statements
- UK Corporate Governance Code reported on in the auditor's report on the group financial statements
- Directors' remuneration report reported on in the auditor's report on the parent company financial statements

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

#### Opinion

We have audited the parent company financial statements of [XYZ Plc] for the year ended [*date*] which comprise [*specify the titles of the primary statements*] and notes to the financial statements, including 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).

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### 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 parent company financial statements section of our report. We are independent of the parent company in accordance with the ethical requirements that are relevant to our audit of the parent company financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, 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 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 financial statements are authorised for issue.

In relation to the entity’s reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the director’s considered it appropriate to adopt the going concern basis of accounting.

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

**Our approach to the audit**

*[Overview of the scope of the audit]*

Key Audit Matter	How our scope addressed this matter
<p><i>[Description of each key audit matter in accordance with ISA (UK) 701. (Revised November 2019). The significant judgements made by the engagement team with respect to each key audit matter should be explained. The auditor should include a description of the most significant assessed risks of material misstatement, a summary of their response and any key observations arising in relation to those risks]</i></p>	<p><i>[Explanation of how the scope addressed each key audit matter and was influenced by the auditor’s application of materiality]</i></p>

**Our application of materiality**

*[Explanation of how the auditor applied the concept of materiality in planning and performing the audit. This is required to include the threshold used by the auditor as being materiality for the group financial statements as a whole, as well as the threshold used by the auditor as being performance materiality but may include other relevant disclosures. The significant judgments made by the auditor in determining both of these thresholds should also be explained.]*

**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 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 financial statements are authorised for issue.

In relation to the entity’s reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors’ statement in the financial statements about whether the director’s considered it appropriate to adopt the going concern basis of accounting.

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

**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, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the parent company financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

### **Corporate governance statement**

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the [entity]'s compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified [set out on page ...];

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified [set out on page ...];
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate [set out on page ...].
- Directors' statement on fair, balanced and understandable [set out on page ...];
- Board's confirmation that it has carried out a robust assessment of the e-merging and principal risks [set out on page ...];
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems [set out on page ...]; and;
- The section describing the work of the audit committee [set out on page ...]

### **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]* [see [Appendix 8](#)] This description forms part of our auditor's report.

### **Other matters which we are required to address**

Following the recommendation of the audit committee, we were appointed by *[state by whom or which body the auditor was appointed]* on *[date]* to audit the financial statements for the year ending *[date]* and subsequent financial periods. The period of total uninterrupted engagement is *[X]* years, covering the years ending *[date]* to *[date]*.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

*[Indicate any services, in addition to the audit, which were provided by the firm to the group that have not been disclosed in the financial statements or elsewhere in the annual report.]*

Our audit opinion is consistent with the additional report to the audit committee.

We have reported separately on the group financial statements of *[XYZ Plc]* for the year ended *[date]*. [That report includes details of the group key audit matters; how we applied the concept of materiality in planning and performing our audit; and an overview of the scope of our audit.] [That report includes a statement on a material uncertainty related to going concern.] [That report includes an emphasis of matter.] [The opinion in that report is *[qualified / an adverse opinion / a disclaimer of opinion]*.]

*[Signature]*

Michelle Roberts (Senior Statutory Auditor)

For and on behalf of ABC LLP, Statutory Auditor *[Address]* *[Date]*

## Appendix 8 – Auditors Responsibilities for the audit of the financial statements

### Description of the auditor’s responsibilities for the audit of the financial statements

The auditor’s 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 the auditor’s opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (UK) (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.

As part of an audit in accordance with ISAs (UK), the auditor exercises professional judgment and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the entity’s (or where relevant, the consolidated) financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor’s opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s (or where relevant, the group’s) internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concludes on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s (or where relevant, the group’s) ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. The auditor’s conclusions are based on the audit evidence obtained up to the date of the auditor’s report. However, future events or conditions may cause the entity (or where relevant, the group) to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).<sup>4</sup>
- Where the auditor is required to report on consolidated financial statements, obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. The group auditor is responsible for the direction, supervision and performance of the group audit. The group auditor remains solely responsible for the audit opinion.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the FRC’s Ethical Standard, and communicates with them all relationships and other matters that may reasonably be thought to bear on the auditor’s independence, and where applicable, related safeguards.

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<sup>4</sup> Only applicable with respect to fair presentation (or true and fair) frameworks

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Reporting on the financial statements

The auditor's report is required to contain a clear expression of opinion on the financial statements taken as a whole.

To form an opinion on the financial statements the auditor concludes as to whether:

- sufficient appropriate audit evidence has been obtained;
- uncorrected misstatements are material, individually or in aggregate;
- the financial statements, including the disclosures, give a true and fair view;<sup>5</sup> and
- the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework, including the requirements of applicable law.

In particular, forming an opinion on and reporting on the financial statements involves evaluating whether:

- the financial statements adequately refer to or describe the applicable financial reporting framework;
- the financial statements appropriately disclose the significant accounting policies selected and applied. In making this evaluation, the auditor considers the relevance of the accounting policies to the entity (or where relevant, the group) and whether they have been presented in an understandable manner;
- the accounting policies selected and applied are consistent with the applicable financial reporting framework, and are appropriate;
- the accounting estimates made by the directors are reasonable;
- the information presented in the financial statements is relevant, reliable, comparable and understandable. In making this evaluation, the auditor considers whether:
  - the information that should have been included has been included, and whether such information is appropriately classified, aggregated or disaggregated, and characterised; and
  - the overall presentation of the financial statements has been undermined by including information that is not relevant or that obscures a proper understanding of the matter disclosed;
  - the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements;
  - the terminology used in the financial statements, including the title of each financial statement is appropriate.

When the financial statements are prepared in accordance with a fair presentation framework, the auditor also evaluates whether the financial statements achieve fair presentation (i.e. gives true and fair view) including consideration of:

- the overall presentation, structure and content of the financial statements; and
- whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (or gives a true and fair view).

## Unmodified opinions

An unmodified opinion is expressed when the auditor is able to conclude that the financial statements give a true and fair view and comply in all material respects with the applicable financial reporting framework.

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<sup>5</sup> This conclusion is required only with respect to financial statements which have been prepared in accordance with a fair presentation (or true and fair) framework (examples are International Financial Reporting Standards as adopted by the European Union and United Kingdom Generally Accepted Accounting Practice)

## Modified opinions

The auditor modifies the opinion when either:

- the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
- the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

The auditor expresses a qualified opinion when either:

- misstatements, individually or in the aggregate, are material but not pervasive to the financial statements; or
- the possible effects on the financial statements of undetected misstatements, arising from an inability to obtain sufficient appropriate audit evidence, could be material but not pervasive.

The auditor expresses an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

The auditor disclaims an opinion when either:

- the possible effects of undetected misstatements, arising from an inability to obtain sufficient appropriate audit evidence, could be both material and pervasive to the financial statements; or
- in extremely rare circumstances involving multiple uncertainties, the auditor concludes that notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.

## Emphasising certain matters without modifying the opinion

In certain circumstances an auditor's report includes an emphasis of matter paragraph to draw attention to a matter presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements. An emphasis of matter paragraph does not modify the auditor's opinion.

## Communicating "other matters"

If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report, the auditor does so in a separate section in the auditor's report with the heading "Other Matter" or other appropriate heading.

## Other information included in the annual report

The auditor is required to read all financial and non-financial information (other information) included in the annual report and to identify whether the other information is materially inconsistent with the financial statements or the auditor's knowledge obtained in the audit or otherwise appears to be materially misstated.

If the auditor identifies material inconsistencies or apparent material misstatements, the auditor determines whether there is a material misstatement in the financial statements or a material misstatement of the other information. Where the auditor concludes that there is an uncorrected material misstatement of the other information, the auditor is required to report this in the auditor's report.

## Other legal and regulatory requirements

The auditor may be required to address other legal and regulatory requirements relating to other auditor's responsibilities in the auditor's report.



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