



Financial Reporting Council

The revised statement of auditor's responsibilities

October 2025

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Description of the auditor's responsibilities for the audit of the financial statements

Tracked changes

Deleted – ~~Red strike through~~

New - Green

Applicable for audits of financial statements for periods commencing on or after 15 December 202~~X~~3

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. ~~Where the entity is a Public Interest Entity or a Listed Entity, the auditor includes an explanation in the auditor's report of the extent to which the audit was capable of detecting irregularities, including fraud.~~
- 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 the use of the

going concern basis of accounting is appropriate and no material uncertainties have been identified, the auditor reports these conclusions in the auditor's report. 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).¹
- Where the auditor reports on group financial statements, plans and performs the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. The group auditor is responsible for the direction, supervision and review of the audit work performed for purposes 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.

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.

Alongside key audit matters, the auditor also communicates in the auditor's report:

- An explanation of the extent to which the audit was considered capable of detecting irregularities, including fraud.

¹ Only applicable with respect to fair presentation (or true and fair) frameworks.

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- The threshold used by the auditor as being materiality for the financial statements as a whole, performance materiality, and an explanation of the significant judgments made by the auditor in determining these amounts.
 - An overview of the scope of the audit.
 - Where the entity reports on how they have applied the UK Corporate Governance Code: the impact of the entity's system of internal control on the performance of the audit and, where the auditor concludes that it is appropriate to communicate in the auditor's report, any significant deficiencies in internal control.

For public interest entities, other listed entities, entities that are required, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code, and other entities subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018, the auditor is required to include in the auditor's report an explanation of how the auditor 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.

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:

- 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;

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- 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 a 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).²

Unmodified opinions

An unmodified opinion is expressed when the auditor is able to conclude that the financial statements give a true and fair view³ and comply in all material respects with the applicable financial reporting framework.

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.

² 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 UK-Adopted International Accounting Standards Financial Reporting Standards as adopted by the European Union and United Kingdom Generally Accepted Accounting Practice).

³ Only applicable with respect to fair presentation (or true and fair) frameworks.

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.

For entities that report on how they have applied the UK Corporate Governance Code, the auditor reviews 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 Code and **considers reports** on whether they are materially consistent with the financial statements and the auditor's knowledge obtained in the audit. **Where the auditor concludes that this information is materially inconsistent with either the financial statements or the auditor's knowledge obtained in the audit, 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.

For certain entities, the auditor may have duties established in law or regulation to consider certain matters. These may typically include such matters as whether:

- The entity has kept adequate (or proper) accounting records.
- The financial statements are in agreement with the accounting records and returns.
- The auditor has received all the information and explanations they require for the audit.

Where the auditor determines that these requirements have not been met by the entity, the auditor is legally required to include a statement to that effect in the auditor's report.

The duties that the auditor is required to consider, and, where appropriate, report on by exception vary depending on the type of entity. Such entities include:

- Entities incorporated under the Companies Act 2006.
- Financial institutions such as insurers,⁴ friendly societies,⁵ building societies,⁶ and credit unions.⁷
- Charities.⁸
- Housing Associations.⁹

⁴ Relevant legislation includes: Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008; Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

⁵ Relevant legislation includes: Friendly Societies Act 1992.

⁶ Relevant legislation includes: Building Societies Act 1986.

⁷ Relevant legislation includes: Friendly and Industrial and Provident Societies Acts 1965 to 2002; Credit Unions (Northern Ireland) Order 1985.

⁸ Relevant legislation includes: Charities Act 2011; Charities Accounts (Scotland) Regulations 2006 (as amended).

⁹ Relevant legislation includes: Friendly and Industrial and Provident Societies Acts 1965 to 2002.



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