



# PREPARING AN AUDIT REPORT FOR ENGLISH AND SCOTTISH REGISTERED PROVIDERS OF SOCIAL HOUSING/REGISTERED SOCIAL LANDLORDS - REGISTERED UNDER THE COMPANIES ACT 2006

GUIDE

14 June 2018

Audit and Assurance Faculty Helpsheets are now known as 'Guides'. This Guide was last updated in June 2018 and is based on the relevant laws and regulations that apply as at 1 June 2018.

## Introduction

This Guide is designed to explain the main changes that are needed to the audit report of a company that is an English Registered Provider of Social Housing (RP) or Scottish Registered Social Landlord (RSL) that does not prepare group financial statements, compared to that of a company. It does not seek to explain every difference, just the key areas to consider as a result of the differing legal and regulatory requirements.

The audit requirements for companies that are English RPs are set out in the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015, which contain specific details of how the accounting and auditing provisions of the Companies Act 2006 apply to RPs.

The audit requirements for companies that are Scottish RSLs are set out in the Companies Act 2006, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014, which contain specific details of how the accounting and auditing provisions of the Companies Act 2006 apply to RSLs.

The example wording in this Guide has been adapted from the company examples in the [FRC's Compendium of illustrative auditor's reports](#).

For the purposes of this Guide it has been presumed that the RP/RSL is not listed, is not a Public Interest Entity as defined by the EU Regulation and is not required nor has chosen voluntarily to report on how it has applied the UK Corporate Governance Code.

Where the RP/RSL is the parent entity of a group, refer to the separate group Guides for guidance on how to amend the audit report to deal with the auditor reporting requirements for a group.

The guidance in this Guide suggests options for how RP/RSL audit reports can comply with the applicable requirements of the Companies Act 2006, the Housing and Regeneration Act 2008, Part 6 of the Housing (Scotland) Act 2010, the Accounting Direction for Private Registered Providers of Social Housing 2015, the Determination of Accounting Requirements – December 2014 and International Standards on Auditing (UK). However, provided that the audit report complies with the applicable requirements, audit firms may prefer alternative ways of presenting the required information.

## Addressee of the report

The audit report of an RP/RSL is addressed to its members.

## Opinion

The opinion paragraph describes the financial statements, including specifying the titles of the primary statements. However, it is important that the titles of the primary statements precisely match those used by the entity.

The opening paragraph of the “opinion” section needs to reflect whether the financial reporting framework is either UK GAAP (including either FRS 101 or 102) or IFRS.

Although RPs/RSLs in the United Kingdom apply “Housing SORP 2014: Statement of Recommended Practice for Social Housing Providers” (“the SORP”), the SORP is not required to be referred to as part of the financial reporting framework, or in the auditor’s opinion, as it represents an interpretation of the requirements of UK GAAP as applied to RPs/RSLs and is not a separate element of the financial reporting framework.

The actual audit opinion needs to be amended as follows for an English RP:

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 **income and expenditure** (~~profit / (loss)~~) for the year then ended;
- have been properly prepared in accordance with [United Kingdom Generally Accepted Accounting Practice / IFRSs as adopted by the European Union]; and
- have been prepared in accordance with the requirements of the Companies Act 2006, [the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015](#).

The actual audit opinion needs to be amended as follows for a Scottish RSL:

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 **income and expenditure** (~~profit / (loss)~~) for the year then ended;
- have been properly prepared in accordance with [United Kingdom Generally Accepted Accounting Practice / IFRSs as adopted by the European Union]; and
- have been prepared in accordance with the requirements of the Companies Act 2006, [Part 6 of the Housing \(Scotland\) Act 2010 and the Determination of Accounting Requirements – December 2014](#).

## Basis for opinion

Where the auditor has taken advantage of an exemption provided in paragraphs 6.11, 6.12 or 6.13 of the FRC’s Ethical Standard for the audits of “small entities”<sup>1</sup> in relation to non-audit services or partners/statutory auditors joining the entity, the auditor is required to disclose this in the “basis for opinion” section of the audit report:

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

No changes are required.

<sup>1</sup> As defined in the FRC’s Ethical Standard, paragraph 6.4.

## Other information

No changes are required.

## Opinions on other matters prescribed by the Companies Act 2006

No changes are required.

## Matters on which the auditor is required to report by exception

No changes are required. There are no additional matters the auditor is required to report on by exception under the Housing and Regeneration Act 2008, Part 6 of the Housing (Scotland) Act 2010, the Accounting Direction for Private Registered Providers of Social Housing 2015 or the Determination of Accounting Requirements – December 2014.

## Responsibilities of the directors

No changes are required.

## Auditor's responsibilities for the audit of the financial statements

ISA (UK) 700 includes a detailed description of the responsibilities of the auditor and the wording to use varies depending on whether the entity is listed, reports key audit matters in accordance with ISA (UK) 701 or where there is a group audit.

As for a company, an RP/RSL auditor has three choices in relation to the more detailed description of the auditors' responsibilities:

- to include within the audit report directly;
- to include within an appendix to the audit report; or
- to include a reference to a more detailed description on the FRC's website.

### **A** *Include within the audit report directly*

An example of how this would look is given in Appendix 2 of the FRC Bulletin – please note that the example in that Appendix is for a group and all references to “group” need to be removed or amended to refer to the company. In addition, the last bullet point in that example needs to be deleted as that responsibility only applies to group auditors:

- ...
- ~~Obtain 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. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.~~
- ...

### **B** *Include within an appendix to the audit report*

Where the more detailed description is included in an appendix, the audit report needs to indicate the page number or other specific reference to the location of the more detailed description.

An example of how this would look is given in Appendix 6 of the FRC Bulletin – please note that the example here is for a listed group and all references to “group” need to be removed or amended to refer to the company. In addition, the following further changes are needed to remove responsibilities that only apply for listed entities or groups:

- ...
- ~~Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.~~

We communicate 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 we identify during our audit.

~~We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.~~

~~From the matters communicated with those charged with governance, we determine 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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we 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.~~

### **C Include a reference to a more detailed description on the FRC's website**

Where the auditor chooses to refer to the description of the auditor's responsibilities on the FRC website, the audit report needs to refer to [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

An example of how this would look is given in Appendix 1 of the FRC Bulletin.

The website link above does not refer anywhere to "company" and uses the term "entity", which would be equally applicable to RPs/RSLs. It does, however refer to "directors" but it should be clear from the context that, as this is setting out the responsibilities under ISAs (UK), any such references relate to the Board for an RP/RSL.

### **Use of the audit report**

ICAEW guidance within Technical Release 01/03AAF (Revised), The Audit Report and Auditors' Duty of Care to Third Parties, includes clarification language stating that the audit is performed for the benefit of the members, as a body, in accordance with the Companies Act 2006 and case law. This wording is also referred to as "Bannerman" wording.

The guidance in Technical Release 01/03AAF (Revised) states that this paragraph is suitably placed as the final section of the audit report with a heading "Use of our report".

The typical company wording (included below) will not need to be amended for RPs/RSLs.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

It will remain for each firm to decide its own individual approach to the management of audit risk, and whether to include the above wording. However, as the guidance in Technical Release 01/03AAF (Revised) makes clear, while a third party's use of an audit report presents uncertainty for auditors, the best risk management policy is for firms to take the steps that are necessary to carry out quality audits.

## Signature on the audit report

The requirements for RPs/RSLs registered under the Companies Act 2006 are effectively the same as for companies and the audit report is required to be signed by the senior statutory auditor, for and on behalf of the audit firm:

[Signature]  
John Smith (Senior Statutory Auditor)  
For and on behalf of ABC LLP, Statutory Auditor  
[Address]  
[Date]

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