ICAEW KNOW-HOW
AUDIT AND ASSURANCE FACULTY

PREPARING AN AUDIT REPORT FOR A CHARITY

GUIDE

November 2018

Audit and Assurance Faculty Helpsheets are now known as 'Guides'. This Guide was last updated in November 2018 and is based on the relevant laws and regulations that apply as at 1 November 2018. The only changes since the last version of the Guide are to the use of the audit report section to reflect the release of Technical Release 01/03AAF (Revised), make some minor consistency changes and consider the impact of the requirement in the Charities Act 2011 to prepare consolidated financial statements.

Introduction

This Guide is designed to explain the main changes that are needed to the audit report of a charity that does not prepare group financial statements. It does not seek to explain every difference, just the key areas to consider as a result of the differing legal and regulatory requirements.

Charities can have many different legal forms, for example they may be unincorporated entities, incorporated as companies or co-operative and community benefit societies (Scotland only) or have some other legal status. In addition, charity law varies according to the part(s) of the UK in which a charity operates and is registered. These factors all affect the legal responsibilities of the auditor and the wording of the auditor's report. Whilst this Guide deals with company and non-company charities as well as multi-jurisdictional charities, it does not specifically address excepted or exempt charities or those with a principal regulator that is not the Charity Commission in England and Wales ("CCEW"), The Office of the Scottish Charity Regulator ("OSCR") or the Charity Commission for Northern Ireland ("CCNI").

Charitable companies audited under the Companies Act 2006

For a charity that is a UK company, the audit requirements derive solely from the Companies Act 2006 unless:

a) the company claims audit exemption under the provisions of the Companies Act 2006, in which case the audit requirements of the relevant Charities Act(s) and Regulations (see below) apply; or

b) the charity is registered as a charity in Scotland, in which case the requirements of Scottish charity law apply in addition to any requirements of the Companies Act 2006.

Most charities that are companies opt for an audit under the Companies Act 2006 regardless of size. Small charitable companies may however claim audit exemption and opt instead to be audited in accordance with applicable charity legislation. References in this Guide to "non-company" charities should therefore be taken as applying also to charitable companies claiming audit exemption under the Companies Act 2006, unless otherwise specified. In general there is little advantage in claiming the Companies Act 2006 exemption where an audit would then be required under relevant charity legislation (due to lower exemption limits in charity law).

Note that where a small company takes advantage of the audit exemption provisions in the Companies Act 2006 it must include on the balance sheet a statement by the directors to the effect that the members have not required the company to obtain an audit of the financial statements for the year in question in accordance with section 476 of the Companies Act 2006 and that they acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

A similar circumstance arises if the charitable company is required to prepare and have audited group financial statements under the Charities Act(s), for which there is a lower threshold than the Companies Act 2006. Given that group financial statements will have to be prepared in any case, there is likewise little advantage in taking the exemption available under the Companies Act 2006. This means that, except for Scottish charities which have to refer in any case to Scottish charity law, the audit report only needs to refer to the Companies Act 2006 rather than both the Charities Act 2011 and Companies Act 2006.

This applies even in situations where an audit is required under the Charities Act(s).

Non-companies and companies not audited under the Companies Act 2006

The audit requirements for charities that are not companies and for companies that claim audit exemption under the Companies Act 2006 are set out in:

England & Wales

- The Charities Act 2011; and
- The Charities (Accounts & Reports) Regulations 2008 (which have been amended by a number of Orders since initial release)

Scotland

- The Charities and Trustee Investment (Scotland) Act 2005; and
- The Charities Accounts (Scotland) Regulations 2006 (as amended)

Northern Ireland

- The Charities Act (Northern Ireland) 2008 (as amended by the Charities Act (Northern Ireland) 2013); and
- The Charities (Accounts and Reports) Regulations (Northern Ireland) 2015.

Note that charities, including charitable companies, may be registered as charities in more than one UK jurisdiction, in which case the rules applying in each jurisdiction should be applied. No charity law jurisdiction takes precedence and therefore all relevant laws and regulations should be referenced wherever relevant.

Audit requirements of the Co-operative and Community Benefit Societies Act 2014 are not covered in this Guide as entities incorporated under this Act are not currently permitted to register as charities in England & Wales or Northern Ireland.

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 charity 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 charity 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 audit reports for charities, however incorporated and registered, or where, can comply with the requirements of the Companies Act 2006 and the requirements of charity law and regulation (to the extent that each is applicable) and with the requirements of 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.

Modified reports

If the charity's audit report is modified, or contains an emphasis of matter paragraph or a material uncertainty related to going concern section, this is deemed to be a matter of material significance which CCEW, OSCR or CCNI would expect auditors to notify to the regulator prior to signing the audit opinion[1]. The notification should include details of the nature of the modification, emphasis of matter or material uncertainty with supporting reasons together with notification of the action taken, if any, by the trustees.

Pervasive changes to the audit report

All references to "company" may be amended to "charity" or "charitable company" as appropriate for the legal status.

References to "directors" usually need to be amended to mirror the charity's own governance structure. The usual term to use is "trustees" as that is the term that is used in the relevant Charities Acts and the underlying regulations. However, it can be helpful to clarify in the report that the trustees are the directors of a charitable company for the purposes of company law if the trustees have not made such a reference in the trustees' annual report.

References to the Companies Act 2006 may need to be amended to refer to the applicable law in each case. For Scottish or Northern Ireland registered and multi-jurisdictional charities reference may need to be made to more than one legal framework.

Addressee of the report

Where the charity is a company audited under the Companies Act 2006 the audit report is addressed to "the members", as for any other company. In other cases the relevant legislation specifies that the report be made to "the trustees".

In the case of a company audited under the Companies Act 2006 and registered in Scotland the report is addressed to the "members and the trustees".

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 that the financial reporting framework for all charities in the UK is UK GAAP including FRS 102. Charities registered in any UK charity jurisdiction are not permitted to apply IFRS, nor FRS 101.

The actual audit opinion needs to be amended to reflect the charitable status of the entity as well as to reflect the non-profit nature of charities and the form of opinion required by charity law and law that has been applied in the preparation of the financial statements as follows:

> In our opinion, the financial statements:
>
> - give a true and fair view of the state of the [charity's]/[charitable company's] affairs as at [date] and of its incoming resources and application of resources [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 *[for charitable companies audited under the Companies Act 2006: the requirements of the Companies Act 2006] [for Scottish charities whether or not they are companies: the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8* of the Charities Accounts (Scotland) Regulations 2006][for E&W*

[1] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/611139/Matters_of_Material_Significance_reportable_to_UK_charity_regulators.pdf

non- company charities: in accordance with the Charities Act 2011][for NI non-company charities: in accordance with The Charities Act (Northern Ireland) 2008].

* Where group accounts are prepared in respect of a charity registered in Scotland, in addition to the other changes required for groups, this should be changed to refer instead to regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

For companies audited under the Companies Act 2006 that are registered in Scotland the third bullet above refers to both the Companies Act 2006 and the relevant Scottish legislation.

In the case of Scottish charities OSCR has a stated preference for inclusion of specific references to regulation numbers where applicable.

Although charities in the United Kingdom apply “Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)” (“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 charities and is not a separate element of the financial reporting framework.

Basis for opinion

References to ‘company’ may be changed to ‘charity’ or ‘charitable company’ as appropriate.

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”[2] 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 [charity/charitable 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 needed apart from the pervasive changes referred to above.

Other information

The annual reports of charities often include other information. The other information may be required by law or regulation, such as a trustees’ report, or can be other information that is included voluntarily such as “Chairman’s statement”, “Operating and Financial Review” or detailed narrative on the progress made by the charity in achieving its objectives over and above that required by the Charities SORP.

All charities

Charities are required to prepare a trustees’ report in accordance with the relevant charity law and/or the Charities SORP.

[2] As defined in the FRC’s Ethical Standard, paragraph 6.4.

Charities that are companies

The annual reports of charities that are also companies are required to include a directors' report and a strategic report in accordance with the Companies Act 2006 as well as complying with the requirements of the SORP in relation to the content of a trustees' report. Where the charity is not a company, or is a company but qualifies for the small companies' exemption, the charity is not required to present a strategic report.

There is a significant overlap between the requirements of the SORP in relation to the content of a trustees' report and the requirements of the Companies Act 2006 in relation to directors' and strategic reports. For this reason, directors' reports and strategic reports are often clearly marked, but nevertheless embedded or subsumed within the trustees' report rather than presented as entirely separate reports. Any required strategic report must still be separately approved by the board of trustees, as directors of a charitable company.

Regardless of how the other information is presented in the annual report it should, in the case of a company, be clear what comprises the statutory other information (directors' report and strategic report) on which the auditor provides separate opinions in accordance with the Companies Act 2006 and what is simply other information in respect of which the auditor reports by exception.

The "other information" section of the audit report should clearly identify all the information comprising "other information" to make clear that the auditor does not report on other information unless expressly stated elsewhere in the audit report.

> The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon[3]. The ~~directors~~ trustees are responsible for the other information.
>
> Our opinion on the financial statements does not cover the other information and [companies audited under Companies Act 2006 only:, except to the extent otherwise explicitly stated in our report,] we do not express any form of assurance conclusion thereon.
>
> In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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

This section of the audit report is included only where the charity in question is also a company and the audit is carried out under the Companies Act 2006. Where the charity is not a company or is claiming exemption from audit under the Companies Act 2006, there is no requirement for the auditor to provide an explicit opinion on the consistency of any trustees' report with the financial statements or its preparation in accordance with legal requirements. Where a Companies Act 2006 audit is required and the strategic report is presented as a separate but embedded element of a charitable company's trustees' report, the auditor's opinion in this regard may be tailored as follows:

> **Opinions on other matters prescribed by the Companies Act 2006**
>
> In our opinion, based on the work undertaken in the course of the audit:

[3] A more specific description of the other information may be used, such as: *The other information comprises the trustees' report.*

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, 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 included within the trustees' report have been prepared in accordance with applicable legal requirements.

Note that while the wording above refers to "applicable legal requirements", the only such requirements that the auditor is explicitly required to report on are those of the Companies Act 2006.

Matters on which the auditor is required to report by exception

Exception reporting for a charity should reflect the exception reporting required by the applicable law. Charity law differs slightly from company law and charity law in each jurisdiction has some subtle nuances in the precise form of wording.

Note that for audit reports of charitable companies referring to "certain disclosures of trustees' remuneration specified by law are not made", the only such disclosures that the auditor is explicitly required to report on by exception are those required by the Companies Act 2006.

English & Welsh or Northern Irish charitable company

- Companies Act 2006

The exception reporting section is the same as for any other company aside from the pervasive changes discussed above.

Scottish charitable company

- Companies Act 2006; and
- Charities Accounts (Scotland) Regulations 2006.

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 included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

- adequate and proper 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 trustees' ~~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 trustees ~~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 trustees' ~~directors'~~ report and from the requirement to prepare a strategic report].

English & Welsh non-company charity (or a company not audited under the Companies Act 2006)

- Charities (Accounts and Reports) Regulations 2008

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the trustees' report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Scottish non-company charity (or a company not audited under the Companies Act 2006)

- Charities Accounts (Scotland) Regulations 2006

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

- the information given in the trustees' report is inconsistent in any material respect with the financial statements; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Northern Irish non-company charity (or a company not audited under the Companies Act 2006)

- Charities (Accounts and Reports) Regulations (Northern Ireland) 2015

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 require us to report to you if, in our opinion:

- the information given in the trustees' report is inconsistent in any material respect with the financial statements;
- sufficient accounting records have not been kept;
- the financial statements are not in agreement with the accounting records ; or
- we have not received all the information and explanations we require for our audit.

Non-company charities registered in more than one jurisdiction

All of the relevant laws need to be referred to in the audit report. For example:

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008, the Charities Accounts (Scotland) Regulations 2006, and the Charities (Accounts and Reports) Regulations (Northern Ireland) 2015 require us to report to you if, in our opinion:

- the information given in the trustees' report is inconsistent in any material respect with the financial statements; or
- sufficient and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

The only change aside from the pervasive changes that may be required is to make clear for charitable companies that the trustees are also the directors for the purposes of company law:

Responsibilities of trustees ~~directors~~

As explained more fully in the trustees' ~~directors'~~ responsibilities statement [set out on page …], the trustees ~~directors~~ (who are also the directors of the charitable company for the purposes of company law) 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 trustees ~~directors~~ determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

For non-company audits or audits not carried out under the Companies Act 2006, charity law requires that audit reports specify the authority to act as auditor. This also applies for Scottish registered charities audited under the Companies Act 2006.

In these cases the following information should therefore be included, tailored for the jurisdiction(s) in which the charity is registered. It is suggested that this be included at the start of the Auditor's responsibilities section of the report.

Charities not audited under the Companies Act 2006

Where the charity is registered in England and Wales only and the charity is a larger charity required to obtain an audit of its financial statements:

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144* of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

…

* Refer to section 151 if a group audit

Where the charity is registered in England and Wales only and the charity is a lower income charity opting for an audit of financial statements instead of independent examination:

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 145* of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

…

* Refer to section 152 if a group audit

Where the charity is registered in Northern Ireland only and the charity is a larger charity required to obtain an audit of its financial statements:

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 65(2) of the Charities Act (Northern Ireland) 2008 and report in accordance with the Act and relevant regulations made or having effect thereunder.

…

Where the charity is registered in Northern Ireland only and the charity is a lower income charity opting for an audit of financial statements instead of independent examination:

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 65(3)(b) of the Charities Act (Northern Ireland) 2008 and report in accordance with the Act and relevant regulations made or having effect thereunder.

…

Where the charity is registered in Scotland only:

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

…

Where the charity is registered in more than one jurisdiction all relevant legislation should be referred to eg,

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under [section [144/145/151/152] of the Charities Act 2011][,/ and] [section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005] [and] [section [65(2)/ 65(3)(b)] of the Charities Act (Northern Ireland) 2008] and report in accordance with the Acts and relevant regulations made or having effect thereunder.

…

Charitable companies registered in Scotland and audited under the Companies Act 2006

For audits of charitable companies carried out under the Companies Act 2006 where the charity is registered in Scotland the paragraph would read:

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

…

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, the auditor reports key audit matters in accordance with ISA (UK) 701 or where there is a group audit.

As for a company, a charity or charitable company auditor has three choices in relation to the more detailed description of the auditors' responsibilities:

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

1. Include within the audit report directly

References to 'company' may be changed to 'charity' or 'charitable company' as appropriate. References to directors may be changed to 'trustees' where appropriate.

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 charity or charitable company. In addition, the last bullet point in that example needs to be deleted as those responsibilities only apply 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.~~
>
> …

2. Include within an appendix to the audit report

Where the more detailed description is included in an appendix, the references to “directors” and “company” in that Appendix may again need to be amended. 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 charity/charitable 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.~~

3. 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. 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 charities. 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 would relate to trustees in the case of an unincorporated charity.

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 wording is equally applicable to charity audits although care needs to be taken to ensure that appropriate addressees are referenced as required by relevant law (see 'Addressees of the report' above).

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 needs to be amended to read as follows:

Charitable company audited under the Companies Act 2006 – not registered in Scotland

The typical company restriction on use wording is the same as for a normal company where the charity is not registered as a charity in Scotland.

Charitable company audited under the Companies Act 2006 – registered in Scotland

The typical company restriction on use wording also needs to refer to the relevant Scottish law and regulation.

> This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees 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 charitable company ~~and~~, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Non-company charities and charitable companies not audited under the Companies Act 2006

The paragraph should refer to all applicable legislation:

> This report is made solely to the charity's trustees, as a body, in accordance with [Part 4 of the Charities (Accounts and Reports) Regulations 2008][, / and][Regulation 10 of the Charities Accounts (Scotland) Regulations 2006][and][Part 4 of the Charities Accounts and Reports Regulations (Northern Ireland) 2015]. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and the charity's trustees 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 charitable companies audited under the Companies Act 2006 are the same as for other 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]

In respect of charities that are not companies or are not audited under the Companies Act 2006, the auditor signs in the name of the audit firm:

> ABC LLP, Statutory Auditor
> [Address]
> [Date]

In addition auditors of charities are required by charity law and underlying regulations to specify that they are a person that is, in accordance with section 1212 of the Companies Act 2006, eligible for appointment as a company auditor. This is usually achieved with a statement at the end of the audit report to that effect:

> ABC LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Such a statement is not required if the audit is conducted under the Companies Act 2006 itself.

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