

16 March 2022

For the audits of financial statements
with reporting periods commencing
after 1 February 2020 with filing after
31 December 2020



Auditor's report guidance for ICAS firms acting as auditors of Scottish charities

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Reviewed December 2023: Minor updates made to refer to the 2022 edition of *Guidance for ICAS members Acting for Charities in England and Wales (Audit exemption: A practical guide)* and the most recent update of the Charity Commission for England and Wales's publication *Charity reporting and accounting: the essentials (CC15d)* which was last updated on 14 June 2023.

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Section 1: Introduction

1.1 Aim of the guide

The aim of the guide is to assist ICAS registered audit firms prepare auditor's reports for Scottish charities in accordance with the following standards and guidance issued by the UK Financial Reporting Council (FRC):

- *International Standard on Auditing (ISA) (UK) 570: Going concern (revised September 2019).*
- *ISA (UK) 700: Forming an opinion and reporting on financial statements (revised November 2019) (updated January 2020).*
- *Bulletin: Illustrative auditor's reports on United Kingdom private sector financial statements for periods commencing after 1 February 2020 with filing after 31 December 2020 (August 2021).*

Unless stated otherwise, reference to any of the above ISAs (UK) is to the version referred to above.

The guide is not intended to be comprehensive and does not deal with every circumstance. It is therefore not a substitute for the auditor's own judgement or referring directly to the latest applicable standards and guidance issued by the FRC or to the relevant legislation and regulations.

1.2 Scope of the guide

The revisions to *ISA (UK) 570* and *ISA (UK) 700* brought significant changes to the wording of auditor's reports for periods commencing, on or after, 15 December 2019, relating to going concern and irregularities, including fraud. However, the guide is relevant to financial statements for periods commencing after 1 February 2020 with filing after 31 December 2020 to align with the latest edition of the FRC's Illustrative auditor's reports bulletin.

The changes set out in these revised ISAs (UK) apply to the audits of charities and the illustrative reports contained in the appendices have been drafted to demonstrate how these changes may apply to charities registered in Scotland with the Office of the Scottish Charity Regulator (OSCR).

The following illustrative auditor's reports are included in the guide:

- Appendix 1: Unmodified auditor's report for a small standalone charitable company registered in Scotland.
- Appendix 2: Unmodified auditor's report for a standalone non-company charity registered in Scotland.
- Appendix 3: Unmodified auditor's report for a non-company charity registered in Scotland preparing group and parent charity financial statements.
- Appendix 4: Auditor's report for a non-company charity registered in Scotland with a material uncertainty related to going concern.
- Appendix 5: Unmodified auditor's report for a non-company charity registered in England & Wales and in Scotland.

The non-company auditor's report examples apply to non-company charities including charitable trusts, unincorporated associations and Scottish charitable incorporated organisations (SCIOs). The illustrative report at appendix 5 is also relevant to a Charitable Incorporated Organisation (CIO) based in England & Wales and registered in Scotland with OSCR.

None of the report examples apply to non-company charity auditor's reports on financial statements prepared on a receipts and payments basis.

The report examples are for guidance only and should be tailored to the circumstances of the charity client, this may include using the terminology used by the charity to describe its governing body or trustees' annual report. For example:

- An independent school may wish to address the auditor's report to the governors rather than the trustees; or
- a charitable company may use the term 'directors' rather than 'trustees' in its annual report document and therefore the auditor's report may refer to the directors.

Where different terms are used, the auditor should seek to ensure that within the annual report document, for example, in the governors' or directors' statement of responsibilities, that the charity has made it clear that governors or directors are the trustees for charity law purposes. This would also mean, in the case of a charitable company, that the auditor's report would not need to clarify that the trustees are the directors for company law purposes.

In the illustrative auditor's reports in the appendices to the guide, reference to the annual report document means the document containing the trustees' annual report (or equivalent), the financial statements and other accompanying material.

Section 2: Notes on the legislative framework

2.1 Note on the accounting and reporting framework

Financial Reporting Standard (FRS) 102

The illustrative auditor's reports have been prepared on the basis that the financial statements are prepared under full *FRS 102 (the Financial Reporting Standard applicable in the UK and the Republic of Ireland)* and the *Charities SORP (FRS 102)*. The extant edition of the *Charities SORP (FRS 102)* is the second edition published in October 2019.

The Statement of Cash Flows

The *Charities SORP (FRS 102) (second edition – October 2019)* requires all charities with a gross income of more than £500,000 to prepare a Statement of Cash Flows.

Charitable companies

Charitable companies, of course, must prepare financial statements which give a true and fair view, and are therefore not entitled to prepare receipts and payments accounts.

The illustrative auditor's report for a charitable company, in appendix 2, assumes that the charity is preparing its trustees' annual report (incorporating its directors' report) and financial statements under the small companies' regime. However, small charitable companies are not permitted or are unable to take advantage of all the concessions available to companies which are not charities.

A charitable company is not permitted to prepare abridged financial statements and, in order to comply with the *Charities SORP (FRS 102)*, is unable to take advantage of the concessions offered by Section 1A of *FRS 102*. However, there is no requirement for a small charitable company to prepare a strategic report.

Non-company charities

Equally, in order to comply with the *Charities SORP (FRS 102)*, a non-company charity is unable to take advantage of the concessions offered by Section 1A of *FRS 102*.

2.2 Note on the legal framework for the audit of charitable companies

The illustrative auditor's report example, in appendix 2, for a charitable company has been prepared on the basis that the audit was conducted under company law and Scottish charity law.

There is an interpretation of the law whereby a charitable company, which is below the audit threshold in the Companies Act 2006 but is being audited, can opt for an audit solely under charity law.

ICAS takes the view that it is good practice for entities to be audited under all applicable legislation therefore we strongly recommend that Scottish charitable companies are audited under both company law and applicable charity law. We do not believe that it is appropriate for a charity to elect for audit exemption under company law and then receive an audit under charity law. This gives the misleading impression that an audit under charity law is less rigorous.

Therefore, auditor's reports for a Scottish charitable company should refer to the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and the Companies Act 2006.

2.3 Note on charities based in England & Wales

A charity based in England & Wales may be required to register in Scotland with (OSCR) if it has operations in Scotland. Charities in this position are commonly referred to as cross-border charities. Cross-border charities must comply with Scottish charity law in relation to the

preparation of their trustees' annual report and financial statements in addition to any other relevant legal requirements. Where they are audited, the audit must also be conducted in accordance with Scottish charity law in addition to any other relevant requirements.

Preparing an auditor's report for a cross-border charity

The illustrative auditor's report for a non-company charity based in England & Wales and registered in Scotland, in appendix 5, is an example of an auditor's report for a cross-border charity.

Extreme care is required when developing an auditor's report for a cross-border charity due to complex legal requirements which apply to charity reporting and audit in England & Wales. For example, the following features have a bearing individually, or in combination, on the legal requirements relevant to the preparation of an England & Wales charity's trustees' annual report and financial statements, and the audit thereof:

- The legal form of the charity.
- The size of the charity.
- Whether the financial statements are individual or group financial statements.

In 2022, ICAS published a revised edition of its [Guidance for ICAS members Acting for Charities in England and Wales \(Audit exemption: A practical guide\)](#). The Audit exemption guide should assist with the preparation of a tailored auditor's report for a cross-border charity.

The Charities (Accounts and Reports) Regulations 2008

A non-company charity based in England & Wales preparing financial statements which give a 'true and fair' view must comply with the Charities (Accounts and Reports) Regulations 2008.

However, the 2008 Regulations have not been updated to refer to the *Charities SORP (FRS 102) (second edition – October 2019)* and still refer to an obsolete version of the *Charities SORP (FRS 102)*.

The Charity Commission for England and Wales has issued guidance for non-company charities on how they can address the anomaly of complying with the 2008 Regulations and the latest edition of the *Charities SORP (FRS 102)*. The guidance is set out in paragraph 8.1.5 of [Charity reporting and accounting: the essentials \(CC15d\)](#). CC15d was last updated on 14 June 2023.

ICAS members acting for charities based in England & Wales should ensure that they refer to the appropriate version of CC15, including any later edition which may be published.

If a charity does not comply with the requirements of paragraph 8.1.5, the auditor should consider the implications for their auditor's report.

Section 3: The auditor's report

3.1 The 'Opinion' section

Regulation 10(4)(e)(i) of the Charities Accounts (Scotland) Regulations 2006 requires the auditor to give an opinion on whether the financial statements give:

- “a true and fair view of the state of affairs of the charity at the end of the financial year in question and of the incoming resources and application of the resources of the charity in that financial year.”

The report examples therefore include the following wording:

In our opinion, the financial statements:

- (In the case of a charitable company) “give a true and fair view of the state of the charitable company's affairs as at [Date] and of its incoming resources and application of resources, including its income and expenditure, for the year then ended.”
- (In the case of a non-company charity) “give a true and fair view of the state of the charity's affairs as at [Date] and of its incoming resources and application of resources for the year then ended.”

Under the *Charities SORP (FRS 102)* and to comply with the Companies Act 2006, a charitable company must prepare a Statement of Financial Activities (SoFA) incorporating an Income and Expenditure Account. If the charitable company's SoFA does not incorporate its Income and Expenditure Account, it must prepare a separate Summary Income and Expenditure Account. The reference to 'income and expenditure' in the charitable company example above refers to these requirements.

In the previous edition of this guide, the following wording was used in the illustrative report examples:

- “give a true and fair view of the state of the charitable company's/ charity's affairs as at [Date] and of its income [and receipt of endowments] and expenditure for the year then ended.”

This wording was used to reflect the terminology in the *Charities SORP (FRS 102)*. However, this edition of the guide has been amended to reflect current practice.

3.2 The 'Conclusions relating to going concern' section

ISA (UK) 570: Going concern has been revised to require the auditor to make a positive statement about the trustees' use of the going concern basis of accounting to prepare the financial statements.

The report examples in appendices 1, 2, 3 and 5 all contain example wording which can be used where the charity is a going concern and there is no material uncertainty related to going concern to report.

Where a material uncertainty exists related to events or conditions that may cast significant doubt on the charity's ability to continue as a going concern and the disclosure of the material uncertainty in the financial statements is adequate, the auditor does not modify their opinion in this regard. However, the auditor is required to include a separate heading 'Material uncertainty related to going concern' in their auditor's report instead of the separate heading 'Conclusions relating to going concern'.

The illustrative auditor's report for a non-company charity registered in Scotland with a material uncertainty related to going concern, in appendix 4, provides a suitable form of words, although some tailoring to the specific circumstances of the charity is required.

3.3 The 'Other information' section

In the 'Other information' section of the illustrative charitable company report, the following wording, shown here as underlined is included:

"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."

The wording is required under the Companies Act 2006 and is not included in the non-company charity auditor's report examples.

3.4 The 'Responsibilities of trustees' section

The wording in the 'Responsibilities of trustees' section for a non-company charity is slightly different from the equivalent charitable company wording.

Under company law, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. However, under Scottish charity law the responsibility of the trustees does not extend to being satisfied that the financial statements give a true and fair view, although they are required to prepare financial statements which give a true and fair view. The position is the same under charity law applying in England & Wales.

3.5 The 'Auditor's responsibilities for the audit of the financial statements' section

Reference to the statutory basis for audit

Included in the section on 'Auditor's responsibilities for the audit of the financial statements' is additional wording necessary to comply with Regulation 10(4)(d) of the Charities Accounts (Scotland) Regulations 2006 which requires that the auditor's report:

"specifies that it is a report in respect of an audit carried out under section 44(1)(c) of the 2005 Act."

The wording is therefore intended to explain the statutory basis for the audit.

A description of 'applicable legislation' is not required either by the Companies Act 2006 or *ISA (UK) 700*. However, in the interests of completeness and consistency, the illustrative report for a charitable company includes a reference to the Companies Act 2006 within the additional wording.

It would also be reasonable to include the additional wording on 'applicable legislation' on the statutory basis for the audit within the 'Basis for opinion' section.

Options for presenting aspects of the auditor's responsibilities

The description of the auditor's responsibilities for the audit of the financial statements required by paragraphs 39–40 of *ISA (UK) 700* can be included:

- a) within the body of the auditor's report;
- b) within an appendix to the auditor's report, in which case the auditor's report shall include a reference to the location of the appendix; or
- c) by a specific reference within the auditor's report to the location of such a description on a website of an appropriate authority, where law, regulation or national auditing standards expressly permit the auditor to do so.

In the UK, the auditor is permitted to cross-refer to the applicable version of a 'Description of the auditor's responsibilities for the audit of the financial statements' that is maintained on the website of an appropriate authority. This is the approach taken in the illustrative reports set out in the guide.

In the UK the appropriate authority is the FRC.

3.6 Note on clarification of Bannerman wording

Following the Scottish Court of Session Decision, issued on 26 May 2005, on RBS PLC v Bannerman, Johnstone, Maclay, clarification wording has been routinely included in auditor's reports, including charity auditor's reports. The clarification wording, which is addressed to the addressees of the auditor's report, is also known as Bannerman wording.

The latest guidance on the location of the Bannerman wording is set out in:

- The ICAEW's Audit and Assurance Faculty [*Technical Release \(01/03 AAF \(Revised\): The audit report and auditors' duty of care to third parties*](#) (18 May 2018).

01/03AAF (Revised), locates the Bannerman wording between the 'Auditor's responsibilities for the audit of the financial statements' and the auditor's signature. The heading used to accompany the wording is typically 'Use of our report'.

3.7 The 'Signature' section

Regulation 10(4)(b) of the Charities Accounts (Scotland) Regulations 2006 requires that the auditor's report "is signed by the auditor or, where the office of auditor is held by a body corporate or partnership, in its name by a person authorised to sign on its behalf and states that the auditor is a person who is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006."

The report examples include two alternative wordings for complying with this requirement:

- A legalistic wording which refers directly to Regulation 10(2) of the 2006 Regulations which requires the auditor to be a person who is eligible for appointment in terms of section 1212 of the Companies Act 2006; and
- a more concise wording which merely states that the auditor is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.

The reference in the signature to the Companies Act 2006 is a reference to the eligibility of the auditor to undertake an audit of a Scottish charity. It is not a reference to the legal form of the charity being audited. Therefore, in a non-company charity auditor's report, the reference to the Companies Act 2006 in the 'Signature' section should be the sole reference to company law.

Appendix 1: Unmodified auditor's report for a small charitable company registered in Scotland

- The charitable company qualifies as a small company and is not a public interest entity.
- The financial statements are prepared in accordance with *FRS 100* and *FRS 102 (UK GAAP)* and the *Charities SORP (FRS 102)*.
- The trustees¹, who are the directors of the company for the purposes of company law, take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.
- The charitable company does not prepare group financial statements or *ISA (UK) 600 (Revised November 2019)* does not otherwise apply².
- The 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 and trustees of [ABC Charitable Company Limited]

Opinion

We have audited the financial statements of [ABC Charitable Company Limited] (the 'charitable company') for the year ended [Date] which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), [the Summary Income and Expenditure Account]³, the Balance Sheet, [the Statement of Cash Flows]⁴ and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including *FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at [Date] and of its incoming resources and application of resources, including its income and expenditure, 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, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

¹ In this example, the governing body is described as 'the trustees'. The charity may use another term to describe the governing body, for example, in the case of a company reference may be to 'the directors'.

² An auditor may find *ISA (UK) 600*, adapted as necessary in the circumstances, useful when the auditor involves other auditors in the audit of financial statements that are not group financial statements. (See paragraph 2 of *ISA (UK) 600 (Revised November 2019)*).

³ For charitable companies not preparing a combined statement, a separate Summary Income and Expenditure Account is required (See paragraph 15.13 of the *Charities SORP (FRS 102)*).

⁴ The description of the primary financial statements must be the same as the description used by the trustees in the charitable company's financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law⁵. 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 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]⁶ to the financial statements]⁷, and we have fulfilled our 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 trustees' (who are also the directors of the company for company law purposes) 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 charitable company'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 trustees 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]⁸, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within [the annual report]⁹. 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 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.

⁵ In this example the applicable law is specified within the Auditor's responsibilities for the audit of financial statements. However, the auditor may wish to specify the applicable law here instead.

⁶ Delete the words in square brackets if the relief and exemptions for audits of small entities provided by the *FRC's Ethical Standard* are not utilised.

⁷ As described in paragraph A35-4 of *ISA (UK) 700 (Revised November 2019)*, Section 6 of the *FRC's Ethical Standard* 'Provisions available for audits of small entities' at paragraph 6.15 requires disclosure in the auditor's report where the audit firm has taken advantage of an exemption provided in paragraphs 6.11, 6.12 or 6.13 of the *Ethical Standard*.

⁸ This refers to the document containing the trustees' annual report, the financial statements and other accompanying material. The auditor's report should refer to the title of the document used by the charitable company.

⁹ As per the previous footnote.

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, prepared for the purposes of company law and included within the trustees' annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report, included within the trustees' annual 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report, included within the trustees' annual report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006, [the Charities and Trustees Investment (Scotland) Act 2005]¹⁰ and the Charities Accounts (Scotland) Regulations 2006 require 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]¹¹; or
- the financial statements are not in agreement with the accounting records [and returns]; or
- certain disclosures of trustees' 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 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, included within the trustees' annual report, and from the requirements to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' statement of responsibilities set out on page [X], the trustees (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 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 trustees are responsible for assessing the charitable 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 trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

¹⁰ Regarding Scottish charity law, matters required to be reported on by exception are set out in the Charities Accounts (Scotland) Regulations 2006. Auditors may also wish to refer to the Charities and Trustee Investment (Scotland) Act 2005 which underpins these Regulations and specifically refers to 'proper accounting records'.

¹¹ The additional wording in square brackets may be required to comply with the Companies Act 2006 where pertinent to the audit.

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 2006¹² and report in accordance with the Acts [and relevant regulations made or having effect thereunder]¹³.

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.

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]¹⁴.

A further description of our responsibilities for the audit of the financial statements is available on the Financial Reporting Council's website at: [website link]¹⁵.

This description forms part of our auditor's report.

Use of our report

[Insert Bannerman wording.]

[Signature]

[John Smith] (Senior Statutory Auditor)
For and on behalf of [XYZ LLP], Statutory Auditor

[XYZ LLP is eligible for appointment as auditor of the charitable company under regulation 10(2) of the Charities Accounts (Scotland) Regulations by virtue of its eligibility under section 1212 of the Companies Act 2006.] or

[XYZ LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.] [Address]

[Date]

¹² Regulation 10(4)(d) of the Charities Accounts (Scotland) Regulations 2008 requires that the auditor's report specifies that it is a report in respect of an audit carried out under section 44(1)(c) of the 2005 Act. The Companies Act 2006 is referred to for completeness.

¹³ The relevant regulations are referred to for completeness.

¹⁴ See paragraph 29-1 of *ISA 700 (UK)*.

¹⁵ The website reference is www.frc.org.uk/auditorsresponsibilities

Appendix 2: Unmodified auditor's report for a non-company charity registered in Scotland

- The financial statements are prepared in accordance with *FRS 100* and *FRS 102 (UK GAAP)* and the *Charities SORP (FRS 102)*.
- The charity uses the term 'the trustees' to refer to the governing body.¹⁶
- The charity does not prepare group financial statements or *ISA (UK) 600 (Revised November 2019)* does not otherwise apply.¹⁷
- The 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 trustees of [XYZ Charity]

Opinion

We have audited the financial statements of [XYZ Charity] ('the charity') for the year ended [Date] which comprise the Statement of Financial Activities, the Balance Sheet [,the Statement of Cash Flows]¹⁸ and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including *FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at [Date] and of its incoming resources and application of resources 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 Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

¹⁶ In this example, the governing body is described as 'the trustees'. The charity may use another term to describe the governing body, for example, in the case of an independent school reference may be to 'the governors'.

¹⁷ An auditor may find *ISA (UK) 600*, adapted as necessary in the circumstances, useful when the auditor involves other auditors in the audit of financial statements that are not group financial statements. (See paragraph 2 of *ISA (UK) 600 (Revised November 2019)*).

¹⁸ The description of the primary financial statements must be the same as those used by the trustees.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law¹⁹. 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 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]²⁰ to the financial statements]²¹, and we have fulfilled our 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 trustees' 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 charity'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 trustees 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]²², other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within [the annual report]²³. Our opinion on the financial statements does not cover the other information and 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.

¹⁹ In this example the applicable law is specified within the Auditor's responsibilities for the audit of the financial statements. However, the auditor may wish to specify the applicable law here instead.

²⁰ Delete the words in square brackets if the relief and exemptions for audits of small entities provided by the *FRC's Ethical Standard* are not utilised.

²¹ As described in paragraph A35-4 of *ISA (UK) 700 (Revised November 2019)*, Section 6 of the *FRC's Ethical Standard* 'Provisions available for audits of small entities' at paragraph 6.15 requires disclosure in the auditor's report where the audit firm has taken advantage of an exemption provided in paragraphs 6.11, 6.12 or 6.13 of the *Ethical Standard*.

²² This refers to the document containing the trustees' annual report, the financial statements and other accompanying material. The auditor's report should refer to the title of the document used by the charity.

²³ As per the previous footnote.

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 and Trustees Investment (Scotland) Act 2005 and]²⁴ the Charities Accounts (Scotland) Regulations 2006 require[s] us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; 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.

Responsibilities of trustees

As explained more fully in the trustees' statement of responsibilities set out on page [X], the trustees are responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the trustees 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 trustees are responsible for assessing the charity'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 trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

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]²⁵.

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.

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.]²⁶

A further description of our responsibilities for the audit of the financial statements is available on the Financial Reporting Council's website at: [website link]²⁷.

This description forms part of our auditor's report.

²⁴ Matters required to be reported on by exception are set out in the Charities Accounts (Scotland) Regulations 2006. Auditors may also wish to refer to the Charities and Trustee Investment (Scotland) Act 2005 which underpins these Regulations and specifically refers to 'proper accounting records'.

²⁵ The relevant regulations are referred to for completeness.

²⁶ See paragraph 29-1 of *ISA 700 (UK)*.

²⁷ The website reference is www.frc.org.uk/auditorsresponsibilities.

Use of our report

[Insert Bannerman wording.]

[Signature]

[ABC LLP], Statutory Auditor

[XYZ LLP is eligible for appointment as auditor of the charity under regulation 10(2) of the Charities Accounts (Scotland) Regulations by virtue of its eligibility under section 1212 of the Companies Act 2006.]
or

[XYZ LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.]

[Address] [Date]

Appendix 3: Unmodified auditor's report for a non-company charity registered in Scotland preparing group and parent charity financial statements

- The financial statements are prepared in accordance with *FRS 100* and *FRS 102 (UK GAAP)* and the *Charities SORP (FRS 102)*.
- The charity uses the term 'the trustees' to refer to the governing body.²⁸
- The charity prepares group financial statements.
- The 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 trustees of [XYZ Charity]

Opinion

We have audited the financial statements of [XYZ Charity] ('the parent charity') and its subsidiaries ('the group') for the year ended [Date] which comprise: the Consolidated Statement of Financial Activities, the parent charity Statement of Financial Activities, the Consolidated Balance Sheet, the parent charity Balance Sheet[,] [and] the Consolidated Statement of Cash Flows²⁹ and the parent charity Statement of Cash Flows³⁰ and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their

preparation is applicable law and United Kingdom Accounting Standards, including *FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at [Date] and of the group's and parent charity's incoming resources and application of resources 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 Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

²⁸ In this example, the governing body is described as 'the trustees'. The parent charity may use another term to describe the governing body, for example, in the case of an independent school reference may be to 'the governors'.

²⁹ A Consolidated Statement of Cash Flows is required to comply with *the Charities SORP* (see the next note).

³⁰ The description of the primary financial statements must be the same as those used by the trustees. *The Charities SORP* requires charities with a gross income of more than £500,000 to prepare a Statement of Cash Flows and regulation 6(1) of the Charities Accounts (Scotland) Regulations 2006 requires a charity with one or more subsidiary undertakings and a gross income of £500,000 or more on a net basis to prepare group financial statements. Therefore, group financial statements will include a Consolidated Statement of Cash Flows but it is possible that the parent charity may not prepare its own Statement of Cash Flows, if it is not required to by the *Charities SORP*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law³¹. 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 the provisions available for small entities, in the circumstances set out in note [X]³² to the financial statements]³³, and we have fulfilled our 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 trustees' 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 group and parent charity'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 trustees 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]³⁴, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within [the annual report]³⁵. Our opinion on the financial statements does not cover the other information and 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.

³¹ In this example the applicable law is specified within the Auditor's responsibilities for the audit of the financial statements. However, the auditor may wish to specify the applicable law here instead.

³² Delete the words in square brackets if the relief and exemptions for audits of small entities provided by the *FRC's Ethical Standard* are not utilised.

³³ As described in paragraph A35-4 of *ISA (UK) 700 (Revised November 2019)*, Section 6 of the *FRC's Ethical Standard* 'Provisions available for audits of small entities' at paragraph 6.15 requires disclosure in the auditor's report where the audit firm has taken advantage of an exemption provided in paragraphs 6.11, 6.12 or 6.13 of the *Ethical Standard*.

³⁴ This refers to the document containing the trustees' annual report, the financial statements and other accompanying material. The auditor's report should refer to the title of the document used by the charity.

³⁵ As per the previous footnote.

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 and Trustees Investment (Scotland) Act 2005 and]³⁶ the Charities Accounts (Scotland) Regulations 2006 require[s] us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report³⁷; 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.

Responsibilities of trustees

As explained more fully in the trustees' statement of responsibilities set out on page [X], the trustees are responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the trustees 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 trustees are responsible for assessing the group's and the parent charity'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 trustees either intend to liquidate the group or the parent charity or to cease operations, or have no realistic alternative but to do so.

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]³⁸.

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.

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.]³⁹

A further description of our responsibilities for the audit of the financial statements is available on the Financial Reporting Council's website at: [website link]⁴⁰.

This description forms part of our auditor's report.

³⁶ Matters required to be reported on by exception are set out in the Charities Accounts (Scotland) Regulations 2006. Auditors may also wish to refer to the Charities and Trustee Investment (Scotland) Act 2005 which underpins these Regulations and specifically refers to 'proper accounting records'

³⁷ Where group financial statements are prepared, the scope of the trustees' annual report must extend to the group as a whole.

³⁸ The relevant regulations are referred to for completeness.

³⁹ See paragraph 29-1 of ISA 700 (UK).

⁴⁰ The website reference is www.frc.org.uk/auditorsresponsibilities.

Use of our report

[Insert Bannerman wording.]

[Signature]

[XYZ LLP], Statutory Auditor

[XYZ LLP is eligible for appointment as auditor of the charity under regulation 10(2) of the Charities Accounts (Scotland) Regulations by virtue of its eligibility under section 1212 of the Companies Act 2006.]
or

[XYZ LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.]

[Address] [Date]

Appendix 4: Auditor's report for a non- company charity registered in Scotland with a material uncertainty related to going concern

- The financial statements are prepared in accordance with *FRS 100* and *FRS 102 (UK GAAP)* and the Charities SORP (*FRS 102*).
- The charity uses the term 'the trustees' to refer to the governing body.⁴¹
- The charity does not prepare group financial statements or *ISA (UK) 600 (Revised November 2019)* does not otherwise apply.⁴²
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with *ISA (UK) 701 (Revised November 2019)*.
- 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 trustees of [XYZ Charity]

Opinion

We have audited the financial statements of [XYZ Charity] ('the charity') for the year ended [Date] which comprise the Statement of Financial Activities, the Balance Sheet [,the Statement of Cash Flows]⁴³ and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including *FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at [Date] and of its incoming resources and application of resources 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 Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

⁴¹ In this example, the governing body is described as 'the trustees'. The charity may use another term to describe the governing body, for example, in the case of an independent school reference may be to 'the governors'.

⁴² An auditor may find *ISA (UK) 600*, adapted as necessary in the circumstances, useful when the auditor involves other auditors in the audit of financial statements that are not group financial statements. (See paragraph 2 of *ISA (UK) 600 (Revised November 2019)*).

⁴³ The description of the primary financial statements must be the same as those used by the trustees.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law⁴⁴. 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 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]⁴⁵ to the financial statements]⁴⁶, and we have fulfilled our 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 charity'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 charity'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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the trustees' assessment of the charity's ability to continue to adopt the going concern basis of accounting included [Explanation of how the auditor evaluated the trustees' assessment and the key observations arising with respect to that evaluation].

Our responsibilities and the responsibilities of the trustees' 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]⁴⁷, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within [the annual report]⁴⁸. Our opinion on the financial statements does not cover the other information and 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.

⁴⁴ In this example the applicable law is specified within the Auditor's responsibilities for the audit of the financial statements. However, the auditor may wish to specify the applicable law here instead.

⁴⁵ Delete the words in square brackets if the relief and exemptions for audits of small entities provided by the *FRC's Ethical Standard* are not utilised.

⁴⁶ As described in paragraph A35-4 of *ISA (UK) 700 (Revised November 2019)*, Section 6 of the *FRC's Ethical Standard* 'Provisions available for audits of small entities' at paragraph 6.15 requires disclosure in the auditor's report where the audit firm has taken advantage of an exemption provided in paragraphs 6.11, 6.12 or 6.13 of the *Ethical Standard*.

⁴⁷ This refers to the document containing the trustees' annual report, the financial statements and other accompanying material. The auditor's report should refer to the title of the document used by the charity.

⁴⁸ As per the previous footnote.

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 and Trustees Investment (Scotland) Act 2005 and]⁴⁹ the Charities Accounts (Scotland) Regulations 2006 require[s] us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; 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.

Responsibilities of trustees

As explained more fully in the trustees' statement of responsibilities set out on page [X], the trustees are responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the trustees 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 trustees are responsible for assessing the charity'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 trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

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]⁵⁰.

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.

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.]⁵¹

A further description of our responsibilities for the audit of the financial statements is available on the Financial Reporting Council's website at: [website link]⁵².

This description forms part of our auditor's report.

⁴⁹ Matters required to be reported on by exception are set out in the Charities Accounts (Scotland) Regulations 2006. Auditors may also wish to refer to the Charities and Trustee Investment (Scotland) Act 2005 which underpins these Regulations and specifically refers to 'proper accounting records'.

⁵⁰ The relevant regulations are referred to for completeness.

⁵¹ See paragraph 29-1 of ISA 700 (UK).

⁵² The website reference is www.frc.org.uk/auditorsresponsibilities.

Use of our report

[Insert Bannerman wording.]

[Signature]

[XYZ LLP], Statutory Auditor

[XYZ LLP is eligible for appointment as auditor of the charity under regulation 10(2) of the Charities Accounts (Scotland) Regulations by virtue of its eligibility under section 1212 of the Companies Act 2006.]
or

[XYZ LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.]

[Address] [Date]

Appendix 5: Unmodified auditor's report for a non-company charity based in England & Wales and registered in Scotland

- The financial statements are prepared in accordance with *FRS 100* and *FRS 102 (UK GAAP)* and the *Charities SORP (FRS 102)*.
- The financial statements are prepared in accordance with charity law (England & Wales) and Scottish charity law, and the charity is not an investment fund or special case charity.
- The charity uses the term 'the trustees' to refer to the governing body.⁵³
- The charity does not prepare group financial statements or *ISA (UK) 600 (Revised November 2019)* does not otherwise apply.⁵⁴
- The 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 trustees of [XYZ Charity]

Opinion

We have audited the financial statements of [XYZ Charity] ('the charity') for the year ended [Date] which comprise the Statement of Financial Activities, the Balance Sheet [,the Statement of Cash Flows]⁵⁵ and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including *FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at [Date] and of its incoming resources and application of resources 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 Charities Act 2011, [the Charities (Reports and Accounts) Regulations 2008,]⁵⁶ the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

⁵³ In this example, the governing body is described as 'the trustees'. The charity may use another term to describe the governing body, for example, in the case of an independent school reference may be to 'the governors'.

⁵⁴ An auditor may find *ISA (UK) 600*, adapted as necessary in the circumstances, useful when the auditor involves other auditors in the audit of financial statements that are not group financial statements. (See paragraph 2 of *ISA (UK) 600 (Revised November 2019)*).

⁵⁵ The description of the primary financial statements must be the same as those used by the trustees.

⁵⁶ An auditor may wish to refer to the Charities (Reports and Accounts) Regulations 2008 for completeness and consistency.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law⁵⁷. 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 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]⁵⁸ to the financial statements]⁵⁹, and we have fulfilled our 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 trustees' 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 charity'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 trustees 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]⁶⁰, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within [the annual report]⁶¹. Our opinion on the financial statements does not cover the other information and 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.

⁵⁷ In this example the applicable law is specified within the Auditor's responsibilities for the audit of the financial statements. However, the auditor may wish to specify the applicable law here instead.

⁵⁸ Delete the words in square brackets if the relief and exemptions for audits of small entities provided by the *FRC's Ethical Standard* are not utilised.

⁵⁹ As described in paragraph A35-4 of *ISA (UK) 700 (Revised November 2019)*, Section 6 of the *FRC's Ethical Standard* 'Provisions available for audits of small entities' at paragraph 6.15 requires disclosure in the auditor's report where the audit firm has taken advantage of an exemption provided in paragraphs 6.11, 6.12 or 6.13 of the *Ethical Standard*.

⁶⁰ This refers to the document containing the trustees' annual report, the financial statements and other accompanying material. The auditor's report should refer to the title of the document used by the charity.

⁶¹ As per the previous footnote.

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 Act 2011,]⁶² the Charities (Reports and Accounts) Regulations 2008, [the Charities and Trustees Investment (Scotland) Act 2005 and]⁶³ the Charities Accounts (Scotland) Regulations 2006 require[s] us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- sufficient and 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.

Responsibilities of trustees

As explained more fully in the trustees' statement of responsibilities set out on page [X], the trustees are responsible for the preparation of financial statements which give a true and fair view, and for such internal control as the trustees 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 trustees are responsible for assessing the charity'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 trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 155 of the Charities Act 2011 and section 44(1)(c) of the Charities and Trustees Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder⁶⁴.

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.

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.]⁶⁵

A further description of our responsibilities for the audit of the financial statements is available on the Financial Reporting Council's website at: [website link]⁶⁶.

⁶² Matters required to be reported on by exception are set out in the Charities (Reports and Accounts) Regulations 2008. Auditors may also wish to refer to the Charities Act 2011 which underpins these Regulations and specifically refers to the word 'sufficient' in relation to accounting records.

⁶³ Matters required to be reported on by exception are also set out in the Charities Accounts (Scotland) Regulations 2006. Auditors may also wish to refer to the Charities and Trustees Investment (Scotland) Act 2005 which underpins these Regulations and specifically refers to 'proper accounting records'.

⁶⁴ The reference to 'relevant regulations made or having effect thereunder' arises from Regulation 24(1)(e)(ii) of the Charities (Reports and Accounts) Regulations 2008.

⁶⁵ See paragraph 29-1 of *ISA 700 (UK)*.

⁶⁶ The website reference is www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our report

[Insert Bannerman wording.]

[Signature]

[XYZ LLP], Statutory Auditor

[XYZ LLP is eligible for appointment as auditor of the charity under regulation 10(2) of the Charities Accounts (Scotland) Regulations by virtue of its eligibility under section 1212 of the Companies Act 2006.]
or

[XYZ LLP is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.]⁶⁷

[Address] [Date]

⁶⁷ When issuing their report on a non-company cross-border charity, the auditor may wish to use the short form wording in preference to the long form wording in case the reference to Scottish charity law and not to charity law as it applies in England & Wales confuses the reader of the auditor's report.



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