



Companies Act 2006

2006 CHAPTER 46

PART 16

AUDIT

CHAPTER 3

FUNCTIONS OF AUDITOR

Auditor's report

Modifications etc. (not altering text)

- C1** Ss. 495-497 applied (with modifications) by [S.I. 2008/373, reg. 7\(1\)\(1A\)](#) (as substituted and inserted (1.1.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\), reg. 1\(2\)\(3\), 9](#) (with [reg. 2\(6\)\(7\)](#)))

495 Auditor's report on company's annual accounts

- (1) A company's auditor must make a report to the company's members on all annual accounts of the company of which copies are, during his tenure of office—
- (a) in the case of a private company, to be sent out to members under section 423;
 - (b) in the case of a public company, to be laid before the company in general meeting under section 437.

[^{F1}(2) The auditor's report must include—

- (a) the identity of the company whose annual accounts are the subject of the audit,
- (b) a description of the annual accounts that are the subject of the audit (including the period covered by those accounts),
- (c) a description of the financial reporting framework that has been applied in the preparation of those accounts, and

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- (d) a description of the scope of the audit identifying the auditing standards in accordance with which the audit was conducted.]
- (3) The report must state clearly whether, in the auditor's opinion, the annual accounts—
 - (a) give a true and fair view—
 - (i) in the case of an individual balance sheet, of the state of affairs of the company as at the end of the financial year,
 - (ii) in the case of an individual profit and loss account, of the profit or loss of the company for the financial year,
 - (iii) in the case of group accounts, of the state of affairs as at the end of the financial year and of the profit or loss for the financial year of the undertakings included in the consolidation as a whole, so far as concerns members of the company;
 - (b) have been properly prepared in accordance with the relevant financial reporting framework; and
 - (c) have been prepared in accordance with the requirements of this Act (and, where applicable, Article 4 of the IAS Regulation).

Expressions used in this subsection^[F2] or subsection (3A) that are defined for the purposes of Part 15 (see ^[F3] sections 464, 471 and 474) have the same meaning as in that Part.

- ^[F4](3A) The following provisions apply to the auditors of a company which qualifies as a micro-entity in relation to a financial year (see sections 384A and 384B) in their consideration of whether the Companies Act individual accounts of the company for that year give a true and fair view as mentioned in subsection (3)(a)—
 - (a) where the accounts comprise only micro-entity minimum accounting items, the auditors must disregard any provision of an accounting standard which would require the accounts to contain information additional to those items,
 - (b) in relation to a micro-entity minimum accounting item contained in the accounts, the auditors must disregard any provision of an accounting standard which would require the accounts to contain further information in relation to that item, and
 - (c) where the accounts contain an item of information additional to the micro-entity minimum accounting items, the auditors must have regard to any provision of an accounting standard which relates to that item.]

- ^[F5](4) The auditor's report—
 - (a) must be either unqualified or qualified,
 - (b) must include a reference to any matters to which the auditor wishes to draw attention by way of emphasis without qualifying the report,
 - (c) must include a statement on any material uncertainty relating to events ^[F6] or conditions that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting, and
 - (d) must identify the auditor's place of establishment.]

- ^[F7](5) Where more than one person is appointed as an auditor—
 - (a) all the persons appointed must jointly make a report under this section and the report must include a statement as to whether all the persons appointed agree on the matters contained in the report, and

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- (b) if all the persons appointed cannot agree on the matters contained in the report, the report must include the opinions of each person appointed and give reasons for the disagreement.]

Textual Amendments

- F1** S. 495(2) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 13(2)** (with reg. 1(12))
- F2** Words in s. 495(3) inserted (with effect in accordance with reg. 2(2) of the amending S.I.) by [The Small Companies \(Micro-Entities' Accounts\) Regulations 2013 \(S.I. 2013/3008\)](#), regs. 2(1), **8(2)(a)** (with reg. 3)
- F3** Words in s. 495(3) substituted (with effect in accordance with reg. 2(2) of the amending S.I.) by [The Small Companies \(Micro-Entities' Accounts\) Regulations 2013 \(S.I. 2013/3008\)](#), regs. 2(1), **8(2)(b)** (with reg. 3)
- F4** S. 495(3A) inserted (with effect in accordance with reg. 2(2) of the amending S.I.) by [The Small Companies \(Micro-Entities' Accounts\) Regulations 2013 \(S.I. 2013/3008\)](#), regs. 2(1), **8(3)** (with reg. 3)
- F5** S. 495(4) substituted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 13(3)** (with reg. 1(12))
- F6** Words in s. 495(4)(c) inserted (with effect in accordance with reg. 1(6)(8) of the amending S.I.) by [The Statutory Auditors and Third Country Auditors Regulations 2017 \(S.I. 2017/516\)](#), regs. 1(2), **12(16)**
- F7** S. 495(5) inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 13(4)** (with reg. 1(12))

Modifications etc. (not altering text)

- C2** S. 495 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 3**
- C3** S. 495 applied (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 7** (as amended (with effect in accordance with reg. 2(4) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 2 para. 7** (with reg. 2(6)(7)))
- C4** S. 495 applied (6.4.2008) by [The Bank Accounts Directive \(Miscellaneous Banks\) Regulations 2008 \(S.I. 2008/567\)](#), **reg. 8(1)(a)**, Sch. para. 1 (with Sch. para. 11)
- C5** S. 495 applied (6.4.2008) by [The Partnerships \(Accounts\) Regulations 2008 \(S.I. 2008/569\)](#), **reg. 9(a)**
- C6** S. 495 applied (with modifications) (1.10.2008) by [The Limited Liability Partnerships \(Accounts and Audit\) \(Application of Companies Act 2006\) Regulations 2008 \(S.I. 2008/1911\)](#), **reg. 39** (as amended (with effect in accordance with reg. 2(2)-(5) of the amending S.I.) by [The Limited Liability Partnerships, Partnerships and Groups \(Accounts and Audit\) Regulations 2016 \(S.I. 2016/575\)](#), regs. 2(1), **24**)
- C7** Ss. 484-539 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 11** (with transitional provisions and savings in regs. 7, 9, Sch. 2)
- C8** S. 495 applied (with modifications) (31.7.2015) by [The European Grouping of Territorial Cooperation Regulations 2015 \(S.I. 2015/1493\)](#), regs. 1(2), **7(1)** (with reg. 11)
- C9** Ss. 495, 496 applied (with modifications) by [S.I. 2008/1911](#), **reg. 39** (as amended (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 3 para. 13** (with reg. 2(6)(7)))
- C10** S. 495 applied (with modifications) (E.W.S.) (1.10.2018) by [The Occupational Pension Schemes \(Master Trusts\) Regulations 2018 \(S.I. 2018/1030\)](#), regs. 1(2), **9(4)-(8)**
- C11** S. 495(1) excluded (6.4.2008) by [The Companies \(Revision of Defective Accounts and Reports\) Regulations 2008 \(S.I. 2008/373\)](#), **reg. 7(1)(b)**
- C12** S. 495(1) excluded by [S.I. 2008/373](#), reg. 9(1)(1A) (as substituted (1.1.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **10(a)** (with reg. 2(6)(7)))

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- C13** S. 495(2)-(4) applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(2)(b)**, 148(2)(b)
- C14** S. 495(2)-(4) applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(3)(b)**, 148(2)(b)

496 Auditor's report on strategic report and on directors' report

- [^{F8}(1) In his report on the company's annual accounts, the auditor must—
- (a) state whether, in his opinion, based on the work undertaken in the course of the audit—
 - (i) the information given in the strategic report (if any) and the directors' report for the financial year for which the accounts are prepared is consistent with those accounts, and
 - (ii) any such strategic report and the directors' report have been prepared in accordance with applicable legal requirements,
 - (b) state whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, he has identified material misstatements in the strategic report (if any) and the directors' report, and
 - (c) if applicable, give an indication of the nature of each of the misstatements referred to in paragraph (b).]

- [^{F9}(2) Where more than one person is appointed as auditor, the report must include a statement as to whether all the persons appointed agree on the statements and indications given under subsection (1) and, if they cannot agree on those statements and indications, the report must include the opinions of each person appointed and give reasons for the disagreement.]

Textual Amendments

- F8** Words in s. 496 renumbered as s. 496(1) (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 14(2)** (with reg. 1(12))
- F9** S. 496(2) inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 14(2)** (with reg. 1(12))

Modifications etc. (not altering text)

- C9** Ss. 495, 496 applied (with modifications) by S.I. 2008/1911, **reg. 39** (as amended (with effect in accordance with reg. 2(5)(a) of the amending S.I.) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **Sch. 3 para. 13** (with reg. 2(6)(7)))
- C15** S. 496 applied (with modifications) (6.4.2008) by [The Insurance Accounts Directive \(Miscellaneous Insurance Undertakings\) Regulations 2008 \(S.I. 2008/565\)](#), **reg. 3**
- C16** Ss. 496-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(2)(b)**, 148(2)(b)
- C17** Ss. 484-539 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 11** (with transitional provisions and savings in regs. 7, 9, Sch. 2)
- C18** S. 496 applied (with modifications) (31.7.2015) by [The European Grouping of Territorial Cooperation Regulations 2015 \(S.I. 2015/1493\)](#), regs. 1(2), **7(1)** (with reg. 11)
- C19** Ss. 496, 497 applied (with modifications) by S.I. 2008/373, **reg. 9(1)(1A)** (as substituted (1.1.2018) by [The Statutory Auditors Regulations 2017 \(S.I. 2017/1164\)](#), reg. 1(2)(3), **10(a)** (with reg. 2(6)(7)))

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- C20** S. 496 applied (with modifications) by S.I. 2008/565, **reg. 7(1)(aa)** (as amended (with effect in accordance with reg. 2(4) of the amending S.I.) by The Statutory Auditors Regulations 2017 (S.I. 2017/1164), reg. 1(2)(3), **Sch. 2 para. 7** (with reg. 2(6)(7)))
- C21** S. 496 applied (with modifications) (E.W.S.) (1.10.2018) by The Occupational Pension Schemes (Master Trusts) Regulations 2018 (S.I. 2018/1030), regs. 1(2), **9(4)-(8)**

497 Auditor's report on auditable part of directors' remuneration report

- (1) If the company is a quoted company [^{F10}or unquoted traded company], the auditor, in his report on the company's annual accounts for the financial year, must—
- report to the company's members on the auditable part of the directors' remuneration report, and
 - state whether in his opinion that part of the directors' remuneration report has been properly prepared in accordance with this Act.

- (2) For the purposes of this Part, “the auditable part” of a directors' remuneration report is the part identified as such by regulations under section 421.

[^{F11}(3) In this section “unquoted traded company” means a traded company (as defined by section 360C) that is not a quoted company.]

Textual Amendments

- F10** Words in s. 497(1) inserted (10.6.2019) by The Companies (Directors Remuneration Policy and Directors Remuneration Report) Regulations 2019 (S.I. 2019/970), regs. 1, **25(a)**
- F11** S. 497(3) inserted (10.6.2019) by The Companies (Directors Remuneration Policy and Directors Remuneration Report) Regulations 2019 (S.I. 2019/970), regs. 1, **25(b)**

Modifications etc. (not altering text)

- C19** Ss. 496, 497 applied (with modifications) by S.I. 2008/373, **reg. 9(1)(1A)** (as substituted (1.1.2018) by The Statutory Auditors Regulations 2017 (S.I. 2017/1164), reg. 1(2)(3), **10(a)** (with reg. 2(6)(7)))
- C22** Ss. 496-501 applied (with modifications) (prosp.) by Local Democracy, Economic Development and Construction Act 2009 (c. 20), **ss. 44(2)(b)**, 148(2)(b)
- C23** Ss. 484-539 applied (with modifications) (1.10.2009) by The Unregistered Companies Regulations 2009 (S.I. 2009/2436), regs. 3-5, **Sch. 1 para. 11** (with transitional provisions and savings in regs. 7, 9, Sch. 2)

497A Auditor's report on separate corporate governance statement

- [^{F12}(1) Where the company prepares a separate corporate governance statement in respect of a financial year, the auditor must, in his report of the company's annual accounts for that year—
- state whether, in his opinion, based on the work undertaken in the course of the audit, the information given in the statement in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (information about internal control and risk management systems in relation to financial reporting processes and about share capital structures)—
 - is consistent with those accounts, and
 - has been prepared in accordance with applicable legal requirements,

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- (b) state whether, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, he has identified material misstatements in the information in the statement referred to in paragraph (a),
- (c) if applicable, give an indication of the nature of each of the misstatements referred to in paragraph (b), and
- (d) state whether, in his opinion, based on the work undertaken in the course of the audit, rules 7.2.2, 7.2.3 and 7.2.7 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees) have been complied with, if applicable.]

[^{F13}(2) Where more than one person is appointed as auditor, the report must include a statement as to whether all the persons appointed agree on the statements and indications given under subsection (1) and, if they cannot agree on those statements and indications, the report must include the opinions of each person appointed and give reasons for the disagreement.]

Textual Amendments

- F12** Words in s. 497A renumbered as s. 497A(1) (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 15(2)** (with reg. 1(12))
- F13** S. 497A(2) inserted (17.6.2016) by [The Statutory Auditors and Third Country Auditors Regulations 2016 \(S.I. 2016/649\)](#), reg. 1(1)(a), **Sch. 3 para. 15(2)** (with reg. 1(12))

Modifications etc. (not altering text)

- C24** Ss. 496-501 applied (with modifications) (prosp.) by [Local Democracy, Economic Development and Construction Act 2009 \(c. 20\)](#), **ss. 44(2)(b)**, 148(2)(b)
- C25** Ss. 484-539 applied (with modifications) (1.10.2009) by [The Unregistered Companies Regulations 2009 \(S.I. 2009/2436\)](#), regs. 3-5, **Sch. 1 para. 11** (with transitional provisions and savings in [regs. 7, 9](#), [Sch. 2](#))

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